



Agenda Item No: 5.c
Meeting Date: June 15, 2020

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| SAN RAFAEL CITY COUNCIL AGENDA REPORT | |
| Department: City Manager's Office | |
| Prepared by: Cristine Alilovich, Assistant City Manager | City Manager Approval: |

TOPIC: PUBLIC OPINION POLLING SURVEY RESULTS FOR POTENTIAL LOCAL SALES TAX BALLOT MEASURE

SUBJECT: INFORMATIONAL REPORT ON THE RESULTS OF A RECENT PUBLIC OPINION POLL CONDUCTED TO EVALUATE THE FEASIBILITY OF A POTENTIAL BALLOT MEASURE TO INCREASE THE LOCAL SALES TAX RATE

RECOMMENDATION: Receive the informational report and provide feedback to staff.

BACKGROUND: In addition to the public health impacts of COVID-19, the restrictions put into place through the public health order have taken an unprecedented toll on our federal, state, and local economy. Economists are predicting cities such as San Rafael who are heavily reliant on sales tax, transaction and use tax (TUT), and transient occupancy tax (TOT) will endure the hardest financial hit.

As of April 30, it is preliminarily projected that over the next 16 months, the City will experience reductions in revenue in the range of approximately \$11,790,000, which is 14% of the City's General Fund budget. The breakdown of this financial hit is as follows: 71% of the revenue reductions are due to loss of sales tax and TUT, 10% is attributed to TOT, 6% is attributed to business licenses and the remaining 13% is an accumulation of several smaller revenue generating sources.

For context, revenue reductions of this magnitude represent roughly the equivalent of:

- San Rafael's entire Department of Public Works General Fund budget for one year;
- Two-thirds of San Rafael's Fire Department General Fund budget for one year; or
- One-half of San Rafael's Police Department budget for one year.

FOR CITY CLERK ONLY

File No.: _____

Council Meeting: _____

Disposition: _____

While the fiscal year 2019-20 General Fund budget for operating expenses was more than \$80 million, approximately \$43 million or more than 53% was for the funding of public safety operations. Although staff is recommending reductions to these operations, the majority is planned to come from the non-public safety operating budget. Theoretically, if staff was asked to make cuts of \$12 million solely in non-public safety areas, it would take closing down the libraries, eliminating all recreation activities, cutting community development services and we still would not get to the target amount.

The economic impacts of the pandemic and shelter in place orders have a direct negative impact on our local businesses and the revenues used to operate our city. To meet our financial challenges, the City is taking steps that will create a balanced budget for fiscal year 2020-21 in line with the City Council's goals and strategies. Budget development is guided by tenets such as:

- Continually assess and improve efficiency in the delivery of services;
- Manage the size and compensation of the workforce to best deliver services given our current and anticipated financial realities;
- Seek additional revenues from all sources to meet the community's expectations of a high level of service; and
- Collaborate with other Marin governmental agencies to consider partnerships and/or regionalized services to leverage resources and improve efficiency.

In May, the City developed a [COVID-19 Economic Recovery Plan \(CERP\)](#), a document that communicates how the City plans to economically recover from the public health and subsequent financial crisis. The CERP includes detailed information including how City services will be impacted and identified numerous financial recovery strategies.

One of the action items identified in the CERP is to "Explore and gauge community interest in other revenue generating possibilities."

ANALYSIS:

In order to pursue the action item above, the City contracted with Godbe Research and TBWBH Props and Measures to assess community opinions and attitudes related to a potential voter-approved revenue measure that could be placed on the ballot as soon as the November 3, 2020 General Election. This is the same consulting team that assisted the City and many other Marin County local government agencies with similar revenue measure proposals over the past two decades.

City staff worked with the consulting team to conduct a survey of local voters with the following research objectives:

- Assess opinion on the City's' efforts to address the coronavirus crisis and the future direction of the economy;
- Gauge satisfaction with the City's provision of services and management of taxpayer funds;

- Assess potential voter support for a sales tax measure to preserve essential city services with funding that cannot be taken by Sacramento;
- Prioritize projects and programs to be funded with the proceeds;
- Test the influence of informational and hypothetical negative statements on potential voter support;
- Identify the duration at which voters will support the measure; and
- Identify any differences in voter support due to demographic and/or voter behavioral characteristics.

In collaboration with City Staff, the consulting team evaluated potential revenue measure strategies in order to identify the most appropriate option(s) to be tested with the public using statistically reliable public opinion research methodology. Following a close analysis of the potential revenue generating options, it was determined that focusing on a potential increase in the City's Transactions and Use Tax (TUT, but more commonly referred to as sales tax) was the best option.

A sales tax was identified as a possible revenue mechanism of focus for several key reasons. First, the cost burden of a sales tax is spread across both city residents, but also visitors who shop in San Rafael and rely on our infrastructure and services. Second, a modest one-quarter of one percent sales tax increase will generate approximately \$4 million in locally-controlled funding and would make a meaningful difference for the City's current revenue challenges. Third, a sales tax can be structured as a general tax to provide flexibility in the use of funds to address the uncertain and changing needs of the City as the recovery from COVID-19 and related economic challenges evolve, and potential state and federal assistance packages take shape. Last, only one-quarter of one percent of local sales tax remains available under the statutory sales tax cap established in state law. The City has a very limited opportunity to capture this revenue stream for local use before it may be taken by overlapping county or other regional agencies.

Based on these conversations, Godbe Research worked with staff to develop a survey questionnaire and completed interviews among a representative sample of 772 City of San Rafael voters identified as likely to participate in the November 2020 General Election as well as other off-cycle elections based on their participation in past elections (see attachment). To ensure broad and representative participation, respondents were invited to participate in the survey via text message invitation, email invitation, cell phone interview and landline interviewing. The sample was balanced and weighted to ensure it is demographically and geographically representative of San Rafael voters likely to participate in an upcoming election. This methodology results in a statistical margin of error of +/- 3.48%. The survey was conducted May 11, 2020 through May 17, 2020 and the average survey length was 21 minutes.

The survey results indicate community support for a sales tax consistently above the simple majority threshold required for passage, which is 50% in favor +1 vote. The survey also provides clear guidance to the City regarding voter priorities for funding various services and well as generally positive ratings of the City's response to COVID-19, delivery of services and management of the budget.

The survey started by asking voters to rate the job the State and local governments are doing to address the Coronavirus public health crisis in San Rafael. In response to this question, 76.4 percent of voters indicated a favorable rating against 16.1% indicating an unfavorable opinion and 7.5% who didn't know or couldn't answer. This 4.8:1 ratio of favorable to unfavorable is very strong compared to similar research conducted in other Bay Area cities.

Voter optimism and pessimism in the economic outlook was gauged by asking if they think the economy will be better, worse or about the same in six months. Voter opinion was split on this question with 30.1% thinking the economy will be better, 39.1% thinking the economy will be worse and 20.6% thinking it will be about the same. The remaining 10.2% had no opinion on the question or couldn't answer.

Voters also provided positive ratings for the job San Rafael does providing city services, with 73.2% indicating they are satisfied and 15.3% indicating they are dissatisfied and 11.5% unable to answer the question. Again, this 4.8:1 ratio of satisfied to dissatisfied represents strong satisfaction with city services as compared to similar research in other cities. Similarly, voters also indicated strong satisfaction with San Rafael's management of taxpayer dollars, with 46.6% satisfied, 21.8% dissatisfied and 21.3% with mixed opinions or no opinion. This 2.1:1 ratio of satisfied to dissatisfied is strong but could be improved with proactive informational outreach about city finances to reduce the proportion of voters with no opinion.

The remainder of the survey focused narrowly on a potential ballot measure to fund City services with a one-quarter percent increase in the local sales tax. To measure current opinions on a proposed measure, voters were read the following mock-up of a 75-word ballot question that complies with the various legal requirements for the ballot summary:

“To preserve essential city services with funding that cannot be taken by Sacramento, including maintaining rapid emergency police and fire response times; maintaining adequate numbers of on-duty firefighters, paramedics and police; attracting, training, and retaining quality police, fire and city employees; maintaining city streets and parks; and supporting other city services; shall the City of San Rafael measure increasing the local sales tax rate by one-quarter percent, for 9 years, providing \$4 million dollars per year, be adopted?”

In response to this question, 56.0% of voters indicated they would vote yes, 36.2% indicated they would vote no and 7.8% were undecided or had no opinion. This is a strong starting point for a revenue measure requiring simple-majority voter approval. At this point in the survey voters had only heard or read the ballot question and no additional information. This represents the support level if the election were held today.

To measure future opinions related to a ballot measure after voters learn more about the proposal, voters were then exposed to detailed descriptions of how the funds from a measure might be spent and informational statements about why the City is seeking additional revenues. After being exposed to this additional information, respondents were again presented with the same proposed ballot question and asked how they would vote. Support for

the measure rose to 63.5% voting yes and opposition fell to 27.2% voting no, with 9.2% undecided or unable to provide an opinion.

To pressure test the viability of a measure when exposed to opposition arguments that might be used to defeat a ballot measure, respondents were presented with hard hitting, hypothetical negative statements. The most persuasive of the negative statements presented focused on the idea that a general tax measure would not include any guarantees that money would be spent as promised and could be redirected to other costs such as pensions and employee salaries. Interestingly, the least persuasive of the negative arguments tested was the idea that, given the Coronavirus and related instability of the global and local economy, we cannot afford the risk of increased taxes. After hearing this opinion statement, 51.7% of San Rafael voters indicated this would have no effect on their vote and only 19% said this message would make them much more likely to vote against a sales tax measure. Most San Rafael voters do not see the current health and economic challenges as a compelling reason to oppose local tax proposals.

San Rafael voters expressed a clear set of priorities for the use of revenue from a proposed sales tax measure. Top priority service areas include:

- Maintaining 9-1-1 emergency response times
- Providing disaster and health emergency preparedness and rapid response programs
- Enhancing city street and pothole repair
- Maintain police officers
- Maintaining senior services and programs
- Maintaining neighborhood police patrols
- Maintaining gang prevention and crime investigation services
- Maintaining local services to help address homelessness
- Maintaining afterschool and summer programs for youth and teens

San Rafael voters also expressed the most compelling reasons to support a local sales tax proposal. These persuasive information statements include:

- Every penny must stay in San Rafael and no funds can be taken away by Sacramento
- None of the money would be used for administrator salaries
- Visitors and shoppers from outside of San Rafael will pay their fair share for local city services so homeowners will not have to shoulder the entire burden
- Since 1990, the State has taken millions of dollars from San Rafael to deal with its own budget and this measure provides a guaranteed source of local funding to maintain critical resident services
- The measure will help the City provide emergency health services needed to respond to the Coronavirus and prepare for future outbreaks

FISCAL IMPACT:

As this is an informational report, there is no fiscal impact to accepting it and providing feedback.

OPTIONS:

The City Council has the following options to consider on this matter:

1. Accept informational report and provide staff with feedback.
2. Take no action.

RECOMMENDED ACTION:

Accept informational report.

ATTACHMENTS:

2020 Revenue Measure Feasibility Survey



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City of San Rafael: 2020 Revenue Measure Feasibility Survey

June 2020

Overview and Research Objectives

The City of San Rafael commissioned Godbe Research to conduct a survey of local voters with the following research objectives:

- Assess opinion on State and local governments' and districts' efforts to address the coronavirus crisis, and the future direction of the economy;
- Gauge satisfaction with the City's provision of services and management of taxpayer funds;
- Assess potential voter support for a sales tax measure to preserve essential city services with funding that cannot be taken by Sacramento;
- Prioritize projects and programs to be funded with the proceeds;
- Test the influence of informational and critical statements on potential voter support;
- Identify the duration at which voters will support the measure; and
- Identify any differences in voter support due to demographic and/or voter behavioral characteristics.

Methodology Overview

- Data Collection Landline (40), text to online (572), and email to online (160) interviewing
- Universe 27,302 likely November 2020 voters in the City of San Rafael
- Fielding Dates May 11 through May 17, 2020
- Interview Length 21 minutes
- Sample Size 772
- Margin of Error $\pm 3.48\%$

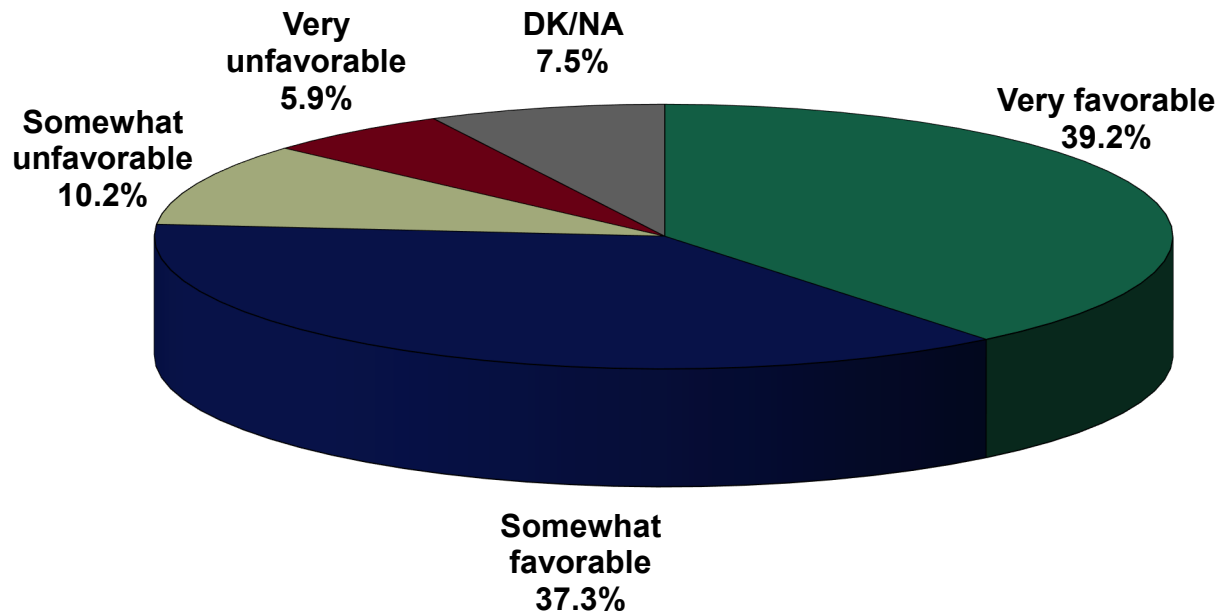


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Key Findings

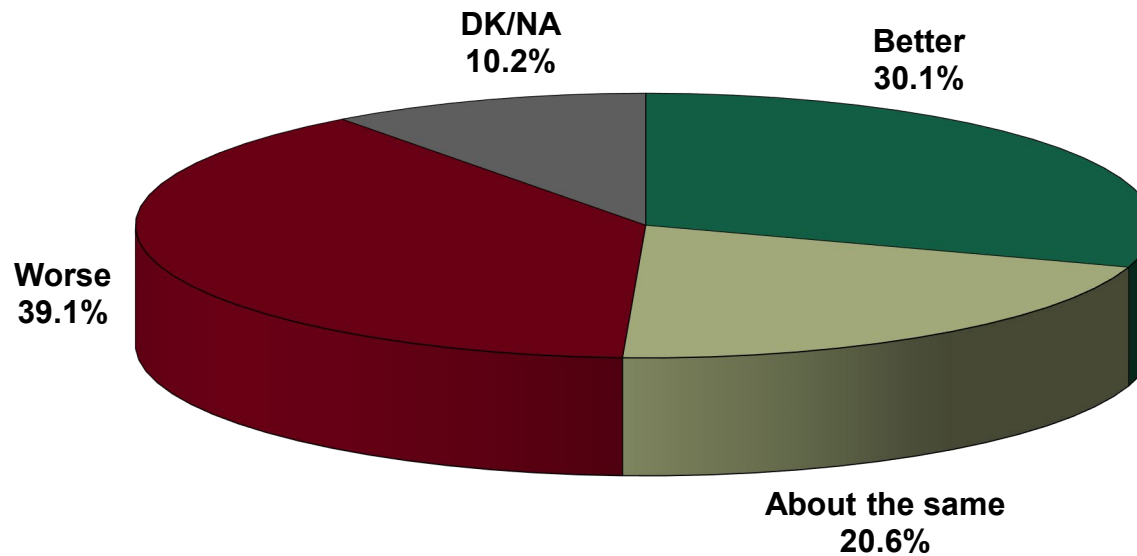
Opinion on Job State/Local Governments & Districts are Doing to Address the COVID Crisis Likely November 2020 Voters



| | <u>Nov '20</u> |
|--------------------|----------------|
| Total Favorable | 76.4% |
| Total Unfavorable | 16.1% |
| Ratio Fav to Unfav | 4.8 |

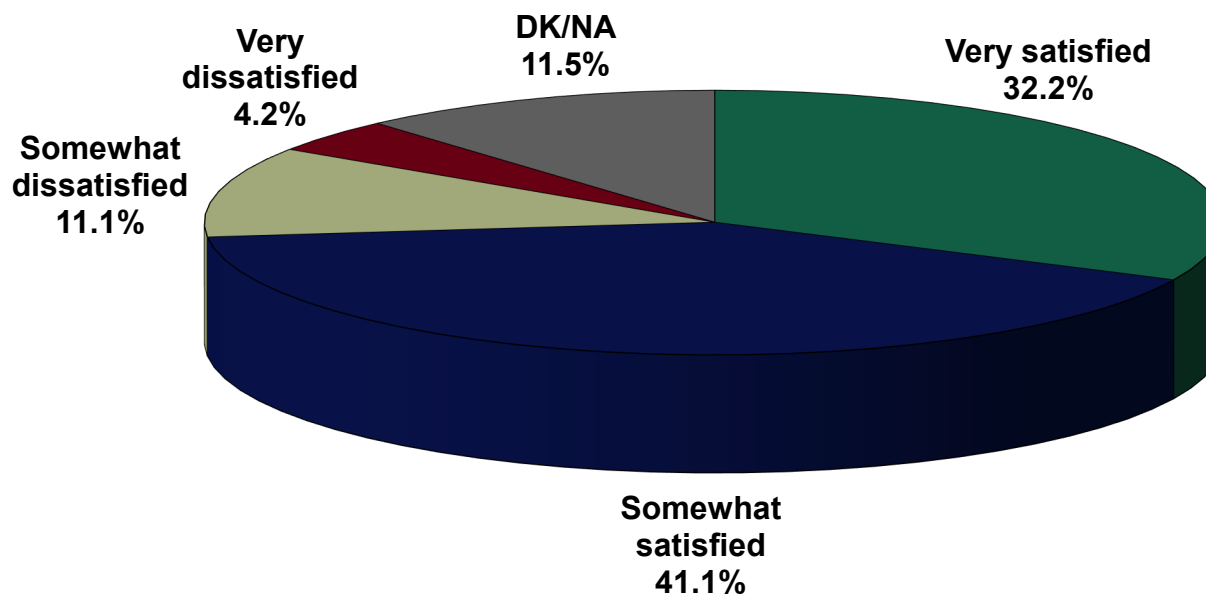
Opinion on Future Direction of the Economy

Likely November 2020 Voters



Satisfaction With City's Provision of Services

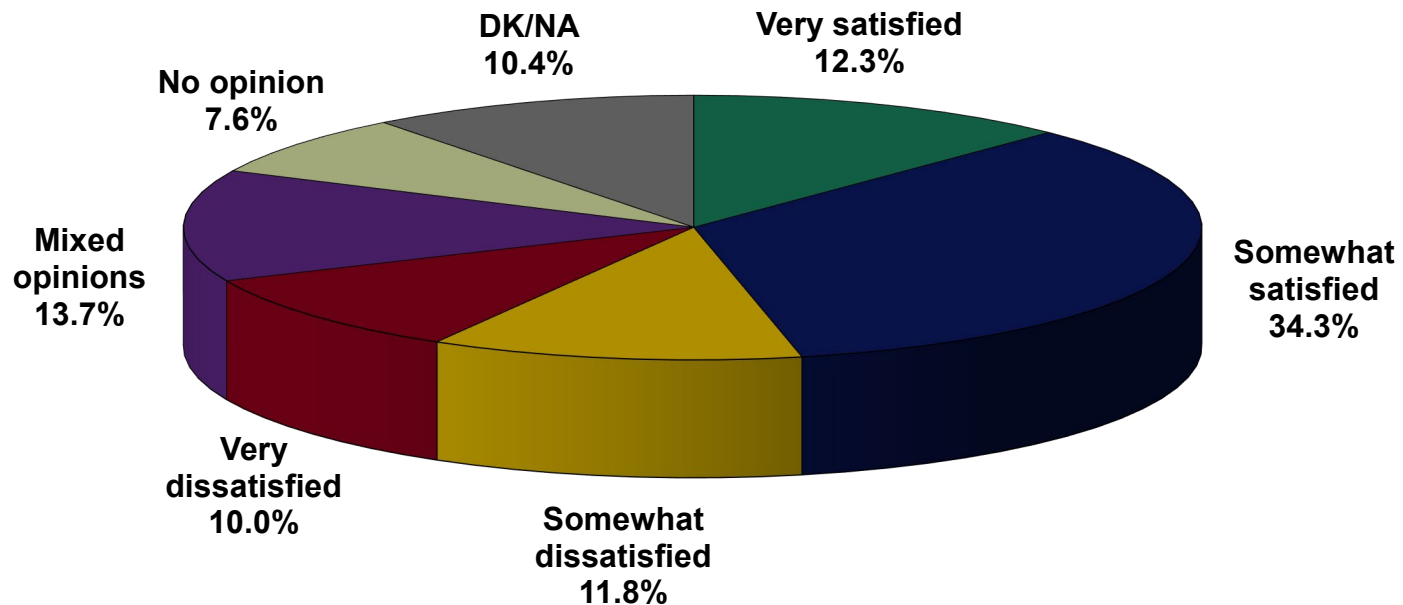
Likely November 2020 Voters



| | <u>Nov '20</u> |
|---------------------|----------------|
| Total Satisfied | 73.2% |
| Total Dissatisfied | 15.3% |
| Ratio Sat to Dissat | 4.8 |

Satisfaction With City's Management of Taxpayer Funds

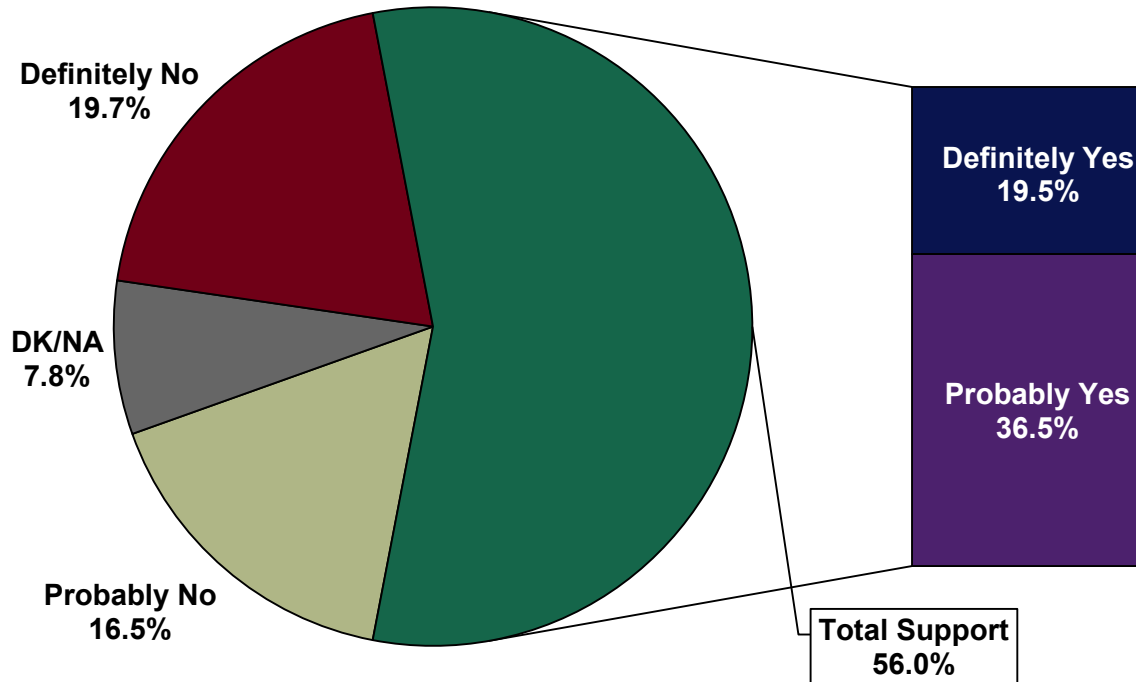
Likely November 2020 Voters



| | <u>Nov '20</u> | <u>Feb 2019</u> |
|---------------------|----------------|-----------------|
| Total Satisfied | 46.6% | 40.3% |
| Total Dissatisfied | 21.8% | 23.8% |
| Ratio Sat to Dissat | 2.1 | 1.7 |

Uninformed Support for Sales Tax Measure

Likely November 2020 Voters

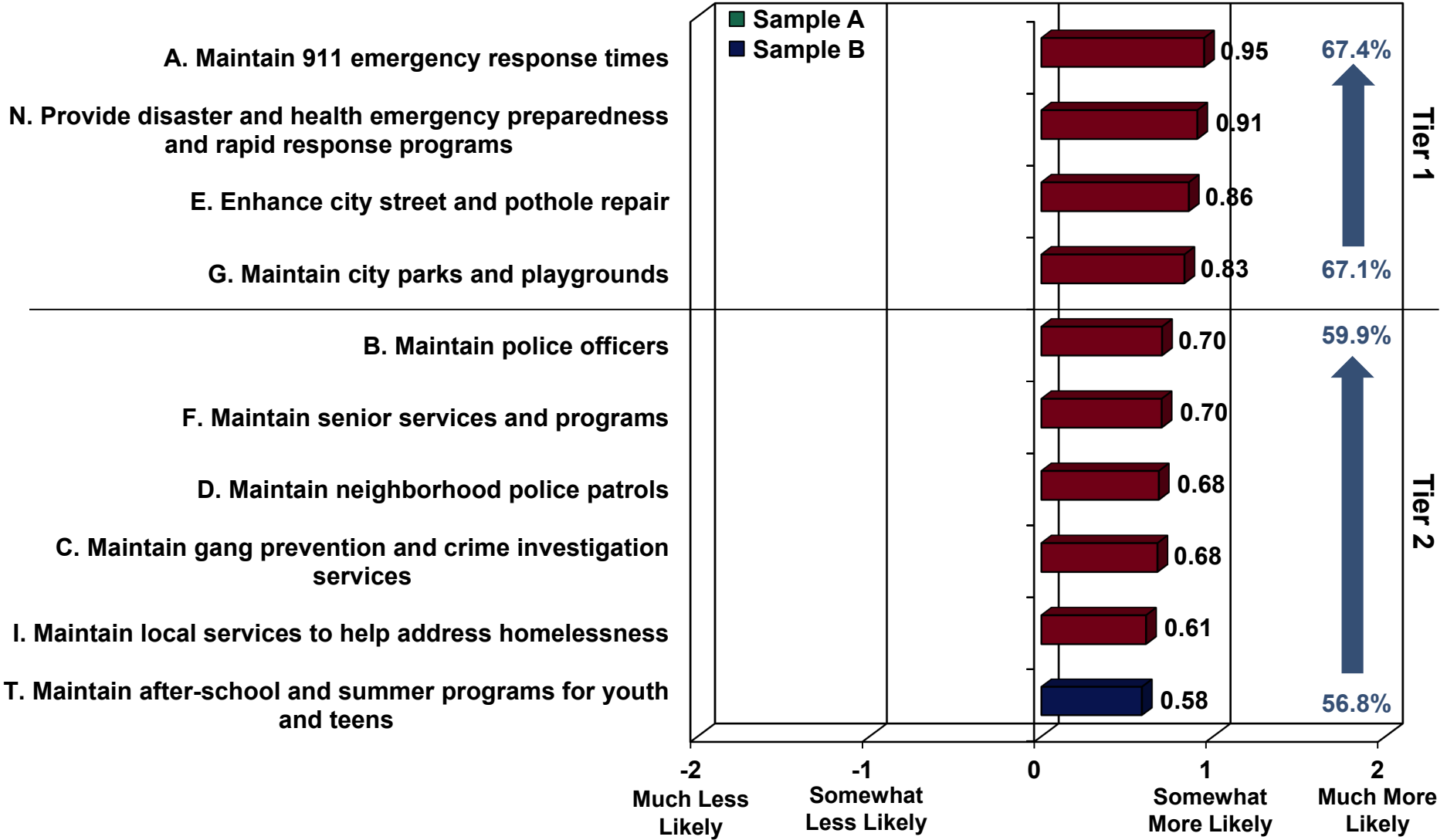


To preserve essential city services with funding that cannot be taken by Sacramento, including:

- maintaining rapid emergency police and fire response times;
- maintaining adequate numbers of on-duty firefighters, paramedics and police;
- attracting, training, and retaining quality police, fire and city employees;
- maintaining city streets and parks; and
- supporting other city services;

shall the City of San Rafael measure increasing the local sales tax rate by one-quarter percent, for 9 years, providing \$4 million dollars per year, be adopted?

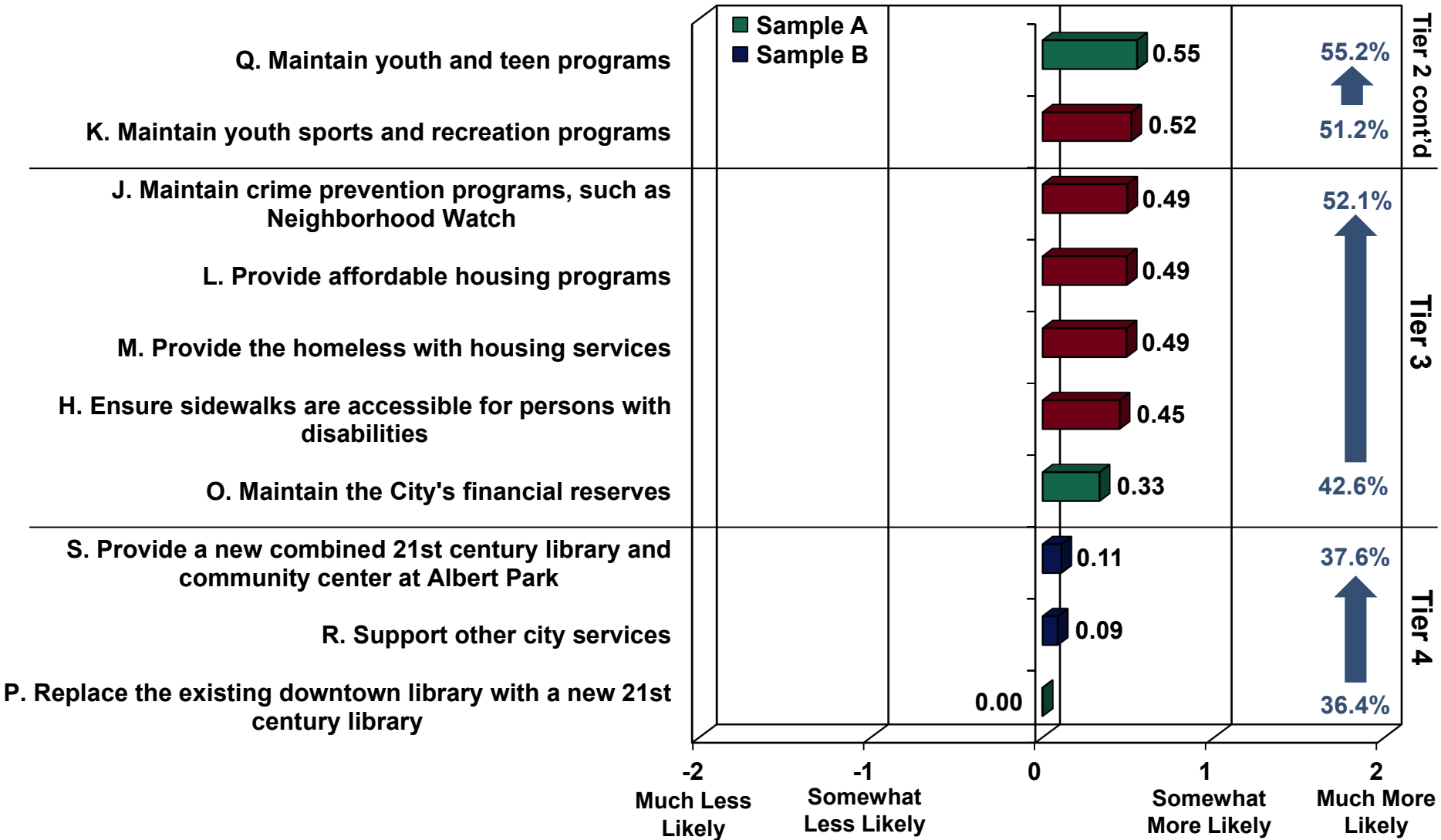
Features of the Measures I Likely November 2020 Voters



Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, "No Effect" = 0, "Somewhat Less Likely" = -1, and "Much Less Likely" = -2.

Features of the Measures II

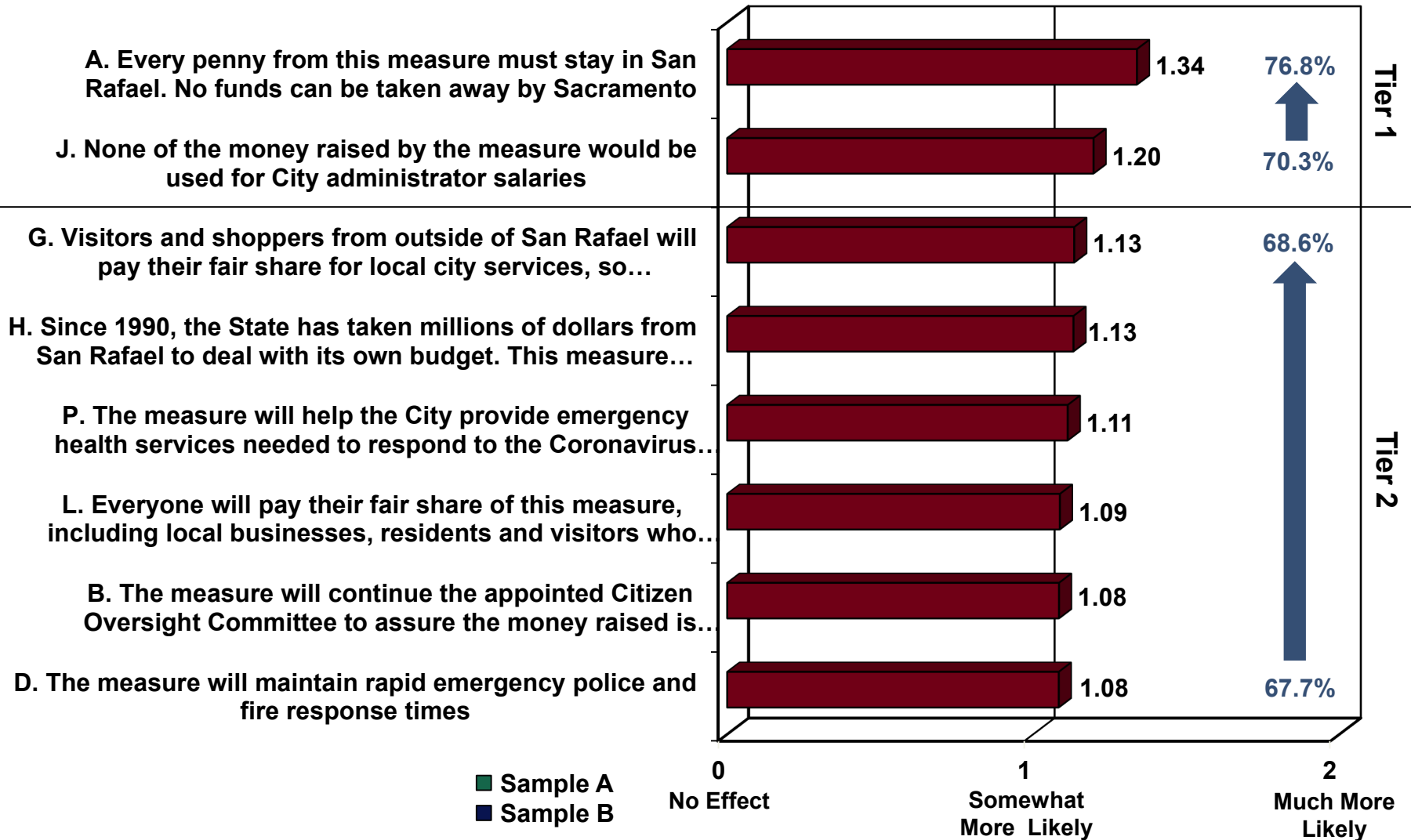
Likely November 2020 Voters



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Informational Statements I

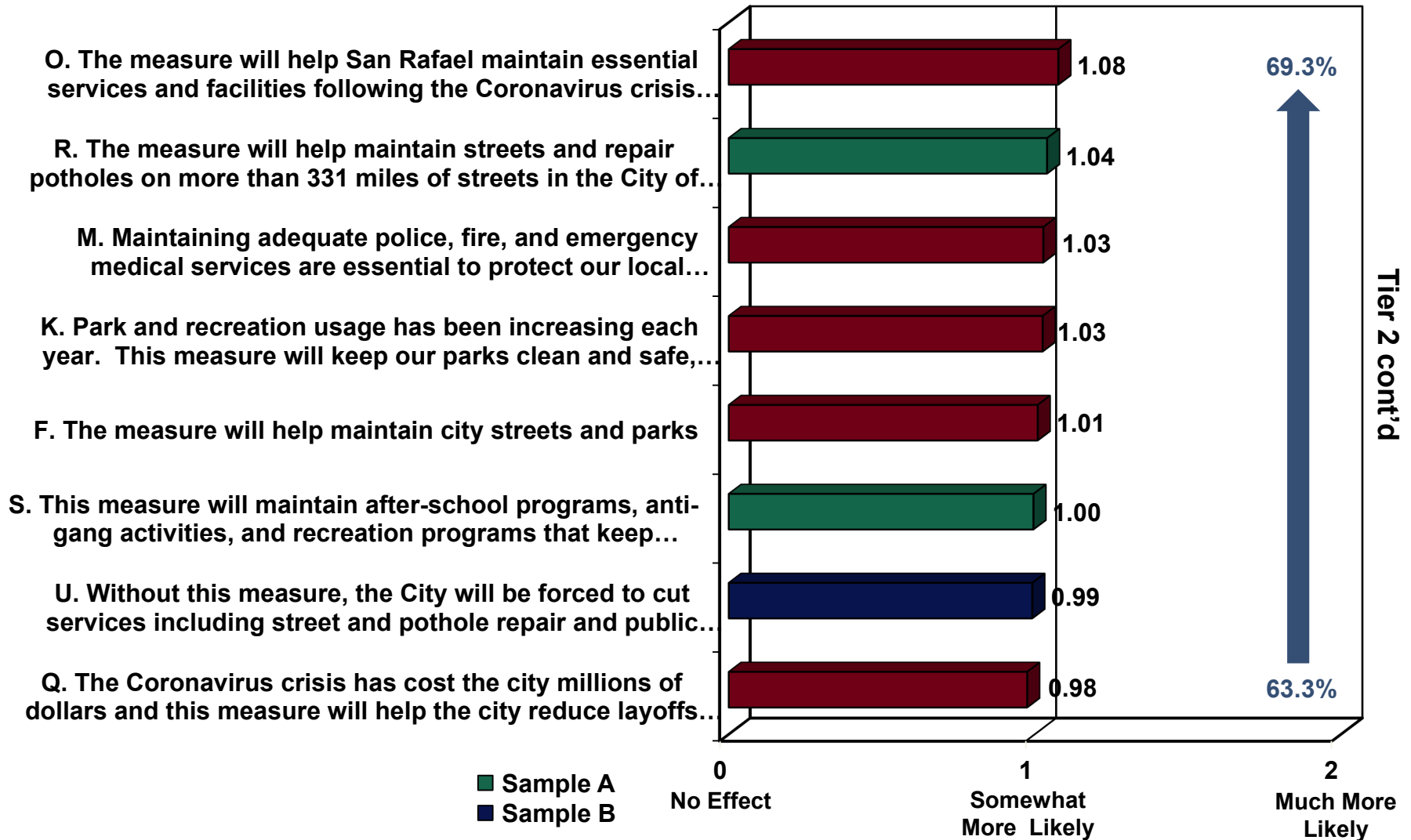
Likely November 2020 Voters



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Informational Statements II

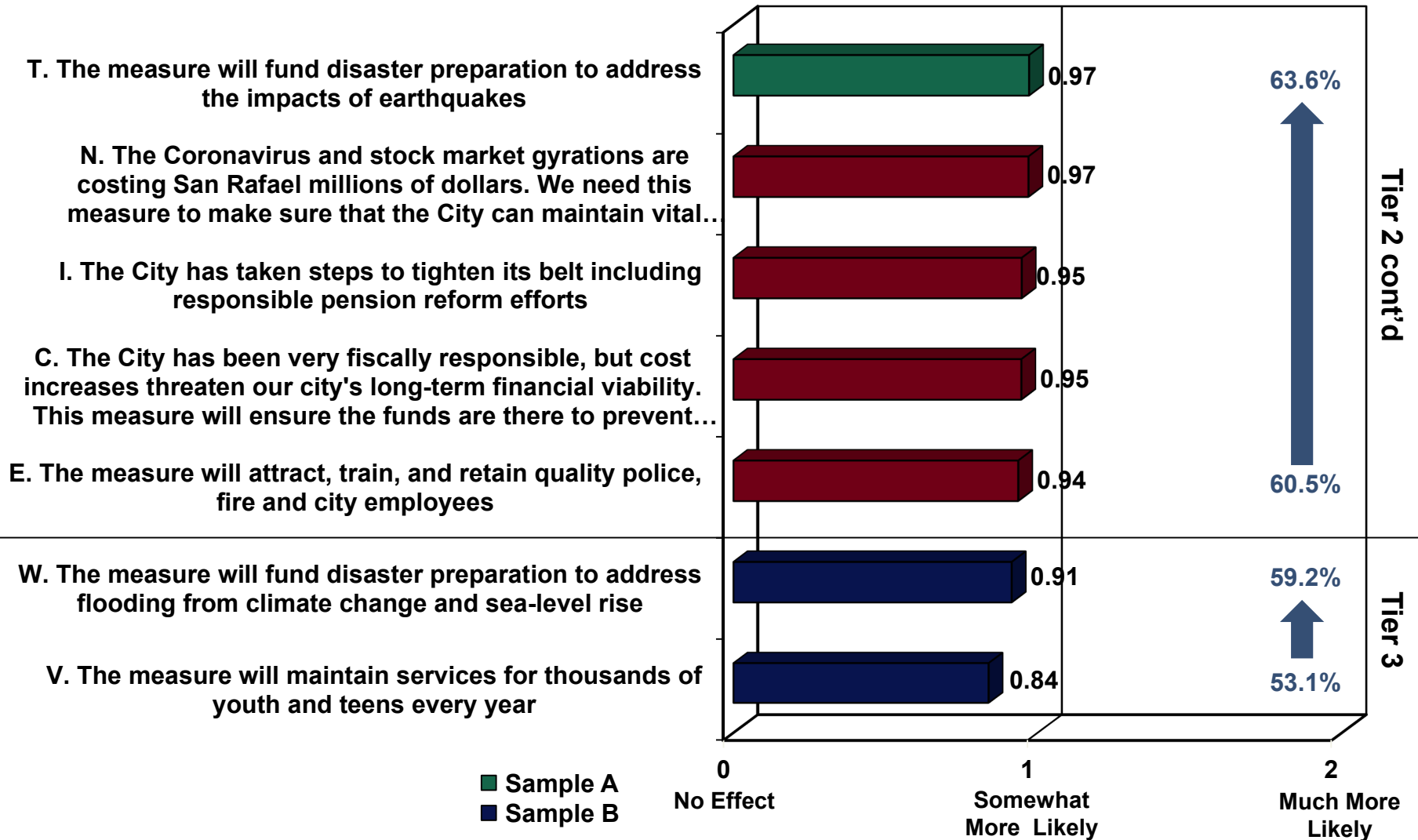
Likely November 2020 Voters



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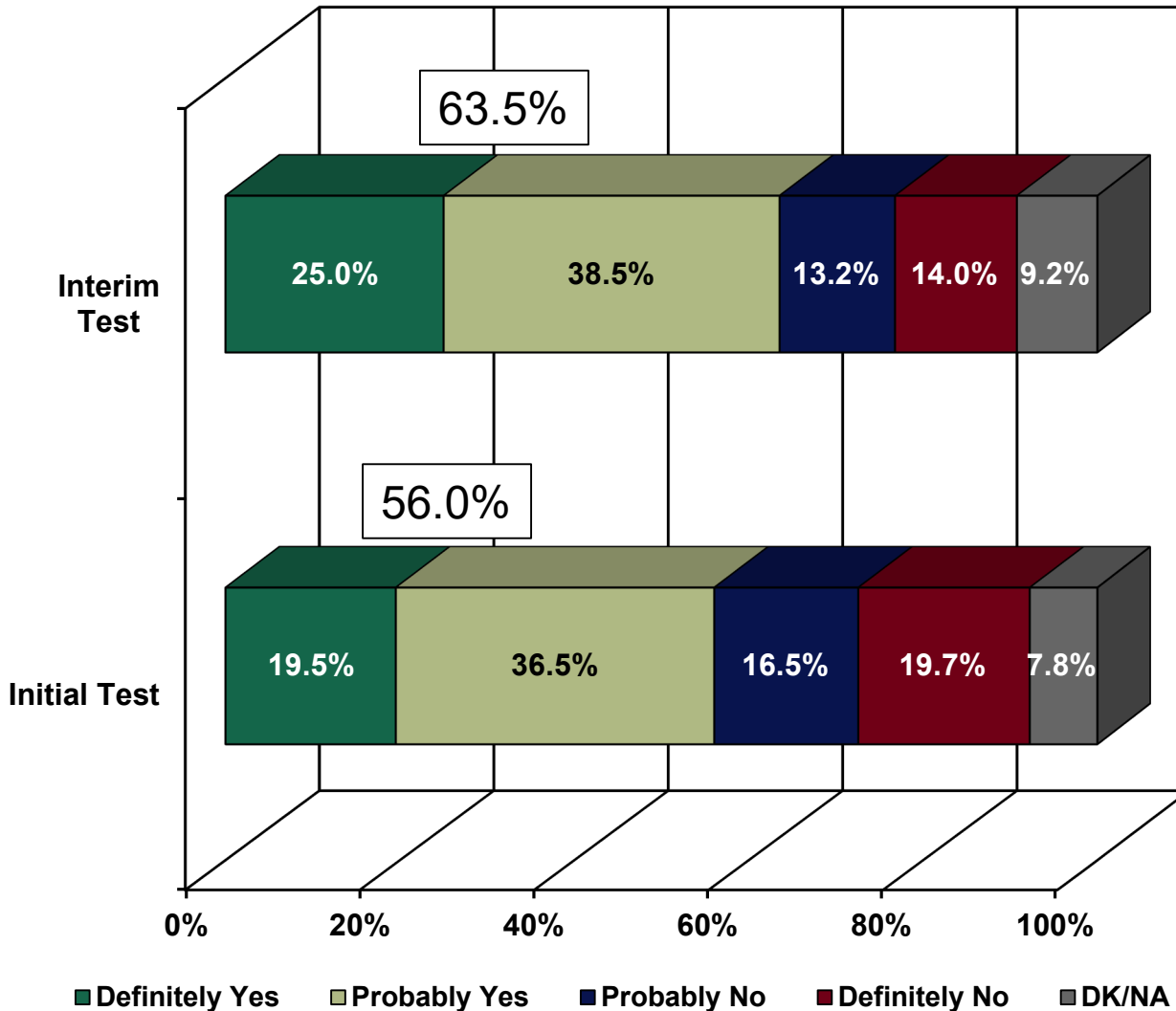
Informational Statements III

Likely November 2020 Voters



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Interim Support for Sales Tax Measure Likely November 2020 Voters



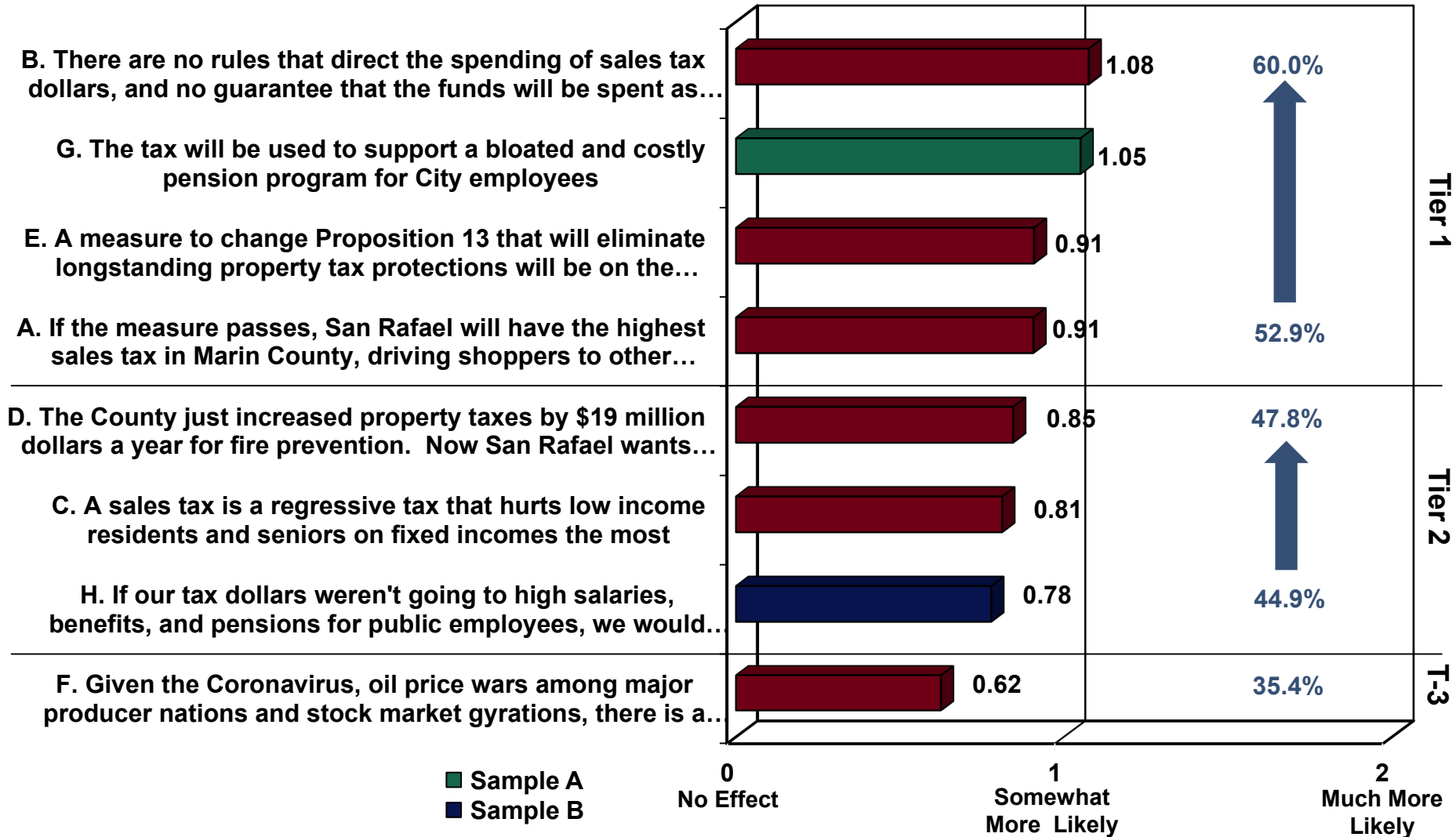
To preserve essential city services with funding that cannot be taken by Sacramento, including:

- maintaining rapid emergency police and fire response times;
- maintaining adequate numbers of on-duty firefighters, paramedics and police;
- attracting, training, and retaining quality police, fire and city employees;
- maintaining city streets and parks; and
- supporting other city services;

shall the City of San Rafael measure increasing the local sales tax rate by one-quarter percent, for 9 years, providing \$4 million dollars per year, be adopted?

Hypothetical Negatives

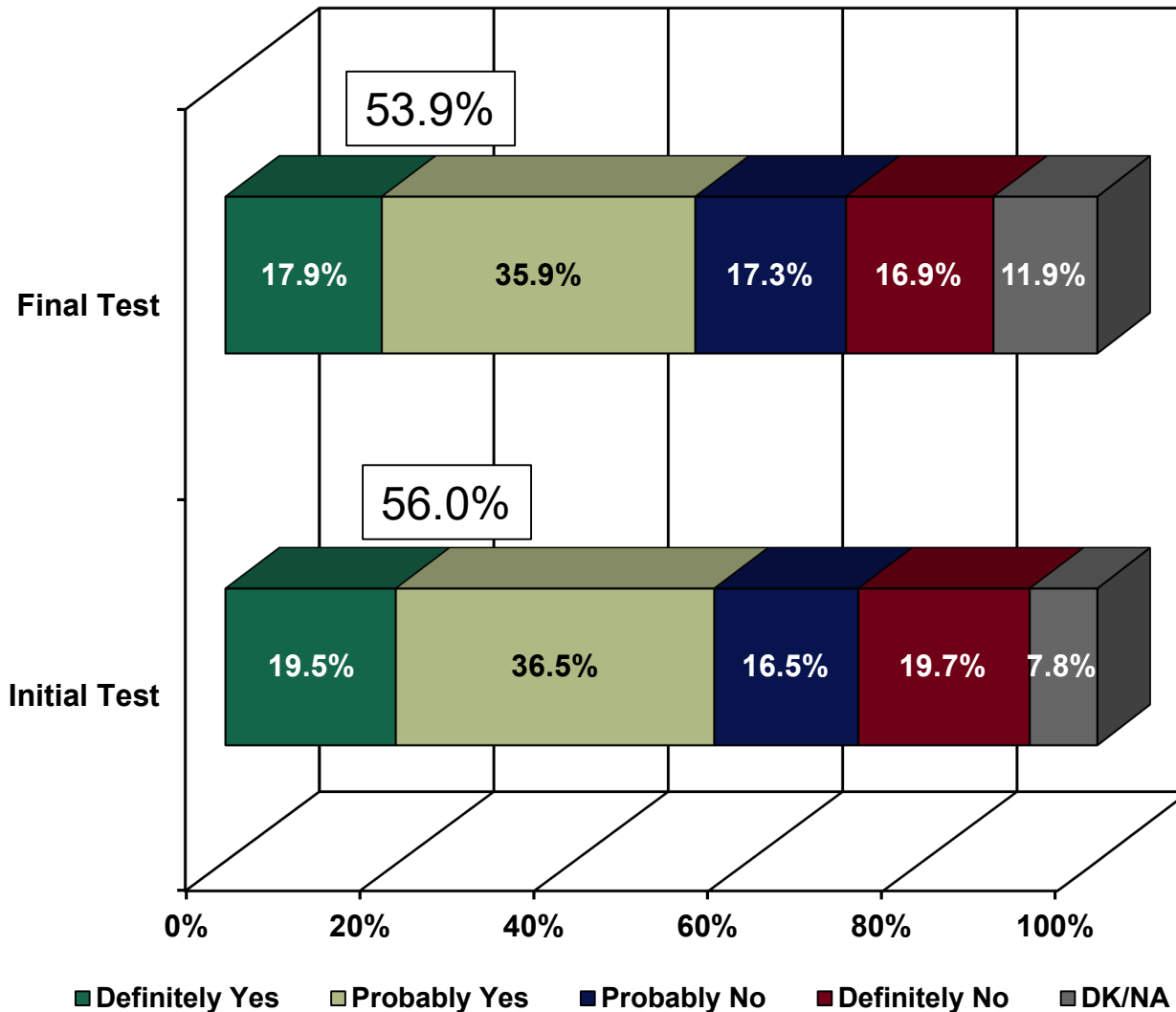
Likely November 2020 Voters



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Informed Support for Sales Tax Measure

Likely November 2020 Voters

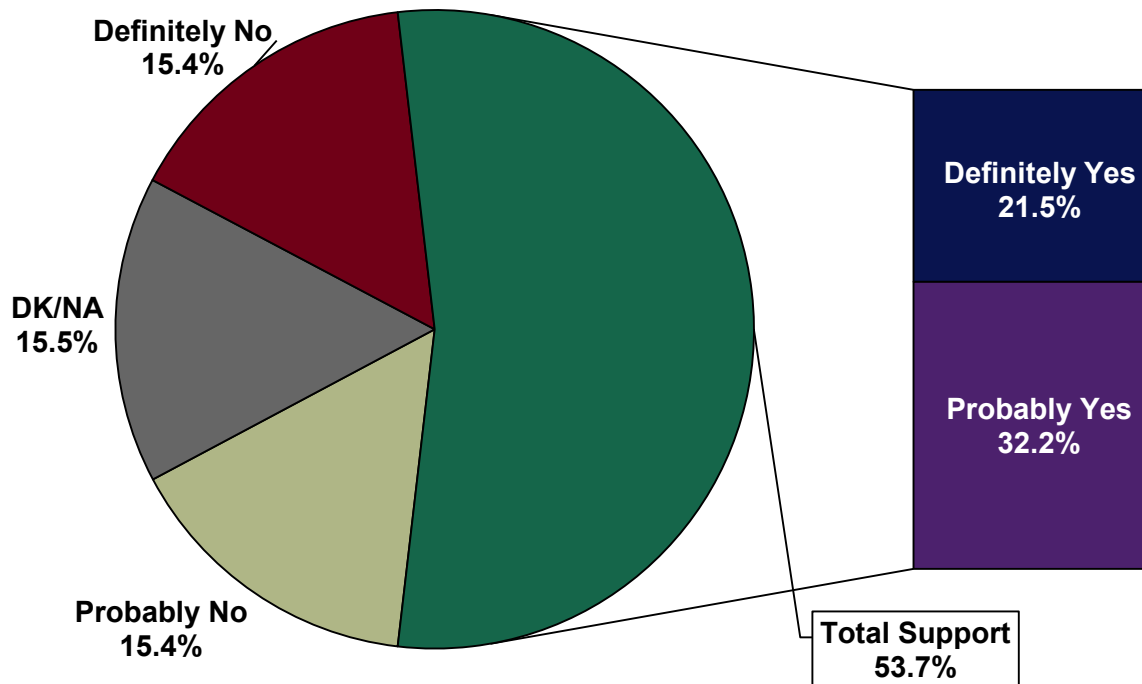


To preserve essential city services with funding that cannot be taken by Sacramento, including:

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shall the City of San Rafael measure increasing the local sales tax rate by one-quarter percent, for 9 years, providing \$4 million dollars per year, be adopted?

Support for Alternative 6 Year Duration Likely November 2020 Voters



Instead of increasing the local sales tax to maintain rapid emergency police and fire response times; maintain adequate numbers of on-duty firefighters, paramedics and police; attract, training, and retaining quality police, fire and city employees; and maintaining city streets and parks for 9 years, another alternative would be to increase the tax for just 6 years.



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www.godberesearch.com

California and Corporate Offices
1575 Old Bayshore Highway, Suite 102
Burlingame, CA 94010

Nevada Office
59 Damonte Ranch Parkway, Suite B309
Reno, NV 89521

Pacific Northwest Office
601 108th Avenue NE, Suite 1900
Bellevue, WA 98004