

STAFF REPORT

TO: HONORABLE MAYOR AND CITY COUNCIL  
FROM: ROBERT PERRAULT, CITY MANAGER  
SUBJECT: DISCUSSION REGARDING SALES TAX MEASURE

BACKGROUND

On November 7, 2006 voters approved Measure X adjusting the sales tax by one-half percent (0.5%) and creating a Citizens Oversight Committee. Staff is expecting that approximately \$480,000 in additional revenue will be received by the City as a result of the estimate. Staff is seeking Council direction on prioritizing the use of these funds and the development of the Oversight Committee.

DISCUSSION

Use of Funds

As noted, the adjustment in the sales tax rate is expected to generate approximately \$480,000 annually for the City's General Fund. The amount generated on an annual basis will vary depending on the health of the local economy. The City is now in the midst of its budget development and this is an appropriate time to provide direction on the use of these funds for the coming fiscal year. In prioritizing the use of these funds, the Council should reflect on the actual wording of Measure X for guidance. This language reads in part:

*" to help preserve the safety and character of Grover Beach by funding essential services, including the Police and Fire Departments, repair potholes and fix City streets and sidewalks, increase recreation opportunities for seniors and youth, improve City parks and beach access, and other general City services".*

In addition to the Measure, assurances were made that the funds would be used to ensure that the City does not use Reserve Funds to cover operational costs. The current fiscal year budget contemplates using \$83,000 in Reserve Funds to cover operations costs. Additionally, in a City Council workshop held last month, the Council directed that at least 50% of the funds generated or approximately \$240,000 is to be used on street rehabilitation.

Based on the language contained in the Measure, the assurances offered during the election, and the previous direction to use 50% of the funds generated for the Local Street Rehabilitation Program, staff would like to offer the following use recommendations for consideration:

APPROVED FOR FORWARDING

  
ROBERT PERRAULT  
CITY MANAGER

Please Review for the Possibility of a Potential Conflict of Interest:

- None Identified by Staff
- Ashton
- Lieberman
- Nicolls
- Shoals
- \_\_\_\_\_

Meeting Date: April 16, 2007

Agenda Item No. 8

Proposed Uses of Funds Generated from Sales Tax Adjustment

1. Street Rehabilitation - This is a Council directed priority and will be funded at 50% of total funds generated. The total cost for this item is estimated at \$240,000.
2. Police Vehicle Replacement - The City needs to replace a police vehicle. This expenditure will assist with the preservation of essential services. The expenditure will amount to slightly more than 7% of the total generated and the cost is estimated at \$35,000.
3. Public Works Utility Truck Replacement - The current truck is a ¾ ton pick up that is 11 years old and was scheduled to be replaced two (2) years ago. The vehicle is used to serve the parks and in street repairs. Costs are entirely General Fund-related. The expenditure is approximately 6% of total revenue generated and the cost is estimated at \$28,000.
4. Full Payment of Fire Apparatus Lease - The City purchased the 1996 Hi Tech Engine with a lease purchase agreement. The remaining debt service on this apparatus is \$72,000. This apparatus is currently being considered as a part of a Public Safety Equipment Sharing Agreement with the City of Arroyo Grande. Payment of the lease will relieve the General Fund of an equivalent obligation and increase the amount of funds available for essential services. The expenditure is approximately 15% of total generated and estimated cost is \$72,000.
5. Confined Space Equipment - Fire Department - The Fire Department is the listed rescue response entity for confined space within the City. The Department has trained personnel but does not have the equipment. Total cost of the equipment is estimated at \$25,534. The full purchase will be completed in three (3) phases. The expenditure will amount to 2% of total revenue generated or \$9,000.
6. Elimination of Use of Reserve Funds - In placing the Measure on the ballot, the Council indicated that the resources should be used to eliminate use of Reserve Funds. Staff is recommending that 20% of the funds be used for this purpose for a total of \$96,000.

As you can see, staff's recommended funding priorities would direct the majority of funds towards the Local Street Rehabilitation Program, per City Council direction, and equipment-related expenditures. Staff would suggest that the Council review this list carefully and reflect on the assurances offered the public during the fall election. Any modification of the list should be made with these assurances in mind.

Discussion Regarding a Citizen Committee

Measure X also required the creation of a Citizen Committee. Section 15013 of the Municipal Code requires "that the City shall prepare and make available to the public an annual report, which presents in summary form expenditures from the prior fiscal year from the Transactions and Use Tax and budgeted expenditures for the upcoming fiscal year."

Section 1504 also requires that "The City Council shall appoint a citizen committee to review the annual report, and who will provide a report on expenditures of the revenues generated from the Transaction and Use Tax to the City Council."

In creating the Citizen Committee, staff would suggest the Council has considerable discretion. Staff is suggesting the Council consider the following:

1. The Committee should have a minimum of three (3) but no more than five (5) members.
2. The Council should use the current application appointment process used to fill other Commission and Committee vacancies.
3. The term of office should be four (4) years.
4. Committee Members should be residents and registered voters within the City.
5. The Committee should meet at least once annually and all meetings are subject to the Brown Act.
6. The Committee should review the annual report relative to the activities funded with the additional revenues generated from the adjustment in the sales tax and make a report to the City Council no later than six (6) months following the end of the fiscal year.

### **ALTERNATIVES**

The City Council has the following alternatives to consider:

1. Provide direction regarding the setting of priorities for the use of additional sales tax revenue, provide direction relative to the formation of a Citizen Committee, and direct staff to prepare a Resolution on formation of a Citizen Committee;
2. Modify staff's recommendations as presented and provide additional direction; or
3. Provide alternative direction to staff.

### **RECOMMENDED ACTION**

It is recommended that the Council: 1) provide direction regarding the setting of priorities for the use of additional sales tax revenue, 2) provide direction relative to the formation of a Citizen Committee, and 3) direct staff to prepare a Resolution on formation of a Citizen Committee.

### **FISCAL IMPACT**

As a result of this item, the Council will provide direction that will determine the use of revenue generated from the Measure approved by the voters in November. Additional minor costs will be incurred within the General Fund relative to the development of the Citizen Committee.

### **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act.

### **Attachments**

None.