

CITY OF SAN LEANDRO
MEMORANDUM

DATE: March 2, 2012

TO: Finance Committee

FROM: Chris Zapata, City Manager

BY: Jim O'Leary, Interim Finance Director

SUBJECT: Discussion Regarding Formation of Citizen Oversight Committee Required by the Transaction and Use Tax (Measure Z) Ordinance

RECOMMENDATION

Staff recommends that the Finance Committee direct staff to prepare a resolution for City Council approval establishing the composition of the Citizen Oversight Committee related to Measure Z and defining the scope of responsibility of the committee.

BACKGROUND

At the Municipal election in November 2010, San Leandro voters approved the ordinance putting in place a Transaction and Use Tax, the sales tax measure referred to as Measure Z, in San Leandro.

The ordinance stated that at the time, local revenues were down \$11.6 million over a 4-year period. As a result, the City had drastically reduced spending, including reducing staff by almost 20% over the prior two years (95 full-time positions), freezing most employee salaries, implementing a two-tier retirement system, furloughing employees, closing City offices once a month, and using a significant portion of the City's reserves. Without additional revenue, further significant cuts would be necessary to address the budget shortfall.

Possible additional budget actions included eliminating 7 more police officers, a code enforcement officer and an animal control officer, removing a Fire ladder truck and 9 firefighters, dramatically reducing street repairs, libraries, senior programs, and youth recreation programs.

Although approved by the voters in November 2010, the transaction and use tax ordinance became operative on March 31, 2011. The tax first started to be collected on April 1, 2011. The City received \$869,000 during the initial quarter, April to June 2011. A complete, full-year of the tax revenue, estimated at \$3,600,000 will be collected during 2011-12 and through November 2011, the City has recorded about \$1,575,000.

DISCUSSION

Ordinance 2010-022, that created the Transaction and Use Tax at the rate of 0.25% in San Leandro, calls for the formation of a Citizens Oversight Committee. Section 2-19-165 in summary states:

There shall be a five-member committee of members of the public to review and report on the revenue and expenditure of funds from the tax adopted by this chapter. Prior to the operative date, the City Council shall adopt a resolution establishing the composition of the committee and defining the scope of its responsibilities. The section called for the City Council to complete appoint of the members of the committee by the end of 2011.

Retail businesses and residential and business consumers represent community segments most directly impacted by Measure Z. The following is a suggested composition for the Citizens Oversight Committee:

- Chairperson of the San Leandro Chamber of Commerce.
- Retail representative from the Downtown Business Association
- Officer from a homeowner or neighborhood association.
- City Board or Commission member.
- Representative from San Leandro financial institution or accounting firm.

Finally, the resolution approved by the City Council shall define the scope of the responsibilities for the committee. Duties may include developing a report on the following:

- Amounts of Transaction and Use Tax revenue generated by Measure Z
- Use of the tax revenue and the impact on the City's operating budget including a statement on the impact of the revenue in reducing the amount of cuts resulting from addressing the budget shortfall
- Statement of expenditures funded by Measure Z revenues.
- Impacts of Measure Z on local business competitiveness and the collection of Sales Tax revenues.

CONCLUSION

Staff recommends that the Finance Committee direct staff to prepare a resolution for City Council approval establishing the composition of the Citizen Oversight Committee related to Measure Z and defining the scope of responsibility of the committee.