RESOLUTION NO. 2014-066

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ATASCADERO, CALIFORNIA, REAFFIRMING CITY COUNCIL INTENT REGARDING THE MEANING OF THE PHRASE “REPAIRING AND MAINTAINING NEIGHBORHOOD ROADS AND OTHER ROADWAYS” REFERENCED IN THE ADVISORY MEASURE

WHEREAS, On June 24, 2014 the Council voted to place a general sales tax measure on the November 2014 ballot. At the same time, the Council voted to place an Advisory Measure on the ballot asking voters whether or not the funds should be used for or the purpose of repairing roads. The language adopted by Council for Measure E-14 reads as follows:

ADVISORY VOTE ONLY

If the voters of the City of Atascadero approve a one half cent limited term general sales tax increase, should the additional revenues be used for the purpose of repairing and maintaining neighborhood roads and other roadways?

And,

WHEREAS, since placing the Advisory Measure on the ballot, community members have asked many questions regarding the intent of the Advisory Measure language. While the advisory vote is not binding, it is important that the voters have a clear understanding of the current Council’s intent regarding the Advisory Measure language; and,

WHEREAS, the June 24, 2014 Staff Report included an explanation with the regard to the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways;” and,

WHEREAS, the presentation of the Staff Report at the June 24, 2014 City Council Meeting included power point slides 29 to 33 regarding the Intent of the Advisory Language on road repairs and road maintenance; and,

WHEREAS, on October 14, 2014, there was a Staff Report presented to the City Council, a true copy of which is attached to this Resolution; and,

WHEREAS, the October 14, 2014 Staff Report included the following Attachments:

1. Draft Resolution A reaffirming City Council intent regarding the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways” referenced in the Advisory Measure,
2. June 24, 2014 Staff Report regarding placing a sales tax measure on the ballot
3. June 24, 2014 Power Point Presentation regarding placing a sales tax measure on the ballot
And,

**WHEREAS**, the October 14, 2014 Staff Report recommended that the City Council adopt a Resolution reaffirming City Council intent regarding the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure.

**NOW, THEREFORE, BE IT RESOLVED**, by the City Council of the City of Atascadero that

**SECTION 1.** The City Council hereby reaffirms its intent regarding the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure.

**SECTION 2.** The City Council intent regarding the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure is as described in the June 24, 2014 Staff Report.

**SECTION 3.** The City Council intent regarding the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure is further described in power point Slides 29 to 33 included in the presentation of the Staff Report on June 24, 2014 as follows:

**Intent of Advisory Language**

- Includes Road Repair Projects – rehabilitations, overlays, cold-in place recycling, reconstructions, etc.
- Includes Road Maintenance Projects – slurry seals, crack sealing, chip-sealing, micro-surfacing, etc.
- Does Not Include: Routine Road Maintenance – minor pothole repair, vegetation control, shoulder control, street staffing, etc.
- Does Not Include: Road Improvements – road widening, bikeways, new roads, roundabouts; or any road work or road improvements at the Del Rio/101 interchange or any traffic mitigation required as part of the Walmart and Annex projects
- Includes Neighborhood/Local Roads
- Includes Collector Roads
- Includes Arterial Roads
- Includes storm drain improvements necessary to preserve/protect/repair the road
- Includes bridge surface and structural repairs
- Includes staff time spent directly on the project – design, bidding, inspection, construction engineering and construction oversight
- Does NOT include general administration and overhead
- ADA Improvements Must Be Included in Road Projects – If sidewalks in road project area, must bring them into compliance with current requirements
On motion by Mayor Pro Tem Sturtevant and seconded by Council Member Moreno, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES: Council Members Fonzi, Kelley, Moreno, Mayor Pro Tem Sturtevant and Mayor O'Malley

NOES: None

ABSENT: None

ADOPTED: October 14, 2014

By:

CITY OF ATASCADERO

By: Tom O'Malley, Mayor

ATTEST:

Marcia McClure Torgerson, C.M.C.,
City Clerk

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney
Atascadero City Council

Staff Report - City Manager

Resolution Reaffirming Council Intent Regarding meaning of “Repairing and Maintaining Neighborhood Roads and Other Roadways”

RECOMMENDATION:

Council adopt Draft Resolution A reaffirming City Council intent regarding the meaning of the phase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure.

DISCUSSION:

On June 24, 2014 the Council voted to place a general sales tax measure on the November ballot. At the same time, the Council voted to place an Advisory Measure on the ballot asking voters whether or not the funds should be used for or the purpose of repairing roads. The language adopted by Council for Measure E-14 reads as follows:

ADVISORY VOTE ONLY
If the voters of the City of Atascadero approve a one half cent limited term general sales tax increase, should the additional revenues be used for the purpose of repairing and maintaining neighborhood roads and other roadways?

Since placing the Advisory Measure on the ballot, community members have asked many questions regarding the intent of the Advisory Measure language. While the advisory vote is not binding, it is important that the voters have a clear understanding of the current Council’s intent regarding the Advisory Measure language.

The Advisory Measure contains language asking if the funds should be used for “....repairing and maintaining neighborhood roads and other roadways.” Because the Advisory Measure is advisory in nature and does not have a Council adopted ordinance, there is no formally adopted definition. However definitions and intents as expressed in the June 24, 2014 Staff Report and were developed based on numerous Council reports, strategic planning sessions and Council agenda items about road conditions.
The Council could, through the budget process, if the sales tax measure passes, allocate funds derived from the sales tax to the repair and maintenance of neighborhood roads and other roads consistent with the meaning of that phase as described in the June 24, 2014 Staff Report and related Power Point Presentation.

**June 24, 2014 Staff Report**

In the June 24, 2014 Staff Report at pages 6 to 7, the City Council was presented with the following explanation with regard to the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways:

“What does road “repairing and maintaining” mean? Road repair projects are typically larger road projects that repair or rehabilitate the road. These projects may include cold in-place recycling, hot-mix asphalt overlays and isolated, partial and/or full-depth road reconstruction. Road maintenance projects are also typically large projects that are designed to preserve those roads that are in good or fair condition. These projects may include asphalt crack sealing, chip sealing, slurry or micro-surfacing. In this case, “repairing and maintaining” would not include routine maintenance such as isolated pothole repair, shoulder maintenance, vegetation control, striping projects, street crew staffing costs or normal sign replacement. Nor would it typically include projects to significantly widen or increase the capacity of roads, bikeways, trails or sidewalks.

What does neighborhood roads and other roadways mean? All City roads are classified into three categories: local, collectors and arterials.

- **Local roads** typically only serve those lots directly fronting the road and not through traffic. These would be considered neighborhood roads and include such roads as Tunitas Avenue, Palomar Avenue, Nogales Avenue, and Carmelita Road.
- **Collector roads** funnel local traffic from neighborhood roads to arterial streets. These roads would be considered “other roadways” and would include such roads as Santa Lucia Road, Del Rio Road, and Curbaril Avenue.
- **Arterial roads** carry the largest amount of traffic and would also be considered “other roadways”. Arterials include such roads as El Camino Real and Traffic Way.

Would other costs such as drainage repairs be included? Control of surface drainage is critical to pavement maintenance; therefore drainage repairs necessary to preserve/protect/repair the surface of the road would be included in the costs of a road repair project.

Would bridge repairs be included? Bridges are an important part of the roadway system. A bridge structure typically lasts 50-75 years without major rehabilitation. The asphalt/pavement on the bridge will require maintenance more often than the structure itself. The bridge structure, however, does
periodically require maintenance. Maintaining the asphalt/pavement on the bridge structure without providing funds for maintenance of the structure itself could eventually lead to bridge failure. The City has historically used federal grant funds (with City matching funds) to rehabilitate bridge structures. The City will continue to look for bridge and road grant opportunities, potentially using the sales tax proceeds as a local match.

Will administration and overhead be charged to the projects? It is the City’s current practice that staff time spent working directly on the project is charged to the project. Staff time is charged for such things as design, bidding, inspection, construction engineering and contractor oversight. Staff currently completes project time cards that detail the time spent on the project and what work was performed during that time. General administration, oversight, and overhead are not charged to projects.

What other “non-road” costs might be included? Federal American with Disabilities Act regulations now REQUIRE that any deficient disabled access improvements within the project area must be improved to eliminate barriers. This means that if we are doing a road improvement project and there are sidewalks in the area that do not meet current ADA code, we MUST as part of the project bring those up to current standards. If there are no sidewalks, we are not required to install new facilities as part of the project.”

If adopted, Draft Resolution A would confirm this understanding of the meaning of “repairing and maintaining neighborhood roads and other roadways.”

**June 24, 2014 Power Point Presentation**

The Power Point on the potential sales tax measure that was presented to the City Council at their June 24, 2014 meeting contained slides that also attempted to clarify the understanding of the language in the Advisory Measure. The Power Point contained the following slides:

**Intent of Advisory Language**

- Includes Road Repair Projects - rehabilitations, overlays, cold-in-place recycling, reconstructions, etc.
- Includes Road Maintenance Projects - slurry seals, crack sealing, chip-sealing, micro-surfacing, etc.

Does Not Include:

- Routine Road Maintenance - minor pothole repair, vegetation control, shoulder control, street sweeping, etc.
- Road Improvements - road widening, bikeways, new roads, roundabouts
Slide 30

Intent of Advisory Language

- Includes Neighborhood/Local Roads - Palomar, Nogales, Carmelita, Tunitas
- Includes Collector Roads – Santa Lucia, Del Rio, Curbabil
- Includes Arterial Roads – El Camino, Traffic Way

Slide 31

Intent of Advisory Language

- Includes storm drain improvements necessary to preserve/protect/repair the road
- Includes bridge surface and structural repairs

Slide 32

Intent of Advisory Language

- Includes staff time spent directly on the project - design, bidding, inspection, construction engineering and construction oversight
- Does NOT include general administration and overhead
While very similar to the language provided in the staff report, the Power Point presentation slides further define the understanding of the Advisory Measure.

### Provisions in the Ballot Measure
The sales tax measure is a general sales tax measure and the proceeds may be used for any City purpose, regardless of the outcome of the advisory vote. Based on the input received from the Council and the community throughout the process, it was clear that Council wanted to include several provisions in the sales tax ordinance including the following:

- **Advisory Measure**
  The general sales tax ballot measure is coupled with an Advisory Measure. The trend in the industry for local general sales tax measures is to include an Advisory Measure with the tax measure. An advisory question is a type of ballot measure in which citizens vote on a non-binding question. This allows voters to have a say in how the additional revenues should be spent. While the Advisory Measure is not legally binding on the City, it is viewed as clear direction from the citizens to the City Council on where the voters would like to see the funds spent.

Because repair and maintenance of the City’s existing roads is the City’s biggest need, an Advisory Measure was placed on the ballot asking if the funds should be spent primarily on the repair and maintenance of the City’s neighborhood roads and other roadways. As stated above, Council is being asked to affirm the intent of this language.
• **Citizen Oversight Committee**
  A Citizen oversight committee is included as part of the ballot measure. Citizen oversight committees can also be popular with the electorate. An oversight committee is often comprised of a group of citizens whose purpose is to analyze how new tax monies are being spent. The ballot measure provides for a Citizen oversight committee that is not dominated by City Council appointments, but rather by the community. The ordinance contains language stating that the committee would consist of two Council appointed members (citizens at large) and 7 members appointed by individual community groups (ie, Chamber of Commerce, Kiwanis, etc.) If the sales tax is passed by the electorate, bylaws for the committee would need to be adopted by Council. The bylaws would clearly spell out how the community groups appointing members of the committee would be selected.

• **Annual Road Report**
  The ballot measures requires that an annual report stating where the funds were spent be produced and distributed annually. It is important that the public be able to see where the funds are being spent in order to give assurance that the funds are being spent properly. Because the tax is a general sales tax, any proceeds from the sales tax will have to be deposited into the City’s general fund. Because of this, the revenues and expenditures from this sales tax measure may be more difficult to discern in the large standard financial reports that the City currently produces. The ordinance, therefore, contains language that states that the City shall produce an annual road report that shows the fiscal year revenues from the tax, fiscal year expenditures of the tax, and any remaining balances to be carried over into the next fiscal year. The report will be reviewed by the Citizen Oversight Committee and then forwarded to the City Council along with any findings or recommendations made by the Oversight Committee. The report would also be widely distributed to the public, through such means as the Recreation Guide, website, mailers and/or other methods.

• **Sunset Clause**
  The ballot measure contains a 12 year sunset clause. Sunset clauses provide that a tax measure ends or “sunsets” after a certain period of time. The draft ordinance contains a 12-year sunset period. Because there is a lag time to start the program, begin receiving funds and design the first project, the 12-year period would allow 10 years of pavement projects prior to being placed back on the ballot for re-up. The twelve year period is the same period that neighboring Paso Robles currently has on their “road tax” and is appropriate for a road program.
Conclusion

The maintenance, funding and condition of the City’s infrastructure, particularly roads, have been a critical concern of the City Council for some time. As part of the 2013-2015 budget, the Council allocated funds to conduct a poll to determine if potential voters were supportive of a one half cent (0.5%) sales tax increase to fund infrastructure repairs.

At the February 1, 2014, Council strategic planning session, the Council discussed critical infrastructure needs such as roads, storm drains, parks and zoo infrastructure, and facilities infrastructure. Based on that discussion, poll questions were formulated and the poll was conducted in March to gauge citizen’s interest in the various infrastructure needs. The poll was completed and the results were shared during the April 22, 2014, Council meeting. Overall poll results showed there is strong community interest in a general sales tax measure, particularly if the proceeds of the sales tax were to go primarily to roads. Based on this community interest, Council directed staff to reach out to the community with an education campaign and to receive input from the community about a potential sales tax measure for roads. On June 24, 2014, the Council voted 5-0 placing both a general sales tax ballot measure and an Advisory Measure on the November 4, 2014, ballot.

Since that time, community questions have arisen regarding the intent of the language in the Advisory Measure. While the Council cannot require the Advisory Measure to be binding for specific expense categories, it is important that Council clearly state the intent of the Advisory Measure language for the public so the voters have a good understanding of what the issues are before the November 4th election. Staff is recommending, therefore, that the Council adopt a Resolution reaffirming City Council intent regarding the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways” referenced in the Advisory Measure as set forth in pages 6 to 7 of the June 24, 2014 staff report and as described in the June 24, 2014 related power point presentation.

FISCAL IMPACT:

No fiscal impact to tonight’s action.

The proposed sales tax measure would generate an estimated $1.7 - $2.0 million in additional annual revenue.

ALTERNATIVES:

1. Council may choose not to adopt a Resolution reaffirming City Council intent regarding the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways” referenced in the Advisory Measure.
ATTACHMENTS:

1. Draft Resolution A reaffirming City Council intent regarding the meaning of the phrase "repairing and maintaining neighborhood roads and other roadways" referenced in the Advisory Measure.
2. June 24, 2014 Staff Report regarding placing a sales tax measure on the ballot
3. June 24, 2014 Power Point Presentation regarding placing a sales tax measure on the ballot
DRAFT RESOLUTION

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ATASCADERO, CALIFORNIA, REAFFIRMING CITY COUNCIL INTENT REGARDING THE MEANING OF THE PHRASE “REPAIRING AND MAINTAINING NEIGHBORHOOD ROADS AND OTHER ROADWAYS” REFERENCED IN THE ADVISORY MEASURE

WHEREAS, On June 24, 2014 the Council voted to place a general sales tax measure on the November 2014 ballot. At the same time, the Council voted to place an Advisory Measure on the ballot asking voters whether or not the funds should be used for or the purpose of repairing roads. The language adopted by Council for Measure E-14 reads as follows:

ADVISORY VOTE ONLY

If the voters of the City of Atascadero approve a one half cent limited term general sales tax increase, should the additional revenues be used for the purpose of repairing and maintaining neighborhood roads and other roadways?

And,

WHEREAS, since placing the Advisory Measure on the ballot, community members have asked many questions regarding the intent of the Advisory Measure language. While the advisory vote is not binding, it is important that the voters have a clear understanding of the current Council’s intent regarding the Advisory Measure language; and,

WHEREAS, the June 24, 2014 Staff Report included an explanation with the regard to the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways;” and,

WHEREAS, the presentation of the Staff Report at the June 24, 2014 City Council Meeting included power point slides 29 to 33 regarding the Intent of the Advisory Language on road repairs and road maintenance; and,

WHEREAS, on October 14, 2014, there was a Staff Report presented to the City Council, a true copy of which is attached to this Resolution; and,

WHEREAS, the October 14, 2014 Staff Report included the following Attachments:

1. Draft Resolution A reaffirming City Council intent regarding the meaning of the phrase “repairing and maintaining neighborhood roads and other roadways” referenced in the Advisory Measure.
2. June 24, 2014 Staff Report regarding placing a sales tax measure on the ballot
3. June 24, 2014 Power Point Presentation regarding placing a sales tax measure on the ballot
And,

WHEREAS, the October 14, 2014 Staff Report recommended that the City Council adopt a Resolution reaffirming City Council intent regarding the meaning of the phase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Atascadero that

SECTION 1. The City Council hereby reaffirms its intent regarding the meaning of the phase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure.

SECTION 2. The City Council intent regarding the meaning of the phase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure is as described in the June 24, 2014 Staff Report.

SECTION 3. The City Council intent regarding the meaning of the phase “repairing and maintaining neighborhood roads and other roadways” as referenced in the Advisory Measure is further described in power point Slides 29 to 33 included in the presentation of the Staff Report on June 24, 2014 as follows:

Intent of Advisory Language

- Includes Road Repair Projects – rehabilitations, overlays, cold-in place recycling, reconstructions, etc.
- Includes Road Maintenance Projects – slurry seals, crack sealing, chip-sealing, micro-surfacing, etc.
- Does Not Include: Routine Road Maintenance – minor pothole repair, vegetation control, shoulder control, street staffing, etc.
- Does Not Include: Road Improvements – road widening, bikeways, new roads, roundabouts
- Includes Neighborhood/Local Roads
- Includes Collector Roads
- Includes Arterial Roads
- Includes storm drain improvements necessary to preserve/protect/repair the road
- Includes bridge surface and structural repairs
- Includes staff time spent directly on the project – design, bidding, inspection, construction engineering and construction oversight
- Does NOT include general administration and overhead
- ADA Improvements Must Be Included in Road Projects – If sidewalks in road project area, must bring them into compliance with current requirements
On motion by Council Member _______________________ and seconded by Council Member ________________________, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:

NOES:

ABSENT:

ADOPTED:

CITY OF ATASCADERO

By: ________________________________

Tom O’Malley, Mayor

ATTEST:

Marcia McClure Torgerson, C.M.C.,
City Clerk

APPROVED AS TO FORM:

______________________________

Brian A. Pierik, City Attorney
Consideration of Sales Tax Measure

RECOMMENDATION:

Council introduce for first reading by title only, the Draft Ordinance imposing a transactions and use tax to be administered by the State Board of Equalization.

REPORT-IN-BRIEF:

The maintenance, funding and condition of the City’s infrastructure, particularly roads, have been a critical concern of the City Council for some time. As part of the 2013-2015 budget, the Council allocated funds to conduct a poll to determine how potential voters would react to a one half cent (0.5%) sales tax increase to fund infrastructure repairs. At the February 1, 2014 Council strategic planning session, the Council discussed critical infrastructure needs such as roads, storm drains, parks and zoo infrastructure, and facilities infrastructure. The poll was conducted in March to gauge citizen’s interest in the various infrastructure needs.

As we discussed during the April 22, 2014 Council meeting, overall poll results showed there is strong community interest in a sales tax measure, particularly if the proceeds of the sales tax were to go primarily to roads. Based on the community interest, Council directed staff to reach out to the community with an education campaign and to receive input from the community about a potential sales tax measure for roads.

Staff presented an informational presentation about the City roads and the potential sales tax measure to several community groups including Kiwanis, Chamber of Commerce Board, Rotary, Republican Women, North County Tea Party, and Realtors. In addition a public community forum open to the public and advertised widely was held on June 5th. At all of the presentations, staff answered questions and encouraged comments on both the roads and the potential sales tax measure. Staff was also available after each of the presentations for comments and questions. Staff received some valuable input as a result of the meetings and as a result some of the staff recommendations have changed from the April 22, 2014 Council report.
DISCUSSION:

Sales Tax Measure Process
Regarding increases to the sales tax rate, in order to make a change to any general tax rate, the change must be approved by the voters. The City Council does not have the authority to raise taxes, only to put a measure on the ballot. In order to place a tax measure on the November 4, 2014 ballot, it takes a 2/3 vote of the City Council (at least 4 members). If passed by the Council and the electorate, the tax would be effective no sooner than the first day of the first calendar quarter, commencing more than 110 days after the adoption of the ordinance. Therefore, the tax would be effective no sooner than April 1, 2015.

Proposition 218, approved in 1996, now requires that all City tax election measures be placed on the same election when City Council Members are selected. The next Council election is scheduled for November 4, 2014. Subsequent Council elections are held every two years.

In order to place the local sales tax election on the next ballot the Council needs to act prior to August 8, 2014. In order to provide staff enough time to submit the proper paperwork, related resolutions and ordinances need to be decided during this June 24, 2014 Council meeting.

Advantages and Disadvantages of Sales Tax Measure
As with most policy actions, enacting an increase to the sales tax has advantages and disadvantages. Some arguments in favor include:

- It would generate additional revenue to assist in meeting the City’s long-term needs, particularly road repairs;
- Unlike property taxes, sales taxes are paid by a greater distribution of the population (including homeowners, renters, businesses and tourists);
- Sales taxes are paid based on consumption (those who can afford to spend more pay more), and they are paid incrementally instead of in a lump sum;
- The existing sales tax rate is currently at the legal minimum and lower than that paid by most residents in California; and,
- Because the tax is established by a vote of the local electorate, it cannot be taken by the State.

Some arguments against include:

- Additional taxes reduce the discretionary income of Atascadero residents;
- Tax increases are not generally perceived positively by the citizenry and may erode trust in local government.
Potential Impact on Local Sales
The actual amount of proposed increase in the sales tax is minimal when compared to the actual cost of a product sold. For example, for every $100 spent, the increase would result in an additional $0.50 paid by the consumer. Sales tax data trends show that an increase in the sales tax rate of one half cent has no noticeable effect on the amount of taxable goods consumers buy. In other words, in other jurisdictions where the sales tax has been increased, the businesses did not see a decline in sales because the sales tax rate had been increased. HDL, our sales tax consultant, does not believe that an increase of one half cent in the sales tax rate in Atascadero will affect local business sales volumes.

It is estimated that a half cent sales tax would generate between $1.7 million - $2.0 million annually for Atascadero.

Sales Tax Options
If the City Council decides to move forward with a sales tax measure, it will require decisions on the following key issues in order to draft the measure:

- **Amount of Increase**
  Staff recommends that a one half cent (0.5%) be proposed as the local sales tax override amount. As discussed in the recent roads report, this amount is necessary in order to produce revenue sufficient to meet the needs identified. This increase would bring the sales tax rate up to the comparable rate to that of the other incorporated cities in the county. Below is a comparison table of the sales tax rate in neighboring jurisdictions.

<table>
<thead>
<tr>
<th>SLO COUNTY</th>
<th>CURRENT SALES TAX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arroyo Grande</td>
<td>8%</td>
</tr>
<tr>
<td>Atascadero</td>
<td>7.5%</td>
</tr>
<tr>
<td>Grover Beach</td>
<td>8%</td>
</tr>
<tr>
<td>Morro Bay</td>
<td>8%</td>
</tr>
<tr>
<td>Paso Robles</td>
<td>8%</td>
</tr>
<tr>
<td>Pismo Beach</td>
<td>8%</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>8%</td>
</tr>
<tr>
<td>Unincorporated County</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

- **Advisory Measure**
  The trend in the industry for local general sales tax measures is to include an advisory measure with the tax measure. An advisory question is a type of ballot measure in which citizens vote on a non-binding question. This allows voters to have a say in how the additional revenues should be spent. While the advisory measure is not legally binding on the City, it is viewed as clear direction from the citizens to the City Council on where the voters would like to see the funds spent.
Staff strongly recommends an advisory measure also be placed on the ballot stating where the funds will be spent if the measure is passed. Because repair and maintenance of the roads polled the strongest and is the City’s biggest need, the advisory measure should contain language stating that funds will be spent primarily on the repair and maintenance of the City’s roadways and road infrastructure. Based on the community input received in the last couple of months, it is clear that some members of the community would like to see any additional protections that the City can put in place to assure the public that this general sales tax will be spent on roads.

- **Citizen Oversight Committee**
  Citizen oversight committees can also be popular with the electorate. An oversight committee is often comprised of a group of citizens whose purpose is to analyze how new tax monies are being spent. While some poll respondents felt that an advisory committee added more administration, Council direction indicates that we would establish a citizen oversight committee if the new tax is approved.

  Based on the community input received from the public during the last few months, it is clear that an independent committee is important. Members of the public would like to see a committee that is not dominated by City Council appointments, but rather by the community. The draft ordinance presented before you tonight contains language stating that the committee would consist of two Council appointed members (citizens at large) and 7 members appointed by individual community groups (ie, Chamber of Commerce, Kiwanis, etc.) If the sales tax is passed by the electorate, bylaws for the committee would need to be adopted by Council. The bylaws would clearly spell out how the community groups appointing members of the committee would be selected.

- **Annual Road Report**
  It is important that the public be able to see where the funds are being spent in order to give assurance that they are being spent properly. Because the tax is a general sales tax, any proceeds from the sales tax will have to be deposited into the City's general fund. Because of this, the revenues and expenditures from this sales tax measure may be more difficult to discern in the large standard financial reports that the City currently produces. The ordinance, therefore, contains language that states that the City shall produce an annual road report that shows the fiscal year revenues from the tax, fiscal year expenditures of the tax, and any remaining balances to be carried over into the next fiscal year. The report will be reviewed by the Citizen Oversight Committee and then forwarded to the City Council along with any findings or recommendations made by the Oversight Committee. The report would also be widely distributed to the public, through such means as the Recreation Guide, website, mailers and/or other methods.
Sunset Clause
Sunset clauses state that a tax measure ends or “sunsets” after a certain period of time. Sunset clauses can be perceived as beneficial because the tax is temporary and voters retain control over the tax. They are particularly popular when the tax will be used for a project of limited duration or to fund one-time expenditures. In this case, the need for the tax is an ongoing need - repair and maintenance of the City’s roads and infrastructure. While the poll results did not show that a sunset clause is likely to measurably increase support for the measure, staff is now recommending that a sunset clause be added to the measure. As part of the public outreach that staff has done in the last couple of months, it has become clear that a sunset clause would help build public trust. The City would collect for the sales tax for a period of time, spending the funds as directed and then would need to place it back on the ballot in order to continue collection of the funds.

The draft ordinance contains a 12-year sunset period. Because there is a lag time to start the program, begin receiving funds and design the first project, the 12-year period would allow 10 years of pavement projects prior to being placed back on the ballot for re-up. The twelve year period is the same period that neighboring Paso Robles currently has on their “road tax” and is appropriate for a road program.

Attachment #2 contains a table highlighting each of the sales tax measures currently in place in the other San Luis Obispo County cities. The original ballot language for each of those measures is provided in Attachment #3.

Ballot Language
It is important that the language placed on the ballot clearly convey the City’s intentions, and it should be concise. The ballot measure itself is limited to 75 words. Staff reviewed other cities’ ballot measures, worked with a League of California Cities representative and a volunteer political consultant to draft the language. The draft ballot measure was reviewed by several individuals to determine if it met the “clear, concise and correctly convey intentions” standard. Based on the recommendations, if passed tonight, the ballot measures will read as follows:

The advisory measure would read as follows:

ADVISORY VOTE ONLY
If the voters of the City of Atascadero approve a one half cent limited term general sales tax increase, should the additional revenues be used for the purpose of repairing and maintaining neighborhood roads and other roadways?
The ballot measure would read as follows:

**MEASURE ________**

To provide local funding that cannot be seized by the State, and will stay in Atascadero to be used for such things as the repair and maintenance of neighborhood roads and other aging roadways - Shall the City of Atascadero’s sales tax rate be temporarily increased to include a local general sales tax of a one half cent, for a period of 12 years, with citizen committee oversight, published annual reporting and independent financial audits?

**Pavement Maintenance Program for Sales Tax Measure**

The proposed advisory measure contains language asking if the funds should be used for “…repairing and maintaining neighborhood roads and other roadways”. During the public outreach, there have been questions about what that would mean. Because the advisory measure is advisory in nature and does not have an Council adopted ordinance, there is no formally adopted definition. Council could, if the measure passes, adopt a resolution stating what the types of things the funds would be spent on.

What does road “repairing and maintaining” mean? Road repair projects are typically larger road projects that repair or rehabilitate the road. These projects may include cold in-place recycling, hot-mix asphalt overlays and isolated, partial and/or full-depth road reconstruction. Road maintenance projects are also typically large projects that are designed to preserve those roads that are in good or fair condition. These projects may include asphalt crack sealing, chip sealing, slurry or micro-surfacings. In this case, “repairing and maintaining” would not include routine maintenance such as isolated pothole repair, shoulder maintenance, vegetation control, striping projects, street crew staffing costs or normal sign replacement. Nor would it typically include projects to significantly widen or increase the capacity of roads, bikeways, trails or sidewalks.

What does neighborhood roads and other roadways mean? All City roads are classified into three categories: local, collectors and arterials.

- Local roads typically only serve those lots directly fronting the road and not through traffic. These would be considered neighborhood roads and include such roads as Tunitas Avenue, Palomar Avenue, Nogales Avenue, and Carmelita Road.
- Collector roads funnel local traffic from neighborhood roads to arterial streets. These roads would be considered “other roadways” and would include such roads as Santa Lucia Road, Del Rio Road, and Curbaril Avenue.
- Arterial roads carry the largest amount of traffic and would also be considered “other roadways”. Arterials include such roads as El Camino Real and Traffic Way.

Would other costs such as drainage repairs be included? Control of surface drainage is critical to pavement maintenance; therefore drainage repairs necessary to
preserve/protect/repair the surface of the road would be included in the costs of a road repair project.

Would bridge repairs be included? Bridges are an important part of the roadway system. A bridge structure typically lasts 50-75 years without major rehabilitation. The asphalt/pavement on the bridge will require maintenance more often than the structure itself. The bridge structure, however, does periodically require maintenance. Maintaining the asphalt/pavement on the bridge structure without providing funds for maintenance of the structure itself could eventually lead to bridge failure. The City has historically used federal grant funds (with City matching funds) to rehabilitate bridge structures. The City will continue to look for bridge and road grant opportunities, potentially using the sales tax proceeds as a local match.

Will administration and overhead be charged to the projects? It is the City’s current practice that staff time spent working directly on the project is charged to the project. Staff time is charged for such things as design, bidding, inspection, construction engineering and contractor oversight. Staff currently completes project time cards that detail the time spent on the project and what work was performed during that time. General administration, oversight, and overhead are not charged to projects.

What other “non-road” costs might be included? Federal American with Disabilities Act regulations now REQUIRE that any deficient disabled access improvements within the project area must be improved to eliminate barriers. This means that if we are doing a road improvement project and there are sidewalks in the area that do not meet current ADA code, we MUST as part of the project bring those up to current standards. If there are no sidewalks, we are not required to install new facilities as part of the project.

Process
As part of this agenda item, Council needs to consider whether to place the ballot measure on the November 2014 ballot. If Council chooses to let the voters decide whether they want a one half cent sales tax increase for such things as the repair and maintenance of roads, then Council must adopt the attached ordinance. The attached ordinance would then become the full text of the sales tax measure. The advisory measure does not require an ordinance. The City Clerk will be bringing to the City Council the appropriate Resolution to add an advisory measure to the November 2014 ballot.

Council must also take other actions regarding the mechanics of placing the ballot measure on the ballot. Those actions are described fully under the staff report for the Election Resolution agenda item also being considered tonight. The agenda package calling for the election includes the draft resolutions needed if Council adopts the ordinance tonight placing the potential sales tax measure on the ballot and the draft resolution needed if Council fails to adopt the ordinance.

If passed tonight the ordinance would be brought back before the Council on July 8, 2014 for second reading.
FISCAL IMPACT:

The proposed sales tax measure would generate an estimated $1.7 - $2.0 million in additional annual revenue. The total cost of placing the measures on the ballot is estimated to be approximately $6,500 of budgeted General Funds.

ALTERNATIVES:

1. Council may not pursue an increase to the sales tax rate.

ATTACHMENTS:

1. Draft Ordinance A, Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization.
2. Table detailing particulars of Other San Luis Obispo County sales tax measures
3. Sales Tax Ballot measure language for other San Luis Obispo County jurisdictions.
DRAFT ORDINANCE A

AN ORDINANCE OF THE CITY OF ATASCADERO
IMPOSING A TRANSACTIONS AND USE TAX TO BE
ADMINISTERED BY THE STATE BOARD OF EQUALIZATION

Section 1. TITLE. This ordinance shall be known as the Atascadero Transactions and Use Tax Ordinance. The city of Atascadero hereinafter shall be called "City." This ordinance shall be applicable in the incorporated territory of the City.

Section 2. OPERATIVE DATE. "Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance, the date of such adoption being as set forth below.

Section 3. PURPOSE. This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

A. To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.9 of Part 1.7 of Division 2 which authorizes the City to adopt this tax ordinance which shall be operative if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefore that can be administered and collected by the State Board of Equalization in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the State Board of Equalization in administering and collecting the California State Sales and Use Taxes.

D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this ordinance.

Section 4. CONTRACT WITH STATE. Prior to the operative date, the City shall contract with the State Board of Equalization to perform all functions incident to the administration and operation of this transactions and use tax ordinance; provided, that if the City shall not have contracted with the State Board of Equalization prior to the operative date, it shall nevertheless
so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

Section 5. **TRANSACTIONS TAX RATE.** For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the City at the rate of _0.5%_ of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance.

Section 6. **PLACE OF SALE.** For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

Section 7. **USE TAX RATE.** An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the operative date of this ordinance for storage, use or other consumption in said territory at the rate of _0.5%_ of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

Section 8. **ADOPTION OF PROVISIONS OF STATE LAW.** Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

Section 9. **LIMITATIONS ON ADOPTION OF STATE LAW AND COLLECTION OF USE TAXES.** In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this City shall be substituted therefor. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Board of Control, State Board of Equalization, State Treasury, or the Constitution of the State of California;

2. The result of that substitution would require action to be taken by or against this City or any agency, officer, or employee thereof rather than by or against the State Board of
Equalization, in performing the functions incident to the administration or operation of this Ordinance.

3. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

   a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

   b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

   B. The word "City" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

Section 10. PERMIT NOT REQUIRED. If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

Section 11. EXEMPTIONS AND EXCLUSIONS.

   A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

   B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

      1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

      2. Sales of property to be used outside the City which is shipped to a point outside the City, pursuant to the contract of sale, by delivery to such point by the retailer or his
agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the City shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-City address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

b. With respect to commercial vehicles, by registration to a place of business out-of-City and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

C. There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this City of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any
period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph (7), a retailer engaged in business in the City shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the City or participates within the City in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the City or through any representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority of the retailer.

7. "A retailer engaged in business in the City" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the City.

D. Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

Section 12. AMENDMENTS. All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

Section 13. ENJOINING COLLECTION FORBIDDEN. No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the City, or against any officer of the State or the City, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

Section 14. CITIZENS’ OVERSIGHT COMMITTEE. There shall be a permanent citizens’ advisory committee called the “Citizens’ Oversight Committee” (hereafter
“Committee”) which shall annually review revenues and expenditures from the collection of the tax. The committee shall have 9 members. Seven members shall be appointed to the committee by individual Atascadero community groups. Two members shall be appointed by the City Council. Appointees shall be residents of the City; however, no member of the Committee shall be an elected official.

Section 15. **ANNUAL ROAD REPORT.** An Annual Road Report shall be prepared by the City no later than the last day of the sixth month following the end of each City fiscal year. The Report shall be submitted to the Citizens’ Oversight Committee for review. The Committee will submit their findings and conclusions to the City Council. The Report will also be made available to the public. The Annual Road Report shall detail the prior fiscal year’s activities related to the retail transaction and use tax. The Report shall include revenues generated by the Transaction and Use Tax, expenditures (in summary form), funds carried over from previous fiscal years, and any remaining funds to be carried over for expenditure in subsequent fiscal years.

Section 16. **INDEPENDENT ANNUAL FINANCIAL AUDIT.** The amount generated by this new general purpose revenue source and how it was used shall be included in the annual audit of the City’s financial operations by an independent certified public accountant.

Section 17. **TWELVE-YEAR SUNSET.** The authority to levy a retail transaction and use tax shall expire twelve years from the operative date of this ordinance, unless extended by the voters of the City in the manner provided by law.

Section 18. **EFFECTIVE DATE.** This ordinance relates to the levying and collecting of the City transactions and use taxes and shall take effect 10 days after the election results are declared by the City Council (CA Elections Code §9217). The operative date (Section 2) will be the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance, which will be April 1, 2015.

Section 19. **SEVERABILITY.** If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

Section 20. **PUBLISHING OF ORDINANCE.** A summary of this ordinance, approved by the City Attorney, shall be published twice: at least five days prior to its final passage in the Atascadero News, a newspaper published and circulated in the City of Atascadero, and; before the expiration of fifteen (15) days after its final passage, in the Atascadero News, a newspaper published and circulated in the City of Atascadero. A copy of the full text of this ordinance shall be on file in the City Clerk’s Office on and after the date following introduction and passage and shall be available to any interested member of the public.
INTRODUCED at a regular meeting of the City Council held on _____________, and PASSED and ADOPTED by the City Council of the City of Atascadero, State of California, on _____________, by the following roll call vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: CITY OF ATASCADERO

__________________________________________
Marcia McClure Torgerson, C.M.C.,
City Clerk

________________________
Tom O’Malley, Mayor

APPROVED AS TO FORM:

________________________
Brian A. Pierik, City Attorney
<table>
<thead>
<tr>
<th>Year Passed</th>
<th>City</th>
<th>Amt. of Tax</th>
<th>Advisory Committee?</th>
<th>Annual Report?</th>
<th>Sunset?</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Arroyo Grande</td>
<td>0.50%</td>
<td>No.</td>
<td>Yes.</td>
<td>Yes</td>
<td>No</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>City mails an Annual Report to each household. The City also conducts a public hearing every five years to consider or repeal of the tax increase.</td>
<td></td>
<td></td>
<td>Sent to each household in the community.</td>
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<tr>
<td>2006</td>
<td>Grover Beach</td>
<td>0.50%</td>
<td>Yes.</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Council appointed a Citizen Committee to review the Annual Report and provide a report to the Council.</td>
<td></td>
<td></td>
<td>Sent to each household in the community.</td>
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<td>2006</td>
<td>Morro Bay</td>
<td>0.50%</td>
<td>Yes.</td>
<td>Yes, semi-annual</td>
<td>No</td>
<td>No</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>5-member Citizens Oversight Committee appointed by the Council semi-annually reviews revenues and expenditures.</td>
<td></td>
<td></td>
<td>Sent to each household in the community.</td>
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<tr>
<td>2012</td>
<td>Paso Robles</td>
<td>0.50%</td>
<td>Yes. There is no mention of a Committee in Ordinance. Council did adopt by-laws for an Advisory Committee.</td>
<td>No</td>
<td>Yes</td>
<td>12 years 4/1/2025</td>
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<tr>
<td>2008</td>
<td>Pismo Beach</td>
<td>0.50%</td>
<td>No</td>
<td>Semi-annual Report to Council from City Manager.</td>
<td>Yes</td>
<td>6 1/2 years 4/1/2015</td>
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<tr>
<td>2006</td>
<td>San Luis Obispo</td>
<td>0.50%</td>
<td>No.</td>
<td>Yes.</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The City invites the entire community annually to a Citizen Oversight forum to review the use of the revenue generated by this tax.</td>
<td></td>
<td></td>
<td>8 years 4/1/2015</td>
</tr>
</tbody>
</table>
Sales Tax Ballot Measure Language
San Luis Obispo County
(prior to 2014)

Arroyo Grande
Advisory Measures:

ADVISORY MEASURE K-06
ADVISORY VOTE ONLY

If the proposed sales tax measure (Measure O-06) is approved, should a portion of the proceeds be used to fund transportation improvements, including, but not limited to, upgrade of the Brisco Road/Halcyon Road – Highway 101 Interchange?

ADVISORY MEASURE L-06
ADVISORY VOTE ONLY

If the proposed sales tax measure is approved, should a portion of the proceeds be used to fund maintenance and upgrade of the City’s infrastructure, including, but not limited to, street maintenance and improvements, upgrade of the drainage system, and projects to prevent pollution, erosion and sedimentation in the creek system from storm water runoff?

ADVISORY MEASURE M-06
ADVISORY VOTE ONLY

If the proposed sales tax measure (Measure O-06) is approved, should a portion of the proceeds be used to fund public safety expenses, including, but not limited to, expansion of the Police Station, purchase of Fire apparatus, and additional Fire Department staffing?

ADVISORY MEASURE N-06
ADVISORY VOTE ONLY

If the proposed sales tax measure (Measure O-06) is approved, should a portion of the proceeds be used to fund improvements to City facilities to meet Federal Americans with Disabilities Act (ADA) requirements, including, but not limited to, upgrade of the City Hall Complex?

Ballot Measure:

MEASURE #O-06

Shall an Ordinance be adopted enacting a one half cent sales tax to fund community needs, with a requirement to publish and distribute an annual report to each household on the revenues and expenditures from the proceeds, and requiring a review and public hearing by the City Council every five years to determine whether it is necessary for the sales tax to remain in effect?
**Grover Beach**

Ballot Measure: **MEASURE X-06**

**VITAL CITY SERVICES PROTECTION**

Shall the City of Grover Beach sales tax be increased by one-half percent (0.5%) and a citizens’ oversight committee be created 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 senior and youth, improve city parks and beach access, and other general city services?

**Morro Bay**

Ballot Measure: **MEASURE Q-06**

**The Morro Bay Vital Public Services Restoration and Protection Measure.** To preserve Morro Bay’s safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution, and other general city services, shall an ordinance be adopted increasing the City sales tax by one-half cent, subject to independent annual financial audits, and establishing an independent citizens’ advisory committee to review annual expenditures?

**Paso Robles**

Advisory Measure: **MEASURE E-12**

If the voters approve a one half of one percent City limited term general sales tax increase, shall the additional revenues be used primarily for the purpose of repairing and maintaining the City’s roadways?

Ballot Measure: **MEASURE F-12**

To provide funding that cannot be seized by the State, but will stay in Paso Robles for such things as street repair, maintenance, and improvement, and other vital city needs, shall the City of Paso Robles enact a temporary one half of one percent sales tax which will expire in 12 years?
**Pismo Beach**

Ballot Measure:

**MEASURE C-08**

**The Pismo Beach Vital Public Service Protection Measure.** To help preserve, enhance and improve the infrastructure, safety and character of Pismo Beach, shall an ordinance be adopted to increase the City of Pismo Beach sales tax by one-half cent for a period of six and one half years?

---

**San Luis Obispo**

Ballot Measure:

**MEASURE Y-06**

**San Luis Obispo Essential Services Measure:** To protect and maintain essential services – such as neighborhood street paving and pothole repair; traffic congestion relief; public safety, including restoring eliminated traffic patrol, Fire Marshal and fire/paramedic training positions; flood protection; senior citizen services/facilities; neighborhood code enforcement; open space preservation and other vital general purpose services – shall the sales tax be increased by one-half cent for eight years only, with citizen oversight and independent annual financial audits?
Recommendation

Council introduce for first reading by title only, the Draft Ordinance imposing a transactions and use tax to be administered by the State Board of Equalization*

* Ordinance only goes into effect if measure is passed by the voters in November 2014

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Consideration of Sales Tax Measure for November 2014 Ballot

Atascadero City Council
Date: June 24, 2014

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Summary

- Council Considering Placing 2 Measures on the November Ballot
  1) A One-Half Cent (0.5%) General Sales Tax Increase
     - Sunset, Advisory Committee, Annual Road Report and Fiscal Audit
  2) Advisory Measure Asking if the Funds Should be Spent on Road Repairs

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Roads
City of Atascadero
Resolution No. 2014-066
Attachment
Page 32 of 41

Road Repair Treatments

“GOOD”
Micro-surface
@ $0.50 per SF

“FAIR”
Cape Seal
@ $2.00 per SF

Road Repair Treatments

“POOR”
Fabric + Overlay
@ $5.00 per SF

“BAD”
Reconstruct
@ $12.00 per SF

Roads in Atascadero

Total Road Miles = 169 mi.
Distance (as crow flies) from Atascadero to Pasadena

City Maintained Roads = 139 mi.

Arterial & Collector = 62 mi. (45%)
ECR: Nino Rd, Traffic Way, Portola Rd
(Includes Commercial Areas)

Residential Roads = 77 mi. (55%)
San Fernando Rd, Palomar Rd, Coromar Cc.

Roads Maintenance Basics

Typical Pavement Life Curve
Citizen of Atascadero

Resolution No. 2014-066

Attachment

Page 33 of 41

Challenges in Atascadero

Funding to Maintain Current PCI
$1,500,000 Annually

Funding to Improve Current PCI
$2,300,000 Annually

Challenges in Atascadero

Current Pavement Conditions

21 miles (15%) = “Good”
44 miles (32%) = “Fair”
39 miles (28%) = “Poor”
35 miles (25%) = “Bad”

Challenges in Atascadero

Average of Last 5 Years
$1,300,000 Annually

Estimated Proceeds from ½ Cent Sales Tax
$1,700,000 Annually

Challenges in Atascadero

Pavement Condition Index (SLOCOG Annual Pavement Report)

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>LOCAL PAVEMENT CONDITION INDEX</th>
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<tbody>
<tr>
<td>Stanford Average</td>
<td>66</td>
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<tr>
<td>City/County Average</td>
<td>84</td>
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<td>SLO County</td>
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<tr>
<td>San Luis Obispo</td>
<td>74</td>
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<tr>
<td>Pismo Beach</td>
<td>73</td>
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<tr>
<td>Arroyo Grande</td>
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<td>Paso Robles</td>
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<td>San Luis Obispo</td>
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<td>Atascadero</td>
<td>65</td>
</tr>
<tr>
<td>Grover Beach</td>
<td>52</td>
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</tbody>
</table>
Why Consider A Sales Tax Measure?

- City receives about 16% of property tax on average
- $3,500 tax bill, City receives $560

Comparative Property Tax Revenues Per Capita

<table>
<thead>
<tr>
<th>City</th>
<th>Property Tax Revenues Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grover Beach</td>
<td>$1,200</td>
</tr>
<tr>
<td>Atascadero</td>
<td>$700</td>
</tr>
<tr>
<td>Paso Robles</td>
<td>$500</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>$1,000</td>
</tr>
<tr>
<td>Pismo Beach</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

State and Federal Funding:

- Local Control: State Raid on City Funds
- Reduced State & Fed Funding Predicted
- More Competitive
- Self-Help Communities Have Advantage
- Importance of “Match

What Could Get Done with the Proceeds

1st 10-years: What Could $30M Do?

- Safety Patching & Repairs
- Micro-surface all “Good” roads
- Cape Seal all “Fair” roads
- Overlay 33% of “Poor” roads
- Reconstruct 20% of “Bad” roads
How Does This Affect A Purchase in Atascadero?

- Effects of Sales Tax Rate (½-cent Increase)
  - $100 = $0.50
  - $400 = $2.00
  - $1,000 = $5.00
  - $10,000 = $50.00

Local Control

Recent Success with Road Repairs

Past Focus on:
- Maximize Redevelopment Funding
- Downtown & Commercial
- Arterials & Collector Roads

Future Focus:
- Balanced Approach
- Residential Areas
- Rural Collectors
- Westside

Why Consider A Sales Tax Measure?

- City receives 1% out of the 7.5% paid

Why Consider A Sales Tax Measure?

- Comparison of Sales Tax Rates
  - Unincorporated County 7.5%
    - San Luis Obispo = 8.0%
    - Paso Robles = 8.0%
    - Pismo Beach = 8.0%
    - Arroyo Grande = 8.0%
    - Morro Bay = 8.0%
    - Grover Beach = 8.0%
  - Atascadero = 7.5%
Quality Roads are Fundamental

- Property Value
- Safety
- Reduced Vehicle Maintenance
- Quality of Life
- Community Pride
- Economic Development

Background

- Council Directed Staff to Research Other Local Sales Tax Measures

<table>
<thead>
<tr>
<th>City</th>
<th>Year Passed</th>
<th>Advisory Measure</th>
<th>Amt. of Tax</th>
<th>Oversight Committee?</th>
<th>Annual Report?</th>
<th>Sunset?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arroyo Grande</td>
<td>2006</td>
<td>Yes (4)</td>
<td>0.50%</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Grover Beach</td>
<td>2006</td>
<td>No</td>
<td>0.50%</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Morro Bay</td>
<td>2006</td>
<td>No</td>
<td>0.50%</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Paso Robles</td>
<td>2012</td>
<td>Yes</td>
<td>0.50%</td>
<td>Yes</td>
<td>No</td>
<td>Yes (12 yrs 4/1/2025)</td>
</tr>
<tr>
<td>Pismo Beach</td>
<td>2008</td>
<td>No</td>
<td>0.50%</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (6.5 yrs 4/1/2015)</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>2006</td>
<td>No</td>
<td>0.50%</td>
<td>No</td>
<td>Yes</td>
<td>Yes (8 yrs 4/1/2015)</td>
</tr>
</tbody>
</table>
Advisory Measure

- Clear directive from voters on where money should be spent
- Not legally binding, but clear direction

General vs. Special Sales Tax

- **General Sales Tax**
  - Requires 50%+ vote to pass
  - Protections can be put in place to ensure funds are used for voter designated purposes
  - Does not legally restricts funds

- **Special Sales Tax**
  - Requires 2/3+ vote to pass
  - Legally restricts the funds

Item Before Council

Council Consider Allowing Voters to Decide:

1) A One-Half Cent (0.5%) General Sales Tax Increase
   - Sunset, Advisory Committee, Annual Road Report and Fiscal Audit
2) Advisory Measure Asking if the Funds Should be Spent on Road Repairs

If the voters of the City of Atascadero approve a one half cent limited term general sales tax increase, should the additional revenues be used for the purpose of repairing and maintaining neighborhood roads and other roadways?
**Intent of Advisory Language**

- Includes storm drain improvements necessary to preserve/protect/repair the road
- Includes bridge surface and structural repairs

**Intent of Advisory Language**

- Includes Road Repair Projects - rehabilitations, overlays, cold-in place recycling, reconstructions, etc.
- Includes Road Maintenance Projects - slurry seals, crack sealing, chip-sealing, micro-surfacing, etc.
- Does Not Include:
  - Routine Road Maintenance - minor pothole repair, vegetation control, shoulder control, street staffing, etc.
  - Road Improvements - road widening, bikeways, new roads, roundabouts

**Intent of Advisory Language**

- Includes staff time spent directly on the project - design, bidding, inspection, construction engineering and construction oversight
- Does NOT include general administration and overhead

**Intent of Advisory Language**

- Includes Neighborhood/Local Roads - Palomar, Nogales, Carmelita, Tunitas
- Includes Collector Roads - Santa Lucia, Del Rio, Curbaril
- Includes Arterial Roads - El Camino, Traffic Way
One Half Cent

- Would Increase Atascadero Sales tax rate from 7.5% to 8.0%
- Would Generate an Estimated $1.7- $2.0 million annually
- Consistent with neighboring jurisdictions

State & Federal Requirements

- ADA Improvements Must Be Included in Road Projects
  - If sidewalks in road project area, must bring them into compliance with current requirements

Sunset

- Community Outreach
- 12 Years – Allows 10 years of pavement projects

Ballot Measure

To provide local funding that cannot be seized by the State, and will stay in Atascadero to be used for such things as the repair and maintenance of neighborhood roads and other aging roadways, and other along with other vital City needs - Shall the City of Atascadero’s sales tax rate be temporarily increased to include a local general sales tax of one-half cent, for a period of 12 years, with citizen committee oversight, published annual reporting and independent financial audits?
Independent Fiscal Audit

- Amount generated by the sales tax measure and how it was used shall be included in the annual audit of the City’s financial operations by an independent certified public accountant.

Overview

- Changes made based on community outreach and input.
- Council can only decide to allow voters to decide.

Citizen Committee Oversight

- Community Outreach
- Independently Appointed Oversight
  - 2 Council Appointments
  - 7 Community Group Appointments
- Review Annual Revenues & Expenditures

Annual Road Report

- An annual road report shall be prepared.
- Details prior fiscal year revenues & expenditures of funds generated by the measure.
- Reviewed by Oversight Committee.
- Published and distributed widely.
Recommendation

Council introduce for first reading by title only, the Draft Ordinance imposing a transactions and use tax to be administered by the State Board of Equalization.

Overview

- Staff recommends asking voters:
  - If the sales tax rate should be temporarily increased to include a local general sales tax of one-half cent, for a period of 12 years, with citizen committee oversight, published annual reporting and independent financial audits?; and
  - Should the additional revenues be used for the purpose of repairing and maintaining neighborhood roads and other roadways?

QUESTIONS?