

STAFF REPORT

City Council Business Item

DATE: June 3, 2024

TO: Honorable Mayor and Council Members

FROM: Merritt Perry, City Manager

SUBJECT: Fortuna Business Improvement District Annual Report and Resolution of Intent Regarding the Annual Levy

STAFF RECOMMENDATION:

Staff recommends that the Council consider amending the FBID Annual Report approved at the May 20, 2024, Regular Meeting and thereafter adopt a resolution of intent consistent with the Annual Report.

EXECUTIVE SUMMARY

The Fortuna Business Improvement District was established in 1990 under the Parking and Business Improvement Area Law of 1989 (California Streets and Highways Code §§ 36500 et seq.) Under this law, the Council is required to adopt an annual resolution of intent for each fiscal year in which it levies the assessment.

The resolution of intent must be adopted after the Council reviews and approves the FBID Annual Report. At the May 20, 2024, Regular Meeting, the Council considered the Annual Report submitted by the FBID Advisory Committee and approved the Annual Report with a modification not to levy any assessment for the 2024-2025 fiscal year. The Council considered but ultimately rejected the staff's recommendation to impose a revised assessment of \$25.00 per business, instead of the current scaled assessment based upon gross receipts. The Council found that the unspent funds from the 2023-2024 fiscal year are likely sufficient for the 2024-2025 fiscal year and, accordingly, decided against any assessment for the upcoming fiscal year.

The City Manager met with the FBID Advisory Committee on May 30, 2024. The Advisory Committee strongly recommended that the Council reconsider its decision to not levy any assessment for the 2024-2025 fiscal year and to, instead, levy a flat assessment of \$25 per business. The Advisory Committee feels strongly that the funds remaining following the current fiscal year will be insufficient to fund all the activities planned for the next fiscal year. The Advisory Committee further feels that eliminating the assessment for this year will make it more difficult to reinstate the assessment in subsequent years.

Accordingly, staff would like to give the Council an opportunity to consider further amendments to the Annual Report. The Council may choose not to amend the Annual Report, thereby confirming its decision not to levy an assessment for the 2024-2025 fiscal year OR amend the Annual Report to recommend a flat rate assessment of \$25.00 per business.

If the Council chooses the former (i.e., no levy), the Council should adopt Resolution No. 15A, attached hereto as **Attachment A**, to confirm its decision not to levy and annual assessment for the upcoming fiscal year. By adopting this resolution, the Council may in subsequent years re-impose the levy in the manner required by law.

Alternatively, if the Council desires to amend the Annual Report, it should do so by regular motion, as recommended below. After amending the Annual Report, the Council should then adopt Resolution No. 15B, attached hereto as **Attachment B**, to give notice of the Council's intention to levy the assessment for the upcoming fiscal year and setting a public hearing for June 17, 2024, to consider whether a protest exists.

The resolution of intent is the first procedural step required to levy the annual assessment. The resolution of intent provides notice of a public hearing to occur on June 17, 2024, at which time business owners may submit written protests, as more particularly set forth in the resolution.

Pursuant to Section 36534 of the Streets and Highways Code, the annual resolution of intention must do all of the following:

- (1) Declare the intention of the city council to change the boundaries of the parking and business improvement area, or in any benefit zone within the area, if the annual report proposes a change.
- (2) Declare the intention of the city council to levy and collect assessments within the parking and business improvement area for the fiscal year stated in the resolution.
- (3) Generally describe the proposed improvements and activities authorized by the ordinance enacted pursuant to Section 36527 and any substantial changes proposed to be made to the improvements and activities.
- (4) Refer to the parking and business improvement area by name and indicate the location of the area.
- (5) Refer to the report on file with the clerk for a full and detailed description of the improvements and activities to be provided for that fiscal year, the boundaries of the area and any benefit zones within the area, and the proposed assessments to be levied upon the businesses within the area for that fiscal year.
- (6) Fix a time and place for a public hearing to be held by the city council on the levy of the proposed assessment for that fiscal year. The public hearing shall be held not less than 10 days after the adoption of the resolution of intention.
- (7) State that at the public hearing written and oral protests may be made.

FINANCIAL IMPACT:

FBID collects approximately \$63,000 in assessments annually and the funds are distributed as follows:

Core Area	Assessment	Distribution to Core Area (62%)	Citywide Share (38%)
Citywide	\$35,000	\$0	\$35,000
Downtown	\$13,000	\$8,060	\$4,940
Redwood Village	\$10,000	\$6,200	\$3,800
Strongs Creek	\$5,000	\$3,100	\$1,900
Total	\$63,000	\$17,360	\$45,640

The total expenditures for Fiscal Year 2023-2024 was \$47,871. The FBID assessment generated approximately \$65,000 and the City Council budgeted a contribution of \$50,000 so the total revenue generated was \$115,000. The total surplus for Fiscal Year 2023-2024 was 67,726. The unused funds (\$50,000) designated by the City for FBID will be returned to the City's General Fund. The proceeds from the FBID assessment in the amount of \$17,726 will be retained in the FBID fund dedicated for FBID purposes.

If the Council elects to note levy an assessment for the upcoming fiscal year, it is anticipated that the District will exhaust all available funds and may not be able to fund all planned activities.

If the Council elects to levy a flat assessment of \$25 per business, it is anticipated that approximately \$16,500 would be generated by the assessment. When combined with the excess funds from the prior year, it is anticipated that FBID will be able to fund its planned activities.

RECOMMENDED COUNCIL ACTION:

1. Receive staff presentation and review Council questions with staff
2. Open Public Comment
3. Close Public Comment
4. Take one of the following alternative actions:
 - a. If the Council confirms its decision to not levy an assessment:
 - i. Motion to Adopt Resolution No. 15A and read by title only.
 - b. If the Council desires to amend the Annual Report to levy an assessment:
 - i. Motion to amend the Annual Report for the Fortuna Business Improvement District to recommend that the District levy an assessment for the 2024-2025 fiscal year in the amount of \$25 per business and to eliminate the core area designations.

THEN

- ii. Motion to adopt Resolution No. 15B and read by title only.

ATTACHMENTS

- A. ***Resolution No. 15A, A Resolution Of The City Council Of The City Of Fortuna Declaring Its Intention Not To Levy An Annual Assessment For 2024-2025 Fiscal Year For The Fortuna Business Improvement District***
- B. ***Resolution No. 15B, A Resolution Of The City Council Of The City Of Fortuna Declaring Its Intention To Levy An Annual Assessment For 2024-2025 Fiscal Year For The Fortuna Business Improvement District And Fixing The Time And Place Of A Public Meeting And A Public Hearing Thereon And Giving Notice Thereof***