



CITY OF FORTUNA - MEMORANDUM

TO: Honorable Mayor and City Council Members

FROM: Measure E Oversight Committee

SUBJECT: Annual Report to the City Council

DATE: March 6, 2023

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:

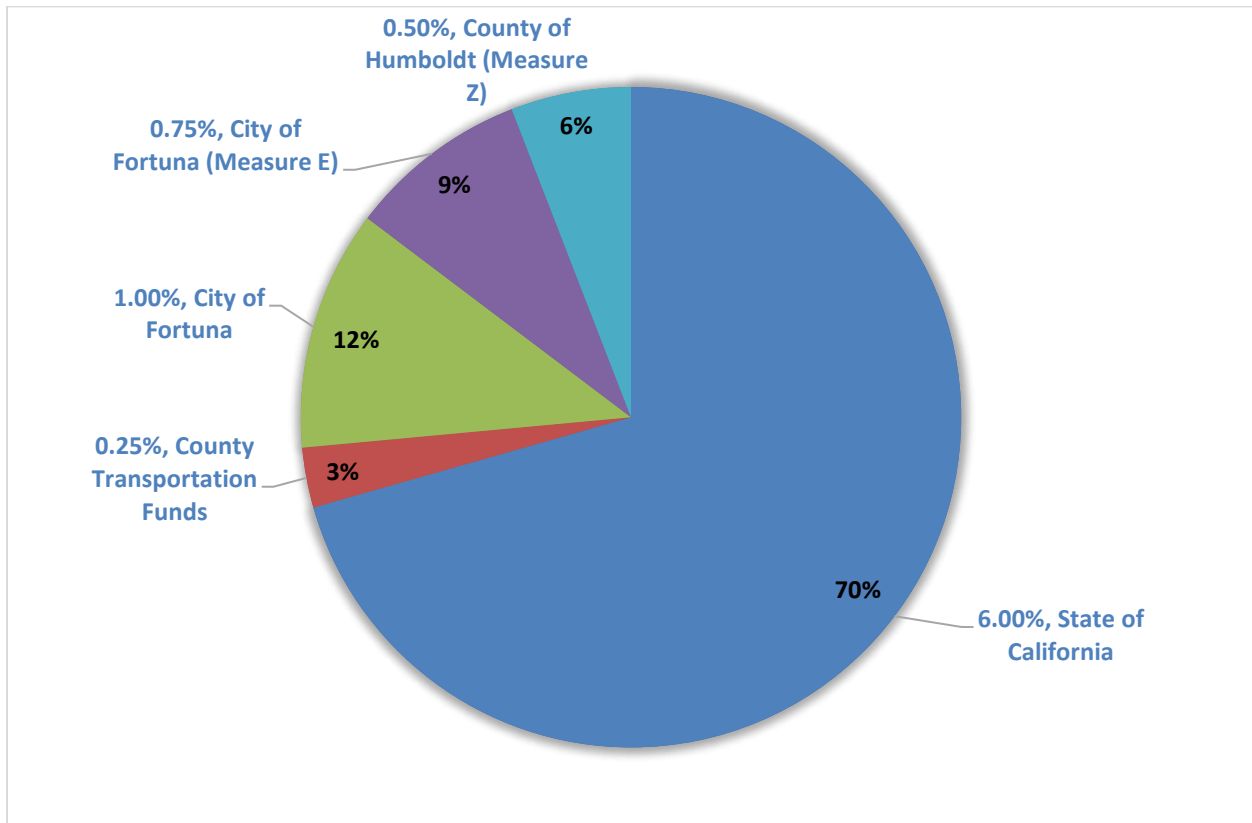
	<u>Term Expires</u>
Joseph Hardcastle, Chair	12/31/24
Walt Wilson	12/31/24
Sue Long	12/31/25
Donald Ingram	12/31/25
Debi August	12/31/25
Martin Morris	12/31/23
Tina Taylor	12/31/24
Staff Liaison: Aaron Felmlee, Finance Director	

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

Effective April 1, 2017, the total 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



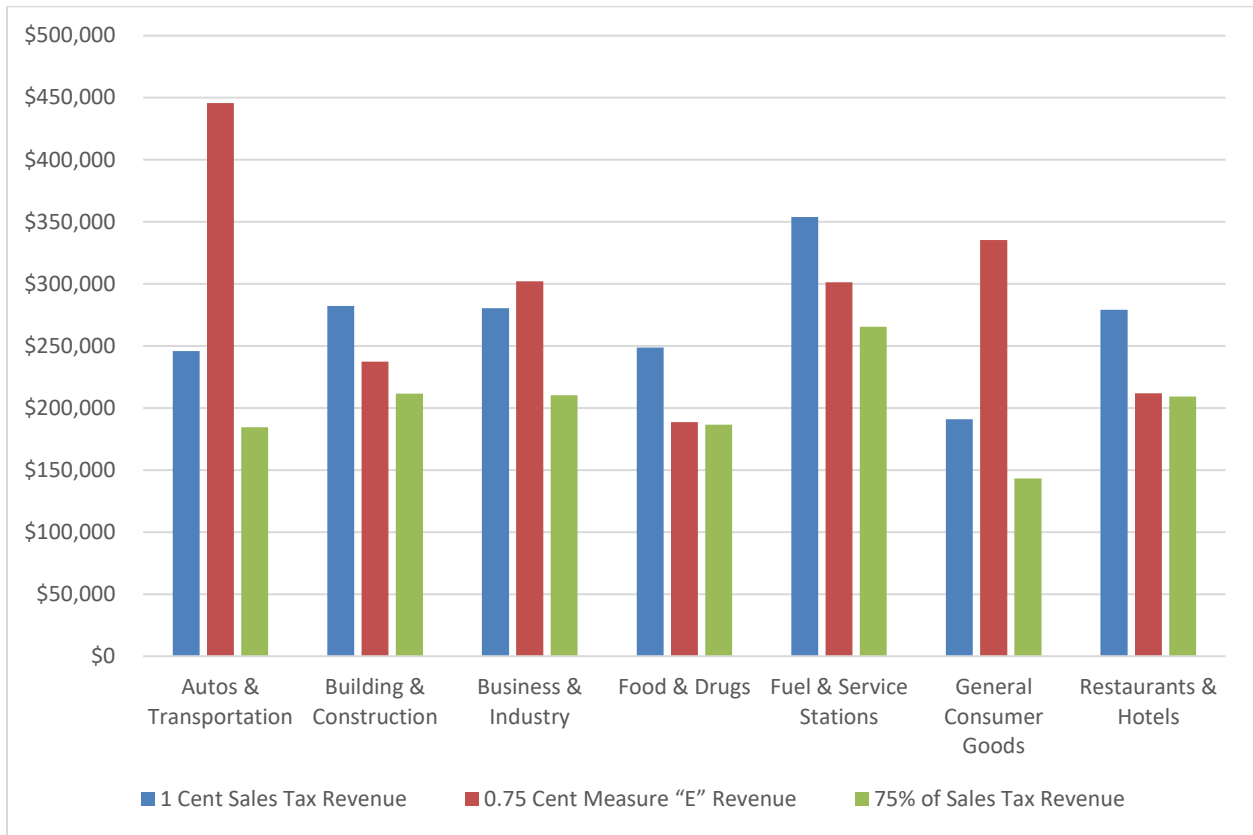
During fiscal year (FY) 2021-22, the City of Fortuna received \$2,029,351 (net of administration costs of \$13,690) from the City’s transactions and use tax. This represents receipts received for the period of July 2021 through June 2022. These revenues represent approximately 21 percent of the City’s 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 2021-22.

Table 1: Tax Revenue by Business Type

	1 Cent Sales Tax <u>Revenue</u>	0.75 Cent Measure “E” <u>Revenue</u>	Measure “E” Compared to Sales Tax Revenue		
			75% of Sales Tax <u>Revenue</u>	Favorable (Unfavorable) <u>Variance</u>	Ratio of Measure “E” to <u>Sales Tax</u>
Autos & Transportation	\$245,895	\$445,627	\$184,421	\$261,206	181.2%
Building & Construction	282,167	237,219	211,625	25,594	84.1%
Business & Industry	280,393	302,082	210,295	91,787	107.7%
Food & Drugs	248,584	188,679	186,438	2,241	75.9%
Fuel & Service Stations	353,880	301,356	265,410	35,946	85.2%
General Consumer Goods	190,893	335,300	143,170	192,130	175.6%
Restaurants & Hotels	279,057	211,863	209,293	2,570	75.9%
Transfers & Unidentified	3,973	20,915	2,980	17,935	526.4%
Gross Revenue	<u>1,884,842</u>	<u>2,043,041</u>	<u>1,413,632</u>	<u>629,410</u>	<u>108.4%</u>
County/State Pool	442,006				
State Board of Equalization Admin Fees	<u>(17,008)</u>	<u>(13,690)</u>			
Net Revenue	<u>2,309,840</u>	<u>2,029,351</u>			

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

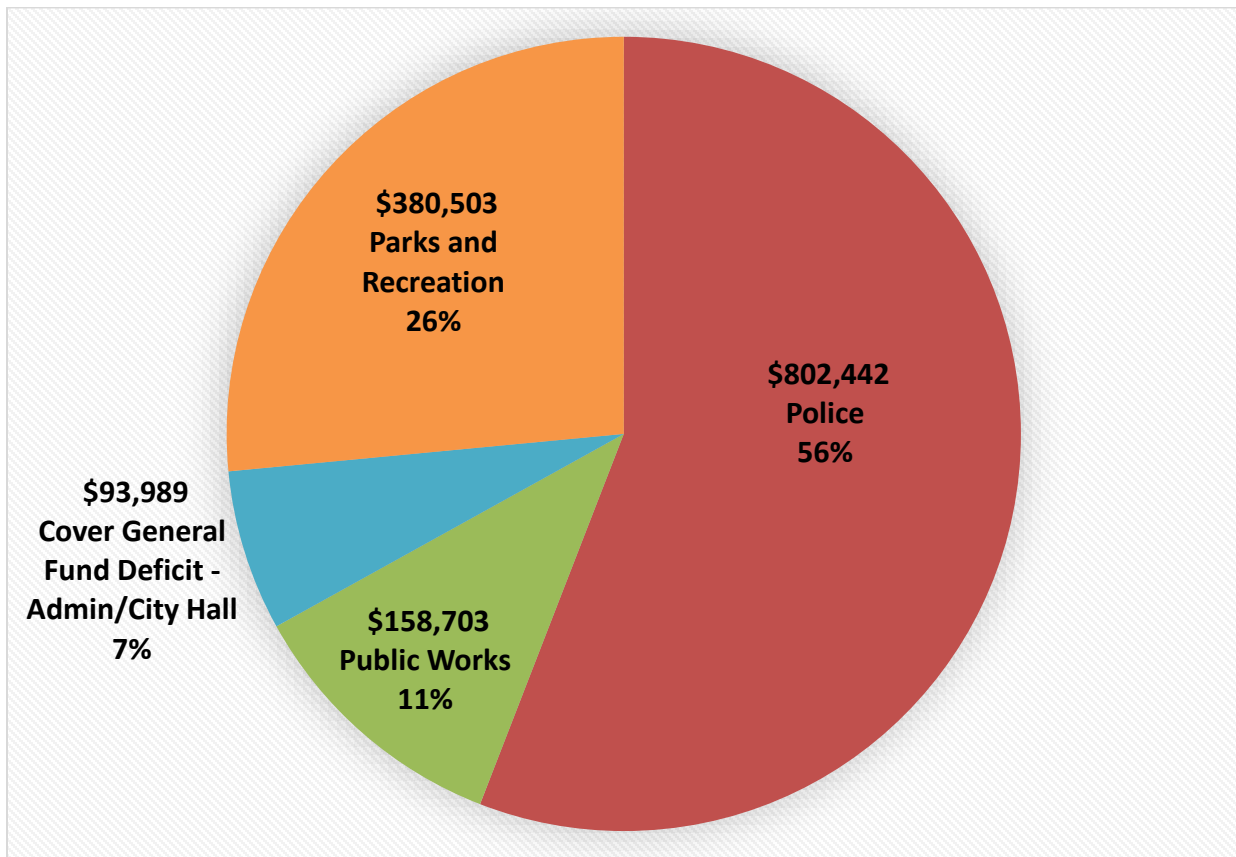


The Transactions and Use Tax (Measure E) rate is 75 percent of the City’s portion of the sales tax rate (1% Bradley Burns). Due to this, one would expect the percentage of Transactions and Use Tax revenue to sales tax revenue to be 75 percent. However, for fiscal year 2021-22, the City’s Transactions and Use Tax generated approximately 108.4 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 2021-22 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 56% of expenditures, Public Works 11%, Parks and Recreation 26%, and the remaining 7% 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 FY2021-22.

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). This project will include installing a number of LID raingardens and new stormdrain pipe along 12th Street in between Loni Drive and K Streets, which will help address gutter flooding issues along 12th Street as well as future state board permit trash capture requirements. This funding allocation will be used as grant match for the project, which received an approximately \$950,000 grant from the State Water Resources Control Board (Prop 1). Into the spring of 2022, staff worked with the State Water Quality Control Board to execute a grant agreement for the project. Since the agreement was finalized, the City has performed utility potholing along 12th street to identify potential conflicts with existing infrastructure, and the City’s engineering consultant has completed the 90% construction drawings. Staff anticipate this project going to construction during the late spring/summer of 2023

Stormwater Infrastructure Hazard Identification Project

In the 2021-22 FY, 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. After a lengthy grant contracting period through FEMA, staff began reimbursable work with our engineering consultants in spring of 2022. To date, the City's stormdrain maps have been updated, and currently our consultants are working on performing field investigations/inspections for critical stormdrain infrastructure.

Street Maintenance Projects

In FY 2021-22, the City budgeted \$140,000 towards street maintenance projects from Measure E. With this funding (in addition to various other funding sources) the City was able to complete several large paving and striping projects including the following locations:

- Rohnerville Road was paved between the PG&E property and the Strongs Creek bridge for a total cost of \$117,429.
- Kenwood Road was paved between Rohnerville Road and Freedom Court for a total cost of \$95,775 (\$16,261 of which was Measure E funded).
- Roadway striping was completed at both paving locations for a total cost of \$6,310.

Storm Drain Maintenance Projects

The City designated \$146,900 to the City Wide Storm Drain Maintenance Project (CIP 9373). This fiscal year (2021-22) there were no stormdrain failures requiring immediate repair, and as a result no expenditures were incurred with this funding. Staff have been working with our engineering consultants on a stormdrain infrastructure hazard identification project (referenced above), which is also a Measure E funded project, and staff intend to use any unused portion of the Measure E funding for stormdrains on projects identified by that assessment in future fiscal years.

Illegal Camp Cleanup

The Illegal Camp Cleanup for FY 2021-22 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 get calls from Fortuna PD to help clean an area and Mr. Swanson would bill the City for the work. A total of \$15,000 was spent in FY 2021-22 with a total of 18,700 pounds of material and debris removed from illegal camps as part of this project.

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 2021-22, 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 fifth 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, the operation of the Fortuna Transit bus service, including many other duties for the City. Of the \$107,166 adopted for this position in FY 2021-22, \$128,000 was needed.

Recreation Program Supervisor Position

In its second 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. Of the \$73,541 allocated through measure E, \$73,765 was needed.

Provide Transit to Eureka for Medical Appointments

In its fifth 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 21/22, and ultimately \$5,536 was needed to fully fund this program.

Volleyball Equipment

This was initially a public input idea at a Parks & Recreation Commission meeting to start a volleyball drop-in program, in which the City had no equipment to kick off the new activity. The \$1,503 spent for the program allowed the Recreation Division to purchase a new free-standing net system and new volleyballs. The program has been volunteer-run since its inception on November 7th, 2021, with an average of 16 people in attendance each Sunday from 5:30-7:30pm at the Firemen's Pavilion.

Rohner Park Basketball Court Rehab and Expansion

This project stemmed from a public input idea to initially restrict park users from parking on the existing basketball court. It eventually grew in size during the planning phase to construct an additional court (2 full-courts in total), so it was identified that the project needed further planning and additional funding. During FY 2021-22 \$2,300 was spent on an engineer to survey the area. The \$47,700 in remaining funds was re-allocated (or rolled over) to FY 2022-23, which will allow the project to be fully funded with additional Measure E funds and allow the construction of a high-quality 2-court area.

General Parks Acquisition and Improvements

There were various parks-related uses for this funding in FY21/22, which was helpful to have access to funds for projects that would typically not be within the Parks' annual budget and therefore unable to be pursued by staff. Some of those items included ~\$58,000 for the removal of rubber chips (disposal fees) and the addition of wood chips (playground fibers) in both the Rohner Park Tot Lot and 5-12 playgrounds for ideal surfacing. Also, both the City and the Rohner Community Recreation and Park District (RCRPD) applied for a Prop 68 Rural Recreation and Tourism (RRT) and Regional Park Program (RPP) grants for the development of a 7+ acre parcel off Riverwalk Dr. for a future river-side park, which was ultimately not awarded. Also, a portion of this funding was used for the Prop 68 Per Capita program for the purchase of the 8.4 acre parcel adjacent to Newburg Park for a park expansion. These grant projects included surveying, appraisal, grant services/consultation by LACO & Assoc. (including hosting public outreach meetings), conceptual design & engineering services by Ponte Landscape Architects, and other related fees, totaling ~\$46,000, for a grand total of \$104,770 out of the \$200,000 delegated by Measure E.

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 2021-22.

- Detectives conducted 136 investigations, not including the countless investigations they assisted patrol officers with.

- Detectives investigated a transient serial arsonist, successfully arresting him and they worked with the Humboldt County District Attorney's Office through prosecution; leading to a 5 year conviction.
- Detectives investigated a robbery at a local business, leading to the arrest and conviction of the suspects.
- Detectives investigate many sexual assaults, one of which occurred at our local high school, resulting in the arrest of a teacher/coach.
- Detectives continue to be a vital resource in investigations involving threats of mass violence at our local schools.
- 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 conducted problem oriented policing, addressing illegal Cannabis cultivation operations and crimes impacting quality of life within our community.
- Detectives assisted local partner/allied agencies throughout the county with officer involved shooting and homicide investigations, as well as arrests of wanted subjects.
- Detective Ryan Richardson was recognized by the Eureka Elks Lodge #652 as the Fortuna Police Department's 2022 Outstanding Officer of the Year. Detective Richardson was also voted as the 2022 Officer of the Year by his peers within the department. Our officers see his value as a Detective with over 18 years of law enforcement experience with the City of Fortuna.

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 2021-22 the full-time Community Service Officer handled 933 calls for service, in addition to parking enforcement, training a part-time Community Service Officer, property/evidence duties and animals 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 2021-22 code enforcement has worked many investigations and made a profound impact on our community. The following are a few highlights:

- Code Compliance handled 45 investigations/cases during FY 2021-22.
- 14 standard abatement case investigations, all of which resulted in voluntary compliance, were successfully resolved, with the exception of 1 abatement case that is 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.
- Code Compliance Officer was trained in addressing abandoned vehicles on our roadways and has taken a proactive approach in addressing abandoned vehicles, successfully addressing 29 abandoned vehicles on our city streets.

K-9 Program

During FY 2021-22, the Fortuna Police Department utilized Measure E funding for the operations budget associated with the department's K-9 program. After procuring a 22-month-old, Belgian Malinois from

Witmer Tyson Imports, the program was put into place and implemented. During FY 2021-22, both of the department K-9 teams have attended advanced training courses. Both K-9 teams have been certified in patrol and apprehension works as well as in narcotics detection. The K-9 teams also attended courses in rural tracking, electronic collar function, and stabilized tactical airborne body operations. Measure E also funded the routine monthly maintenance training associated with department K-9's (Approx. 200+ 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 2021-22, 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 (Winter break)
- State of the City
- National Christmas Tree arrival
- Rodeo

Although it is outside of the current reporting period, it should be noted that 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

During FY 2021-22, department K-9 teams have participated in numerous narcotic detection deployments, as well as patrol deployments. Some of the deployment highlights include:

- In March, a felony suspect was tracked approximately .25 miles on the river bar through thick brush and back up onto the highway. The suspect was arrested.
- In April, K-9 teams were deployed for a burglary that had just occurred at Tractor Supply and for another burglary that had just occurred at a separate business.
- K-9 teams were deployed again in April, when a robbery suspect barricaded himself in a cabin at the KOA. The suspect was taken into custody.

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.

MDT (Mobile Data Terminal) Replacement Project

During FY 2021-22 Measure E funded \$40,000 for the replacement of failing Mobile Data Terminals (MDT) units that had reached end of life. MDT units are essentially rugged laptop computers designed to mount and operate within and outside police vehicles. They are equipped with the police department's Record Management System (RMS) and secure cellular capabilities allowing officers in the field to immediate access to vital information. The use of MDT units is the modern standard within policing and they have proven to greatly enhance our department's ability to perform their duties and provide public safety. It should be noted that the department maximized the Measure E funds, purchasing 11 new MDT units that are in current operation.

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 upping reserves by earmarking any unspent monies generated from Measure E to go towards General Fund Reserves at the end of the year. For fiscal year 2021-22, revenues in excess of expenditures totaled approximately \$286,914. This is largely attributed to actual revenue receipts coming in higher than originally budgeted.

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.