



AGENDA ITEM NO.

COUNTY OF HUMBOLDT

For the meeting of: July 8, 2014

Date: July 1, 2014

To: Board of Supervisors

From: Phillip Smith-Hanes, County Administrative Officer *PSH*

Subject: Consider Placing a Countywide Revenue Measure on the Ballot for the November 4, 2014, Election

RECOMMENDATION(S):

That the Board of Supervisors:

1. Provide direction to staff on placing one of three potential revenue measures on the ballot for Humboldt County voters at the November 4 general election;
2. If your Board chooses to place a local revenue measure on the ballot, direct staff to return to your Board on July 15 for introduction of an ordinance placing such a measure on the ballot;
3. If your Board chooses to place a local revenue measure on the ballot, approve entering into a contract with a consultant to assist the County in providing legally-permissible factual information about the ballot measure to the community; and
4. Direct staff to return with a budget adjustment to fund necessary expenditures.

SOURCE OF FUNDING: General Fund

Prepared by Phillip Smith-Hanes CAO Approval *[Signature]*

REVIEW: Auditor _____ County Counsel *MJ* Human Resources _____ Other _____

TYPE OF ITEM:
 Consent
 Departmental
 Public Hearing
 Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
 Upon motion of Supervisor _____ Seconded by Supervisor _____
 Ayes _____
 Nays _____
 Abstain _____
 Absent _____

PREVIOUS ACTION/REFERRAL:
 Board Order No. G-1, H-1, M-1
 Meeting of: 5/6/14, 5/20/14, 6/24/14

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.
 Dated: _____
 By: _____
Kathy Hayes, Clerk of the Board

DISCUSSION:

On May 6, 2014, your Board directed the County Administrative Officer to return to the Board with a report regarding possibilities for local revenue measures. The County Administrative Officer reported back to the Board on May 20, at which time you allocated \$42,000 from the General Fund Contingencies for polling and consulting services to test two potential revenue measures and designated Supervisors Fennell and Sundberg to work with the County Administrative Officer on feedback to the polling vendor. On June 24, the County Administrative Officer reported to the Board an updated schedule and also an interpretation of State law that requires that any County sales tax (one of the two options your Board was interested in polling) be levied countywide – including in the incorporated cities. Today's report is intended to convey to your Board the results of these efforts and seek your Board's final direction on whether to proceed with placing a local revenue measure on the ballot for the November 4, 2014, general election.

Since May 20, staff has solicited proposals from three polling firms, selected a polling firm, entered into two contracts (one with the selected polling firm and a second with a consultant), and had multiple telephone conferences with the polling firm and the consultant. The polling firm conducted a survey of likely November voters in Humboldt County on four evenings between June 16 and June 19, analyzed the results, and delivered a report to the County on June 30.

Based on the results of the polling, the consultant recommends that your Board consider placing a ¾-cent general purpose local sales tax before voters in November on a countywide basis.

Essentially, there are four options before your Board today:

- Place a general purpose sales tax measure before voters. As discussed on June 24 and further below, this would be a countywide increase in the sales tax rate.
- Place a general purpose utility user tax measure before voters.
- Place a utility user tax measure before voters, limited only to a 45 percent tax rate on excessive energy users.
- Place no local revenue measure before voters for November 2014.

The polling firm engaged by the County tested the first two of these options – a countywide sales tax measure (at a rate of 0.75 percent) and a utility user tax in the unincorporated area of the County (at a rate of 3 percent, with an excessive energy use tax component). The results of the polling indicate that both of these measures are potentially viable – each tested above 50 percent support. However, a sales tax measure polled higher and therefore provides a greater cushion for any erosion of viability in an actual election context (the utility user tax measure is much closer to the vote threshold, particularly considering the poll's margin of error). Polling also indicated that voters would be supportive of a utility user tax ONLY on electric service, which would greatly limit the amount of revenue that such a tax could generate.¹

Before discussing more specifics about potential revenue measures, staff believes a bit of background on the polling is warranted. The poll reached 400 likely voters, almost evenly split into fifths between the five Supervisorial districts. Approximately 53 percent of respondents resided in the unincorporated area and 47 percent in one of the County's seven cities. Demographic characteristics of the respondents mirror the demographics of likely November voters in the County. Although your Board has heard anecdotes about

¹ Based on revenue data received from Pacific Gas & Electric Company for 2013, a 3% utility user tax on electric usage in the unincorporated area would generate approximately \$1.5 million annually (exclusive of the excessive energy use tax component).

various concerns with the polling, this was a statistically valid sampling of likely voters in the community for the November election.

Whether or not your Board chooses to place a local revenue measure before voters this November, some of the polling results are worth noting:

- County residents approve of the work being done by the County (68% of those polled) and by your Board (62%), as well as by the Sheriff's Office (74%). While more respondents "somewhat approve" than "strongly approve," the consultant engaged by the County indicates that these approval ratings are higher than in many other communities statewide.
- County residents recognize the need for additional funding. As many as 78% of those polled indicate they understand the need, and fully 41% believe there is a "great need."
- Impacts of crime and of hard drugs such as methamphetamine are the community's top concerns.
- Top spending priorities of residents are investigations of violent crimes, maintaining emergency response times, and ensuring 24-hour Sheriff patrols.

Here are some additional facts for your Board to consider with respect to placing a revenue measure on the ballot:

- A sales tax measure generates the most revenue but also creates the most potential conflict with local tax measures in the cities. Staff has previously indicated that a $\frac{3}{4}$ -cent sales tax would generate approximately \$3.6 million annually in General Fund revenue. However, this was based on the assumption that the tax would only be collected in the unincorporated area. More retail sales occur within cities and a countywide sales tax rate of 0.75 percent would generate approximately \$9 million. On the other hand, there are several local tax measures planned for the ballot this November. While it is legally permissible under State law to have overlapping city and county taxes, this would mean that voters within the City of Eureka, for example, would be asked to approve a local tax rate of 1.5 percent on top of the statewide rate of 7.5 percent. Nonetheless, the polling results indicate that a countywide tax measure to maintain and improve public safety and other essential services is viable on the same ballot as city tax measures.
- Reducing the rate of the tax has no impact with voters. The polling firm tested a $\frac{1}{2}$ -cent sales tax in addition to the $\frac{3}{4}$ -cent and a 1.5 percent utility user tax as an alternative to the 3 percent. In both cases, a lower rate made no statistically significant difference in the willingness of voters to support the tax. However, your Board might wish to consider a lower rate in order to ameliorate the impact of overlapping city and county taxes. A countywide sales tax rate of 0.375 percent, for example, would generate approximately \$4.5 million in annual revenue for County services.
- Adding a sunset clause is a good idea. Although your Board did not include a specific sunset provision within the staff direction on May 20, the polling firm tested this issue separately from the revenue measures. Inclusion of a sunset clause made 61 percent of those polled more likely to support the measure.
- A utility user tax solely on excessive energy users appears to have strong support. While the poll did not include a question on the viability of an excessive energy use tax in the unincorporated area (your Board's direction steered away from that based on Supervisors' political sense that this measure would work on its own), results of the polling questions on the utility user tax indicate that the presence of the excessive energy use component was a strong reason for potential voter support of such a measure.

If your Board chooses to proceed with placing a local revenue measure on the ballot for this November, staff requests specific direction on two points:

- Direct staff to return to the Board next Tuesday (July 15) for introduction of an ordinance placing the measure on the ballot. This is necessary in order to comply with the very tight timelines associated with the November election cycle.
- Authorize staff to enter into a contract with a consultant to assist in providing legally-permissible factual information about the ballot measure to the community. This would likely take the form of an amendment to the existing contract with the consultant that has been assisting in the polling process. This action is necessary because staff lacks the time and expertise to effectively manage an informational campaign through the November election. The consultant retained by the County has particular expertise in this area. Services would include advice and developing website, community television, social media and traditional print media messaging, toolkits for speakers and related information.

FINANCIAL IMPACT:

Your Board previously authorized \$42,000 for the work done to date. Of that amount, \$35,750 has been contractually obligated (actual expenses may be less due to lack of in-person meetings). Based on your Board's decision today, future financial impact could range from \$0 (if you decide not to proceed with a ballot measure at this time) to approximately \$72,500. This latter amount would include consulting services, the proportional share of ballot printing costs for the Elections Office, and the cost of informational mailings to County residents.

If your Board chooses to move forward, staff will return with the necessary budget adjustment. As your Board is aware, the amount received from the federal government this year for Payments in Lieu of Taxes was just over \$100,000 greater than the amount included in the budget that the Board adopted on July 1. Therefore, the budget adjustment would likely take the form of a supplemental budget from this revenue source, which would not adversely impact expenditures in other County programs.

This action support your Board's Strategic Framework, Priorities for New Initiatives, by making proactive decisions to partner to promote quality services through facilitating the establishment of local revenue sources to address local needs.

OTHER AGENCY INVOLVEMENT:

This matter is internal to the County. However, local cities that have tax measures on the ballot for November may be impacted by the Board's decision.

ALTERNATIVES TO STAFF RECOMMENDATIONS: Board discretion.

ATTACHMENTS: PowerPoint Presentation from Polling Firm