



Agenda Item No: 4.d
Meeting Date: February 20, 2024

SAN RAFAEL CITY COUNCIL AGENDA REPORT	
Department: Finance	
Prepared by: Shawn Plate Finance Manager	City Manager's Approval

TOPIC: VOTER-APPROVED TAX OVERSIGHT

SUBJECT: VOTER-APPROVED TAX OVERSIGHT COMMITTEE ANNUAL REPORT FOR FY2022-23

RECOMMENDATION:

Accept the Voter-Approved Tax Oversight Committee's Annual Report.

BACKGROUND:

The Voter-Approved Tax Oversight Committee was formed in September 2022 to consolidate oversight of the City's voter-approved tax measures into one five-member committee. The Committee provides independent oversight of all San Rafael voter-approved tax measures, Measures D, E, G, and R, to ensure the funds have been expended in accordance with their authorized purpose and prepares and submits to the City Council an annual report on the audited expenditures and revenues from each tax measure from the previous fiscal year.

At the September 7, 2023, meeting, the Committee received unaudited financial information for each voter-approved tax measure under its oversight purview. The Committee met again on February 6, 2024, to review the final, audited FY 2022-23 financial results for Measures D, E, G, and R and review supplemental information responsive to requests made by the Committee at the September meeting.

During the course of the Committee's review of the tax measures under their purview, the Committee expressed an interest in prospectively reviewing the City's Paramedic Tax (authorized by the voters in 2010) as an additional tax measure to be included in the Committee's annual workplan. The Paramedic Tax has historically not been the subject of prior tax oversight committees.

This agenda item has been prepared to transmit the Committee's Annual Report to the City Council, as required by the Committee's charter.

ANALYSIS:

Measure D: Library Parcel Tax

FOR CITY CLERK ONLY

Council Meeting:

Disposition:

In 2016, San Rafael voters renewed an annual parcel tax to fund opening hours and services for the San Rafael Public Library. As a special-purpose tax, the revenues from Measure D can only be spent for library services in San Rafael to maintain hours of operation and provide services, equipment, programs, and materials at the San Rafael Public Library. Measure D is scheduled to expire in 2027.

The audited financial statements for FY 2022-23 report Measure D revenues of \$1,144,506, expenditures of \$1,169,872, and an ending fund balance of \$833,944. An overview of the Measure D financials can be found in Attachment 3. The accumulation of fund balance is primarily the result of reduced activity due to the COVID-19 pandemic during fiscal years 2019-20 and 2020-21.

The audited capital set aside fund balance was \$100,338. This capital set aside was earmarked for new and improved library facilities as directed by the City Council as part of the previous Measure C and was capped at \$500,000. The Measure C funds were utilized to pay third-party outside research firms to conduct a survey assessing voter support for a tax measure to fund either an expanded and restored Carnegie Library or a new joint library and community center at Albert Park. The City used additional outside consultants to provide cost and tax rate analyses for both potential projects.

Measure G: Cannabis Business Tax

In 2018, San Rafael voters approved Measure G, a business excise tax on cannabis businesses. Measure G allows for a tax on cannabis businesses operating in the City of up to 8% on gross receipts and taxes different types of businesses at different rates. Current rates can be found on the [City's website](#). Measure G funds can be used for many purposes, including police and fire services, street repair and improvements, and enhancing community centers. Measure G does not have an expiration date.

During FY 2022-23, \$346,216 of Measure G business tax proceeds were received, and \$163,730 was expended. The decrease in Measure G revenues from FY 2021-22 to FY 2022-23 can be attributed to challenging conditions in the cannabis market and the temporary decrease in the cannabis tax rate from 4% to 2% for delivery non-storefront license types on [January 1, 2023](#).

On [January 27, 2023](#), the City Council committed most of the existing fund balance of \$968,251 to support the pilot Specialized Assistance For Everyone (SAFE) Team, which began in late FY 2022-23. The program was initially supported using funds from the City's opioid settlement and grant funds, after which cannabis tax revenues will be utilized. Staff plan to return to the City Council at mid-year based on actual program needs and adjust transfers out to support the program's operations.

Measure E: Essential Facilities Transactions and Use Tax (0.75%)

San Rafael voters passed Measure E in 2013. Measure E is a three-quarter cent general purpose transactions and use tax that supports essential facilities in San Rafael, including making critical improvements to our public safety facilities in San Rafael. Construction of the Public Safety Center was completed in 2020, and construction and improvements of several other facilities are underway. Measure E is scheduled to expire in 2034.

During FY 2022-23, a total of \$14,706,528 of Measure E funds were collected by the City. Per direction from the City Council given to staff in early 2014, one-third of Measure E funds are dedicated to supporting essential facility construction and improvements, including debt service. Most funds allocated for essential facilities are utilized to pay debt service for the Public Safety Center, totaling \$4,315,250. A total of \$586,929 was assigned to the Public Safety Facilities Fund this fiscal year.

Measure R: Transactions and Use Tax (0.25%)

Measure R was passed in 2020 by San Rafael voters. Measure R is a one-quarter cent general purpose transactions and use tax, often called a local sales tax. Funds from this measure go to the General Fund and support various City operations, including public works, recreation and library, administrative services, and public safety. Measure R is scheduled to expire in 2030. FY 2022-23 was the second full fiscal year of Measure R tax receipts, during which \$4,802,175 of revenues were received.

Further details related to the City's voter-approved tax measures and fiscal position can be found in the annual comprehensive financial report available on the City's website.

FISCAL IMPACT:

There is no fiscal impact associated with accepting this report.

RECOMMENDED ACTION:

Accept the Voter-Approved Tax Oversight Committee's Annual Report, as presented herein.

ATTACHMENTS:

1. Voter-Approved Tax Oversight Committee Annual Report (FY2023-24), dated February 6, 2024
2. Voter-Approved Tax Oversight Committee Bylaws

City of San Rafael
Voter-Approved Tax Oversight Committee (VATOC)
Annual Report
February 6, 2024

The City of San Rafael Voter-Approved Tax Oversight Committee met on February 6, 2024, and received a detailed report from City of San Rafael staff on the receipt and expenditure of funds during the fiscal year July 1, 2022 to June 30, 2023 pursuant to voter-approved Measure D (Library Parcel Tax), Measure E (Essential Facilities Transactions and Use Tax), Measure R (General Purpose Transactions and Use Tax), and Measure G (Cannabis Business Tax).

Voter-Approved Tax Oversight Committee is required to review the collection, expenditure, and prioritization of the use of these funds, and report to the City Council and the community annually on the expenditures under Guidelines and Policy adopted by the San Rafael City Council.

After review, the Voter-Approved Tax Oversight Committee finds that these funds were properly allocated in accordance with the Measures and approved guidelines.

Tracey Broadman 

Charles 'Chuck' Friede 

Caleb McWaters 

Carsten Andersen 

Stephen Roth 

VOTER APPROVED TAX OVERSIGHT COMMITTEE BYLAWS

ARTICLE I. NAME AND PURPOSE

Section 1.1. Name. The name of this body shall be the City of San Rafael Voter Approved Tax Oversight Committee, hereinafter referred to as the “Committee.”

Section 1.2. Purpose. The Committee’s purpose is to review the collection and expenditure of voter approved tax revenues collected under the authority of voter-approved City tax measures and Resolution 15118 adopted by the San Rafael City Council on September 6, 2022.

Section 1.3. Committee Responsibility. The Committee’s authority is oversight only.

The responsibilities and duties of the Committee shall be limited to:

- 1.2 Review expenditures of Measure tax revenues to ensure the monies have been expended in accordance with the authorized municipal purposes of each Measure. To complete this review, the Committee shall:
 - 1.2.1 Understand allowable expenses of each existing Measure’s tax funds (as identified in the enacting Municipal Ordinance)
 - 1.2.2 Review documentation from City Council and from City Council-appointed advisory committees that pertain to the prioritization of use of each Measure’s tax funds.
 - 1.2.3 Review annual reports prepared by the City’s Finance Department that track the receipt and spending of each Measure’s tax funds.
 - 1.2.4 Prepare and submit to the City Council and the community an annual public report on the expenditures of each Measure’s tax revenues for the previous fiscal year.
 - 1.2.5 Fulfill the final responsibilities of each Measure’s responsibilities at the Measure’s termination, repeal or extension: Before submitting a final report: Review and report on the final expenditures of each Measure during the previous fiscal year, through its termination, to ensure that monies have been expended consistent with the authorized purposes of the Measure.

The Committee shall **not**:

1. Have any budgetary decision authority, shall not allocate financial resources, and shall not make budget or service recommendations to the City Council.
2. Have authority to direct, nor shall it direct, City staff or officials.

ARTICLE II. MEMBERSHIP

Section 2.1. Number of Members. The Voter Approved Tax Oversight Committee shall consist of five (5) voting members.

Section 2.2. Eligibility. Members of the Committee shall be at least 18 years of age and reside within the City limits.

Section 2.3. Appointment of Committee Members. Members shall be appointed by the City Council. Appointments shall be published on the website for the City of San Rafael in accordance with Government Code Section 54973, as amended from time to time.

Section 2.4. Terms of Appointment. Each member shall serve a minimum term of four (4) years. An effort will be made to ensure that the terms are staggered, and not all of the appointments expire in the same year.

Section 2.5. Term Limits. Members shall be limited to two (2) consecutive four-year terms. Additional terms may be served if there is a break between terms.

Section 2.6. Absence and Removal. An unexcused absence from two (2) consecutive Committee meetings without notification to the Staff Liaison will constitute an immediate vacancy and shall be considered a voluntary resignation from the Committee. Previously dismissed Committee members may be eligible for reappointment.

Section 2.7. Compensation. Members shall serve without compensation.

ARTICLE III. MEETINGS

Section 3.1. Time and date of Regular Meeting. Notification of meeting place, date, and time shall be rendered to the public through posting on the City of San Rafael website.