

Date: June 17, 2004

To: Transportation Policy Workshop

From: Pat Dellin, Deputy Director

RE: Expenditure Plan and Ordinance for a Local Transportation Sales Tax Measure

RECOMMENDATIONS

Staff recommends the Regional Transportation Commission:

1. Review and approve the revised Local Transportation Sales Tax Measure Expenditure Plan and Ordinance (Attachment 1), with recommended changes from the Expenditure Plan Subcommittee, staff and County Counsel, as detailed in this staff report;
 2. Review the options presented by County Counsel for the process to amend the Expenditure Plan and Ordinance (Attachment 2) and choose an option to include in the final Expenditure Plan and Ordinance; and
 3. Request that the County Board of Supervisors approve the Commission's final Expenditure Plan and Ordinance and place the Local Transportation Sales Tax Measure on the November 2004 ballot no later than August 6, 2004.
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BACKGROUND

At its June 3, 2004 meeting, following several hours of public testimony and deliberation, the Santa Cruz County Regional Transportation Commission (SCCRTC) approved a list of transportation projects for a countywide transportation sales tax measure and approved the Ordinance and Expenditure Plan for the Transportation Sales Tax Measure, with the exception of sections relating to the amendment process. The Commission decided to continue discussion of the amendment process for the Expenditure Plan and Ordinance to this Transportation Policy Workshop.

DISCUSSION

Changes to the Ordinance and Expenditure Plan

At its June 7, 2004 meeting, the Expenditure Plan Subcommittee looked at the Ordinance and Expenditure Plan and made a few changes. Changes recommended by County Counsel, Subcommittee members at the meeting and staff have been incorporated into the revised Ordinance and Expenditure Plan, Attachment 1, in underline/strikeout format. County Counsel, Rahn Garcia, will be at the Transportation Policy Workshop meeting to respond to questions.

Policy-level changes are discussed below.

Amendment Process for the Ordinance and Expenditure Plan

Following approval by voters, there is the potential that some portion or portions of the Expenditure Plan and Ordinance may need to be amended in the course of its 30-year implementation period. Any change to a provision or project in the ordinance or expenditure plan would trigger the amendment process.

The following proposed process was considered by the Commission at your June meeting:

Proposed amendment process from June 3rd version of the ordinance:

The distribution of funding made by the Expenditure Plan for Measure “X” may be amended, if required, in accordance with the following process: (1) initiation of the amendment by the Commission reciting findings of necessity or convenience; (2) approval by the Board of Supervisors; and, (3) approval by a majority of the City Councils of the cities within the county, but only if the approving cities also collectively contain a majority of the District’s incorporated population; unless such process is amended in a manner consistent with State legislation. Amendments authorized by this Section may include early retirement of the tax, as specified in Section 4.22.040.

Several Commissioners expressed concerns regarding this proposed amendment process, and the issue was carried over to the Transportation Policy Workshop meeting.

County Counsel developed the attached list of options for the amendment process (Attachment 2). The list was distributed at the Expenditure Plan Subcommittee meeting, but the committee lost its quorum before the options were considered. County Counsel is continuing to research the issues in consultation with the Commission’s on-call attorneys for the Expenditure Plan. Mr. Garcia will orally report at the meeting if he has any new information.

Process for Member Selection for the Independent Audit Committee

At your last meeting, staff reported that the County Auditor-Controller had proposed that the Independent Audit Committee (Section 4.22.220 of the Ordinance and Section 5A2 of the Expenditure Plan) include 5 to 7 members, of which 2 be SCCRTC Board members and the others members of the public, and that members of the Grand Jury be considered for some of the public member slots. Staff recommended that details on the membership of the Audit Committee not be included in the final Expenditure Plan and Ordinance, but that it is considered after the measure passes and implementation activities begin. The Commission approved this staff recommendation.

Independent Audit Committee language from the June 3rd version of the Ordinance and Expenditure Plan reads:

4.22.220 *Independent audit committee (from Ordinance)*

An independent audit committee shall be established by the Commission to oversee annual financial audits of the Fund, allocations, and expenditures of revenues

from the Fund. Annual audits shall be published in local newspapers and otherwise be made fully available to the public.

5A2. Independent Audit Committee (from Expenditure Plan)

An Independent Audit Committee shall be established to oversee annual independent fiscal audits of the expenditure of tax revenues raised by Measure “X”. The audits, which shall be published in local newspapers, posted on the web, and otherwise made available to the public, shall include the Independent Audit Committee’s conclusions as to whether the expenditure of Measure “X” tax revenues is or is not in accordance with the Santa Cruz County Regional Transportation Expenditure Plan as adopted by the voters in approving the sales tax measure on November 2, 2004, and as may be amended consistent with the Ordinance and Plan. The audits shall report on whether requirements of this Ordinance and Plan have been met and that no more than one percent (1%) of total sales tax revenues are used to administer this Plan.

The Independent Audit Committee shall be appointed by the Commission. No elected officials or Board members or alternates of any agency that is a recipient of Measure “X” funds shall be appointed to the Independent Audit Committee.

At the Expenditure Plan Subcommittee meeting, the subcommittee discussed reopening the issue of the Independent Audit Committee, noting that selection of the members by the SCCRTC may not be the best process and that more information on committee membership could sway voters to approve the measure. Several different opinions were expressed regarding how members for the committee should be selected, what groups should nominate members, and/or what professional expertise should be required for certain slots on the committee. The subcommittee also discussed whether the membership would need to be addressed for the final ordinance at today’s TPW meeting, or by September to provide more information to the public, or after the measure passed. The subcommittee lost its quorum before a subcommittee recommendation could be made.

Staff continues to recommend that the membership process be decided after the sales tax measure passes. There is universal agreement that an Independent Audit Committee is needed, and that is why it was included in the ordinance. It is also part of the approved ballot language (Attachment 3) and is an important point for public information outreach materials and presentations.

Staff recommends the Commission slightly revise the last paragraph regarding the Independent Audit Committee language to read:

The process by which the Independent Audit Committee is appointed shall be determined by ~~the Commission~~ by a public process. No elected officials or Board members or alternates of any agency that is a recipient of Measure “X” funds shall be appointed to the Independent Audit Committee.

Administrative Tasks for the Sales Tax Measure

At the June 7th Expenditure Plan Subcommittee meeting, Commissioners discussed changing the language in section 4.22.030 which called for administration of the measure by the SCCRTC. Section 4H of the Expenditure Plan also references administration of the measure. The list of administrative tasks for the measure, originally given to the Commission at your May meeting, was distributed to the subcommittee and is included for your information (Attachment 4).

Process to Utilize Reserve Funds

Commissioner Pirie stated at the Expenditure Plan Subcommittee that she would like section 4G to include the process for allocating reserve funds. The language in this section has not been changed because no process was proposed.

Environmental Review of the Expenditure Plan

As you know, County Counsel has determined that the Expenditure Plan must undergo program-level environmental review, since the Expenditure Plan will expressly allocate funding for one or more specified projects. The Commission hired Rincon Consultants to review the Expenditure Plan. Since all of the projects and programs identified in the Expenditure Plan were examined in the Environmental Impact Report (EIR) for the *2001 Regional Transportation Plan (RTP)*, Rincon is preparing an addendum to the RTP EIR in order to address the California Environmental Quality Act (CEQA) requirements for the Expenditure Plan.

Next Steps

Staff recommends the Commission choose an amendment process to include in the Ordinance, approve the recommended changes in the attached Expenditure Plan and Ordinance, and, as appropriate, approve any additional changes to the Expenditure Plan and Ordinance.

The next step would be to request that the County Board of Supervisors approve the Commission's final Expenditure Plan and Ordinance and place the Transportation Sales Tax Measure on the November 2004 ballot no later than August 6, 2004. It is staff's understanding that Board of Supervisors is intending to address the Ordinance and Expenditure Plan at its June 24th meeting.

Public outreach on the Expenditure Plan is discussed in a separate agenda item.

SUMMARY

At its June 3, 2004 meeting, the Santa Cruz County Regional Transportation Commission approved the Ordinance and Expenditure Plan for a local transportation sales tax measure. The Commission agreed to discuss and finalize language regarding the amendment process at this TPW meeting. The Expenditure Plan Subcommittee discussed some additional changes at its meeting. The revised Ordinance and Expenditure Plan is attached for your approval.

Attachments:

1. Proposed Final Expenditure Plan and Ordinance, Revised 6/7/04
2. Options for the Amendment Process
3. Ballot Language
4. Administrative Tasks and Approximate Costs

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