

Is Measure Z Measuring Up?

SUMMARY

The approval of Measure Z in 2014 successfully infused our county with over \$50 million for what the ballot categorized as “public safety/essential services.” A significant source of funding for the county, Measure Z now generates over \$10 million in annual revenue, far exceeding initial estimates of \$6 million yearly. The Humboldt County Civil Grand Jury (HCCGJ) decided to investigate how the Measure Z Citizens’ Advisory Committee (MZCAC) makes funding recommendations and how Measure Z funds are allocated by the Board of Supervisors (BOS). Additionally, the HCCGJ considered whether Measure Z revenue is utilized transparently, appropriately, and efficiently by funding recipients.

The HCCGJ found a significant lack of transparency and accountability in tracking and monitoring expenditures made with Measure Z funds. The public was told prior to the November 2014 vote on Measure Z that annual audits would take place. To date, no annual audits have been performed, though on June 18, 2018, the BOS approved funding an independent audit of Measure Z spending.

The failure to perform any of the required independent annual audits to date contradicts the BOS’ avowed interest in transparency, as stated in the Resolution #14-106 establishing the MZCAC:

WHEREAS, the citizens of Humboldt County *have a strong interest in transparency and accountability* for expenditure of funds derived from this countywide local sales tax... (italics added)

The appropriateness of Measure Z spending came to the HCCGJ’s attention through a complaint about the BOS’ 2016-2017 allocation of Measure Z funds to the Boys and Girls Club. The complainant asked how staffing the club in McKinleyville was an appropriate use of public safety funds. The organization’s application, which cannot be located on the Measure Z website, was not recommended to the BOS by the MZCAC. The HCCGJ’s investigation revealed a lack of shared understanding of what constitutes an appropriate use of Measure Z revenue. The broad and vague “public safety/essential services” ballot language has created an environment with different interpretations of what qualifies as public safety/essential services.

Finally, the HCCGJ located no tools or processes to measure the efficiency of Measure Z expenditures. Each year the total amount requested in Measure Z applications far exceeds the funds available. Without a means to measure the efficiency and effectiveness of allocations, the MZCAC cannot weigh the relative merits of requests to prioritize them.



The HCCGJ found Measure Z to be generally well implemented and successful in meeting the goal of developing and maintaining public safety and essential services. However, the above gaps in the overall process, fiscal accountability, and transparency must be addressed. The MZCAC should continue refining the process of receiving, vetting, and recommending applications by including an effectiveness assessment. The BOS must follow through on its expressed desire to be accountable and transparent in its dealings with Humboldt County citizens.

BACKGROUND

The State of California has been reducing Humboldt County's budget to the detriment of local public safety for more than 20 years. Since the 2008 recession, our county has experienced a steady decrease in its financial resources. The Board of Supervisors (BOS) searched for a source of revenue that would be kept local and could not be usurped by the state. A countywide survey asking individuals about their priorities for local services provided information instrumental in the creation of Measure Z.

Measure Z is a one-half cent general sales tax to fund public safety and essential services. On July 22, 2014, the BOS voted unanimously to place Measure Z on the ballot with Resolution #14-60. In the 2014 election, 56% of the voting Humboldt County citizens approved the measure. Measure Z funds are placed in the General Fund but are used as special monies for public safety and essential services as outlined in Resolution #14-60. The tax is scheduled to sunset in March 2020.

In December 2014, the BOS approved Resolution #14-106, establishing a Measure Z Citizens' Advisory Committee (MZCAC). Pursuant to the resolution, each BOS member appoints one individual for their district; the MZCAC also includes two at large members, agreed upon by at least four of the five BOS members, a representative from both the Humboldt County Sheriff's Office and Fire Chief's Association, and two alternates. The committee was tasked with establishing a criteria and measurement method to review and recommend Measure Z applications to the BOS. According to Resolution #14-106:

The purpose of the Citizens' Advisory Committee on Measure Z expenditures is to assist the Board of Supervisors in taking public input on the expenditure of funds derived from the countywide local sales tax imposed pursuant to Measure Z. Purposes may include:

- a. Solicit applications for funding from County departments and outside agencies.
- b. Conduct public hearings to examine the various proposals received in response to the solicitation of applications and weigh the value of the various proposals.
- c. Make recommendations as to the proposals that should be funded given the projected amount of revenue to be derived from the countywide local sales tax.
- d. Provide those recommendations to the County Administrative Office for transmittal to the Board of Supervisors as part of the annual budget process.

Unspent and/or unallocated funds are distributed mid-year by the BOS. In past years, the MZCAC has made recommendations for both the first and second rounds of revenue disbursements; however, according to MZCAC meeting minutes, the BOS has not always followed its recommendations, especially when allocating the second round of funds. The

MZCAC has asked to play a greater part in the second round of allocation of Measure Z revenue, but to date has not been included in this part of the process by the BOS.

In the past three-and-a-half years, over \$50 million in Measure Z revenue has been invested into our county for public safety and other essential services. These monies are mostly allocated to law enforcement, roads, and fire. Measure Z funded nearly 40 new deputies for the Humboldt County Sheriff's Office (some in rural areas), miles of road work, over \$6M for firefighting equipment, 11 staff for the District Attorney's office, six additional probation officers and many other public safety projects. Some expenditures, such as personnel, are ongoing, meaning that they are automatically included in the next year's budget. Positions created under Measure Z will be eliminated in March 2020 when Measure Z sunsets unless replacement funding is allocated. Eliminating these positions would be highly detrimental to our public's safety.

METHODOLOGY

The Humboldt County Civil Grand Jury:

- Attended meetings of the Board of Supervisors and Measure Z Citizens' Advisory Committee
- Researched the Humboldt County government website and Measure Z web pages
- Reviewed roles and responsibilities of Board of Supervisors, County Administrative Officer, Auditor-Controller and Measure Z Citizens' Advisory Committee
- Reviewed Board of Supervisors agendas and minutes
- Reviewed Measure Z applications from previous to current years
- Reviewed all recommendations made by Measure Z Citizens' Advisory Committee and all allocations made by Board of Supervisors
- Researched and reviewed Measure Z Citizens' Advisory Committee agendas and minutes from previous to current years
- Researched and reviewed the development of Measure Z Ballot initiative and the formation of the Measure Z Citizens' Advisory Committee
- Read and reviewed articles relating to Measure Z, public safety, and Humboldt County government
- Conducted interviews with all members of the Board of Supervisors and select members of the Measure Z Citizens' Advisory Committee
- Conducted interviews with county department heads and employees, volunteers, and citizens
- Reviewed the *Humboldt County Fiscal Year 2017-2018 Budget* including the message relating to Measure Z from the County Administrative Officer
- Reviewed Board of Supervisors' *Strategic Framework 2017-2018*
- Reviewed Resolutions #14-60 and #14-106 of the Humboldt County Board of Supervisors, Measure Z ballot, and brochures for Measure Z

DISCUSSION

The Humboldt County Civil Grand Jury (HCCGJ), after researching Measure Z, decided unanimously to pursue an investigation. The investigation focused on transparency and accountability, appropriateness, and effectiveness within the processes and procedures developed by the Measure Z Citizens' Advisory Committee (MZCAC), as directed by the Board of Supervisors (BOS). During our investigation a few things caught our attention. Humboldt County citizens expect financial accountability and transparency and the BOS agreed to provide it, yet to date not one annual audit has been performed in the past three and one-half years specific to Measure Z expenditures. There are different requirements for different entities. The process and procedures need to be consistent and equal in monitoring and tracking all expenditures by all entities. Definitions and understanding of appropriate and public safety/essential services have greatly broadened, with the overall realization it all comes down to personal interpretation.

Transparency

During the HCCGJ interviews, all members of the BOS agreed, and MZCAC members interviewed confirmed, that transparency could always be improved. Some key ways to foster transparency include monitoring/oversight, auditing, communicating with the public, and holding public meetings.

Monitoring/Oversight of Spending

The County Administrative Office (CAO) provides administrative support to the MZCAC by managing Measure Z revenues and expenditures, particularly for allocations to outside agencies. A half-time position in the CAO is assigned to handling Measure Z funds. According to the CAO, "Staff extensively reviews the submitted reports, analyzes any inconsistencies and approves payment disbursement."¹

Outside agencies are required to submit quarterly reports, narratives and receipts to the CAO, but a different process with less scrutiny is used for county government agencies. The HCCGJ learned that department heads are not required to complete quarterly reports regarding the expenditures made with Measure Z funds. Numerous interviewees with approval authority in the Measure Z process stated county administration trusts department heads to make expenditures consistent with their original requests. Additionally, outside agencies wanting to request funds to continue a program funded with Measure Z in prior fiscal years are required to provide the results of implementation in one page or less.

The HCCGJ believes the benefits of monitoring include: (1) reduced error and misappropriation of funds; (2) increased conscientiousness about expenditures due to oversight; and (3) improved public confidence in spending decisions. All members of the BOS confirmed county residents benefit with more transparency and monitoring in government.

¹ See Measure Z Citizens' Advisory Committee application for independent comprehensive audit, drafted by the County Administrative Office on behalf of the Measure Z Citizens' Advisory Committee.

It is unclear whether the CAO's office has the capacity to take on the oversight work or whether the CAO's office is the appropriate entity to monitor all spending by Measure Z recipients. Due to the nature of their duties, MZCAC committee members are the most knowledgeable about the intended use for the Measure Z funds received by an entity. As such, the MZCAC would be well suited to be part of a small ad hoc group to determine whether an entity is using its funds appropriately. In our interviews, MZCAC members expressed an interest in including monitoring expenditures and oversight as part of their responsibilities. With oversight, the MZCAC can better understand the big picture for future recommendations.

Auditing

Resolution #14-60, which placed Measure Z on the November 2014 ballot, stated:

WHEREAS, funds from this measure are subject to strict accountability provisions, *including annual audits* and an advisory committee which will be established by the Board of Supervisors to make recommendations to the Board of Supervisors as to the expenditure of funds derived from the tax imposed by this measure... (italics added)

Measure Z FAQ's on the county website, posted prior to the November 2014 election, reiterate that "Measure Z is subject to strict community and fiscal accountability, *including annual independent audits* and community input via a citizens' advisory committee to ensure funds are spent efficiently." (italics added)

The HCCGJ is not aware of any annual audits of Measure Z funds, though on June 18, 2018, the BOS approved funding an independent audit of Measure Z expenditures after rejecting the initial audit request by the CAO's office on behalf of the MZCAC only a few months ago.

Website

The HCCGJ found the Measure Z web page generally transparent, user friendly, and informative. The web page has many pathways to locate desired data. Information ranges from applications submitted to tax revenue data to recommendations and allocations. Interested parties can also find applications to apply for the Measure Z Citizens' Advisory Committee and the Measure Z revenue on the county's website.

Ralph M. Brown Act (California Government Code 54950 et seq.)

The Humboldt County Civil Grand Jury reviewed all Measure Z Citizens' Advisory Committee (MZCAC) meeting agendas and meeting minutes for Fiscal Years 2015-2016, 2016-2017, and 2017-2018. These agendas and meeting minutes are available on the county's website. Through the review of these documents and direct observations, the HCCGJ concluded the MZCAC appears to be in compliance with the Ralph M. Brown Act in that all notices of meetings, agendas, and minutes are available for public review online.

Appropriateness of Allocations

The November 2014 ballot question for Measure Z (referred to as "Humboldt County Safety/Essential Services Measure") reads as follows:

To maintain/improve essential services, such as 24-hour sheriff's patrols; 9-1-1 emergency response; crime investigation/prosecution; drug/illegal marijuana growhouse

enforcement/prevention; services for abused children/mentally ill; rural fire protection; road repairs; and other County services, shall County of Humboldt pursuant to County Ordinance No. 2517 enact a 1/2% sales tax, for five years, all revenue for the County, none for the State of California, with annual audits and public review?

Measure Z FAQ's on the county website (created prior to the November 2014 election), elaborated on the services covered, and stated: "Measure Z will provide funds to maintain and improve public safety and essential services, including;

- Investigating violent crimes, including rape and domestic violence;
- Maintaining 911 emergency response time;
- Ensuring on-duty Sheriff's deputies;
- Providing services for the victims of child abuse;
- Maintaining rural fire protection and ambulance services; and
- Cleaning up environmentally damaging marijuana farms"

The 2018-2019 Measure Z application includes nearly identical language but adds "Providing drug treatment programs."

There is no clear consensus on what services and programs qualify for Measure Z funding. Many find "public safety/essential services" difficult to define. During interviews with the BOS members, all but one referenced the ballot when asked for a definition of public safety. Only one supervisor could provide a concrete meaning for the term. All but one supervisor also acknowledged the definition of public safety has broadened since Measure Z came into effect. While basic public safety needs such as police, ambulance, and firefighter services unquestionably fall within the intent of Measure Z, differences of opinion arise when it comes to less clear-cut services. For example, Measure Z tax revenues set to be spent in the 2018-2019 fiscal year included:

- County Public Works: \$35,000 for walkability studies for Arcata and Petrolia and implementing a walkability plan for Willow Creek
- Boys and Girls Club: \$40,000 for continued staff and services at Calvary Lutheran Church in Eureka

For the most part, recommendations made by the MZCAC have been indisputably related to public safety/essential services. However, some applicants who believed their organizational needs fell under the spirit of the ballot measure found their applications denied.

Efficiency

The Oxford English Dictionary defines efficient as "achieving maximum productivity with minimum wasted effort or expense." When it comes to government efficiency, voters want their tax dollars spent wisely, on projects producing the maximum benefit given a limited budget.

Allocating funds efficiently requires a way to assess the relative merits of expenditures. Without an objective way to consistently compare options, spending decisions are less informed and require guesswork. For example, in finance, return on investment is a performance measure used to evaluate an investment's efficiency and compare the efficiency of different investments. The

HCCGJ found no standardized metrics in place to measure and compare the effectiveness of the expenditures funded by Measure Z.

In four years of existence, the Measure Z Citizens' Advisory Committee (MZCAC) has seen firsthand what worked well and what has not in the process it developed. Using this experience and knowledge, it has made adjustments resulting in improvements. For example, in the 2018-2019 year, the MZCAC adjusted its initial ranking system. After voting yes or no on all the applications, the MZCAC prioritized the top-ranking applications. The committee asked those applicants to revise and resubmit their budgets. By doing this, the MZCAC allowed more projects to be funded. The cooperation of applicants with the MZCAC resulted in a more efficient distribution of tax dollars.

As one example, \$60,000 in Measure Z revenue was used to partially fund the Humboldt County Sheriff's Office's purchase of a Sno-Cat in 2017. The Sno-Cat has been deployed once, for a potentially life-saving rescue in Hoopa earlier this year. Due to HSCO's shortened response time, the victim sustained only mild frostbite.



How does the purchase of a snow vehicle compare to, for example, \$65,720 allocated in 2018-2019 to Southern Trinity Area Rescue (STAR) to hire an Emergency Medical Technician (EMT)? STAR, a non-profit, volunteer-staffed ambulance service, is the only 911 ambulance response service in eastern Humboldt off Highway 36. Its Measure Z application cited a rising call volume and dwindling number of volunteers as the basis for its request. Although both these expenditures may fall within the basic definition of public safety/essential services, the HCCGJ is unaware of criteria that evaluates the effectiveness of these expenditures.

Quarterly reports detailing their spending and activities are required from agencies outside the county government recipients of Measure Z funds. These reports go to the CAO and are posted online. The HCCGJ was unable to find any documentation requiring the county department heads to provide reports specifically concerning Measure Z expenditures. The HCCGJ is unaware of any reason or justification for these inconsistent reporting requirements.

According to Resolution #14-106 establishing the MZCAC, one purpose of the committee is to "Conduct public hearings to examine the various proposals received in response to the solicitation of applications and *weigh the value of the various proposals.*" (italics added) Information regarding the efficiency of similar or related Measure Z expenditures or the expenditure history of a Measure Z funding recipient is relevant to weighing the value of a proposal. When assessing and ranking future Measure Z requests, incomplete information regarding past Measure Z funding allocations results in a less informed decision.

Measure Z is scheduled to sunset in March 2020. A loss of Measure Z funds could be catastrophic for Humboldt County since the anticipated revenue is necessary to maintain our

current level of public safety. It is critical for the BOS to garner the support of the public for a future ballot measure. To that end, the HCCGJ believes it is imperative for the BOS and CAO's Office to act with accountability and transparency in monitoring and tracking all Measure Z expenditures. Performing an immediate independent audit and required independent annual audits in the future would build public trust.

FINDINGS

- F1. The Humboldt County Civil Grand Jury finds Measure Z allocations have been mostly allocated according to the original intent of providing public safety to citizens of Humboldt County.
- F2. The Humboldt County Civil Grand Jury finds if Measure Z is not approved in the next funding cycle the results to the county could be catastrophic, particularly with respect to public safety.
- F3. The Humboldt County Civil Grand Jury finds that before the November 2014 vote on Measure Z, the public was told Measure Z would be subject to annual independent audits, but no such audits have taken place to date which compromises transparency and public trust.
- F4. The Humboldt County Civil Grand Jury finds the failure of the Board of Supervisors to perform independent audits of over \$50M in Measure Z funds allocated to date contributes to a lack of transparency.
- F5. The Humboldt County Civil Grand Jury finds there is no current means of measuring or comparing the effectiveness of expenditures made with Measure Z funds, although "weigh[ing] the value of the various proposals" is one of the Measure Z Citizens' Advisory Committee's stated purposes.
- F6. The Humboldt County Civil Grand Jury finds that improved monitoring and tracking of all Measure Z expenditures would bring greater transparency to the process and increase community trust.
- F7. The Humboldt County Civil Grand Jury finds the "public safety/essential services" language in the November 2014 ballot to be broad and vague which has created an environment of multiple interpretations and different understandings of what qualifies as public safety and essential services.
- F8. The Humboldt County Civil Grand Jury finds outside entities and recipients of Measure Z funding are subjected to different reporting requirements than county entities, a practice that creates disparities in accountability.
- F9. The Humboldt County Civil Grand Jury finds the Measure Z page on the county's website easy to navigate, containing pertinent past and current information, which promotes an opportunity for transparency and accountability.
- F10. The Humboldt County Civil Grand Jury finds the Measure Z Citizens' Advisory Committee developed a satisfactory application process for people to apply for Measure Z funding.

- F11. The Humboldt County Civil Grand Jury finds the Measure Z Citizens' Advisory Committee developed an adequate process to analyze applications and to make recommendations to the Board of Supervisors; however, this process needs to be improved.
- F12. The Humboldt County Civil Grand Jury finds the Measure Z Citizens' Advisory Committee satisfactorily interpreted the intent of the November 2014 ballot measure.
- F13. The Humboldt County Civil Grand Jury finds the Measure Z Citizens' Advisory Committee to be in compliance with the Ralph M. Brown Act.
- F14. The Humboldt County Civil Grand Jury finds that the Measure Z Citizens' Advisory Committee has not been included in the Board of Supervisors process of allocating secondary funds, which is detrimental to transparency and accountability.

RECOMMENDATIONS

- R1. The Humboldt County Civil Grand Jury recommends the Board of Supervisors instruct the County Administrative Office to enter a contract with an outside firm to perform an annual independent audit of all Measure Z expenditures. The County Administrative Office should enter this contract no later than December 31, 2018. **(F2, F3)**
- R2. The Humboldt County Civil Grand Jury recommends the Board of Supervisors fund the independent annual audits recommended in R1. **(F2, F3, F4)**
- R3. The Humboldt County Civil Grand Jury recommends the Board of Supervisors instruct the County Administrative Office and Measure Z Citizens' Advisory Committee to form an ad hoc committee to create an ongoing process for increasing accountability and transparency in the tracking and monitoring of all Measure Z expenditures. This instruction should be made by October 1, 2018. **(F2, F3, F4)**
- R4. The Humboldt County Civil Grand Jury recommends the Board of Supervisors instruct the County Administrative Office and Measure Z Citizens' Advisory Committee to form a second ad hoc committee to develop criteria and a procedure to measure effectiveness of the funds allocated. This instruction should be made by October 1, 2018. **(F2, F3, F4, F5, F11)**
- R5. The Humboldt County Civil Grand Jury recommends the Board of Supervisors assign the tracking and monitoring of expenditure responsibilities to an outside entity and an ad hoc Measure Z Citizens' Advisory Committee. This group should supplement the County Administrative Office and Auditor-Controller Office by January 2, 2019. **(F2, F3, F5, F6, F8)**
- R6. The Humboldt County Civil Grand Jury recommends the Board of Supervisors instruct the Measure Z Citizens' Advisory Committee to identify two members to provide input to the entity developing future Measure Z ballot language. These instructions should be made by September 1, 2019. **(F7)**
- R7. The Humboldt County Civil Grand Jury recommends the Board of Supervisors instruct the County Administrative Office to post new information regarding tracking, monitoring, and audits on the Measure Z web page by January 2, 2019. **(F2)**

- R8. The Humboldt County Civil Grand Jury recommends the Board of Supervisors instruct the County Administrative Office to substantively include Measure Z Citizens' Advisory Committee input for mid-year spending of unspent and unallocated funds. **(F14)**

REQUIRED RESPONSES

Pursuant to Penal Code section 933.05, the Grand Jury requires responses from the following governing body:

- Humboldt County Board of Supervisors **(R1, R2, R3, R4, R5, R6, R7, R8)**

INVITED RESPONSES

- Measure Z Citizens Advisory Committee **(R1, R2, R4, R6, R8)**

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.
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