



MEMORANDUM

TO: City Council

FROM: Matthew Downing, City Manager
Bill Robeson, Assistant City Manager/Director of Public Works
Jessica Matson, Director of Legislative & Information Services/
City Clerk

SUBJECT: Direction on the Establishment of a Measure E-24 Citizen Sales Tax Oversight Committee

DATE: February 25, 2025

RECOMMENDATION:

Discuss and provide direction regarding the creation of a Citizen Sales Tax Oversight Committee to review the annual revenue and expenditure report before presentation to the City Council, and which is mailed to the residents, on the allocation and use of sales tax revenues collected through Measure E-24.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There are no immediate fiscal impacts associated with the creation of a Citizen Sales Tax Oversight Committee. Personnel impacts include time spent administering the Committee.

BACKGROUND:

In November 2024, voters in the City of Arroyo Grande approved Transactions and Use/Sales Tax [Measure E-24 \(E-24\)](#)¹ that increased the local sales tax rate in Arroyo Grande by one percent to 8.75%. Arroyo Grande voters passed Measure E-24 to generate revenue to fund many of the key priorities of the community and the City Council. The measure is estimated to generate approximately \$6 million annually.

As part of the City's commitment to transparency and accountability, E-24 included language regarding citizen oversight. Although not required by the language of the Measure itself, a Citizen Sales Tax Oversight Committee (CSTOC, or Committee) is one approach by which oversight can be accomplished. This committee could review the annual reports of E-24, advise and provide feedback regarding the allocation of E-24 funds. The Annual Report will highlight how funds will be spent and include metrics and

¹ <https://www.arroyogrande.org/813/Measure-E-24-Sales-Tax>

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a narrative on what the funds were used for and what was accomplished with the funds. After reviewing the annual report and audit, the CSTOC will report their findings to the City Council.

ANALYSIS OF ISSUES:

The City's Administrative Services Department has begun coordinating with the California Department of Tax and Fee Administration to ensure the timely implementation of the new sales tax rate. The new sales tax increase will take effect on April 1, 2025.

Because E-24 is a general tax, related revenues and expenditures are included in the City's General Fund and the City's annual audited financial statements. Transparency and accountability were an important part of the passing of E-24. As such, the creation of the CSTOC annual review of the E-24 Report would help provide this transparency.

Committee Composition

The creation of a Committee is fully subject to local control. If the City Council provides direction to create a Committee, one option would be that Committee consist of 5 members representing a broad cross-section of the community. Potential members would be appointed by the City Council based on their knowledge, experience, and interest in the City's fiscal health. Members may include:

- Residents with experience in public finance, government, or business;
- Representatives from key community organizations and service groups;
- Individuals with backgrounds in urban planning, public safety, or infrastructure development; or
- General residents of the City.

Committee Term and Meetings

If the City Council directs the creation of the Committee, it is recommended that the committee serve a term coinciding with their appointing Council Member, consistent with that of other City advisory bodies. Members would have the possibility of reappointment for additional terms. Meetings would be held annually or as needed to address key issues related to E-24 funds. The committee would operate in a transparent manner, with meetings open to the public, and all agendas and minutes posted on the City's website in accordance with the Brown Act.

Recruitment and Appointment Process

The recruitment process for the Committee would also be fully subject to local control, and may involve:

1. A public notice seeking applications for Committee members, which would be posted on the City's website, in other public locations, and through the City's various communications channels.

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2. Applications would be received by the City Clerk’s office and reviewed by each member of the City Council, who would recommend their appointment for final approval by the full City Council.
3. Preference would be given to applicants who reflect the diversity of the City and have relevant experience or knowledge.

Next Steps

Following City Council direction, staff would begin to advertise open seats on the Committee and begin the acceptance and review of applications to get a head start on the process of filling seats.

If directed, introduction of an Ordinance establishing a Citizen Sales Tax Oversight Committee would come to Council on March 11th with adoption on March 25th. Committee Bylaws would also be presented to Council at the March 25th City Council meeting for consideration of adoption.

Pending recruitment of individuals to serve on the Committee, Council appointments to the Committee are anticipated to take place in April with the first Committee meeting anticipated to take place in late spring/early summer 2025.

ALTERNATIVES:

The following alternatives are provided for the Council’s consideration:

1. Direct staff to initiate steps towards the creation of a Citizen Sales Tax Oversight Committee for Measure E-24 funds, and publish a notice seeking applications for committee members;
2. Direct staff to initiate steps towards the creation of a Citizen Sales Tax Oversight Committee for Measure E-24 funds, and do not publish a notice for applications at this time;
3. Direct staff to not initiate steps to create a Committee; or
4. Provide other direction to staff.

ADVANTAGES:

The creation of an E-24 Citizen Sales Tax Oversight Committee is one way the City of Arroyo Grande can maintain a high level of accountability and transparency in the allocation of its sales tax revenue. The committee will provide valuable community input when reviewing the annual report related to E-24 revenues and expenditures.

DISADVANTAGES:

The creation of an E-24 Citizen Sales Tax Oversight Committee will create another Brown Act committee for the City that requires record keeping and meeting administration.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

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PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.