



# COUNTY OF HUMBOLDT

For the meeting of: 4/22/2025

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File #: 25-498

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**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Departmental

**Vote Requirement:** 4/5th

**SUBJECT:**

Resolution Adopting a Measure O Spending Plan, Establishing Citizens' Oversight Committee (4/5 Vote Required)

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Consider a recommendation by the Measure O Funding Ad Hoc to allocate 86% of baseline revenue projections to roads and 14% to transit (4/5 Vote Required); and
2. Adopt the attached resolution (Attachment 1) (4/5 Vote Required), which:
  - a. Adopts the allocations for roads and transit for the next 5 years, through fiscal year (FY) 2029-30.
  - b. Determines eligibility for transit funds.
  - c. Establishes the annual public input and reporting processes for Measure O.
  - d. Designates the Audit Committee as the Citizens' Oversight Committee required by Measure O.
  - e. Directs and authorizes the County Administrative Officer to contract with Humboldt Transit Authority (HTA) to carry out transit projects, and the Humboldt County Association of Governments (HCAOG) to hold certain public meetings related to Measure O.

**STRATEGIC PLAN:**

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: Safe & Healthy Communities

Strategic Plan Category: 1009 - Expand county infrastructure resilience

**DISCUSSION:**

*Executive Summary*

The Board is being requested to consider a recommendation from the Funding Ad Hoc it appointed on Feb. 11 to allocate 86% of projected Measure O revenue to roads and 14% to transit for each of the next 5 fiscal years. The baseline revenue estimate for this time period is \$24 million, meaning the annual allocations would amount to \$20.64 million annually to roads and \$3.36 million for transit. It also includes a one-time contribution of \$3 million to a Measure O contingency to be used in the event of an economic downturn. Staff have prepared a resolution (Attachment 1) to adopt these allocations, the processes for public input and reporting on expenditures and projects, and establishes the Audit Committee as the Citizens' Oversight Committee required by the ordinance approved by voters in November.

*Background: Funding Ad Hoc*

On February 11 your Board appointed a Funding Ad Hoc comprised of Supervisors Madrone and Wilson and representatives from a number of other agencies, assigned with the task of returning with a multi-year recommendation on how to allocate funding from

Measure O between roads and transit services. The ad hoc met on February 26 and reviewed potential spending plans at different levels presented by the county Public Works Department and the Humboldt Transit Authority. While there was not enough time to put together a detailed 5-year project plan, both agencies were in favor of the idea to have set dollar amounts allocated to them each year (as opposed to a percentage of an annually fluctuating revenue projection) as it would provide certainty to enable development of a well thought-out plan. All in attendance agreed that a majority of funding should be dedicated to roads to improve the road system, with a smaller but meaningful allocation going to transit to address long-standing needs. It also was favorable to hold some funding in a contingency to protect against a downturn in the economy.

On the roads end, Public Works expressed a need to use a portion of the funding for grant matching, moving the Measure Z mowing crew to Measure O, replacing equipment, hiring engineers to deliver projects, contributing towards the Roads Fund negative fund balance, and the majority of funding going to paving projects. For transit, Humboldt Transit Authority expressed a need to take a measured approach to addressing unmet needs by first ensuring Measure O can maintain its existing service, then securing new vehicles and later offering longer hours, express service, expanding Dial-A-Ride, increasing frequency and adding drivers. The resolution proposes allowing HCAOG to carry over obligated funding and up to \$1 million in unspent each year, but must return to the county any funding that is not spent by the end of the 5-year period.

*Recommendation:* With these high-level details in consideration, the ad hoc calculated an average of each individual's recommendation on the split between the two functions, discussed further, and arrived at an annual split of:

- 86% of revenue projections should go to roads (\$20.64 million), and
- 14% to transit (\$3.36 million).

This recommendation also includes the method by which available funding is calculated, and the establishment of a contingencies account. The 5-year spending plan is set against a baseline revenue projection of \$24 million per year. This provides the basis for the 86%-14% split.

In the event that revenues come in higher than projected, or there is additional funding available due to underspending, this recommendation states that those revenues will not be made available until the first full fiscal year after the revenue is received, at which time it would be dedicated to roads. For example, any revenue received above projections in FY 2025-26 would not be available for allocation to roads until FY 2027-28. This is proposed as a fiscal sustainability measure and an effort to ensure enough time for proper planning.

Because Public Works and HTA will require contracts with long lead times that will carry over between fiscal years, the attached resolution provides a mechanism where each agency could carry forward funding that has been obligated via contract for the coming year (similar in function to the Board-approved Measure Z Carry Forward Policy). In addition, HTA's expenses are likely begin low in the first years and increase in later years beyond the allocation levels detailed above, and to address this dynamic the resolution proposes allowing HTA to request up to \$1 million of its prior year allocation that was not spent or obligated, to be made available on the same timeline detailed in the paragraph above. Any unspent amount beyond that would be provided to roads.

The contingencies account is proposed to be funded at \$3 million with Measure O fund balance from FY 2024-25, which is anticipated to be \$6 million. While this is roughly 12% of base revenue, the resolution proposes targeting funding contingencies at 16% of revenues to align with the Government Finance Officers Association's recommendations regarding reserves.

#### ***Eligibility for Transit Funds and Uses***

*Option 1:* The resolution that accompanied Measure O stated several priorities voters were concerned about, however, it was not clear how the priorities would be addressed and by whom. During the public education on Measure O, staff often discussed that the unmet transit needs process could be a useful way to guide or inform transit expenditures as that process has been around for many years and follows state guidelines to develop local needs.

Today's agenda item contains a recommendation from HCAOG (Attachment 2) that Measure O funds be allocated to public transit agencies that adhere to the same eligibility standards as those required under the guidelines set for the State Transit Assistance (STA) Funds and provide transit service to the general public. The recommendation also provides that funds would be "restricted to supporting operational and capital expenses that directly enhance and maintain transit service, excluding large infrastructure projects like building construction that don't directly contribute to service expansion."

Humboldt Transit Authority (HTA) would be the only entity eligible for Measure O funding under this criteria. If your Board chooses to accept this recommendation, the county could contract with HTA for the funding amount. From there, HTA would follow the public input and reporting process described below. It should be noted that HCAOG's recommendation includes a request to re-evaluate eligible agencies annually.

The attached resolution assumes HTA would receive the funding for each of the 5 years as re-evaluating entities who should be eligible would increase complexity and administrative cost.

*Option 2:* The other option to consider is to follow the eligibility standards and guidelines set for STA funds, but do not require that entities provide service to the general public. This would open up eligibility for specialized transportation and private transport services. If your Board were to choose this option, HCAOG would likely administer a grant application process and county funding would be provided to them to distribute to eligible entities.

#### ***Public Input and Reporting Process***

Public input and oversight are vital components of this voter-approved measure. In order to accomplish this, the resolution proposes to utilize the existing HCAOG Technical Advisory Committee (TAC) to provide input into the roads Work Plan, and the Social Services Transportation Advisory Council (SSTAC) for transit. After the fiscal year closes, the county's Audit Committee will review actual expenditures against those Work Plans and the adopted resolution, in a public meeting. At the end of the calendar year, reports from these various committees and agencies would be gathered and brought to your Board to provide detail into Measure O activities over the prior fiscal year.

The two HCAOG committees abide by the Brown Act and already provide a public forum to discuss transportation and transit matters, and HCAOG is willing to ensure Measure O can be discussed in these meetings. The TAC is proposed to be part of this process because the committee is comprised of local public works directors and other experts who have the technical knowledge to inform roads work, and it is a county-wide public forum to discuss these matters. The SSTAC is proposed to be part of this process because it is the local committee that reviews the local unmet transit needs process, and that perspective is essential to guiding transit investments. The Audit Committee is already tasked with reviewing the county's annual audits and includes county financial experts who are able to report out on public expenditures, and several of the voting members are elected officials.

*Roads:* The TAC process on roads is straightforward: In winter or spring, Public Works will bring its proposed Work Plan for the coming year with as many project details as possible to the TAC for public review with the intent to provide a technical review of the plan. Public Works will receive comments from the public and the committee and will determine whether to incorporate any of the feedback. From there, Public Works will bring the Work Plan to the Board of Supervisors during the budget process for final approval. The TAC's process will begin again the next spring. Public Works would then provide quarterly reports to the County Administrative Office (CAO) in order to reimburse expenditures, with an annual report on expenditures to the Audit Committee, and an annual report by December 31 to the Board of Supervisors on projects that took place in the prior year.

*Transit: [If the Board accepts Option 1, HCAOG's Recommendation]* The SSTAC process, as proposed, is similar to the TAC process on roads. HTA would be the recipient of the Measure O allocation for transit, and each year it would bring its proposed Work Plan before the SSTAC for public review and input. HTA, similar to Public Works, would then determine whether to incorporate any of the feedback and then bring its Work Plan before the HTA Board for final approval. HTA would then provide quarterly reports to the CAO in order to receive funding, an annual report on expenditures to the Audit Committee, and an annual report by Dec. 31 to the Board of Supervisors on projects completed in the prior year.

*Alternative for Transit: [If the Board chooses Option 2]* Alternatively, if your Board chooses to open up eligibility of transit funds as described in Option 2, the SSTAC process would become a little more complex and would involve providing grants to local transit agencies, with the process of granting funds and producing reports administered by HCAOG.

*Citizens' Oversight Committee:* Staff are proposing that your Board designate the Audit Committee to serve as the Citizens' Oversight Committee detailed in Ordinance 2751 (Attachment 3). This committee would be charged with receiving and reviewing expenditure reports in a public meeting, assessing them against the approved Work Plans and any criteria in the attached resolution, and providing recommendations to address potential concerns related to its assessment.

#### ***Contract with HCAOG, Administration of Measure O***

An agreement between your Board and HCAOG will be necessary to ensure that HCAOG will build Measure O into its annual processes. The scope of work in the contract would expand if your Board chooses to set eligibility of funds according to Option 2 mentioned above as that option would require a granting process. In that scenario, HCAOG is requesting approval that \$50,000 per year be allowed for its role in administering these funds. It should be noted that county central service/indirect charges will be charged to both the roads and transit functions for internal services provided.

**SOURCE OF FUNDING:**

Measure O

**FINANCIAL IMPACT:**

<b>Expenditures (1104-196)</b>	<b>FY24-25</b>	<b>FY25-26 Projected*</b>	<b>FY26-27 Projected*</b>
<b>Roads</b>		<u>\$20.64 million</u>	<u>\$23.64 million</u>
<b>Transit</b>		<u>\$3.36 million</u>	<u>\$3.36 million</u>
<b>Total Expenditures</b>		<u>\$24 million</u>	<u>\$27 million</u>

*\*Projected amounts are estimates and are subject to change.*

<b>Funding Sources (1104-888)</b>	<b>FY24-25</b>	<b>FY25-26 Projected*</b>	<b>FY26-27 Projected*</b>
<b>Measure O</b>	<u>\$6 million</u>	<u>\$24 million</u>	<u>\$24 million</u>
<b>Use of Fund Balance</b>			<u>\$6 million</u>
<b>Contingencies</b>			<u>(\$3 million)</u>
<b>Total Funding Sources</b>	<u>\$6 million</u>	<u>\$24 million</u>	<u>\$27 million</u>

*\*Projected amounts are estimates and are subject to change.*

**Narrative Explanation of Financial Impact:**

Adopting the Funding Ad Hoc's recommendations would provide an allocation of \$20.64 million per year to Public Works through FY 2029-30, and \$3.36 million to HTA for the same time period, for a total of \$24 million per year.

Measure O went into effect on April 1, 2025 and staff are expecting that \$6 million will be collected over the final 3 months of FY 2024-25. As this funding will not be received until August and accrued back to FY 2024-25, this funding would remain in fund balance and not be available for allocation until FY 2026-27. At that time, staff would propose establishing a \$3 million contingency, and providing the remaining \$3 million in fund balance to Public Works for roads.

**STAFFING IMPACT:****Narrative Explanation of Staffing Impact:**

Measure O will significantly increase roads and transit services provided to the community, and therefore demand on work provided by staff. Staff anticipate increasing engineering staff to carry out roads projects, and there may be need for additional administrative staff to carry out other tasks related to Measure O like processing payments, reporting and communication.

**OTHER AGENCY INVOLVEMENT:**

HCAOG, HTA

**ALTERNATIVES TO STAFF RECOMMENDATIONS:**

Board discretion

**ATTACHMENTS:**

1. Draft Measure O resolution
2. Recommendation from HCAOG
3. Measure O - Ordinance No. 2751
4. Resolution No. 24-83(a) - Placement of A Supplemental Transactions And Use Tax on The November Ballot

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**PREVIOUS ACTION/REFERRAL:**

Meeting of: Feb. 11, 2025

File No.: 25-217