



CITY OF FORTUNA - MEMORANDUM

TO: Honorable Mayor and City Council Members

FROM: Measure E Oversight Committee

SUBJECT: Annual Report to the Council

DATE: January 2, 2018

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 is set to terminate on March 31st, 2025. 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 Council in order to assist the City 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:

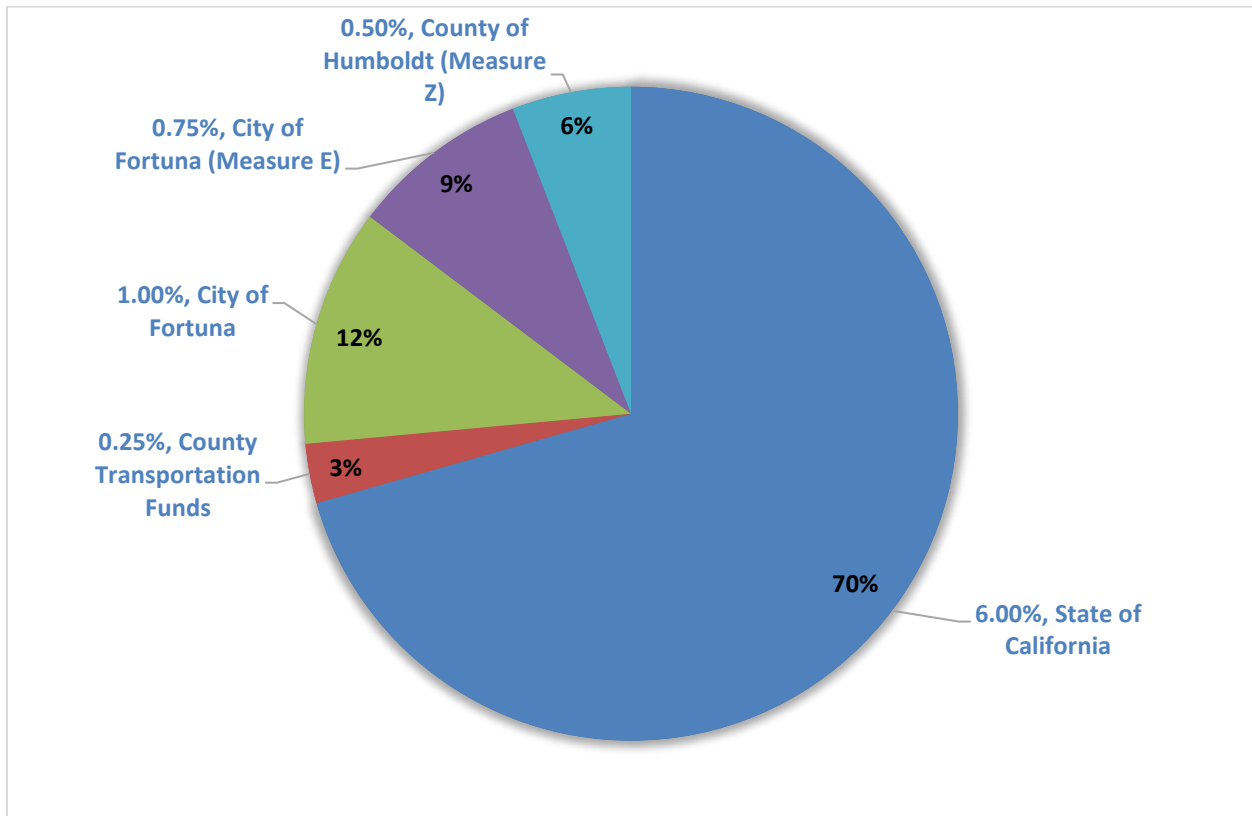
	<u>Term Expires</u>
Jeremy Stanfield, Chair	12/31/19
Kyle Conley	12/31/18
Christina Holman	12/31/18
Joseph Hardcastle	12/31/19
Donald Ingram	12/31/19
Sandi Petersen	12/31/20
Walt Wilson	12/31/20
Staff Liaison: Aaron Felmlee, Finance Director	

The Committee holds regular meetings the third month of each quarter (March, June, September, December), plus January, on the third Tuesday of the chosen months. 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” tax rate adds another 0.75 percent, which brings the total sales tax rate to 8.50 percent.

Graph 1: Sales Tax Rate Distribution Comparison



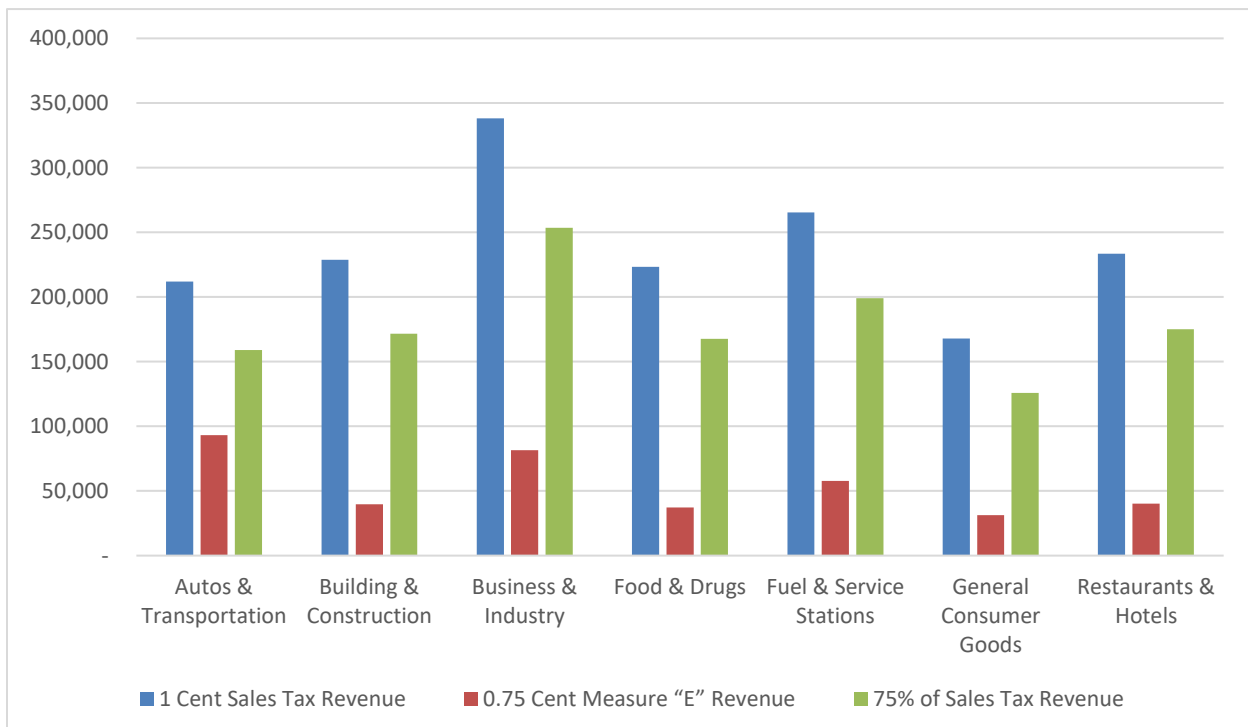
During fiscal year 2016/17, the City of Fortuna received \$379,016 (net of administration costs of \$2,040) from the City’s transactions and use tax. This represents only the period of April through June 2017 as April 1st was the date of implementation for Measure E. These revenues represent approximately 6.4 percent of the City’s total general fund revenue.

The following data summarizes and compares the revenue generated by Measure E to sales tax by business type for fiscal year 2016/17.

Table 1: Tax Revenue by Business Type

	1 Cent Sales Tax Revenue	.75 Cent Measure "E" Revenue	Measure "E" Compared to 75% of Sales Tax Revenue		
			75% of Sales Tax Revenue	Favorable (Unfavorable) Variance	Ratio of Measure "E" to Sales Tax
Autos & Transportation	\$212,013	\$93,236	\$159,010	(65,774)	44.0%
Building & Construction	228,865	39,799	171,649	(131,850)	17.4%
Business & Industry	338,153	81,601	253,615	(172,014)	24.1%
Food & Drugs	223,421	37,290	167,566	(130,276)	16.7%
Fuel & Service Stations	265,426	57,669	199,070	(141,401)	21.7%
General Consumer Goods	167,863	31,386	125,897	(94,511)	18.7%
Restaurants & Hotels	233,434	40,075	175,076	(135,001)	17.2%
Gross Revenue	1,669,175	381,056	1,251,881	(870,825)	22.8%
County/State Pool	209,814				
State Board of Equalization Admin Fees	(22,687)	(2,040)			
Net Revenue	1,856,302	379,016			

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



As you can see from the graphs the Transactions and Use Tax (Measure E) rate is 75 percent of the City's portion of the sales tax rate. Due to this, one would expect the percentage of Transactions and Use Tax revenue to sales tax revenue to be 75 percent. Or for this first year, to be 18.75% of sales tax revenue since the tax was only in place for 1 of the 4 quarters. However, for fiscal year 2016/17, the City's Transactions and Use Tax generated approximately 22.8 percent of the revenue received from sales tax before other adjustments. This is 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. 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 also on business and industry items that are brought into the district from outside suppliers.

Public Works Expenditures

Measure E contributed funding for two project types for the public works department including \$100,000 for storm drain maintenance and \$50,000 for street maintenance and paving. The deferred maintenance of the City's storm drain system and roadways far exceeds the budget to make needed repairs.

In a recent report by NCE Engineering for the Humboldt County Association of Governments estimated that it would take approximately \$970,000 per year to maintain the City Streets in their current condition and that \$1.4M per year would be needed to improve the City's roadways to an overall condition of "good". The City currently spends approximately \$250,000 year on paving and street maintenance projects, which is far short of what is needed to preserve the City's system.

The City designated \$50,000 from the increased revenue from Measure E to go toward streets maintenance projects. It is anticipated this additional funding will be used to complete a paving project on Redwood Way. Redwood Way is a major collector and also serves the only regional hospital. The existing pavement on Redwood Way is deteriorating and if not repaired will deteriorate to a condition that may require reconstruction, a much more expensive repair. The paving of Redwood Way is currently in the City's capital improvement program and planned for 2017/2018 as part of the City Wide Paving Project and we anticipate using the funding from Measure E to complete the paving work on this project. Additionally, we anticipate spending approximately \$5,000 to complete horizontal concrete cutting to remove offset slabs on concrete sidewalks around the City in various locations. Our public works crews have identified over 100 areas that can be fixed by cutting the raised areas of concrete to make them flat. Hiring a specialty contractor to do this work will cost approximately \$50 - \$80 for each location opposed to \$100 - \$200 to remove and replace the concrete. This will allow the City to repair almost double the number of trip hazards than would have been repaired by removing replacing the concrete. A large section of the City's sidewalks would be made safer for the walking public and liability for trip hazards would be greatly reduced by completing this work.

The City of Fortuna's storm drains have been deteriorating for many years without a funding source to adequately maintain and replace old and depleted infrastructure. In 2009 it was estimated that approximately \$17 million was needed for repair and replacement of the City's storm drain system. The City currently generates approximately \$17,000 per year for storm drain maintenance. A majority of the storm drains in the City are corrugated metal single wall pipes, and over the years the bottoms of the pipes have corroded away resulting in the washing of material from under the pipes down the system. The voids left by this can and does result in sink holes which are expensive to repair and are dangerous to life and property if they occur. This year we had two significant sinkholes that required repair with a combined cost of approximately \$45,000. One of the repairs, on 9th Street, ran under an existing home creating a sinkhole and threatening the structure if not repaired. The other sink hole repair on Loop Court created a sinkhole between two homes and also presented a significant risk to the adjacent properties. Having maintenance funding in the City's drainage fund allowed for both of these repairs to be made.

Looking forward, the City hopes to repair several smaller diameter pipes by undertaking a storm drain lining project within the next two years. Staff is developing a project and budget and hopes to include it in next years capital improvement program. This project would save the city money by repairing several culverts prior to failure at a lower cost than would be incurred in an emergency replacement scenario.

Additionally, the City submitted a Hazard Mitigation Grant to complete the last phase of the Rohner Creek Project that includes widening Hillside Creek between Rohnerville Road and Fortuna Boulevard and replacing the undersized culvert under Fortuna Boulevard. This project is anticipated to cost up to \$2.5M and would require a 25% city match (\$650,000) if successful. The City would rely on the general fund to provide this match as drainage funds available fall way short of what would be needed. This project if successful would represent the last work needed to eliminate the portion of the downtown that is in the 100-year flood plain of Rohner Creek. Once completed homeowners and business would no longer be at risk of flooding and would be relieved of having to buy flood insurance annually.

Parks and Recreation Expenditures

In the first year of Measure E funds being allocated to the Parks and Recreation Department, the most significant item approved for the Department is the Parks and Recreation Director, and once the position is filled, other projects designated by the Committee can move forward. There are multiple projects that will benefit with a full time Director including securing grant funds and working with the community to collaborate on new ideas.

A new mower was purchased utilizing Measure E funds. This mower is a Toro with zero turn radius. It will be primarily used on the medians, however there are many other uses in the parks for a smaller mower than our larger deck mowers. This mower has already shown a great improvement in cut quality and maneuverability in the medians. The museum has received some security upgrades including a camera that is pointed at Park Street near the first speed bump, which will help with apprehending vandals which damage the park with a vehicle. More upgrades are coming in the next months including some cameras on the north end of the park which will be another step toward securing the park. Ball field lights will be purchased over the winter months, and preliminary work has already occurred in determining type of lights as well as methods to replace, including rental of a high lift and examination of every light on three of the four fields with notes and photos. On Thanksgiving Day, Fortuna Transit was operational by providing rides for Veterans to get to the Veterans Memorial Building on Main Street for Thanksgiving Dinner. This was a service for our local veterans and was well used and appreciated by the users.

Public Safety Expenditures

During the Measure E campaign in the summer and fall of 2016 it was made clear that public safety was first and foremost in the concerns of our community. The campaign highlighted several glaring needs for the police department and primarily focused on the addition of three (3) sworn personnel to the Fortuna Police Department. Specifically the positions of School Resource Officer, Detective and Problem Oriented Police Officer (POP). These positions were discussed at length and clearly were made a priority by the City Council and staff.

After the November election and the passage of Measure E, Council directed me to begin the hiring process on the first "Measure E" police officer position, realizing the length of time it takes to complete the hiring and background process for a sworn police officer. Our first "Measure E" police officer was hired on March 8, 2017.

In March 2017 the City of Fortuna was able to obtain full funding of a School Resource Officer position through a County Measure Z funding request. The City will receive \$145,580 in Fiscal Year 17/18 for this position and in effect saving Measure E funds for other City priorities. An Officer was selected as the Fortuna Police Department's School Resource Officer and assumed this role on July 6, 2017. As this is a county funded position our Measure E officer hired in March 2017, was no longer funded by Measure E as that position backfilled the county funded SRO position. SRO vehicle / outfitting and equipment was funded through Measure E.

In June 2017 the Fortuna Police Department brought forward to the Fortuna City Council a proposal for a Police Trainee position. The idea behind this position was to sponsor a high quality candidate through the police academy and upon successful graduation from the police academy, the police trainee would move

into a police officer position to allow for one of the Detective or POP Officer positions to be filled. The Police Trainee is currently attending the College of the Redwoods Basic Police Academy and is set to graduate on December 14, 2017.

In November 2017, the Fortuna Police Department hired its second Measure E position. The officer is currently in the FPD Field Training Program and is projected to be released from the FTO program in late December 2017.

An internal recruitment was conducted for the new positions of Detective and Problem Oriented Police Officer (POP). Both positions required applicants to have a minimum of 4 years of police experience. Both positions have been filled and will take effect in January 2018. Measure E funding is being used for equipping and the outfitting of these positions.

Measure E is also funding the FPD K-9 program, which funds the Handler stipend and training costs. The K-9 program had previously been funded by donations with one primary donor contributing most for the funding to keep the K-9 up and running. Unfortunately, our primary donor did not choose to continue the donations and put the K-9 program in jeopardy of being cut if not for Measure E funding.

The FPD was able to move a part-time Field Community Service Officer from part-time to full-time using Measure E funding. By moving this position to full-time the FPD is seeing greater coverage and more effective services from the CSO position.

For budget year 17/18, the FPD was able to purchase new Tasers at a cost of \$32,000 and we have budgeted \$20,000 for a security camera upgrade for the Police Department / City Hall.

Committee Recommendation of Future General 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. 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.

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. 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, security upgrades and lights at numerous City park locations keep the parks well lit and secure, storm drain funds help mitigate the risk of far greater catastrophes occurring by keeping up on maintenance and grant match funds help take homes out of the 100-year flood zone.