

STAFF REPORT

City Council Discussion Item

DATE: September 2, 2025

TO: Honorable Mayor and City Council Members

FROM: Aaron Felmlee, Finance Director

THROUGH: Amy Nilsen, City Manager

SUBJECT: Revenue Generation Ad Hoc Committee Update

STAFF RECOMMENDATION:

1. Receive the staff report from the Revenue Generation Ad Hoc Committee; and
2. Provide direction to staff on the preferred option for the River Lodge Conference Center

DISCUSSION:

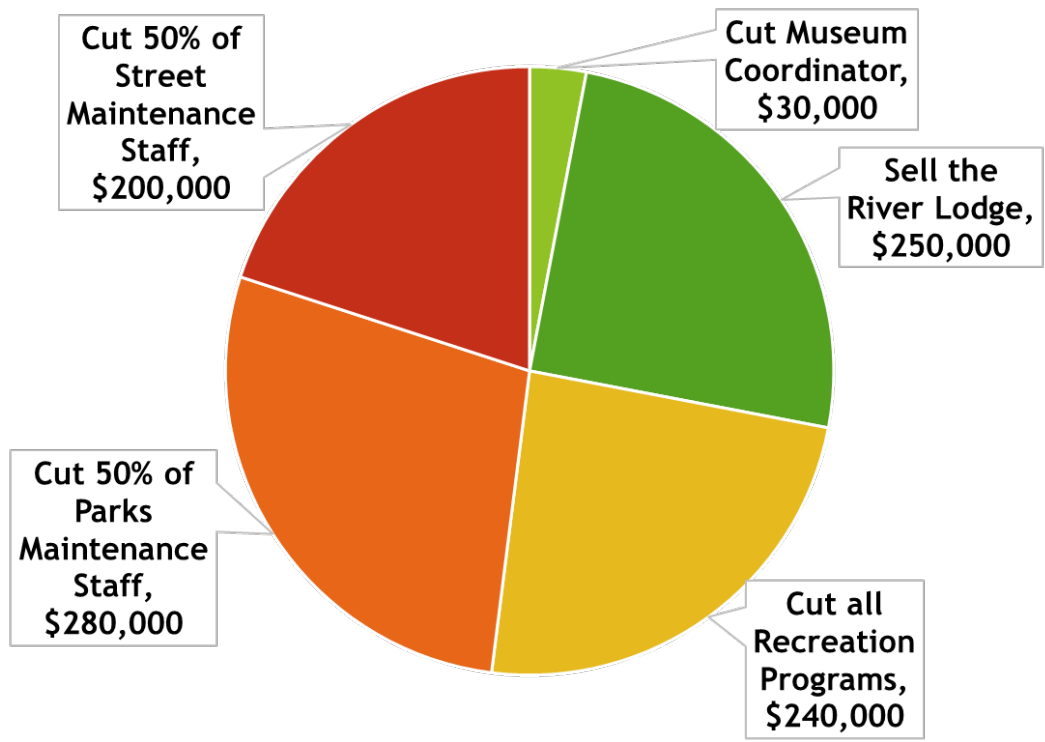
On April 21st the City Council heard a presentation on the City's budget outlook and this included: limited investment in vital services, particularly City wages, a review of wages across local jurisdictions; climbing city-wide turnover percentage; potential revenue generation options; and creation of a Revenue Generation Ad Hoc Committee.

The April 21st staff report also contained information on the City's budget and how limited investment in vital services has impacted wages across the City organization compared with other local cities. Fortuna's salaries when compared with Eureka and Arcata were 27% to 25% lower for a Police Officer, 28% to 20% lower for a Police Sergeant, 12% to 24% lower for a Utility Worker II, and 11% to 18% lower for a Treatment Plant Operator II. The City of Rio Dell's salaries are currently within competitive range with Fortuna. Competitive range is around 10 percent.

In response the City Council created the Revenue Generation Ad Hoc Committee comprised of Mayor Johnson, Mayor Pro-Tem Trent, City Manager, Finance Director, and representatives from the Fortuna Police Employees Association, Fortuna Employees Association and Unrepresented employees at the April 21st Council Meeting.

On April 30th the Ad Hoc Committee for the first time met to review one of the options presented in the April 21st staff report, "General Fund and Reduced City Services" to determine what percentage and what City services would need to be reduced to invest in vital city services.

On May 19th the City Council heard a presentation from that Ad Hoc Committee meeting on the General Fund and reduced City services. The information included that if the General Fund were to provide a 20 percent pay increase, to come within the competitive range of other cities, that would include approximately \$810,000 in salary and \$190,000 in benefit costs for a total of \$1,000,000. The City does not currently have a \$1,000,000 in available funding to provide this level of investment in vital services. Therefore, a decrease to General Fund services would be needed to make \$1,000,000 in funding available. The pie chart below represents one option for General Fund service reductions.



The Ad Hoc Committee’s recommendation was that investing in vital services by reducing other General Fund Services is not practical for the long-term viability and operation of the City. Therefore, the Ad Hoc Committee recommended pursuing a sales tax measure in November 2026, and further discuss options for a general or dedicated sales tax measure.

On May 19th the City Council approved investment in public opinion research to gauge the feasibility of and inform a potential sales tax measure in November 2026. In addition, a City Council Member expressed interest in learning more about the River Lodge and why it costs the General Fund to operate.

On August 18th the Ad Hoc Committee met to review an in-depth analysis of the River Lodge and its revenue and expenses from the last 5 years.

River Lodge Analysis

The chart below shows the revenue for the River Lodge by category for fiscal years (FY) 21-22 through 25-26.

Revenue Name	FY 2025-26 Budget	FY 2024-25 Activity	FY 2023-24 Activity	FY 2022-23 Activity	FY 2021-22 Activity
River Lodge Rental Fees	124,000	123,769	115,270	113,826	65,677
River Lodge Kitchen Rental	15,000	18,475	14,875	17,838	6,588
River Lodge Gift Shop Sales	-	-	-	-	21
River Lodge Linens	8,000	11,576	7,812	9,133	4,131
River Lodge Catering Services	4,000	3,494	4,908	7,756	9,447
River Lodge Wedding Packages	32,000	41,050	27,350	32,107	39,736
Bridal Faire Revenue	5,000	4,150	6,215	-	-
Craft Faire Revenue	6,000	6,750	5,325	5,000	3,450
Reimbursement Revenue	-	136	24	941	250
	194,000	209,402	181,778	186,601	129,299

FY 21-22 revenue was low due to the pandemic social distancing requirements. FY 22-23 revenue was elevated due to several events that had been scheduled during the pandemic being rescheduled once the River Lodge was fully opened during FY 22-23. FY 24-25 Revenue increased significantly from FY 23-24 revenue due to fee schedule alterations. The fee schedule changes are displayed below and typically take at least a year to see the impact due to events being charged the fee amount at the time they are scheduled as opposed to when the event happens.

Fee Schedule Increases:

- FY 25-26 - ~2% increase to rental fees
- FY 24-25 – No increase in fees
- FY 23-24 – altered rate structure and increased fees between 20-30%
- FY 22-23 - ~10% increase to rental fees
- FY 21-22 – No increase in fees

The FY 25-26 Budget for revenue was prepared using the FY 23-24 activity data. As it turned out FY 24-25 had more wedding events than expected and if that carries forward, FY 25-26 could see an additional ~20k in revenue than what is shown above.

The below chart shows both the revenue and expenses for the River Lodge for fiscal years (FY) 21-22 through 25-26 as well as the amount of funds required by the General Fund.

	FY 2025-26 Budget	FY 2024-25 Activity	FY 2023-24 Activity	FY 2022-23 Activity	FY 2021-22 Activity
Revenue	(194,000)	(209,402)	(181,778)	(186,601)	(129,299)
Expense	469,439	376,082	346,477	362,809	322,840
	275,439	166,680	164,699	176,208	193,541

The FY 25-26 Expense budget increased due to the following reasons.

- Park Workers pay distributions changed to account for the added time spent at the River Lodge maintaining the facility and setting up for events (~20k)
- Budget includes more for building repairs and maintenance as the facility ages (~20k)
- Wages and Benefits increased due to negotiations / stipends (~25k)
- Utilities, Liability Insurance, and other inflation increases (~25k)

The overall impact is that expenses came in at nearly \$1,000,000 more than revenues for the 5 years shown above.

Ad Hoc Committee Options

Based on the analysis the Ad Hoc Committee came up with three options for Council consideration.

- Stay the course and continue to utilize General Fund dollars to fund the River Lodge .
- Infuse additional funds into the River Lodge to make it a top-of-the-line facility and increase advertising effort/funds. This could entail updating the sound system, minor remodeling, and paving the parking lot.
- Lease the River Lodge to a 3rd party. This could entail releasing a request for proposal (RFP) and/or talking with local external organizations. In this scenario the General Fund would no longer provide any financial support.

FISCAL IMPACT:

No fiscal impact associated with providing direction to staff on the preferred River Lodge option. Future fiscal impacts will be determined by the option the Council chooses to move forward with and depending on the option chosen future items will be brought forward for Council approval.

RECOMMENDED COUNCIL ACTION:

1. Receive staff presentation and review Council questions with staff;
2. Receive public comment; and
3. Provide direction to staff on the preferred option for the River Lodge Conference Center.
Voice Vote.