



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JULY 26, 2016

FROM: OFFICE OF THE CITY MANAGER WARDS: ALL

SUBJECT: PRESENTATION OF SURVEY RESULTS REGARDING CITY'S DIRECTION, CHALLENGES AND POTENTIAL SALES TAX INCREASE, AND DISCUSSION REGARDING PLACING A ONE-CENT SALES TAX INCREASE MEASURE ON THE NOVEMBER 2016 BALLOT

ISSUES:

Receive a presentation from Fairbank, Maslin, Maullin, Metz & Associates ("FM3") regarding a recently conducted survey of likely Riverside voters concerning a potential Sales Tax increase; and consider placing a measure on the November 2016 ballot to seek a one-cent increase in the City's sales (transaction) tax rate, from 8.0% to 9.0%.

RECOMMENDATIONS:

That the City Council:

1. Receive presentation from Fairbank, Maslin, Maullin, Metz & Associates ("FM3") regarding a recently conducted survey of likely Riverside voters concerning a potential Sales Tax increase; and
2. Direct the City Attorney's Office to prepare legislation for the August 9, 2016 City Council meeting to place a measure on the November 2016 ballot to seek a one-cent increase in the City's sales (transaction) tax rate, from 8.0% to 9.0%.

BACKGROUND:

The polling firm of Fairbank, Maslin, Maullin, Metz & Associates ("FM3") was retained by the City Manager in May 2016 to conduct a telephone survey of likely Riverside voters regarding the City's fiscal challenges and potential voter support for a sales tax increase.

The purpose of the survey was to determine public perception of the quality and effectiveness of the City's existing public services, and to measure the level of support among likely voters for additional local revenue options.

FM3 conducted a telephone survey (via landline and cellular phones) in English and Spanish with 600 City of Riverside registered voters who are likely to participate in the November 2016 general election. Each interview averaged 20 minutes in length.

DISCUSSION

The results of the survey are attached to this report (see Attachment 1), along with a copy of the summary presentation that will be delivered by FM3 at the July 26, 2016 City Council meeting (see Attachment 2).

The results demonstrate that “likely voters” are quite satisfied with the direction in which the City is headed, but acknowledge the challenge to adequately fund basic city services including vehicle maintenance for first responders, homeless prevention programs, youth services, and infrastructure maintenance. Consequently, there is significant support among likely voters for a one-cent sales tax increase.

A one-cent increase in the City’s sales tax rate would raise the tax rate from the current 8.0% to 9.0% - same as Riverside County cities of Cathedral City, Coachella and Palm Springs. A one-cent sales tax increase would generate between approximately \$48 million and \$51 million annually for the City’s General Fund (based on the spending patterns from FY 2015-16). Since two-thirds of the General Fund revenues is currently spent on public safety, a large part of the new revenue would naturally go to address these needs. In addition, subject to Council approval, the revenue could be used to (in no particular order):

1. Restoring all or a portion of the \$10.5 million in General Fund cuts, which included reductions to police, fire, homeless prevention services, youth services, and infrastructure.
2. Expanding the General Fund reserve to 20% to provide funds for future unexpected economic downturns or natural disasters.
3. Funding deferred maintenance of the City’s essential infrastructure, including buildings constructed as part of the City’s Renaissance program. The annual gap is now estimated at \$3 million.
4. Adequately funding maintenance and repair of streets and sidewalks, as well as vehicle repair and replacement for both first responders as well as other key City functions.
5. Potentially funding a subset of highest-priority unfunded critical needs that were presented to the City Council during the recent budget process. Examples of such critical unfunded items include the new Main Library and police headquarters, funding for technology upgrades, and economic development programs.

If the City Council places the sales tax increase measure on the November 2016 ballot and it passes, the City will engage the public and the business community in an interactive process to determine which of the above needs should be funded by the new revenue source. Ultimately, these prioritization decisions rest with the City Council.

FISCAL IMPACT:

This report does not have direct fiscal impact. However, should a one-cent sales tax increase be placed on the November 2016 ballot and pass, it would generate between approximately \$48 million and \$51 million annually for the City’s General Fund if spending patterns remain the same as FY 2015-16.

Prepared by: Marianna Marysheva-Martinez, Assistant City Manager
Approved by: John A. Russo, City Manager
Certified as to
Availability of funds: Scott G. Miller, Interim Finance Director
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Survey Results
2. Presentation prepared by FM3