



## **REPORT TO MEASURE Z CITIZEN COMMITTEE**

**To:** Honorable Members of the Committee

**From:** Jason Simpson, City Manager

**Prepared by:** Nicole Dailey, Assistant to the City Manager

**Date:** May 13, 2021

**Subject:** Fiscal Year 2021-22 Measure Z Budget Spending Plan

### **Recommendation**

Review and approve the Fiscal Year 2021-22 Measure Z Budget Spending Plan.

### **Background**

On November 3, 2020, residents of the City of Lake Elsinore voted in favor of Measure Z, a locally controlled one-cent, or one percent, transactions and use tax to generate unrestricted general fund dollars to address City service, public safety, and local recovery needs. Measure Z will soon be formally codified in Chapter 3.30 of the Lake Elsinore Municipal Code, which is available online on the City's website.

The City's primary revenue sources include sales and property taxes. However, nearly all sales taxes generated locally go to the State or the County. For example, while the Sales and Use Tax Rate in the City of Lake Elsinore was previously 7.75 percent, the City was only receiving one percent of the sales taxes collected within the City. Other key sources of revenue for the City include special taxes (typically Mello-Roos assessments), hotel occupancy taxes, and user fees.

Measure Z requires all funds to be used in Lake Elsinore, ensuring that a higher percentage of sales tax dollars stay local for City services. By law, no Measure Z funds can be taken by the State, County, or Federal government. Therefore, all funds generated by Measure Z will remain locally controlled and spent for City services and projects.

The Measure Z Citizen Committee's primary role is to independently review and provide advice and guidance concerning the expenditure of Measure Z revenues. The Committee is tasked with meeting, in a public forum, at least twice each calendar year to ensure funding is being used in a manner consistent with the established goals and needs of the community. Specifically, the Committee must annually review and report on the City's proposed and actual expenditure of proceeds generated by the transactions and use tax along with reviewing the independent annual audit of those revenues and expenditures prepared by a Certified Public Accounting firm. The Committee's report shall then be submitted to the City Council for review and discussion at a public meeting of the City Council.

## **Discussion**

Measure Z officially went into effect on April 1, 2021, updating Lake Elsinore's sales tax rate to 8.75%. However, the City is not expecting to start receiving funds from Measure Z until July 2021.

Measure Z funds are first delivered to the State Board of Equalization and then remitted to the City. Proceeds of the tax are unrestricted general funds that could be used to pay for any general municipal services including, but not limited to, police and fire services, road maintenance, and homelessness solutions.

Since 2016, the City has regularly conducted community opinion surveys to gauge overall community satisfaction with City services and gather opinions, perceptions, and priorities about its services and future projects or needs. The results from these surveys have provided critical information to assist the City in making sound, strategic decisions in various areas, including prioritization, planning, performance measurement, policymaking, community engagement, and budgeting.

Before the passage of Measure Z, the City engaged residents and businesses as part of its Let's Talk Lake Elsinore campaign to identify the community's needs. Based on this effort and ongoing community opinion surveys, residents identified the following spending priorities:

- Preparing for any public health or catastrophic emergency
- Having adequate 911 emergency capacity
- Continuing to address homelessness and supporting residents and families in transition
- Improving fire protection and paramedic services
- Keeping public areas safe, healthy, and clean
- Continuing law enforcement services, including effectively staffed neighborhood patrols
- Supporting residents and local businesses through our local recovery

The City has identified Measure Z projects for the Fiscal Year 2021-22 as outlined in the attached Measure Z Budget Spending Plan based on the priorities identified by the community. As shown, staff has estimated the City will receive \$2.8 million in Measure Z funding for the Fiscal Year 2020-21 and \$11.25 million in the Fiscal Year 2021-22 plus investment earnings, for a total of \$14,145,148.

As a starting point for discussion, staff is recommending allocating Measure Z funding to each of the following areas:

DESCRIPTION	FY2021-22	
	AMOUNT	% SHARE
Police Services	\$ 1,792,634	12.67%
Fire Services	1,391,974	9.83%
Animal Control	55,600	0.39%
Road and Infrastructure Improvements/Maintenance	8,636,070	61.01%
Park and Facility Improvements/Maintenance	484,500	3.42%
Assistance - Local Recovery & Economic Development	481,470	3.40%
Homeless Services	1,311,900	9.27%
	<u>\$ 14,154,148</u>	<u>100.00%</u>

During these unprecedented times, the health and safety of our residents have been our highest priority. Many of the items proposed will ensure our community is prepared for any future medical or catastrophic emergency, including adequate, effective public safety, paramedic, fire, and 9-1-1 emergency response times.

While the City has made great strides toward maintaining our streets and roads in recent years, many of our local streets have not been repaired or resurfaced in more than 20 years. A significant number of projects have been included to address the community's desires to fix potholes and repave our streets while also completing deferred maintenance in the City's parks and other City facilities.

In addition, funding has been included to help keep Lake Elsinore healthy, safe, clean, and well maintained by adequately addressing homelessness, resolving public safety issues throughout the City, and supporting the community through the pandemic.

The Committee's report of its review of the proposed budget spending plan is needed before the City Council's meeting on May 25, 2021. City Staff will be presenting the proposed FY2021-22 Measure Z spending plan to the City Council including comments from the Committee as part of the overall budget.

### **Fiscal Impact**

The proposed expenditures as outlined in the Fiscal Year 2021-22 Measure Z Budget Spending Plan will be adopted the City Council as part of the Fiscal Year 2021-22 Annual Operating Budget.

### **Exhibits**

A – Fiscal Year 2021-22 Measure Z Budget Spending Plan