



STAFF REPORT – CITY COUNCIL MEETING

August 02, 2023

TO: Honorable Mayor and City Council Members

FROM: Tabatha Miller, Finance Director

PREPARER: Tabatha Miller, Finance Director

DATE: July 25, 2023

TITLE: **Establish an Ad Hoc Revenue Advisory Committee.**

RECOMMENDATION:

It is recommended that the Council:

- 1) Establish an ad hoc committee to review potential City tax revenues and make a recommendation to the City Council on possible new sources to present to the Arcata city voters next calendar year; and
- 2) Direct staff to solicit interested community members for possible appointment by the City Council to the ad hoc committee to review potential City tax revenues.

INTRODUCTION:

The Arcata City Council requested that the Transactions and Use Tax Oversight Committee (TUTOC) review potential tax revenues and make recommendations to the City Council. The TUTOC declined the request at its July 20, 2023, meeting because members felt it was not consistent with the purpose of the TUTOC—which is to review prior year general fund support of activities for public works (streets) and public safety activities and make recommendations for the following fiscal year budgets (City of Arcata Municipal Code Section 2271).

BACKGROUND/DISCUSSION:

As part of the Fiscal Year (FY) 2023-24 Budget review and adoption, the City Council requested that the Transactions and Use Tax Oversight Committee (TUTOC) review potential tax revenues and make recommendations to the City Council on possible new source(s) to potentially present to the City voters next calendar year. The additional revenue is necessary for the City to continue current services and programs that are only possible because of one-time revenues including grants, American Rescue Plan Act (ARPA) funds, salary savings from staff vacancies and the post-pandemic bump in spending as reflected in the higher-than-expected FY 2021 and 2022 sales tax revenues.

Programs that have had success in our community but do not have an ongoing funding source include:

1. Community Ambassador Program—estimated annual cost \$150,000;
2. Safe Parking Program—estimated annual cost \$685,000;
3. Juvenile Diversion Counselors—estimated annual cost \$290,000;
4. Mobile Intervention Services Teams (MIST) and Street Outreach Programs (including dedicated Sergeant) —estimated annual cost \$265,000;
5. Valley West Neighborhood Support—estimated annual cost \$75,000;
6. Extreme Weather Shelter—estimated annual cost \$30,000-\$50,000, depending on severity and length of extreme weather events;
7. Recruitment and retention efforts for Police Officers—estimated annual cost \$225,000;
8. Increased street striping, overlay and pedestrian improvements—estimated bi-annual cost \$350,00; and
9. Valley West Community Center/Police Office Space (Woodsman Building Lease)—estimated annual cost \$150,000 to \$200,000.

Under the City Council's FY 2023-24 Priority Project to develop a Homelessness Reduction Strategy, the City Council includes identifying an ongoing funding Stream (i.e., sales tax, property tax), and preparing a ballot initiative for voters to consider in calendar year 2024.

At its July 20, 2023, meeting the TUTOC considered the City Council's request under New Business and concluded that the committee members were not comfortable with the requested assignment because it was outside the scope of a tax oversight committee and more specifically, extended beyond the TUTOC's stated purpose to review prior year general fund support of activity budgets for public works (streets) and public safety on historical data and need and make recommendations for general fund expenditures for the following fiscal year in the public works and public safety activity budgets (Arcata Municipal City Code Section 2271). Although, the City's Municipal Code does provide that the City Council may direct the TUTOC to review other general fund matters, committee members voiced concern over reaching a consensus on this request based on differing opinions on recommending a City tax increase in the current economic and political climate.

Several TUTOC members indicated a willingness to consider participating in a separate committee with the narrower purpose and staff recommends appointing up to three (less than a quorum and majority) interested members of the TUTOC to the proposed ad hoc committee to review potential City tax revenues. Staff further recommends soliciting and appointing up to a total of seven committee members to the proposed Revenue Advisory Ad Hoc Committee.

ATTACHMENTS:

- A. 7-20-2023 TUTOC Meeting Staff Report (PDF)