INTRODUCE AN ORDINANCE AMENDING CHAPTER 2.14, REVENUE ENHANCEMENT OVERSIGHT COMMISSION, OF THE MUNICIPAL CODE

RECOMMENDATION

1. Introduce an Ordinance (Attachment A) amending Chapter 2.14, Revenue Enhancement Oversight Commission, of the Municipal Code; and
2. Direct staff to return to the City Council for the second reading of the ordinance as part of the certification of results of the General Municipal Election of November 3, 2020.

DISCUSSION

Background
On July 21, 2020, the City Council approved the placement of a ballot measure question to the voters whether to amend Chapter 3.15 of the Municipal Code with a Community Services and Investment Local Transactions (Sales) and Use Tax on the November 3, 2020 ballot.

At that meeting, the Council directed staff to return with proposed amendments to Chapter 2.14, Revenue Enhancement Oversight Commission, of the Municipal Code. That chapter established a five-member citizen advisory body, the Revenue Enhancement Oversight Commission (REOC), to review, report, and make recommendations to the City Council on the use of the half-cent, local general sales tax. The REOC is also responsible for reviewing an audit report of the use of the funds, approving the annual community report and report in brief before it is distributed to every household within the City, and holding an annual citizen oversight meeting to gather input from the community on the use of the funds prior to making recommendations to the City Council as part of the budget process. Every two years, as part of the Financial Plan process, the REOC joins the City Council as part of the Community Forum to receive input on the community’s top priorities and use of the Local Revenue Measure. Annual reports showing the audited expenditures for the Local Revenue Measure can be found on the City’s website. The REOC plays an important role of citizen oversight, input, and accountability and is a best practice commonly found in other cities with a local revenue measure.
Proposed Amendments to Chapter 2.14
Based on Council direction, the intent of the proposed amendments to Chapter 2.14 is to broaden community member representation on the REOC and to build in additional accountability and community engagement opportunities to ensure spending priorities align with the community’s and City Council’s vision for long-term investment. Specifically, the proposed amendments cover several sections of Chapter 2.14, Revenue Enhancement Oversight Commission, of the Municipal Code (Attachment A). Section 2.14.020 adds language to the desired experience for residents being considered by the City Council to be appointed to the REOC. The following amendment is proposed:

2.14.020 Members and appointment
The REOC shall consist of five members who are residents of the city. Members shall be appointed by the whole city council through a public application and appointment process. When recruiting members, the city will seek members who have experience with finance, budgeting, municipal accounting or represent a sales tax generating business.

The next proposed amendment, in section 2.14.040, adds a section directing the REOC to recommend long-term community service and investment priorities to the City Council every eight years. The following amendment is proposed:

2.14.040 Powers and duties
G. Long-Term Priority Setting. Every eight years, the City will incorporate a long-term priority setting exercise into the Financial Plan development process to determine the long-term community services and investment priorities for the use of Local Revenue Measure funds. This exercise shall include receiving input from residents, community members, and the REOC regarding spending priorities with priorities being set by the City Council as a part of the development of the Financial Plan.

The remaining proposed amendments are administrative in nature and will not go into effect unless the ballot measure is approved by the voters as part of the November 3, 2020 general election.

Previous Council or Advisory Body Action
1. July 21, 2020 City Council Meeting

Policy Context
The recommended amendment to 2.14.020, Members and appointment, is consistent with the language in the City of San Luis Obispo’s Advisory Body Handbook (Section 1(C)) regarding membership qualifications and the appointment process. The language states the City of San Luis Obispo encourages participation of a wide variety of its citizens through service on an advisory body. Additionally, the recommended amendment to 2.14.040, Powers and duties, is consistent with language in the adopted Fiscal Responsibility Philosophy (Resolution No. 10546 (2014 Series)) regarding community input and aligning investment in the community.¹

¹ 2014, Fiscal Responsibility Philosophy Section 2 – Definition. Fiscal responsibility is the balanced approach to providing the infrastructure maintenance and services that preserve and enhance the quality of life in our community as identified and prioritized through community input.
Public Engagement
This item is on the agenda for the September 1, 2020 City Council meeting and will follow all required postings and notifications. The public may have an opportunity to comment on this item at or before the meeting.

CONCURRENCE
The City Attorney and Director of Finance concur with the staff recommendation.

ENVIRONMENTAL REVIEW
The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a “Project” under CEQA Guidelines Sec. 15378.

FISCAL IMPACT
Budgeted: Yes Funding Identified: Yes

Budget Year: 2020-21
Fiscal Analysis:

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<th>Annualized On-going Cost</th>
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This item does not have any direct costs, however, should the ballot measure be approved by the voters as part of the November 3, 2020 general election, the measure is projected to provide approximately $21,600,000 annually in revenue and could be used for general community services and infrastructure needs.

Section 3 (D) – Aligned Investments. The City shall allocate resources in alignment with community needs and priorities for maintaining and/or adding capital projects, assets, or services.
ALTERNATIVES

1. *The Council may choose to deny the proposed amendments.* Staff does not recommend this based upon a desire to broaden community member representation on the REOC and to build in additional accountability and community engagement opportunities to ensure the spending priorities align with the community and City Council’s vision for long-term investment.

2. *The Council may choose to modify the proposed amendments.* Should the Council choose to modify the proposed amendments, staff requests direction on the specific language to be modified.

Attachments:

a. Draft Ordinance
ORDINANCE NO. ______ (2020 SERIES)

REVENUE ENHANCEMENT OVERSIGHT COMMISSION

WHEREAS, the City of San Luis Obispo (City) is a municipal corporation duly organized under the California Constitution and laws of the State of California; and

WHEREAS, on July 21, 2020, the City Council adopted Resolution No. 11145, submitting to the voters a question whether to extend the existing, voter-approved local transaction (sales) and use tax at a 1.5¢ rate, until ended by voters. The resolution also stated that any extension and enhancement of existing, voter-approved funding will continue to require a citizen revenue enhancement oversight commission (REOC) to ensure funds are spent consistent with the community’s priorities; and

WHEREAS, the REOC reviews revenues and expenditures from the local transaction (sales) and use tax, reports to the community and the City Council about the City’s stewardship of these revenues, and recommends expenditures to the City Council that are consistent with the purpose of the general purpose tax and the preferences of the City residents; and

WHEREAS, the City Council desires to expand the qualifications of candidates to be appointed on the REOC to broaden the views and representation of the community; and

WHEREAS, the City's voter-approved local transaction (sales) and use tax includes substantial accountability measures including: requirements for independent annual financial audits; integration of use of funds into the City's budget and goal-setting process; annual community reports; and annual citizen engagement meetings; and

WHEREAS, the City recognizes the importance of periodically reviewing the long-term community services and investment priorities to align with the community’s priorities; and

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of San Luis Obispo, as follows:

SECTION 1. Chapter 2.14 of the City's Municipal Code is hereby amended and re-enacted in full to read as follows:
Chapter 2.14
REVENUE ENHANCEMENT OVERSIGHT COMMISSION

2.14.010 Commission established and purpose.

The Revenue Enhancement Oversight Commission (REOC) is hereby established to review, report, and make recommendations regarding the use of revenues collected through the city’s voter-approved general purpose, one and a half-percent sales tax authorized by Chapter 3.15. The REOC is authorized to review these tax revenues and expenditures, report on the city’s stewardship of this general purpose tax and provide recommendations directly to the City Council regarding expenditures of these tax revenues as an integral part of the budget process. The establishment of the REOC shall be effective upon voter approval of a revenue enhancement measure to be proposed in November 2014 and shall continue in existence as long as Chapter 3.15, adopted by such measure, is in effect.


The REOC shall consist of five members who are residents of the city. Members shall be appointed by the whole city council through a public application and appointment process. When recruiting members, the city will seek members that have experience with finance, budgeting, municipal accounting or represent a sales tax generating business.


A. Terms. Of the members first appointed, three shall be appointed for the term of three years, and two shall be appointed for two-year terms. Subsequent appointments to the REOC shall be for three years. Vacancies during the term shall be filled by the city council for the unexpired portion of the term. Members may be removed by the city council with or without cause by a majority vote of the city council.


The REOC shall meet a minimum of four times per year to perform its duties, as follows:

A. Generally. The REOC shall have the authority to conduct public hearings as directed by the city council or city policy. The REOC shall exercise the duties conferred upon it by this chapter, and as necessary to achieve its purpose.

B. Annual Community Report. The REOC shall conduct a public hearing annually to review and take public testimony on the essential community services and investment measure annual report.

C. Annual Audit. The REOC shall meet annually to review the audited financial statements contained in the comprehensive annual financial report for the essential community services and investment measure.
D. Annual Citizen Oversight Meeting. The REOC shall hold an annual essential community services and investment measure community forum for the purpose of taking input from residents and community members on preferences for the use of the revenues generated by the essential community services and investment tax.

E. Budget Recommendations. The REOC shall meet for the purpose of making recommendations to the city council regarding the uses of revenue generated by the essential community services and investment measure. The REOC shall take into consideration the input provided by residents and community members during the annual citizen oversight meeting, the purpose of the essential community services and investment, the major city goals established by the city council, and the amount of revenue available from past fiscal years, and projected to be available during the next fiscal year, in making its budget recommendations to the council.

F. Outreach and Education. The REOC shall be authorized to perform outreach and educational activities so that residents and community members are informed about the costs and benefits associated with the collection and use of revenue generated by the essential community services and investment.
G. **Long-Term Community Services and Investment Priorities.** Every eight years, the City will incorporate a long-term priority setting exercise into the Financial Plan development process to determine the long-term community services and investment priorities for the use of Local Revenue Measure funds. This exercise shall include receiving input from residents, community members, and the REOC regarding spending priorities with priorities being set by the City Council as a part of the development of the Financial Plan.

INTRODUCED on the ____ day of _________ 2020 AND FINALLY ADOPTED on the ____ day of _________ 2020 by the Council of the City of San Luis Obispo on the following vote:

AYES:
NOES:
ABSENT:

Mayor Heidi Harmon

ATTEST:

____________________________________
Teresa Purrington
City Clerk

APPROVED AS TO FORM:

____________________________________
J. Christine Dietrick
City Attorney

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Luis Obispo, California, on ________________.

____________________________________
Teresa Purrington
City Clerk