



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

H-1

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 <i>MJ</i>	Human Resources _____	Other _____
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TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other \_\_\_\_\_

**BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT**

Upon motion of Supervisor \_\_\_\_\_ Seconded by Supervisor \_\_\_\_\_

Ayes \_\_\_\_\_

Nays *\*Board Order\**

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: *July 8, 2014*

By: *[Signature]*

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.<sup>1</sup>

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

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<sup>1</sup> 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





# Humboldt County Community Survey Results

Survey Conducted June 16-19, 2014

*Fairbank,  
Maslin,  
Maulin,  
Metz &  
Associates*

FM3

220-3914



## Methodology

- Telephone survey of 400 randomly-selected Humboldt County likely November 2014 voters
  - Interviews were conducted via landline and cell phones
  - Survey was conducted June 16-19, 2014
- The margin of sampling error is +/-4.9% at the 95% confidence level for the full sample
  - The margin or error for split samples is +/-6.9%
  - Margins of error for other population subgroups will be higher
  - Some percentages do not sum to 100% due to rounding
- Select tracks from 2008 survey









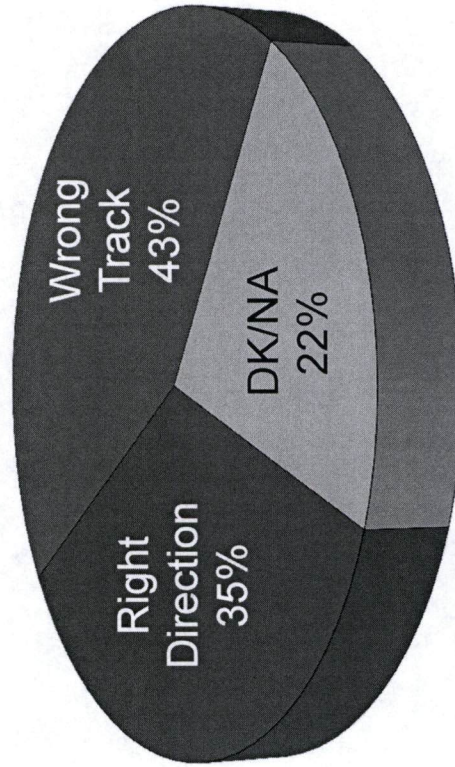
# Perceptions of Humboldt County



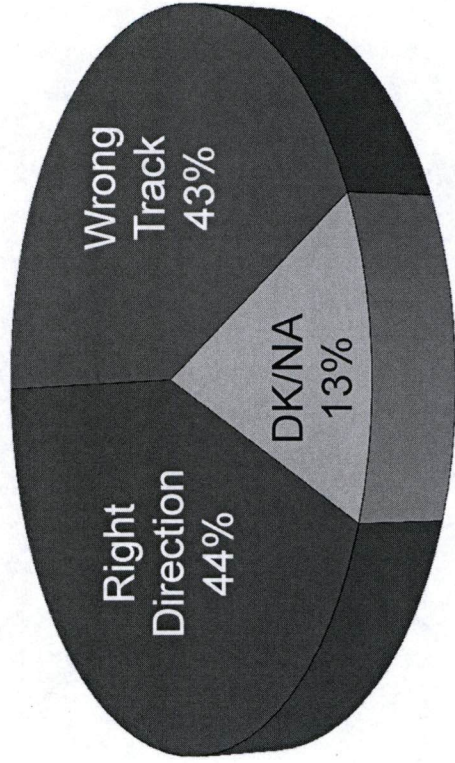
# While general opinions of life in Humboldt County are mixed, they are slightly improved from 2008.

*Would you say things in Humboldt County are going in the right direction, or are they off on the wrong track?*

2008

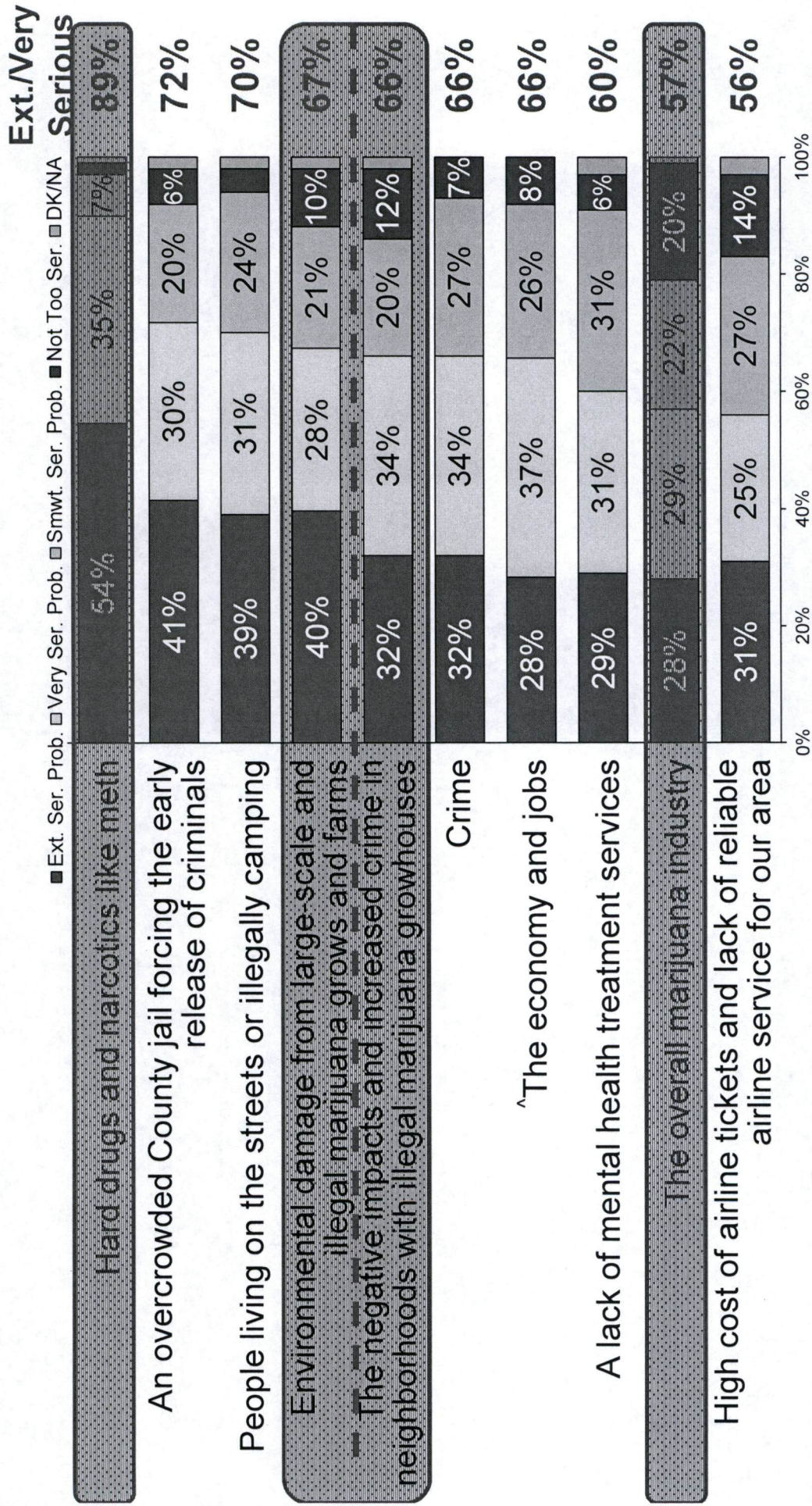


2014



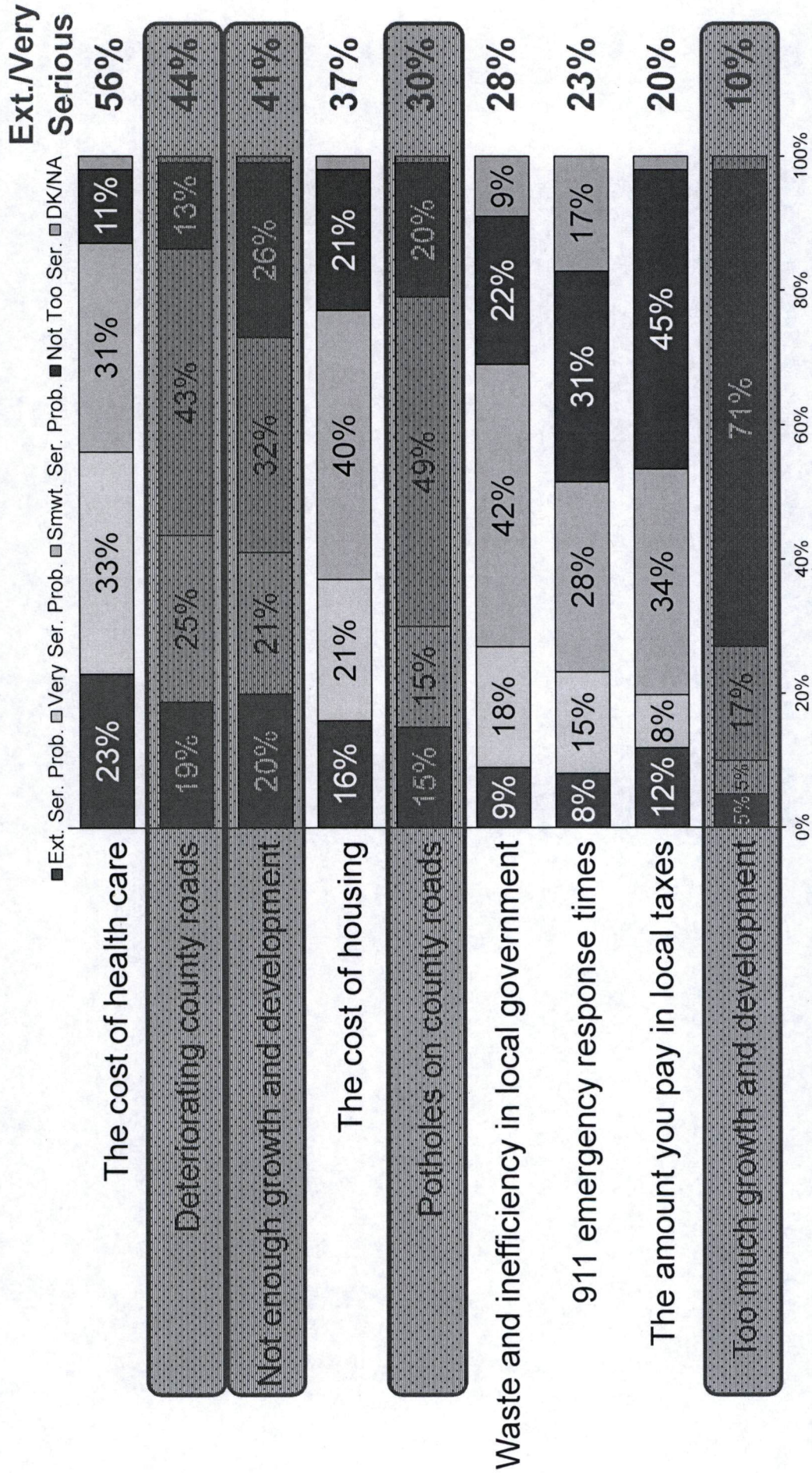


# Crime related to drugs, an overcrowded jail and illegal camping are top concerns in the County.



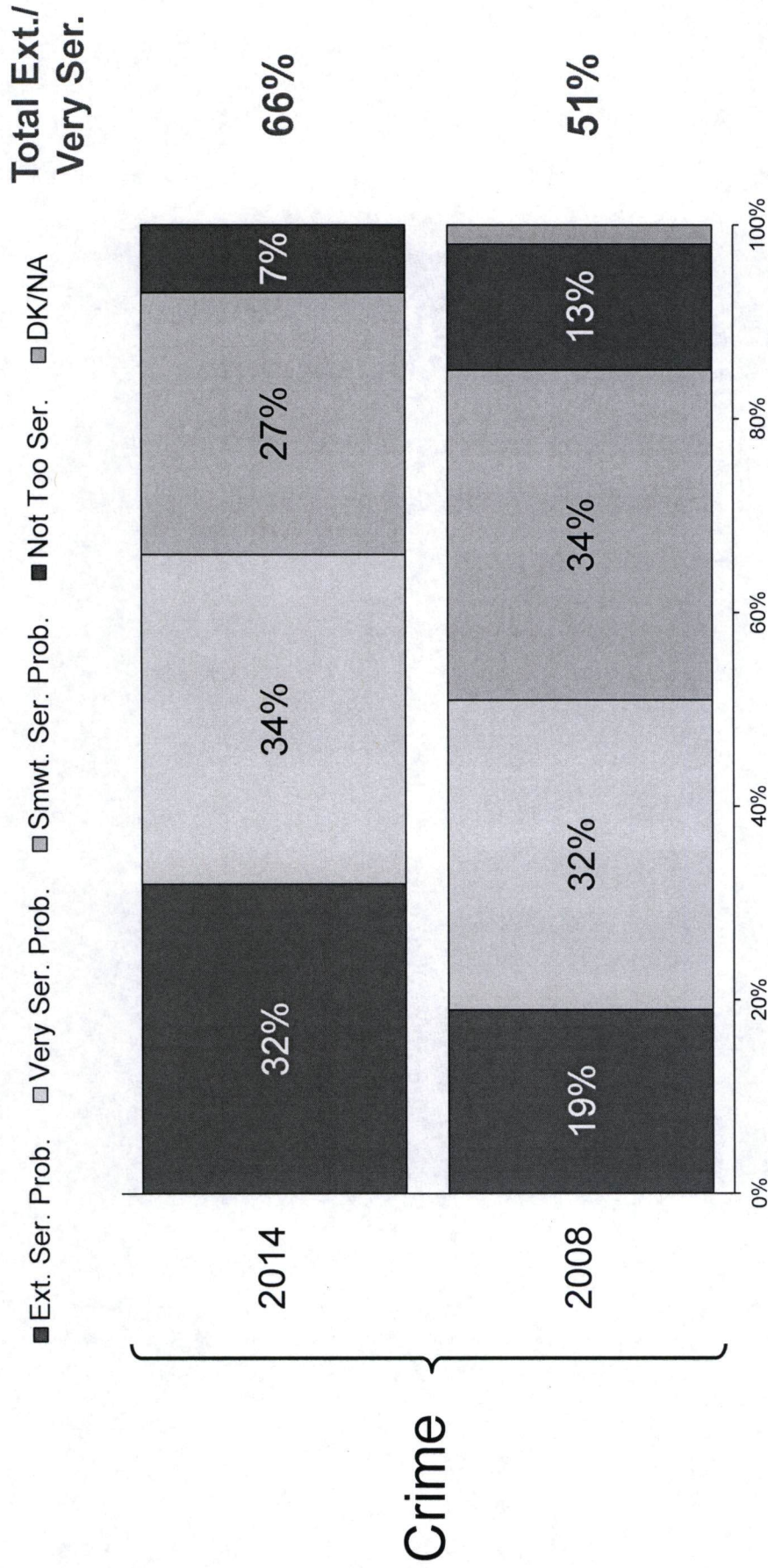


# Other issues – including government waste and local taxes – are less concerning.



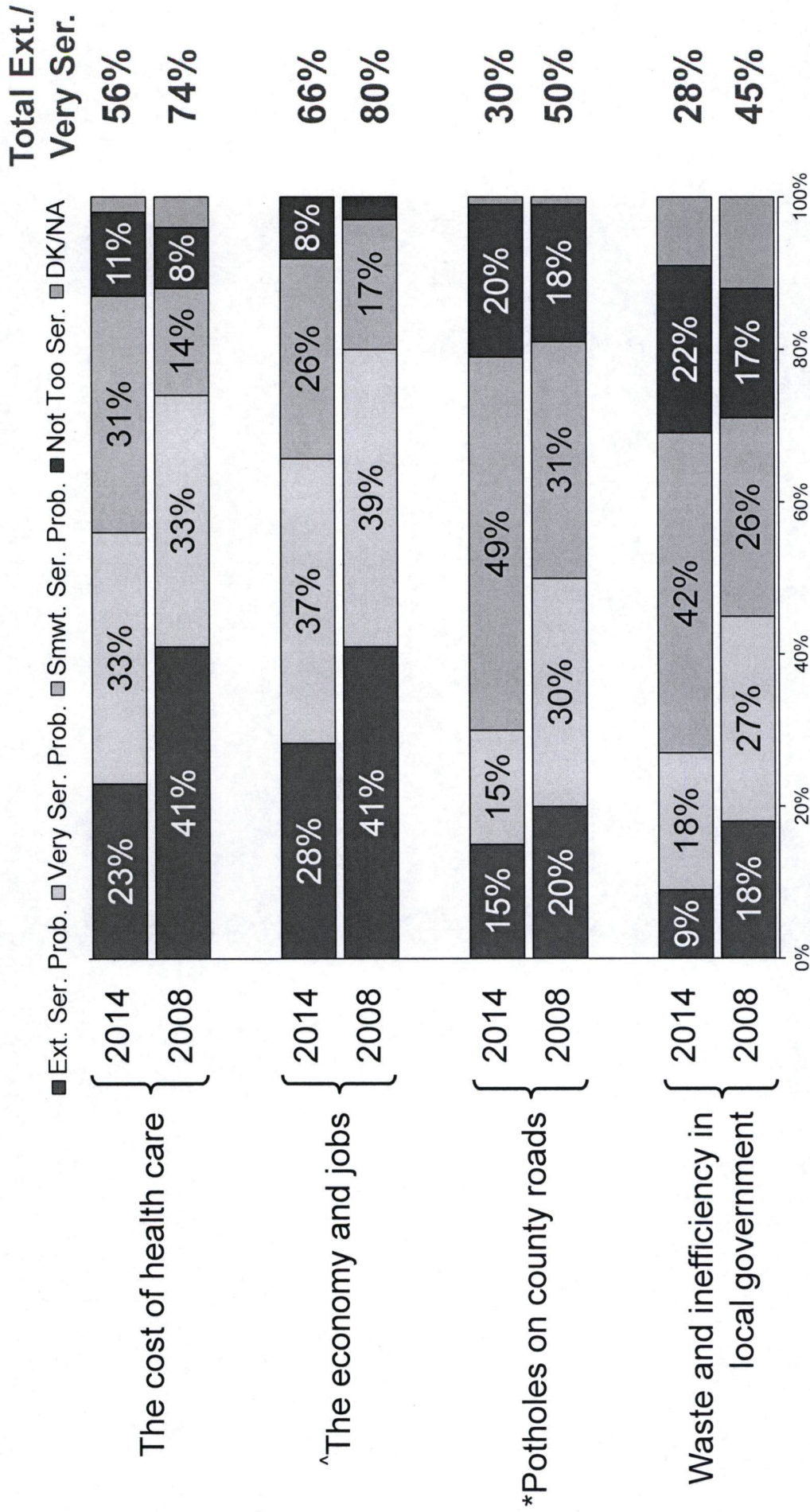


# Since 2008, more are concerned about crime...





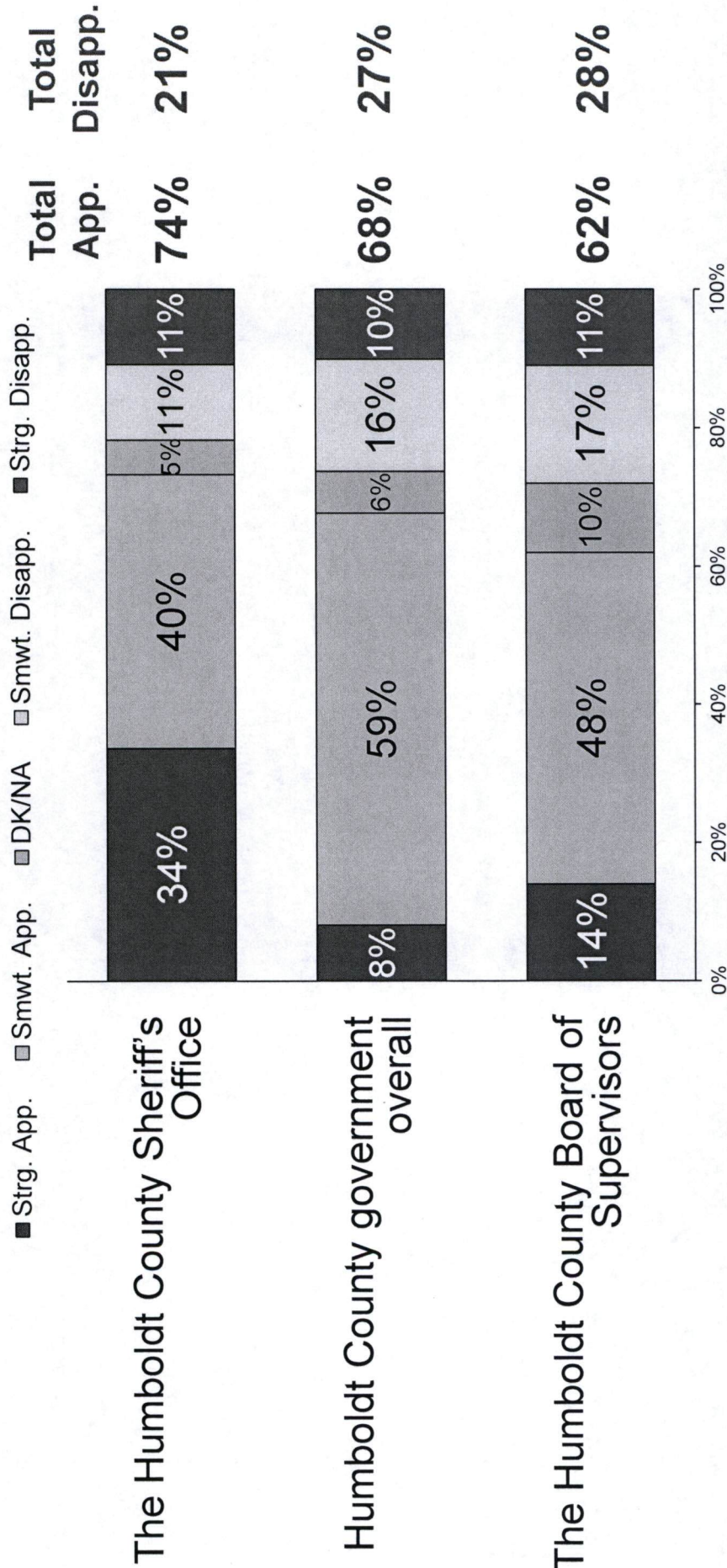
# ...but fewer about health care costs, the economy, potholes and government waste.





# Solid majorities feel good about the performance of County government...

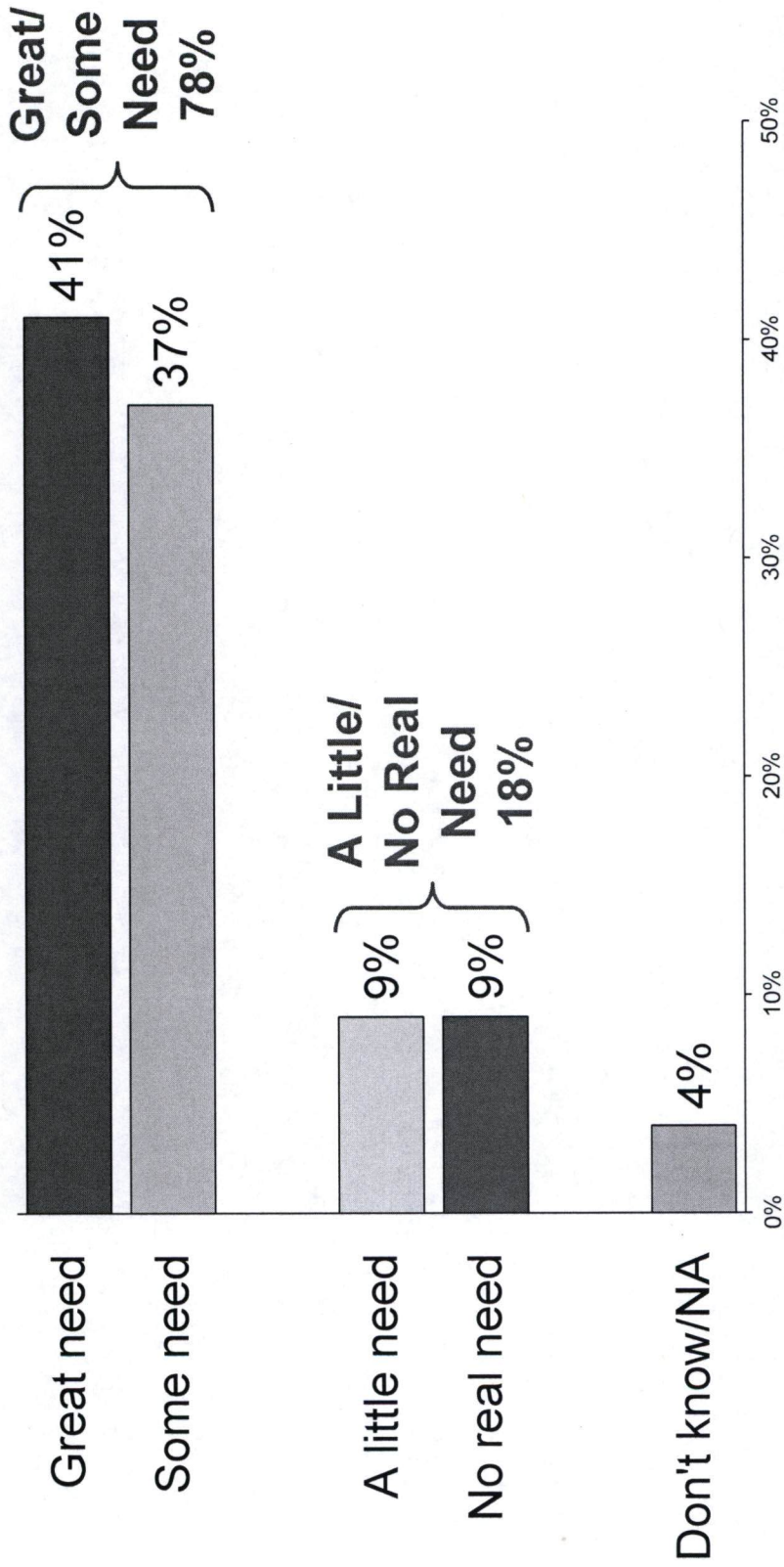
I am going to read you a list of a few organizations that active in public life in Humboldt County. Please tell me if approve or disapprove of the job they are doing.





# ...but recognize the need for additional County funding.

*Would you say that to provide essential services, the County of Humboldt has a great need for additional funding, some need, a little need, or no real need for additional funding?*







# Reactions to Potential Finance Measures



# Approach to Testing Potential Measures

- Two potential finance measures were tested
- Half of the sample was asked about a general purpose sales tax measure
  - Under current law, this would apply countywide (e.g., in incorporated and unincorporated portions of the County)
  - Respondents were also asked about the potential of applying the sales tax only in the County's unincorporated areas
- Half of the sample was asked about a general purpose Utility Users Tax (UUT), including an excessive electricity usage tax
  - This would apply only to the unincorporated portions of the County
- Both measures would have majority vote thresholds this November
- Neither measure included a sunset, though respondents were asked about the impact of including a five-year sunset
- Lower tax rates were also tested for both measures



# Hypothetical Ballot Language Tested

## Humboldt County Public Safety and Essential Services Measure.

To maintain and improve essential services, such as:

- Sheriff's patrols;
- 911 emergency response;
- Crime investigation and prosecution;
- Drug enforcement and prevention;
- Services for abused children and the mentally ill;
- Road improvements and pothole repair; and
- Other County services,

Shall the County of Humboldt enact 3/4 cent sales tax with all revenue for the County, none for the State of California, with annual audits and public review?

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- Pothole repair; and
- Other County services,

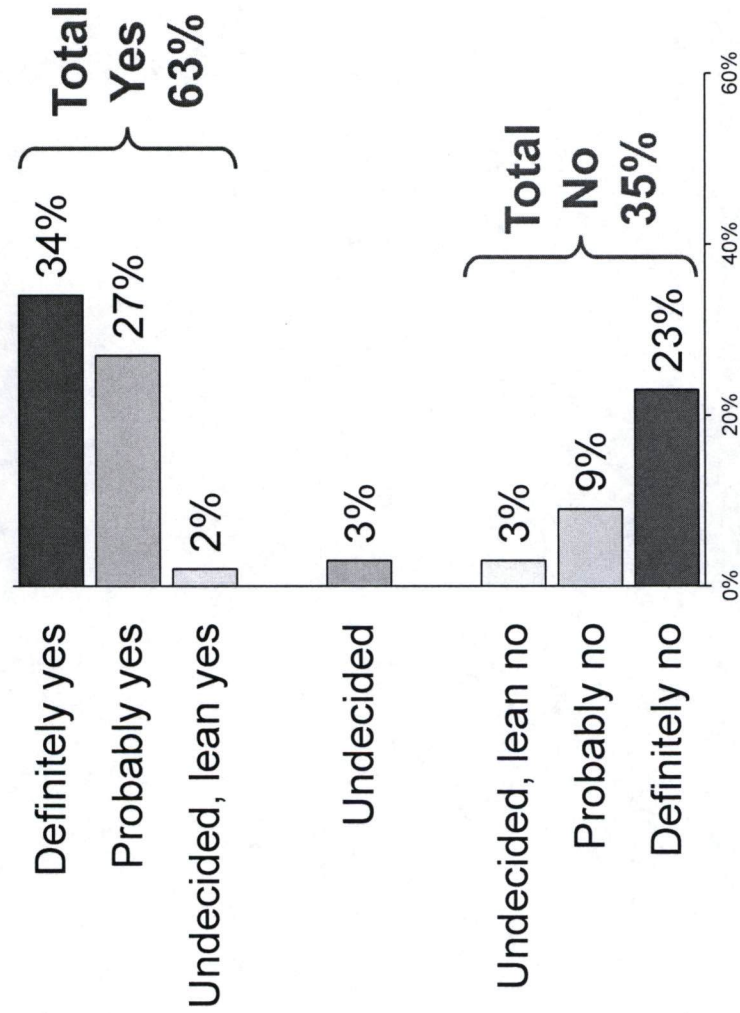
Shall Humboldt County establish a 3% utility users tax in its unincorporated areas, including a 45% tax on those whose electricity usage exceeds 600% of an established baseline with all revenue for the County, with annual audits and public review?



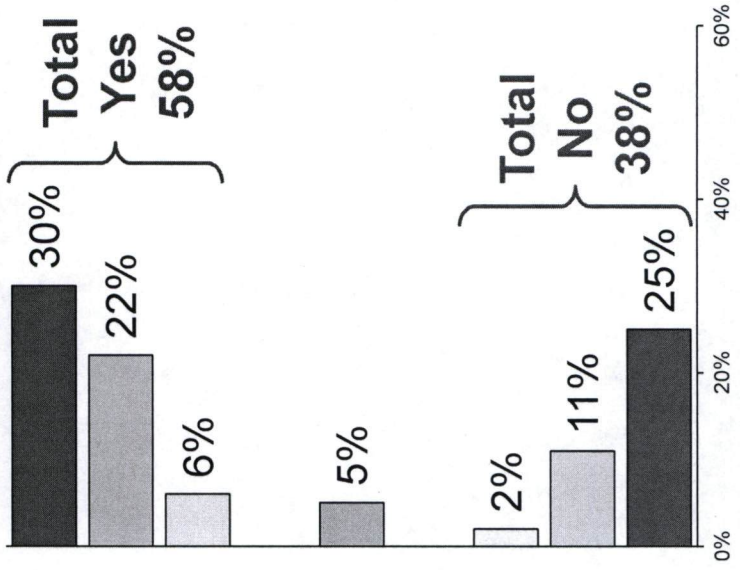
# Both measures initially generated majority support above their vote thresholds.

*If there were an election today, do you think you would vote “yes” in favor of this measure or “no” to oppose it?*

## Sales Tax



## Utility Users Tax



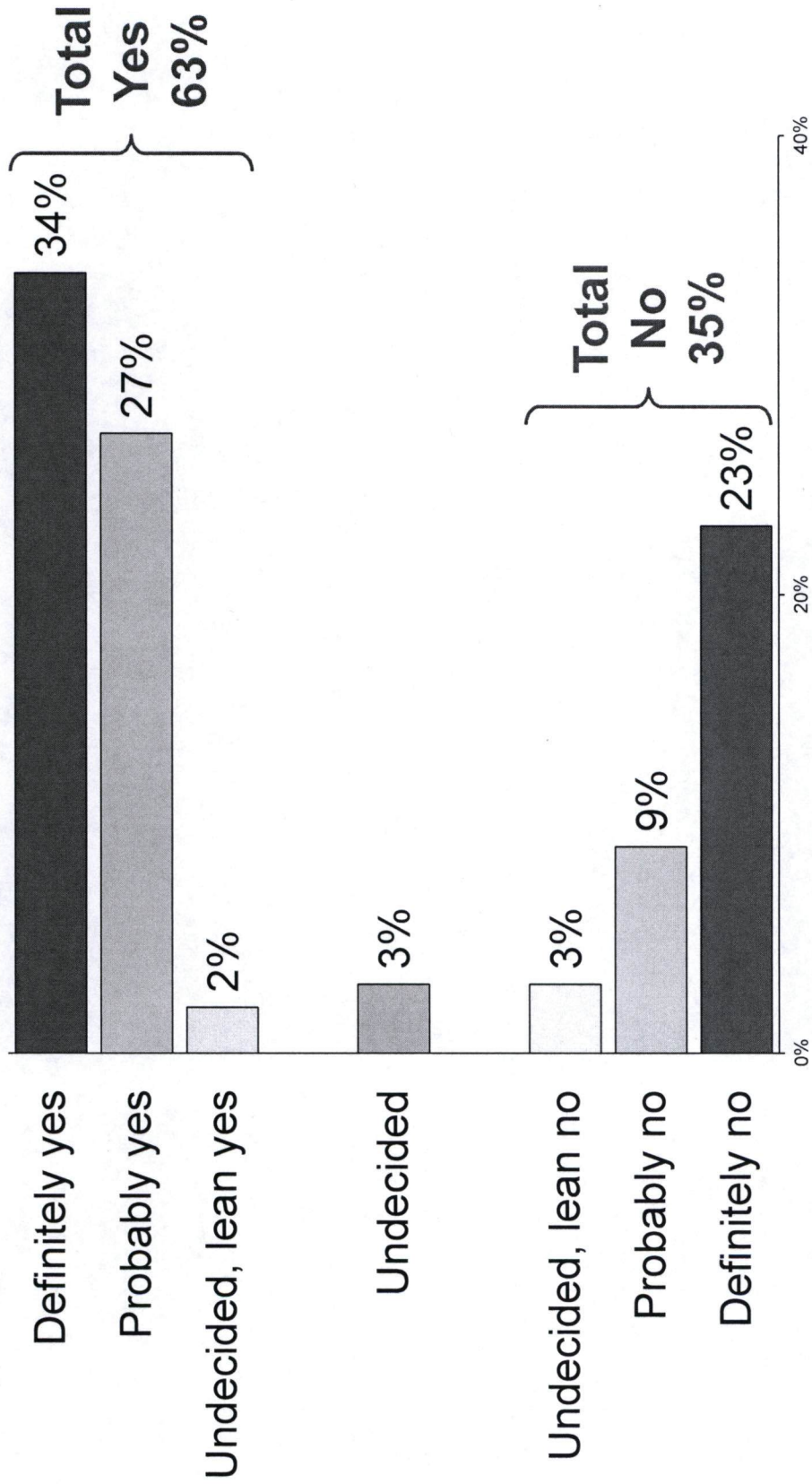




# **Looking More Closely at a Potential General Purpose Sales Tax**



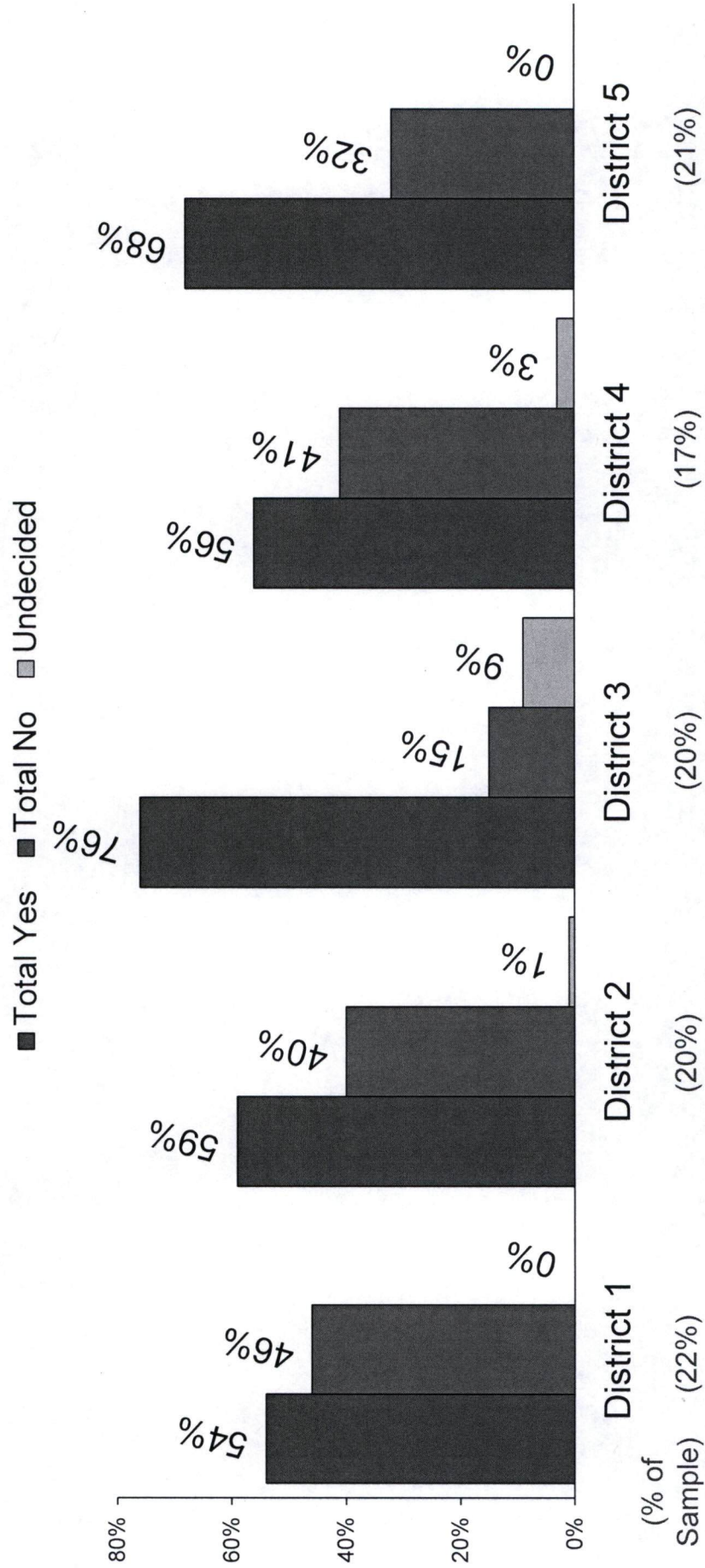
# More than three in five would support a three-quarter cent, general purpose sales tax.





# Support is greatest in District 3, but exceeds 50% in all districts.

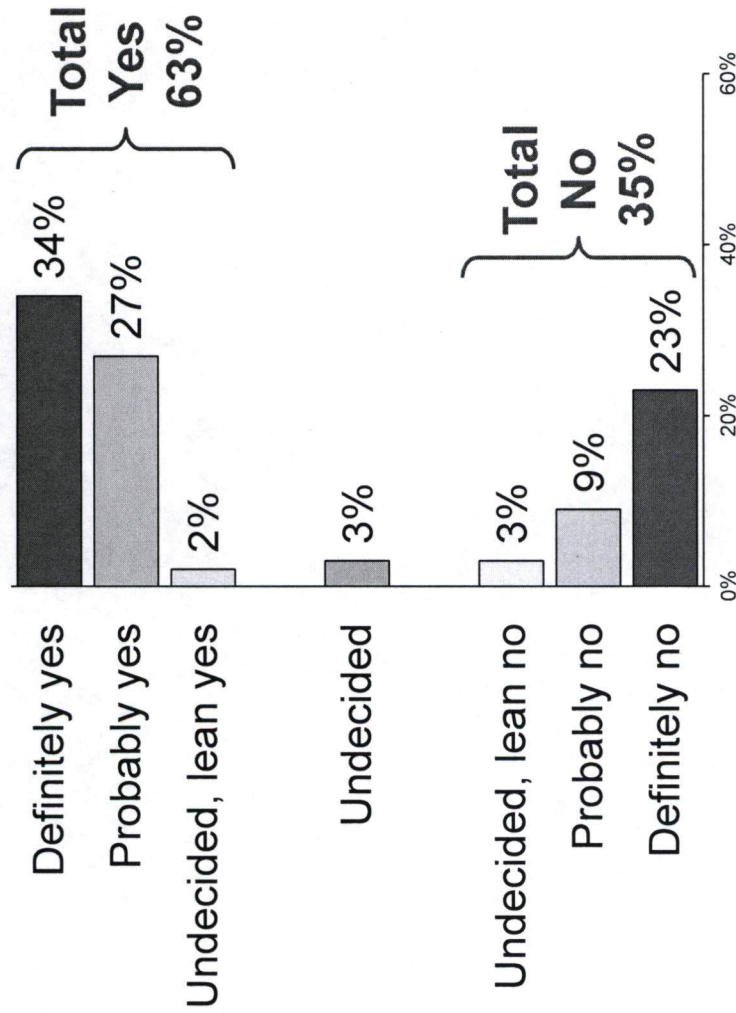
Sales Tax Initial Vote by Supervisorial District



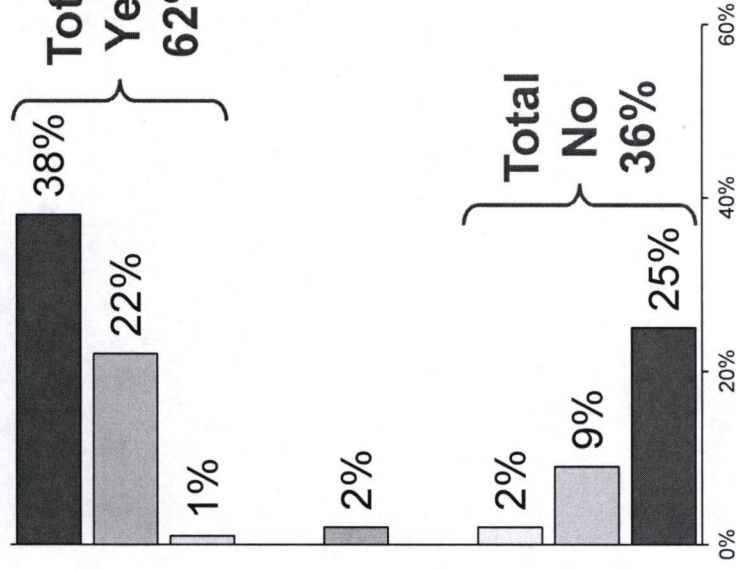


# Support for a one-half cent sales tax isn't materially different.

3/4 Cent Sales Tax



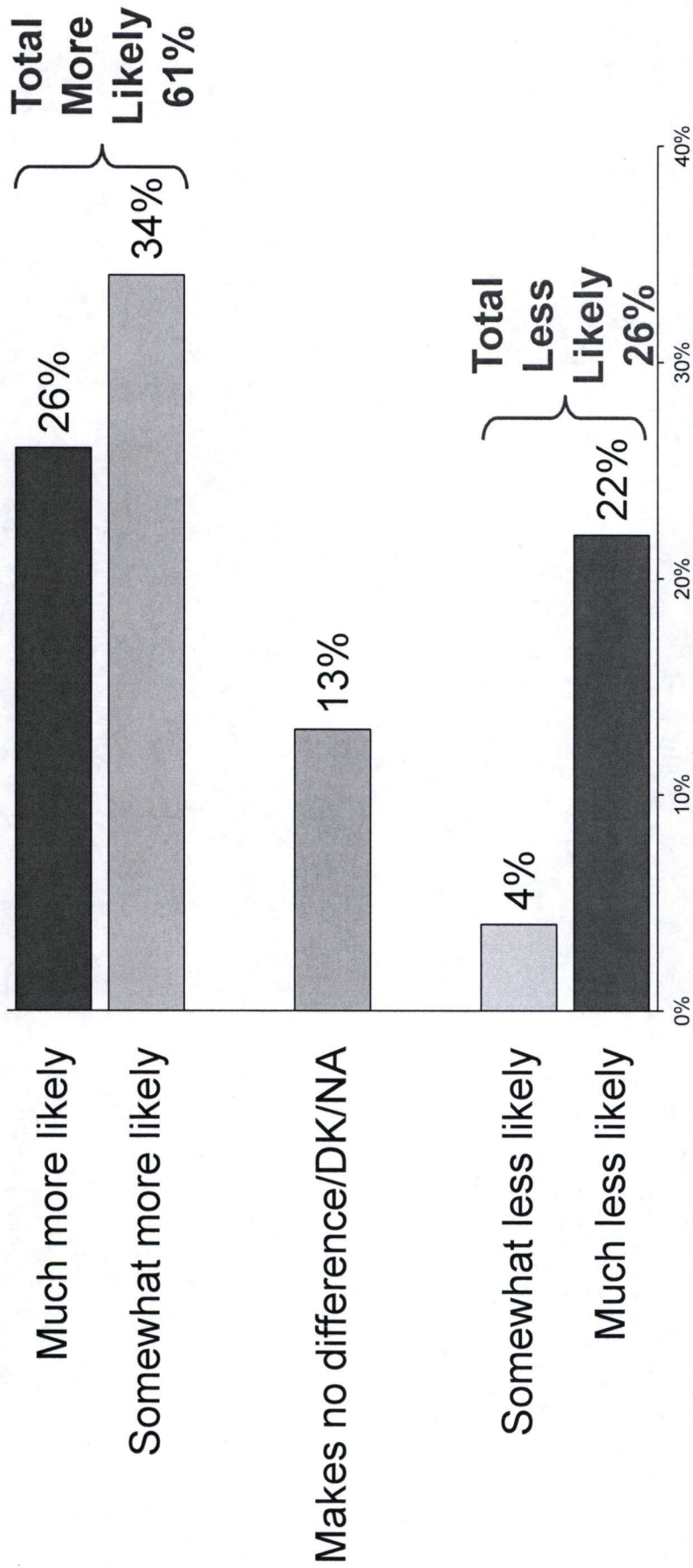
1/2 Cent Sales Tax





# Three in five would be more likely to support a sales tax if it were limited to five years.

*Would you be more likely or less likely to support this measure if the sales tax it enacted were limited to no more than 5 years?*





# **Approach to Testing a Sales Tax Enacted only in the County's Unincorporated Areas.**

- Under current law, a sales tax can only be applied countywide (e.g., in incorporated and unincorporated portions of the County).
- The State Legislature is currently considering a bill to allow counties to extend sales taxes to only the unincorporated portions of a county.
- Respondents were asked in two different questions about the potential of applying the sales tax only in the County's unincorporated areas:
  - One question explained the legislative proposal and asked if respondents would be more or less likely to support a sales limited to unincorporated county areas.
  - One question did not provide the legislative background, but instead directly asked respondents how they would vote on a measure if it were limited to unincorporated county areas, providing specific examples.



# Question Language

## With Legislative Background\*

As currently worded, this measure would raise the sales tax in all portions of the County, including incorporated cities. However, the State Legislature is currently considering legislation that would allow counties to enact sale taxes in only their unincorporated areas. Would you be more likely or less likely to support this measure if this legislation were to pass and this measure increased the sales tax only in the unincorporated portions of the County?

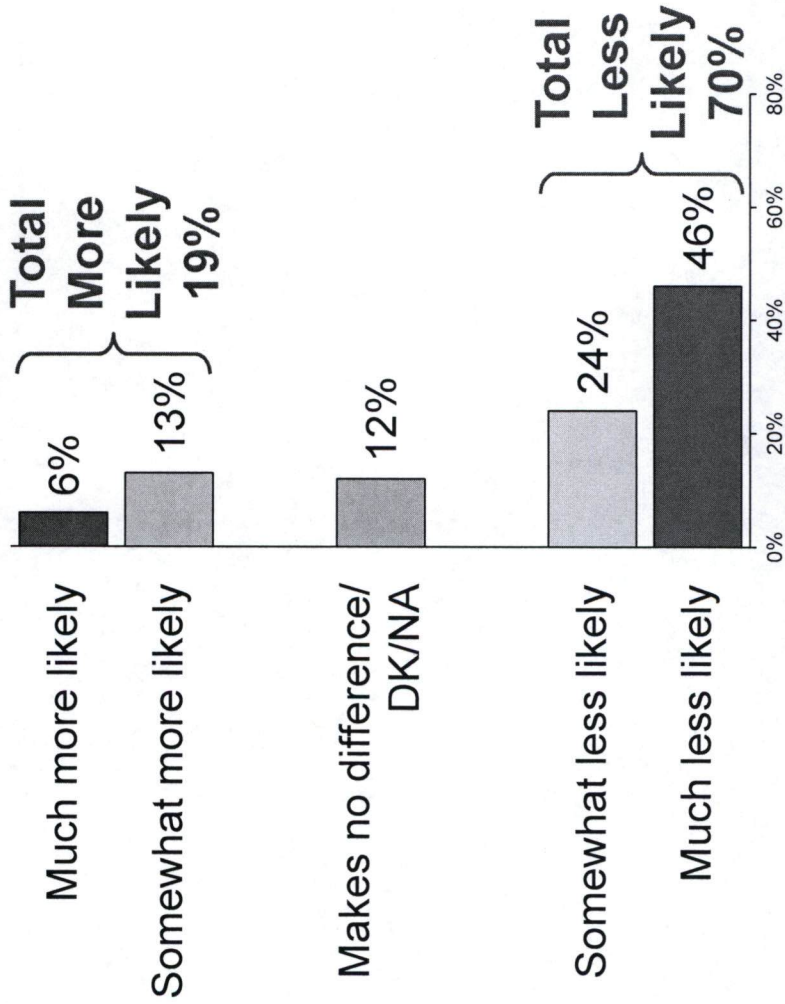
## Without Legislative Background\*\*

What if instead of raising the sales tax in every area of the County, this measure were structured to raise the sales tax **ONLY** in unincorporated areas such as Garberville, McKinleyville, and Myrtle town, and **NOT** in incorporated cities and towns such as Arcata, Eureka and Trinidad. In that case, do you think you would vote “yes” in favor of this measure or “no” to oppose it?

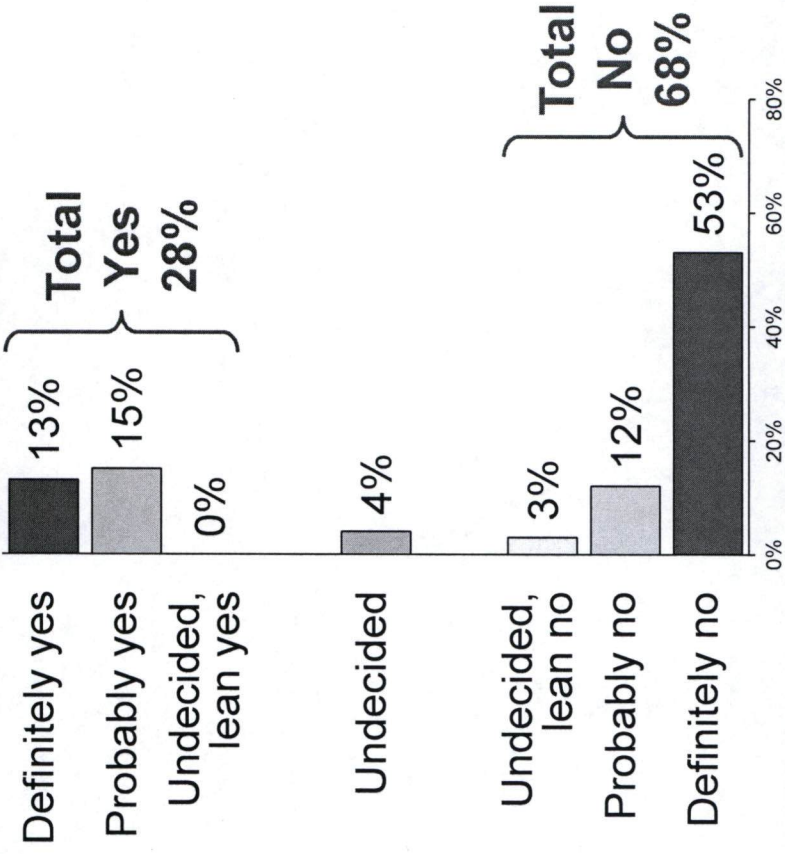


# However framed, respondents were less likely to support a sales tax restricted to only the unincorporated areas of the County.

## With Legislative Background



## Without Legislative Background



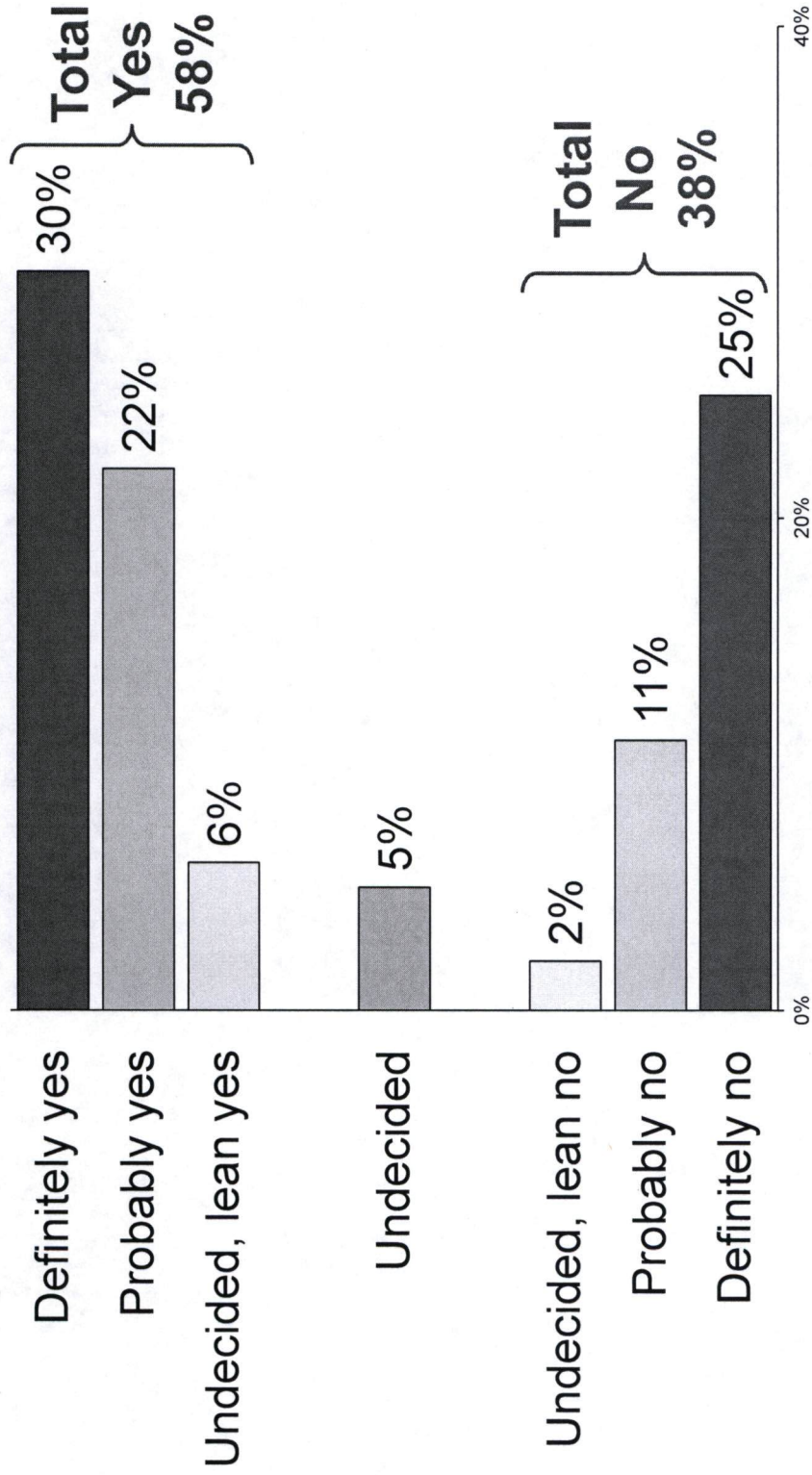




# Looking More Closely at a Potential General UUT



# A little less than three in five would support a 3% general purpose UUT with a 45% excessive electricity tax.

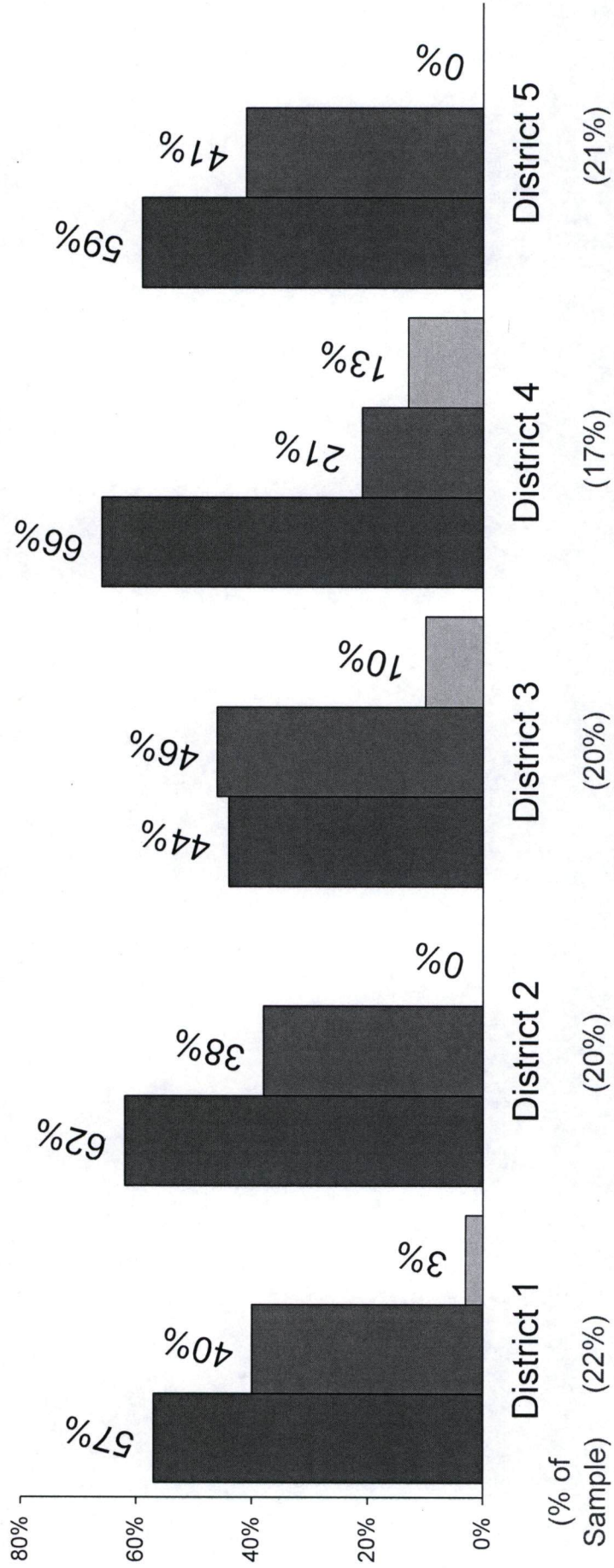




# Consistent majorities in all Districts – except District 3 – are supportive.

UUT Initial Vote by Supervisorial District

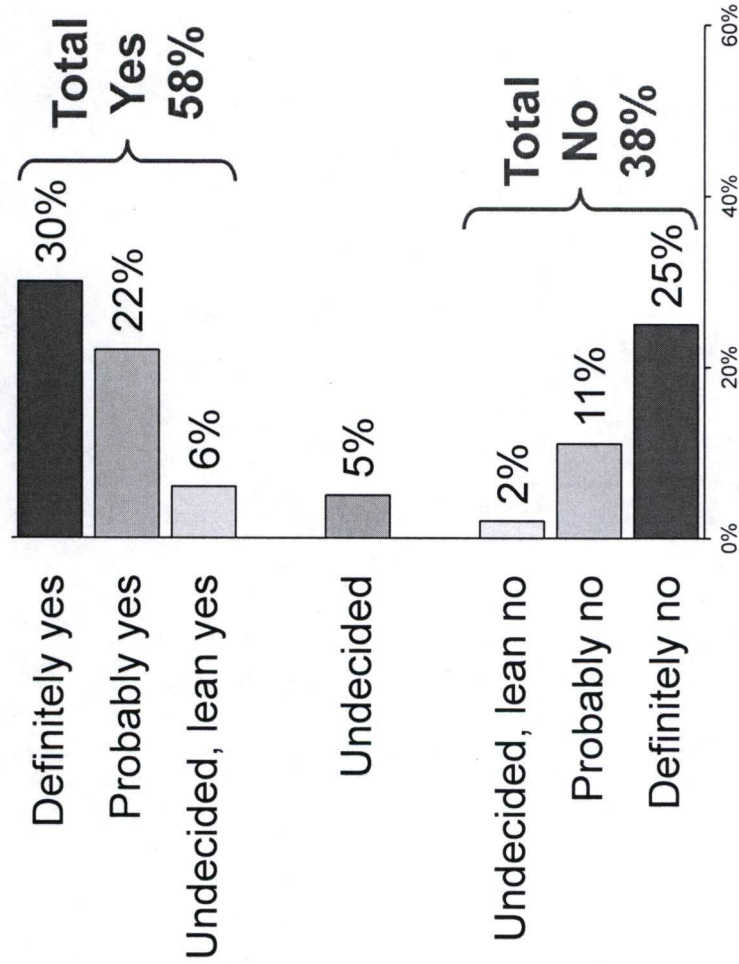
■ Total Yes ■ Total No ■ Undecided



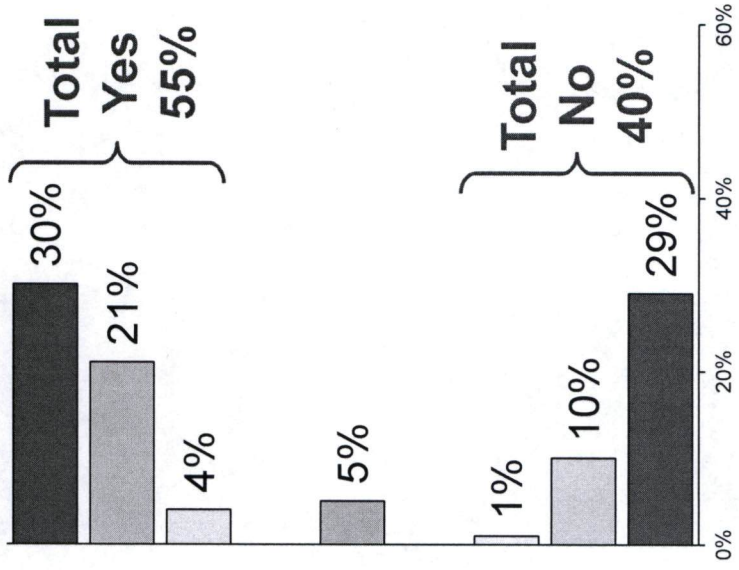


# Again, support for a lower tax rate isn't materially different.

**3% Utility Users Tax**



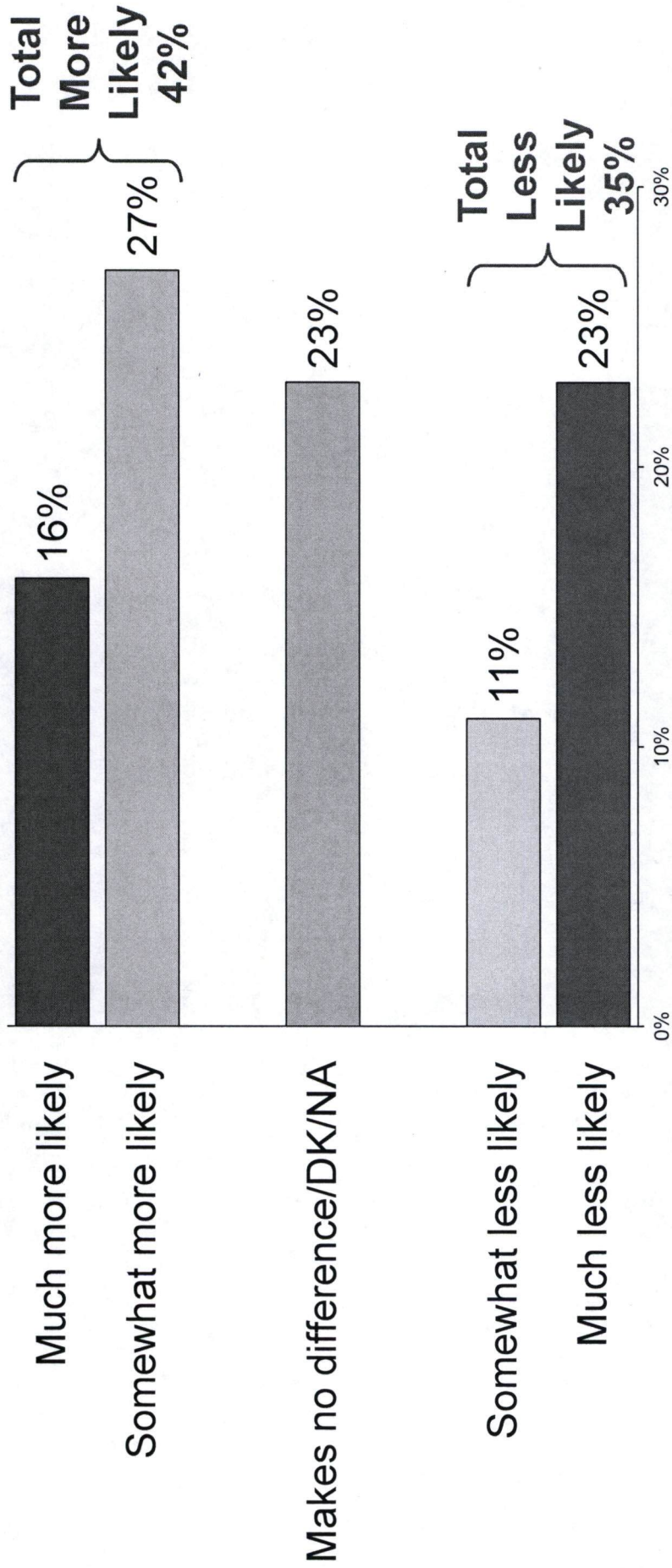
**1.5% Utility Users Tax**





# Respondents were less interested in limiting the tax to five years.

*Would you be more likely or less likely to support this measure if the utility user and excessive electricity usage taxes it established were limited to no more than 5 years?*

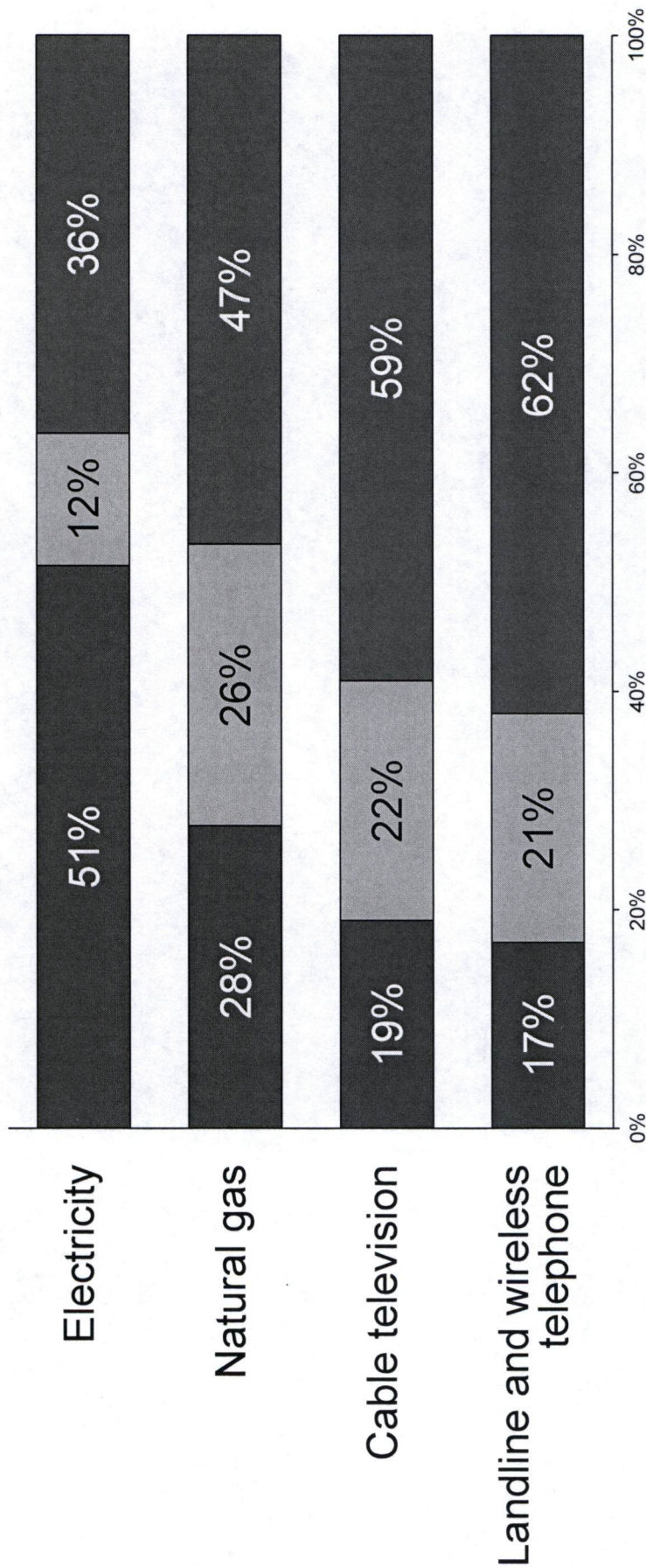




# Respondents were most comfortable including electricity in the utility users tax.

The structure of this potential measure is not yet finalized. I am going to read you a list of several different utilities that could be included in the measure and subject to the utility users tax. Please tell me if including that utility would make you more likely or less likely to support the measure.

■ Total More Likely    ■ No Diff./DK/NA    ■ Total Less Likely



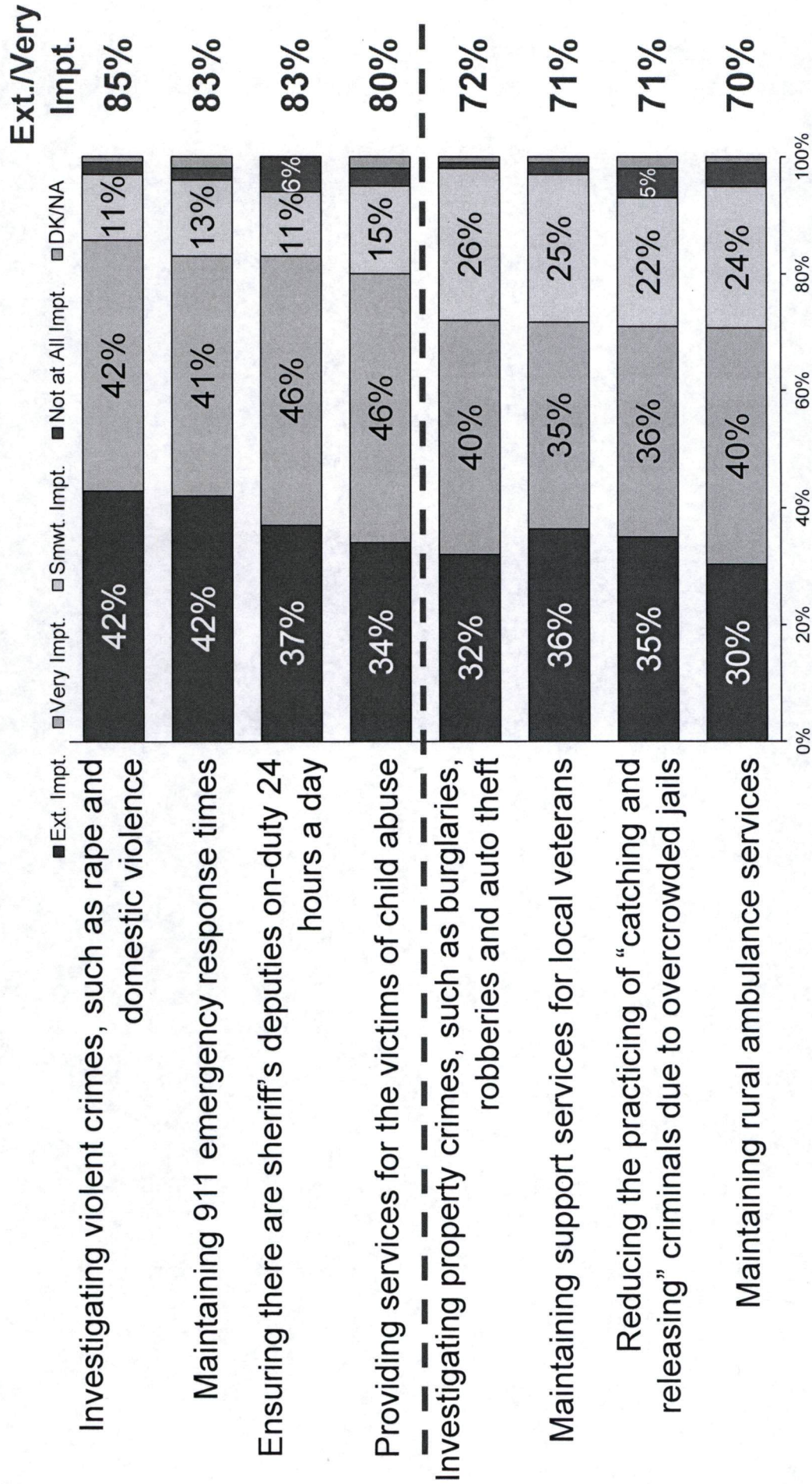




# Spending Priorities



# The top spending priorities are all related to public safety.



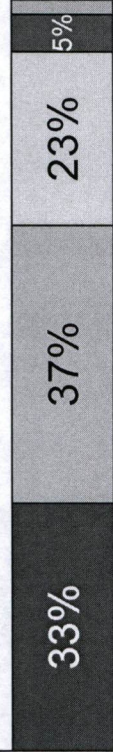


# Addressing the negative impacts of marijuana is also seen as important.

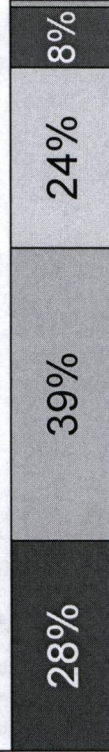
Ext./Very Impt.

■ Ext. Impt. □ Very Impt. □ Srwmt. Impt. ■ Not at All Impt. □ DK/NA

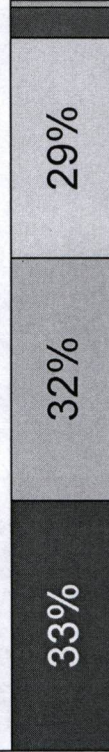
Providing protective services for the witnesses of child abuse



Maintaining rural fire protection services



Providing additional mental health services



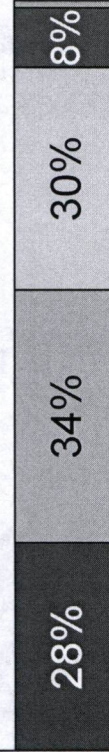
Cleaning up environmentally damaging marijuana farms



Getting rid of illegal marijuana growhouses



Providing communications services for medical and first responders after natural disasters such as earthquakes or tsunamis



Reducing overcrowding at the County jail



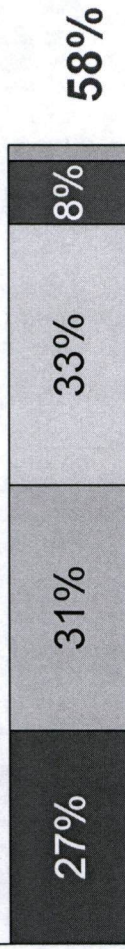
0% 20% 40% 60% 80% 100%



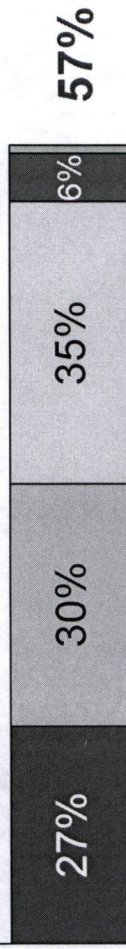
# Other spending categories are middle tier.

■ Ext. Impt.   □ Very Impt.   □ Smwt. Impt.   ■ Not at All Impt.   □ DK/NA   Ext./Very Impt.

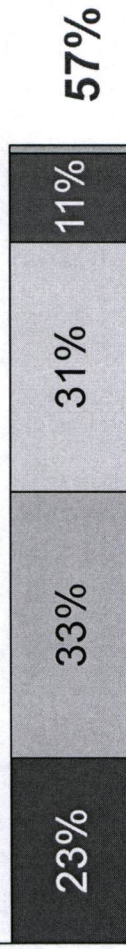
Monitoring convicts after they have been released into the community



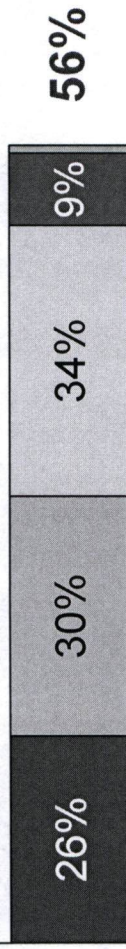
Helping get people off the streets and into permanent housing



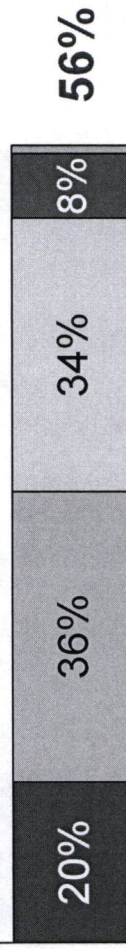
Hiring additional sheriff's deputies to improve coverage in all county areas like McKinleyville, Garberville, Willow Creek, and Cutten



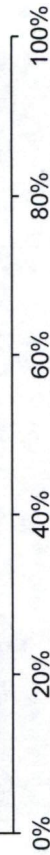
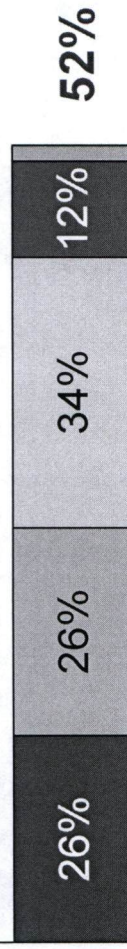
Expanding sheriff's patrols across the County



Improving support and training for volunteer firefighters

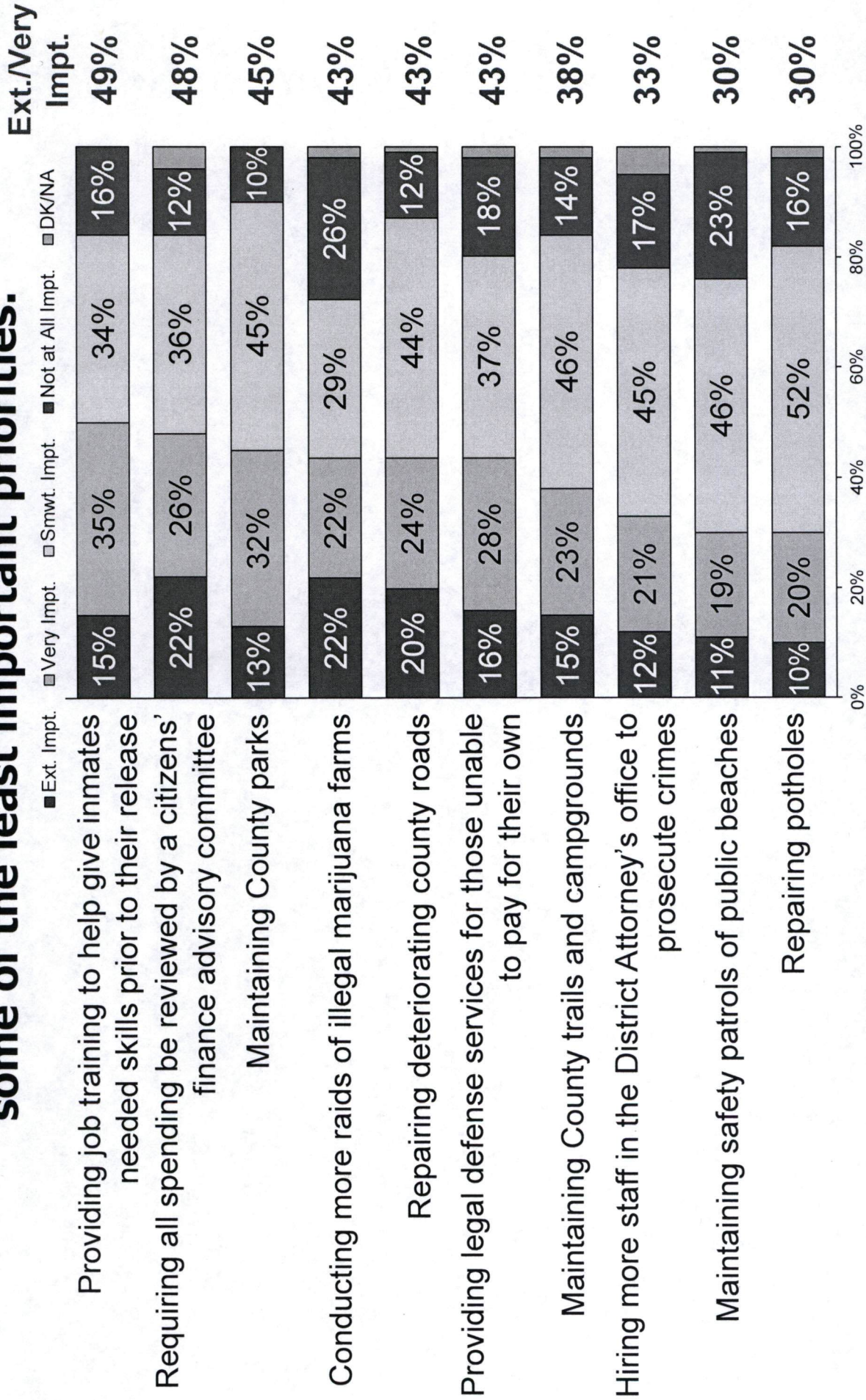


Expanding drug enforcement services





## Beach patrols and pothole repair are seen as some of the least important priorities.





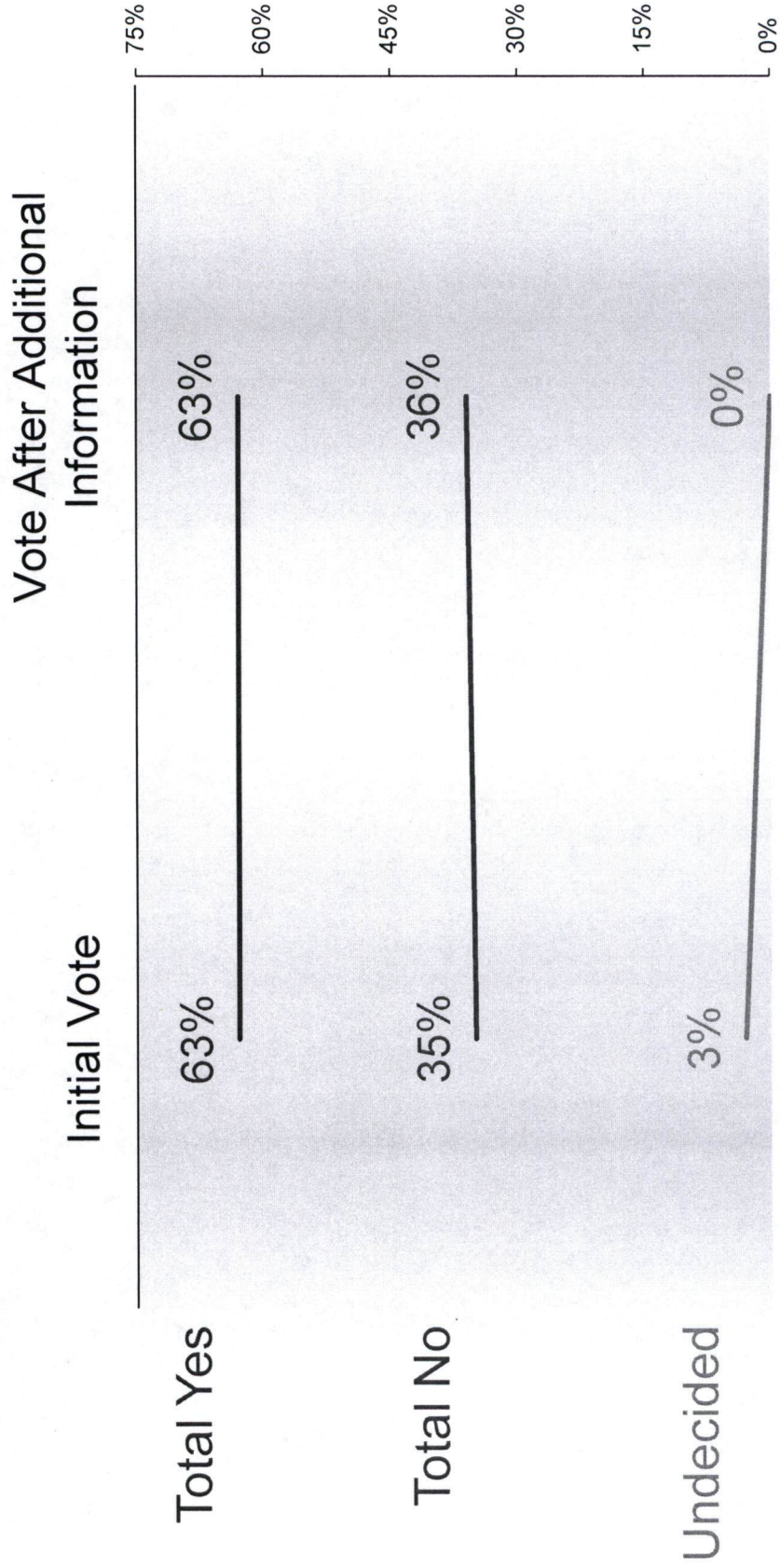


# The Impact of Providing Additional Information



# Sales tax support was remarkably stable from the beginning to the end of the survey...

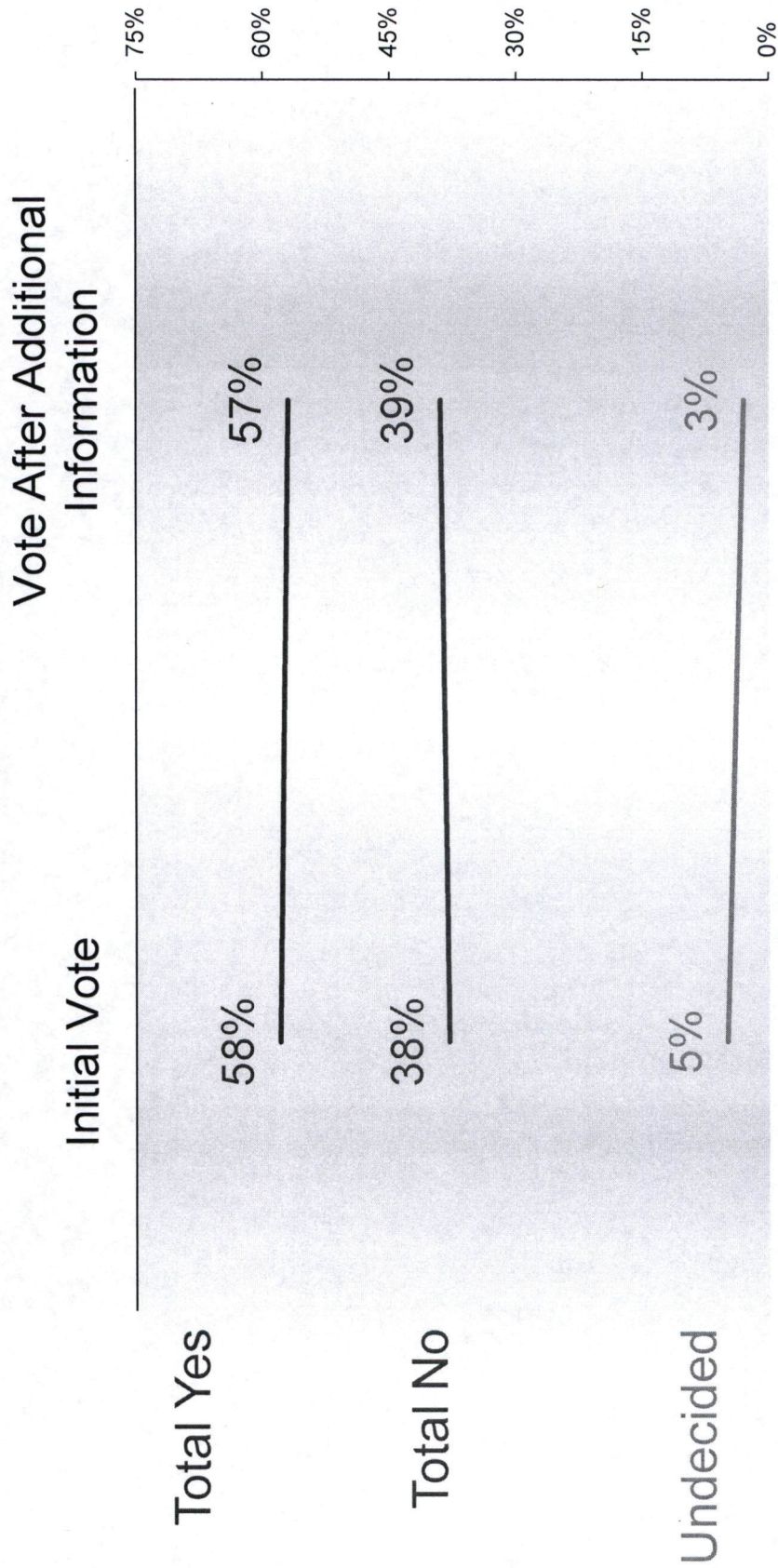
*Enacting a three-quarter cent sales tax.*





**...as was support for the UUT, though it remained much closer to the vote threshold, particularly considering the margin of error.**

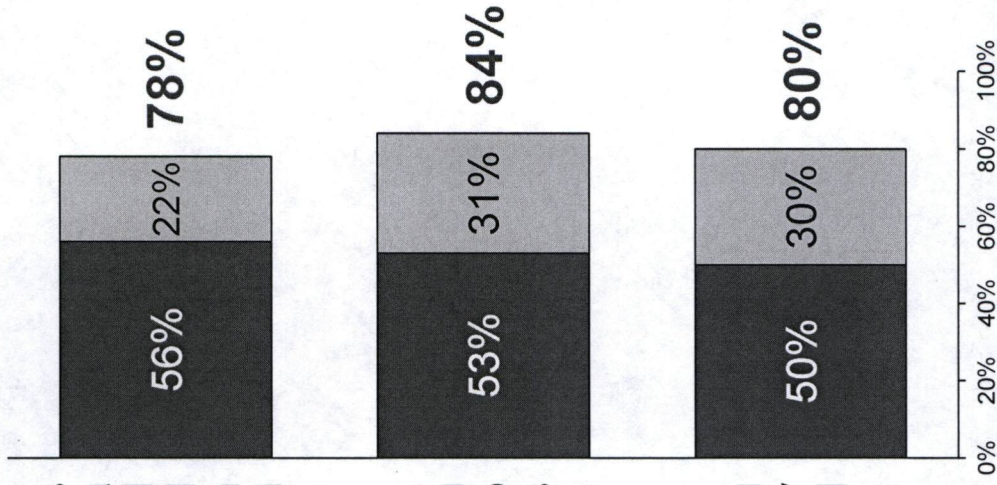
*Establishing a 3% utility users tax, including a 45% tax on those whose electricity usage exceeds 600% an established baseline.*





# Respondents found information regarding taxing growhouses, improving sheriff's deputies response times, and fighting meth very compelling.

■ Very Conv.    □ Smwt. Conv.



(Asked of UUT Split Only)**(EXCESSIVE ELECTRICITY - GROWHOUSES)** This measure will charge residents who use huge amounts of electricity a 45% tax on their electricity bills. This measure is targeted at illegal marijuana growhouses that contribute to increased crime, neighborhood deterioration, and global warming. A similar measure was effective in reducing the amount of neighborhood growhouses by 85% one month after it was implemented in Arcata.

**(RESPONSE TIMES - INVESTIGATIONS)** Due to budget constraints, sheriff's patrols have been greatly reduced across the County, meaning it can sometimes take several hours for a sheriff's deputy to respond to a call. This measure is needed to expand patrols and make sure calls about violent or property crimes are responded to promptly.

**(DRUGS - METH)** Hard drugs and narcotics like meth are growing problems in our County. We need the additional funds generated by this measure to fight drug-related crimes, eliminate meth labs, and provide drug prevention and rehabilitation services.



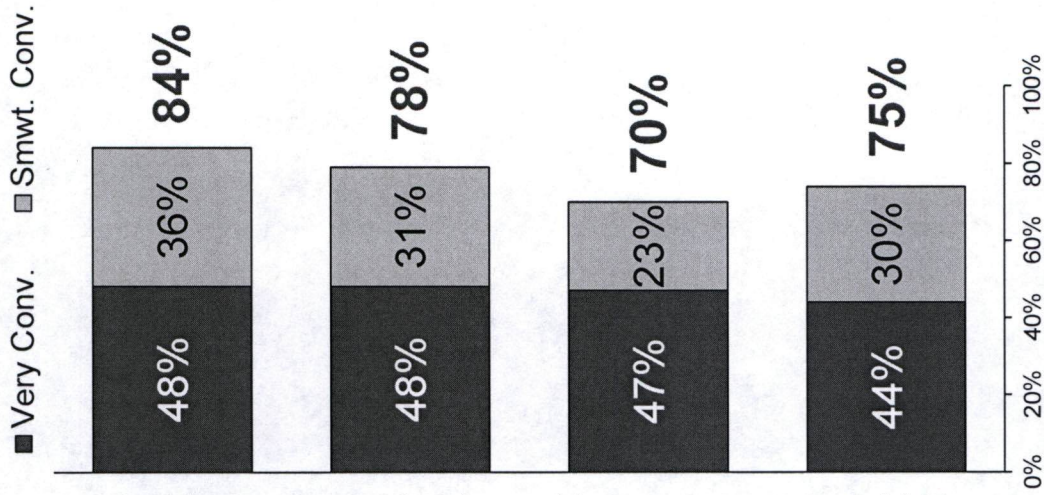
# Many also saw supporting volunteer firefighters and addressing the environmental impacts of marijuana farms as compelling.

**(VOLUNTEER FIRE)** Despite limited funding, volunteer fire departments and firefighters play critical roles in protecting life and property here in Humboldt County. This measure will help support these volunteers and provide them with additional resources and training to better – and more safely – protect County residents.

**(MARIJUANA ENVIRONMENTAL IMPACTS)** By diverting and drying up sensitive creeks and streams, and using toxic pesticides, large-scale – and illegal – marijuana farms are destroying our local environment and risking our health. We need the additional funds generated by this measure to fight these industrial marijuana farms and protect our county's natural resources.

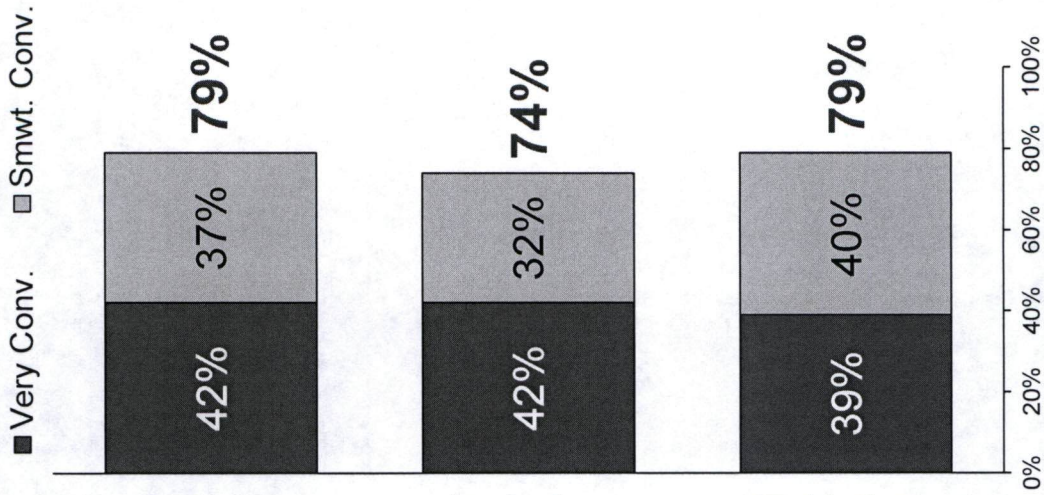
**(CATCH-AND-RELEASE)** Due to jail overcrowding and insufficient resources to investigate and prosecute crimes, the County has had to “catch-and-release” many criminals. We need this measure to put an end to this practice and make sure that people breaking the law are held accountable and kept behind bars.

**(LOCAL CONTROL)** Over the past 22 years, Sacramento has taken \$286 million in revenue from Humboldt County's budget. This measure provides our area with a guaranteed source of local funding that cannot be taken by Sacramento and requires that our tax dollars are spent locally.





# Other arguments are broadly compelling, but we start to see the intensity of reactions decline slightly.



**(CHILD ABUSE)** Protective and counseling services for the victims and witnesses of child abuse have been severely reduced in recent years. We need this measure to restore those services and protect children that have been victims of these horrible crimes.

**(RURAL AMBULANCES)** Rural ambulance service has been significantly reduced in Humboldt County, putting the lives of many local residents at risk. This measure is needed to restore those services and provide life-saving care and transportation to residents throughout the County.

**(RESPONSE TIMES - 24-HOUR PATROLS)** Due to budget constraints, many areas of Humboldt County – including neighborhoods and rural areas – are not patrolled by sheriff's deputies at night. Consequently, it can take as long as 40 minutes to reach the more remote areas. This measure is needed to bring back 24-hour patrols and reduce 911 response times throughout the County.



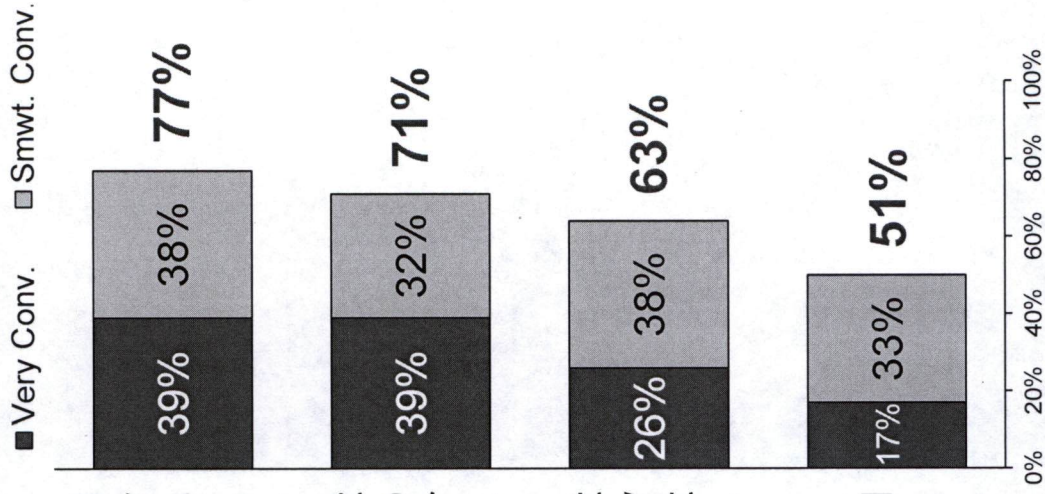
# Only establishing a UUT in the unincorporated areas is not compelling.

**(ROADS)** Humboldt County has a \$150 million backlog of road maintenance projects and over a third of the County's roads are currently classified as "poor" or "very poor." Without additional funding, our roads will continue to deteriorate, become increasingly dangerous to drive on, and become more expensive to repair in the future.

**(PARKS AND TRAILS)** Part of what makes Humboldt County a great place to live is our system of parks and trails. We need this measure to maintain our parks and trails, and to ensure we can all safely enjoy our local forests, wildlife and natural areas.

**(ACCOUNTABILITY)** Funds from this measure will be subject to strict accountability provisions, including annual independent audits and a review of all expenditures by a citizens' oversight committee. This will ensure that funding is spent efficiently and as promised to the voters.

**(Asked of UUT Split Only)** **(UNINCORPORATED ONLY – UUT)** This measure will establish a utility users tax only in the unincorporated areas of the County, and will not add-on to any other local city utility users taxes.







# Conclusions



## Conclusions

- Both a ¾ cent sales tax and 3% UUT (with 45% excessive electricity tax) appear viable for the November 2014 election.
- However, considering the margin of error, support for a UUT is much closer to the vote threshold, suggesting that its prospects are more uncertain.
- Given the excessive electricity tax's extreme popularity, it may be driving support for the UUT and could conceivably stand on it's own (though this was not directly tested in the survey).
- There appears to be little interest in extending a sales tax or UUT only to the unincorporated areas of the County.
- Including a sunset clause on the sales tax is also advisable.



# Questions & Discussion

