



CITY OF FORTUNA - MEMORANDUM

TO: Honorable Mayor and City Council Members

FROM: Measure E Oversight Committee

SUBJECT: Annual Report to the City Council

DATE: February 5, 2024

Introduction

Measure "E" is a 3/4% sales tax measure that was approved by the voters of the City of Fortuna on November 8, 2016. Measure E was set to terminate on March 31st, 2025. However, on November 3, 2020 the voters of the City approved Measure "G". Measure G extended Measure E 8 additional years. Measure E is now set to terminate on March 31st, 2033.

Measure E is a general tax. The City is committed to primarily using these general tax dollars to protect and maintain essential City services, including increasing and restoring police officers and programs, repairing aging/deteriorating streets and potholes, parks maintenance, and programs for youth and seniors. The Measure E committee was set up by the City Council in order to assist the Council in taking public input and review staff recommendations on the expenditure of funds derived from Measure E.

The primary duties of the Measure E Oversight Committee are as follows:

- a. Review requests for funding from City departments.
- b. Conduct public hearings to examine the requests and weigh the value of the various proposals.
- c. Make recommendations based on the proposals received, for the expenditures that should be funded given the projected amount of revenue to be derived from the local sales tax to the City Council for inclusion in the annual budget.
- d. Become familiar with current and projected City revenues and expenditures.
- e. First meeting of every calendar year, provide a forum for public expression of desires regarding expenditure of funds derived from the local sales tax.

Committee Members

The City Council made the appointments to the committee with staggered terms as follows:

- a. Two (2) members at two (2) years
- b. Three (3) members at three (3) years
- c. Two (2) members at four (4) years

Members serve at the pleasure of the City Council. There are no restrictions on reappointment of members for successive terms. Currently, the Measure E Oversight Committee is composed of the following seven members:

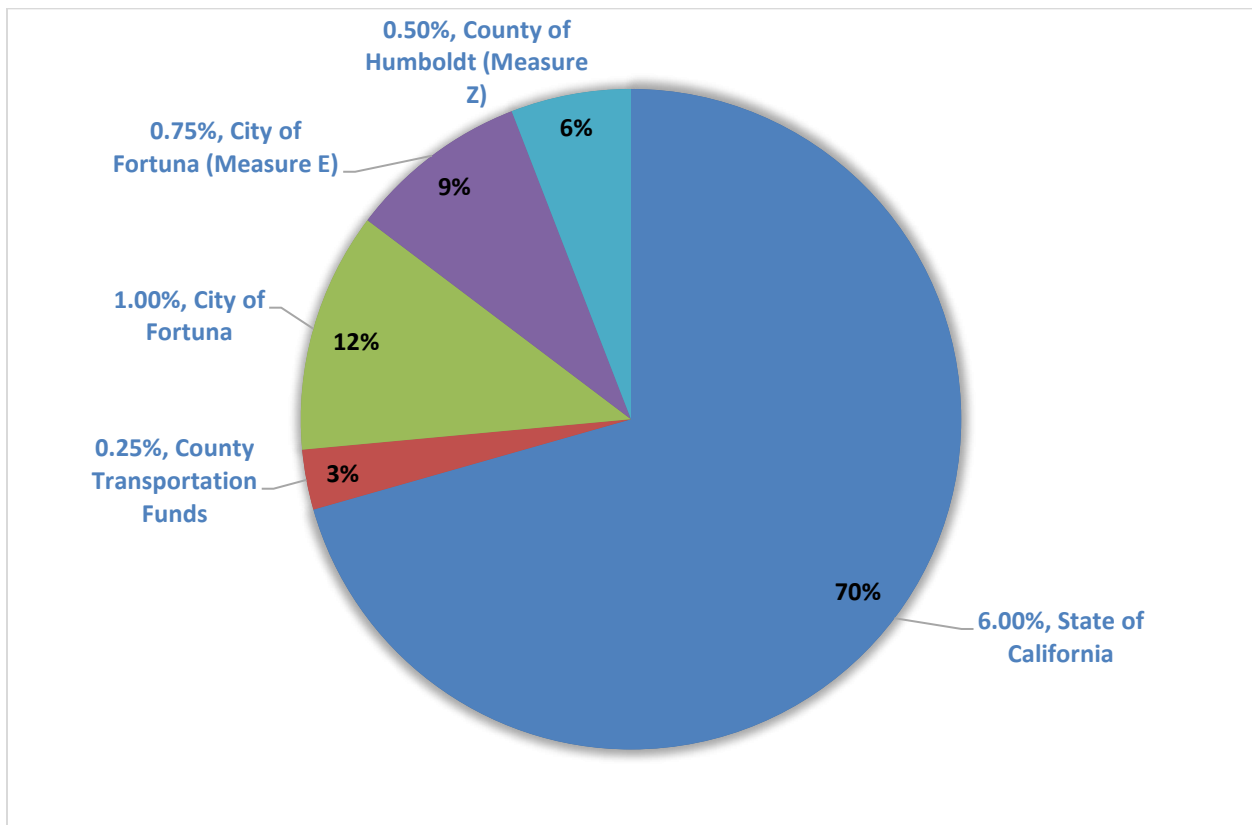
	<u>Term Expires</u>
Joseph Hardcastle, Chair	12/31/24
Walt Wilson	12/31/24
Sue Long	12/31/25
Donald Ingram	12/31/25
Debi August	12/31/25
Tina Taylor	12/31/24
Vacant	12/31/25
Staff Liaison: Aaron Felmler, Finance Director	

The Committee holds regular meetings on the third Wednesday in January, third Tuesday in March, September, and December, and the first Tuesday in April. Meetings commence at 5:30 pm as agreed upon by the committee. Special meetings are held as needed.

Transactions & Use Tax (Measure E) Revenue

The sales tax rate in the City of Fortuna is 8.50 percent. Of this amount, the State receives 6.00 percent, the County Transportation Fund receives 0.25 percent, the County receives 0.50 percent (with the passage of the County’s Measure “Z”) and the City of Fortuna receives 1.0 percent (Bradley-Burns). The City’s Measure E transaction and use tax adds another 0.75 percent, which brings the total sales tax rate to 8.50 percent.

Graph 1: Sales Tax Rate Distribution Comparison



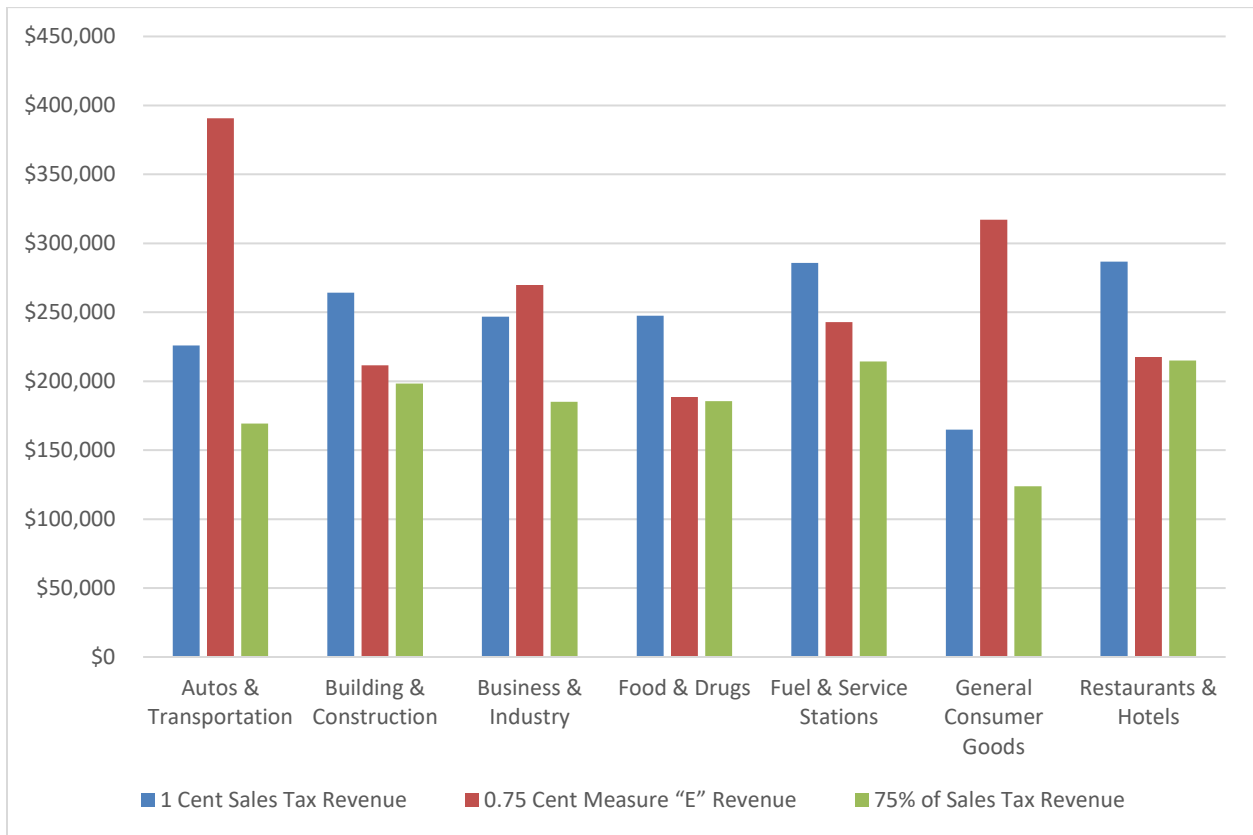
During fiscal year (FY) 2022-23, the City of Fortuna received \$1,844,883 (net of administration costs of \$12,150) from the City’s transactions and use tax. This represents receipts received for the period of July 2022 through June 2023. These revenues represent approximately 18 percent of the City’s total general fund revenue.

The following data summarizes and compares the revenue generated by Measure E (0.75%) transaction and use tax to the Bradley Burns (1.00%) sales tax by business type for fiscal year 2022-23.

Table 1: Tax Revenue by Business Type

	1 Cent Sales Tax Revenue	0.75 Cent Measure “E” Revenue	Measure “E” Compared to Sales Tax Revenue		
			75% of Sales Tax Revenue	Favorable (Unfavorable) Variance	Ratio of Measure “E” to Sales Tax
Autos & Transportation	\$225,868	\$390,640	\$169,401	\$221,239	173.0%
Building & Construction	264,296	211,625	198,222	13,403	80.1%
Business & Industry	246,733	269,800	185,050	84,750	109.3%
Food & Drugs	247,462	188,567	185,597	2,971	76.2%
Fuel & Service Stations	285,893	242,851	214,420	28,431	84.9%
General Consumer Goods	164,924	317,173	123,693	193,480	192.3%
Restaurants & Hotels	286,702	217,467	215,027	2,441	75.9%
Transfers & Unidentified	2,603	18,910	1,952	16,958	726.5%
Gross Revenue	<u>1,724,481</u>	<u>1,857,033</u>	<u>1,293,361</u>	<u>563,672</u>	<u>107.7%</u>
County/State Pool	420,290				
State Board of Equalization Admin Fees	<u>(15,662)</u>	<u>(12,150)</u>			
Net Revenue	<u>2,129,109</u>	<u>1,844,883</u>			

Graph 2: Comparison of Transactions and Use Tax as Percentage of Sales Tax

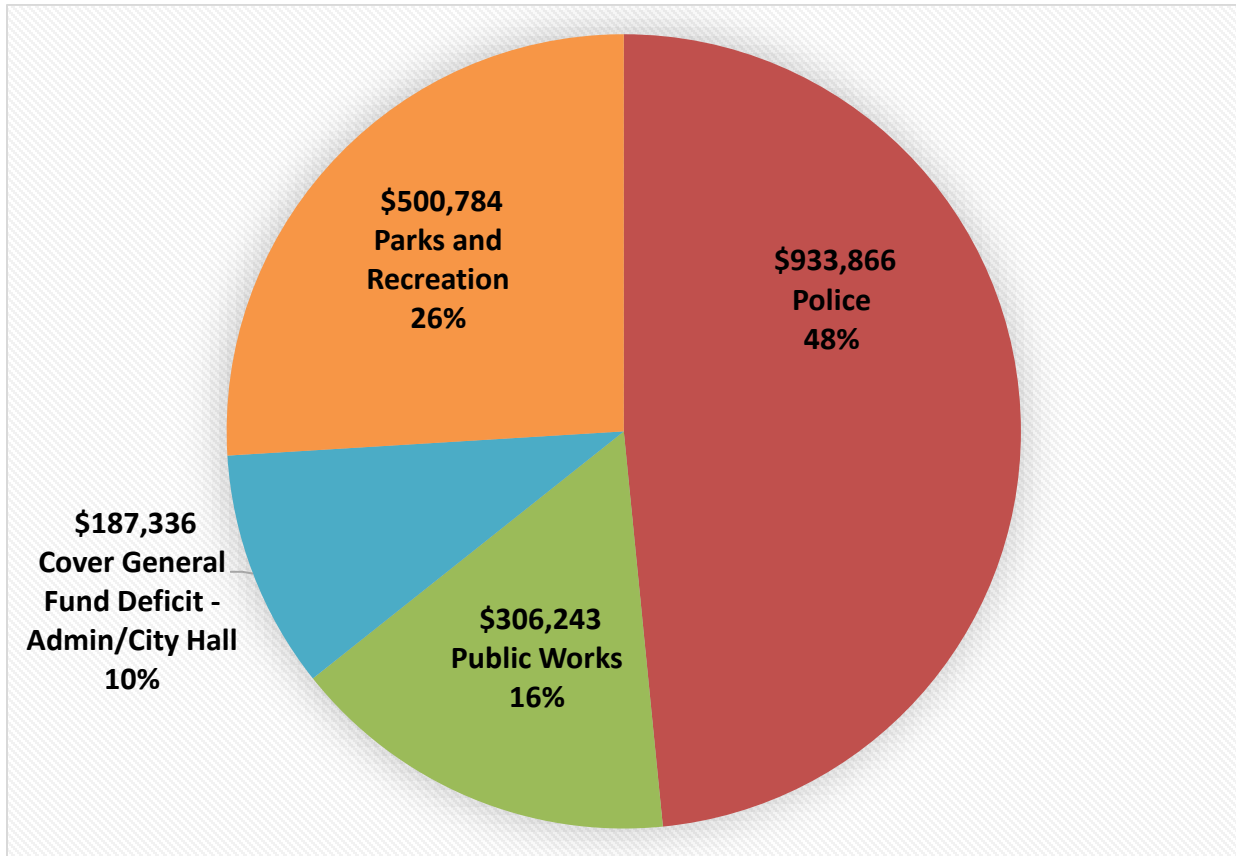


The Transactions and Use Tax (Measure E) rate is 75 percent of the City’s portion of the sales tax rate (1% Bradley Burns). Due to this, one would expect the percentage of Transactions and Use Tax revenue to sales tax revenue to be 75 percent. However, for fiscal year 2022-23, the City’s Transactions and Use Tax generated approximately 108 percent of the revenue received from sales tax before other adjustments.

This occurs because the City’s TUT is assessed and allocated to the district where goods are delivered or placed into use rather than where the sale was negotiated like general sales tax (aka Bradley Burns) is. This means that the City is capturing TUT tax on the sale of automobiles and other registered modes of transportation, like boats, motorcycles and airplanes that occur outside of the City’s taxing district and on business and industry items that are brought into the district from outside (online) suppliers.

Fiscal Year 2022-23 Expenditures

Graph 3: Expenditures by Department



As stated before the City committed to primarily using Measure E general tax dollars to protect and maintain essential City services, including increasing and restoring police officers and programs, repairing aging/deteriorating streets and potholes, parks maintenance, and programs for youth and seniors. The above chart demonstrates the use of Measure E monies by department. As you can see from the chart the Police Department accounted for 48% of expenditures, Public Works 16%, Parks and Recreation 26%, and the remaining 10% going to Administrative/City Hall general fund deficit expenses, intended for covering the structural General Fund deficit. Funds that went to the General Fund reserves that were not needed to cover the General Fund deficit will be expended in future fiscal years. Below are individual department reports on the funds derived from Measure E and expended in FY 2022-23.

Public Works Expenditures

12 Street Integrated Stormwater Enhancement Project

In FY 2020-21 and 2021-22, the Measure E Committee approved a total \$105,100 allocation for the 12th Street Integrated Stormwater Enhancement Project (CIP 9101). The project included installing a number of LID raingardens and new stormdrain pipe along 12th Street in between Loni Drive and K Streets, which has helped address gutter flooding issues along 12th Street as well as future state board permit trash capture requirements. The project was fully completed in December of 2023. The Measure E funding was used as grant match for the project, and in total the City received over \$1 million in grant funding from the State Water Resources Control Board (Prop 1).

Stormwater Infrastructure Hazard Identification Project

In FY 2022-23, the Measure E Committee approved a \$37,500 rollover (originally allocated in FY 2020-21) for the City's Stormwater Infrastructure Hazard Identification Project. This project will be an engineering and field reconnaissance study that will include physical inspections of various City stormdrain facilities, resulting in a prioritized list of stormdrain replacement and upgrade projects. This project is also partially funded by a grant from FEMA in the amount of \$112,500, and the Measure E funds allocated to this project will act as the project's required local match. Currently, the project is largely complete and the engineering field work to support the findings of the report has been completed. Staff anticipate that the total project effort will be completed in the first quarter of 2024. With the report finalized, staff will be able to better prioritize stormdrain asset replacement, and will be in a better position to apply for hazard mitigation grant funding for stormdrain work.

Street Maintenance Projects

In FY 2022-23, the City budgeted \$178,517.00 towards street maintenance projects from Measure E. With this funding the City was able to complete paving and striping projects at the following locations:

- Smith Lane was resurfaced from Fortuna Boulevard to the corner of Smith Lane. The area was approximately 38,000 feet square with 713 tons of hot mix asphalt placed.
- Two small sections of Fortuna Boulevard were resurfaced from the earthquake in December of 2022. The two sections of road is located over the Hillside Creek fish passage.
- Roadway striping was completed at both paving locations.

Storm Drain Maintenance Projects

The City designated \$246,900 to the City Wide Storm Drain Maintenance Project (CIP 9373). This FY 2022-23 there were no storm drain failures requiring immediate repair, and as a result no expenditures were incurred with this funding. Currently, staff are working on a number of repairs that are anticipated to use this funding in the coming calendar year, including stormdrain maintenance work on Elizabeth Barcus, Third Street, and near Newburg Park.

Illegal Camp Cleanup

The Illegal Camp Cleanup for FY 2022-23 was primarily for funding efforts by River Life Foundation. The majority of the funding was for professional services for Sean Swanson of River Life Foundation, and another person to scout, locate and inform the transients of illegal camping in the City limits. River Life Foundation would also receive calls from Fortuna PD to help clean an area. Mr. Swanson would bill the City for the work. River Life Foundation was in a state of uncertainty after the passing of Sean Swanson, the leader of the group, in 2022. For the remainder of the last quarter of the fiscal year, the City employed New Directions with John Shelter for any cleanup assistance.

Parks and Recreation Expenditures

RCRPD Benefit Assessment Project

The Rohner Community Recreation and Park District (RCRPD) has very limited annual funding, so the City assisted them with Measure E funds to pursue their general mission of planning for a future aquatic center in Fortuna. During FY 2021-22, \$50,000 of Measure E funding was allocated to the district to assist with the planning and consultation services (engineer's report, calculations, ballot proceedings, etc.) related to the Benefit Assessment. Since the RCRPD did not proceed with the Benefit Assessment during FY 2022-23, nothing was spent, however, these funds are anticipated to be spent in future fiscal years.

Parks & Recreation Director

Measure E continued to fund the Parks & Recreation Director position, with Cameron Mull serving in his sixth year performing the duties of management, direction, and growth of the City's park and facilities system, recreation activities and programs, the Depot Museum, the River Lodge and Monday Club, and the operation of the Fortuna Transit bus service.

Recreation Program Supervisor Position

In its third year of funding, Measure E supported the Recreation Supervisor position, with Emily Apodaca serving in this role. This position includes management and supervision of all of the City's Recreation programs and activities, scheduling, training, managing up to 25 part-time staff, and managing many new community-driven events.

Provide Transit to Eureka for Medical Appointments

In its sixth year funded by Measure E, Fortuna Transit continued to provide weekly service to persons with a disability and/or senior citizens with rides to Eureka for medical appointments, since the majority of care providers exist in Eureka. These funds supported the full cost of the service; including fuel, vehicle maintenance, and staff hours for transporting 2-6 riders per week every Tuesday. \$5,000 was allocated for FY 22-23, and ultimately \$8,932 was needed to fully fund this program.

Rohner Park Basketball Court Rehab and Expansion

In FY 2022-23 the City completed the basketball court expansion project at Rohner Park, which included installing two new, fully fenced and surfaced regulation basketball courts, where previously only a single court existed. The project also included installing planters and a picnic area adjacent to the courts to help buffer the park users from the nearby roadway. Since the opening of the courts, use of the basketball courts has been significantly above that of the previous courts. In addition to the striping that was placed for the basketball courts, the City added during construction striping for pickle ball, which has further ensured use of the courts and expanded the overall use to the pickle ball community. Overall \$125,000 was budgeted from Measure E for the project, and essentially all funding was spent to deliver the project by the end, which was completed in the subsequent fiscal year. This project was born as a recommended improvement in the Measure E project recommendation process, and is a fantastic example of how the oversight committee and process has helped to play an active role in providing for community betterments.

Newburg Park Acquisition Improvements

\$500,000 was budgeted in FY 2022-23 for this project, which envisions at its build-out installing two new regulation size soccer fields, a new parking lot, and a new snack shack and bathrooms on the vacant parcel adjacent to Newburg Park which the City acquired in 2022. During this fiscal year, the funding that was spent went towards the engineering design for the improvements, and currently the City's engineer is working towards the 60% design submittal for the project. Staff hope to have a better understanding on project cost in the coming months, and at that time will have the ability to determine what improvements can be budgeted and constructed for as an initial phase of work.

Newburg Park Soccer Lights

In FY 2023-24 the lights at the Newburg Park soccer field were replaced to provide enhanced visibility on all fields. In total eleven lights were replaced. The Eel River Valley Youth Soccer League partnered with the City by providing the high-lift rental and the new lights will go a long way for not only the ERVYSL but other user groups as well.

Fortuna Senior Center Program MOU

The City of Fortuna entered into an MOU agreement with the Fortuna Senior Center for \$60,000. As part of the MOU the Senior Center agreed to provide the following programs to Fortuna seniors:

- Provide a facility for seniors to congregate and visit Monday through Friday for six hours daily (on average)
- Provide between six and eight hours of programming Monday through Friday including exercise, educational and enhancement opportunities that may include activities such as book club, music classes, sports, hiking, games, etc. and generally consistent with the programming currently being offered for July 2023
- Provide assistance upon request directing seniors to other resources and programs available in the community

Police Department Expenditures

Police Detectives

The Fortuna Police Department received Measure E funds allowing for two full-time police Detectives. These positions continue to provide much needed additional services to the Fortuna Police Department and our community. Detectives are a valuable resource, allowing for focused investigations and the ability to proactively address major crimes and circumstances which negatively affect our community. The following are just a few examples of the impact the Detectives have had addressing crime in our community during FY 2022-23.

- Detectives conducted 226 investigations, not including the countless investigations they assisted patrol officers with.
- Detectives investigated multiple child molestation cases, which resulted in arrests and convictions. One investigation involved the arrest of a Eureka High School basketball coach, which resulted in arrest and is currently pending trial.
- Detectives investigated school threats, which resulted in arrest and conviction.
- Detectives investigated an assault with a deadly weapon and torture, which resulted in arrest and conviction.
- Detectives investigated an attempted murder, which resulted in arrest and conviction.
- Detectives investigated a murder/suicide, successfully closing the investigation and giving the families impacted the information they needed to start the healing process.
- Detectives executed or served multiple search warrants and investigations involving the possession and sales of narcotics, recovery of stolen property, and possession of firearms.
- Detectives assisted local partner/allied agencies throughout the county with officer involved shooting and homicide investigations, as well as arrests of wanted subjects.

Community Service Officer

The Fortuna Police Department received Measure E funds allowing for one full-time Community Service Officer. The Community Service Officer handles lower level misdemeanor type crimes, parking complaints/violations and animal control issues, freeing up our sworn officer staff to focus on more serious violations. The Community Service Officer is a non-sworn position and is assigned to handle property and evidence. During FY 2022-23 the full-time Community Service Officer handled 772 calls for service, in addition to parking enforcement, training a part-time Community Service Officer, property/evidence duties and animal duties such as licensing, kennel care and veterinary appointments. Having this non-sworn position is vital to the department.

Code Compliance Officer

The Fortuna Police Department receives Measure E funds allowing for a part-time Code Compliance Officer. This position addressed property abatement and municipal code violations. Almost always, these properties have associated criminal activity ranging from illicit drug crimes to violent crime. Addressing the abatement issues and municipal code violations resulted in the elimination and/or reduction of criminal activity associated with these properties. In FY 2022-23 code enforcement has worked many investigations and made a profound impact on our community. The following are a few highlights:

- Code Compliance handled 33 investigations/cases during FY 2022-23.
- 12 standard abatement case investigations, in which the majority resulted in voluntary compliance and were successfully resolved. Those unresolved are still under investigation.
- Code Compliance Officer has established positive and effective working relationships with a multitude of departments and agencies throughout the county that have greatly aided in the successful and expeditious abatement of blighted properties in violations of local codes and laws.
- Approximately 50 properties with existing fire hazards were addressed and neutralized, the majority of these abatement processes were accomplished through self-initiated / proactive contacts. Of these properties approximately 90% were resolved with the initial notice and the rest were resolved with additional follow up from the Code Compliance Officer. Thanks to the efforts of the Code Compliance Officer no city staff was involved in cutting back fire hazards on private property.
- Code Compliance Officer was trained in addressing abandoned vehicles on our roadways and has taken a proactive approach in addressing abandoned vehicles, successfully addressing 21 abandoned vehicles on our city streets.

K-9 Program

During FY 2022-23, the Fortuna Police Department utilized Measure E funding for the operations budget associated with the department's K-9 program. The department has K-9 Cain and K-9 Blitz. Both of the department K-9 teams have attended advanced training courses and are certified in patrol, apprehension works and narcotics detection. The K-9 teams have also attended courses in rural tracking, electronic collar function, stabilized tactical airborne body operations and they have ongoing maintenance training. In FY 2022-23 Measure E has continued to fund the routine monthly maintenance training associated with department K-9's (Approx. 300+ hours of maintenance training).

The K-9 program provides an important element to crime deterrence and a significant de-escalation tool. The Fortuna Police Department's K-9 program is a vital department resource and is deployed and used for special enforcement operations all over the region in Humboldt County. The department's K-9 teams also provide an important community-policing tool and contribute to promoting a positive feeling of approachability toward department personnel by community members.

During FY 2022-23, department K-9 teams attended a significant number of public events which sparked community interest, and which provided platforms of opportunity to socialize and visit with children and families in attendance. Examples include but are not limited to:

- School visits
- Camp at the park (Summer & Winter break)
- State of the City
- Rodeo

During FY 2022-23, department K-9 teams have participated in numerous narcotic detection deployments, as well as patrol deployments. Some of the deployment highlights include:

- The department K-9 teams were instrumental in detecting and assisting the Humboldt County Drug Task Force with the largest historic seizure of controlled substances, which occurred in September of 2022. The seizure included:
 - 30 pounds of methamphetamine
 - 5 pounds of cocaine
 - 3 pounds of heroin
 - 2 pounds of fentanyl
 - 150 marijuana plants, 50 pounds of processed marijuana
 - 2 firearms
 - \$115,500 dollars in illicit drug money
- K-9 teams assisting the Humboldt County Drug Task Force seized 12 pounds of methamphetamine in Fortuna.
- Throughout the year K-9 teams had multiple no bite surrenders, successfully resolving many high risk situations.

The Fortuna Police have continued to fundraise and have received financial support in the form of contributions from both public and private donors to augment the Measure E program funding. This support is reflective of the significant value the community places on this program.

Committee Recommendation of Future Measure E Fund Expenditures

There are several points the committee wants to be sure the Council pays attention to:

1. The ongoing Measure E Fund Support of streets will optimistically rise in coming years.
2. Police Department funded positions will be funded throughout the term of Measure E.
3. The committee is dedicated to utilizing reserves in excess of the reserve policy built up from unspent monies generated from Measure E to go towards large one time projects such as the Newburg Park acquisition improvements project in the coming fiscal years.

Conclusion

In light of the continuing adverse economic conditions and instability at the state level, the funds derived from Measure E have had a significant and positive effect on the financial stability of the City. The City receives almost the same amount of revenue from Measure E as it does from the General Sales Tax allocation. Without Measure E the City and public would be exposed to much greater risk City wide. Three additional police staff help protect and serve both public members and public property, storm drain funds help mitigate the risk of far greater catastrophes occurring by keeping up on maintenance and grant match funds help the City take on projects that would otherwise be unattainable with local City revenues.