



Council Agenda Report

Department Name: City Administration
Cost Center: 1001
For Agenda of: December 3, 2019
Placement: Business
Estimated Time: 60 minutes

FROM: Greg Hermann, Deputy City Manager
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SUBJECT: RESIDENT FOCUS GROUPS AND SURVEY RESULTS REGARDING FUNDING PRIORITIES AND POTENTIAL LOCAL REVENUE OPTIONS

RECOMMENDATION

1. Receive a report on the results of two resident focus groups, a statistically relevant survey of residents and continued public engagement and outreach; and
2. Proceed with further public engagement on funding priorities for the City, including renewing and amending the Local Revenue Measure (LRM) with ongoing community oversight (Revenue Enhancement Oversight Commission); and
3. Provide an update to the Revenue Enhancement Oversight Commission and discuss potential roles to support and participate in public engagement and outreach efforts.

REPORT-IN-BRIEF

On February 5, 2019, the Council directed staff to conduct further public engagement efforts regarding the Funding the Future initiative, including resident focus groups and a statistically relevant survey of registered voters in the city (survey), and to return to the Council with the results for consideration. This effort was originally conceived as a comprehensive review of essential infrastructure projects identified in various adopted plans, including the 1) City's General Plan, 2) Bicycle Transportation Plan, 3) Downtown Concept Plan and 4) Mission Plaza Concept Plan that will help to maintain the City's character and quality of life for future generations. The Council appointed an ad hoc subcommittee (subcommittee) of Vice-Mayor Pease and Councilmember Stewart. The subcommittee explored a variety of issues related to the feedback they had heard from the public about City services, maintenance and upgrades to infrastructure (road improvements & safety upgrades, bridges, sidewalks, etc.) and provided guidance on the questions for the focus groups and survey. A critical element of this effort included evaluating the potential community interest of renewing or amending the existing, voter approved LRM (Measure G).

An independent research firm conducted two registered voter focus groups in June 2019 and a statistically relevant survey in September 2019. The focus groups included 18 city residents. Staff are grateful for the time that participants took to respond, as their community perspectives provided helpful insight on the importance of services, maintenance and infrastructure upgrades. This insight helped draft the statistically relevant survey questions and specific areas of priority. The survey had 442 individual responses from registered voters in the city, with a +/- 4.9% margin of error. The results of the focus groups and survey show a majority of participants

recognize the importance of services and maintaining and upgrading infrastructure. They also recognize that the City needs a source of reliable, locally controlled funds to provide that level of service, and there was community interest in renewing and amending the LRM.

Based on the results from the focus groups and the survey, the subcommittee is recommending continuing with public outreach and education on the City's existing and future needs for services, maintenance and infrastructure. Continued public engagement and outreach will help gather additional feedback from the community and together with the results from the focus groups and survey will better inform the Council about the community's interest in considering these issues on the November 2020 ballot.

DISCUSSION

Background

A task of the work plan for the Fiscal Sustainability and Responsibility Major City Goal in the 2017-19 Financial Plan was to explore infrastructure financing options and present those to the Council for consideration and implementation. On April 17, 2018, the Council received a report which identified over 70 infrastructure projects anticipated over twenty years as identified in various approved planning documents. These documents were adopted through extensive public engagement, advisory body review and public hearings. The documents included the 1) City's General Plan, 2) Bicycle Transportation Plan, 3) Downtown Concept Plan and 4) Mission Plaza Concept Plan and other documents that represent the community's interest in maintaining the City's character and quality of life into the future.

On February 5, 2019, Council received an update on this effort and directed staff to conduct further public engagement efforts regarding continued Funding the Future analysis and research including resident focus groups and a statistically relevant community survey. Council also directed staff to return to the Council with the results for consideration. Council appointed an ad hoc subcommittee of Vice Mayor Pease and Councilmember Stewart to guide and assist with these efforts. An additional item for consideration and direction by Council was to explore the feasibility of renewing the existing LRM. The LRM was renewed for eight years by voters in 2014, at a ½ cent rate and will expire in 2023 if not renewed by voters. The LRM is critical in providing the funding for a basic level of services and maintenance of existing infrastructure in the City.

Focus Group Results

Staff retained an independent survey and research firm, FM3, through a Request for Proposal (RFP) process to assist in these efforts. In consultation with the subcommittee, FM3 conducted two focus groups on June 19, 2019. The participants were almost evenly split on gender and generally reflected the demographic and geographic composition of the City's electorate. The objective was to examine the knowledge and perceptions about City-related services from voters who live in San Luis Obispo. Specifically, the discussions were focused on the City's need for services, maintenance and infrastructure and the participants' priority for the use of City funds. It should be noted that focus groups are qualitative in nature and provide a valuable opportunity to have an in-depth discussion on various issues facing the City and understand the reasons behind opinions that are held. This work was then used to help inform the survey to determine the preferences and opinions held by the broader population.

The results of the focus groups showed several general, broad themes:

1) General View of the City

- a) Overall, most had favorable opinions of living in the City.
- b) Like many California cities, concerns about maintaining the City's character and quality of life into the future.

2) Perceived Additional Funding Needs and Support for a Proposed Measure

- a) There is a general sense that the City has a need for additional funds.
- b) A general-purpose measure that could fund City services as well as infrastructure projects was principally supported in the groups.
- c) Participants primarily focused on the need for additional, locally controlled revenue for City services and some infrastructure projects.
- d) Support for a 1-cent general purpose, simple majority sales tax was slightly lower than support for a 1 ½-cent sales tax. This may be attributed to the 1-cent sales tax focusing on infrastructure only while the 1 ½ cent sales tax includes services, maintenance and infrastructure.
- e) Most participants agreed that the City did need to ensure there was enough funding to provide the services, maintenance and infrastructure they value and rely on.

3) Perceived Funding Priorities

- a) Maintaining the City's quality of life, character and the need for road improvements, safety upgrades and cross-town connections were the leading reasons the participants would consider additional, locally controlled funding.

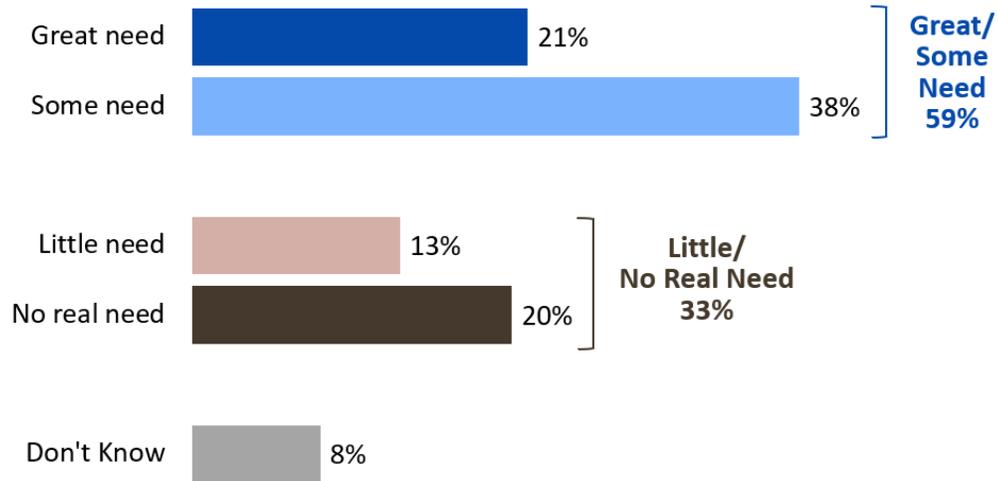
The results from the focus groups provided helpful insight to the subcommittee on the importance of services, maintenance and infrastructure. This insight helped draft the statistically relevant survey and specific areas of priority.

Survey Results

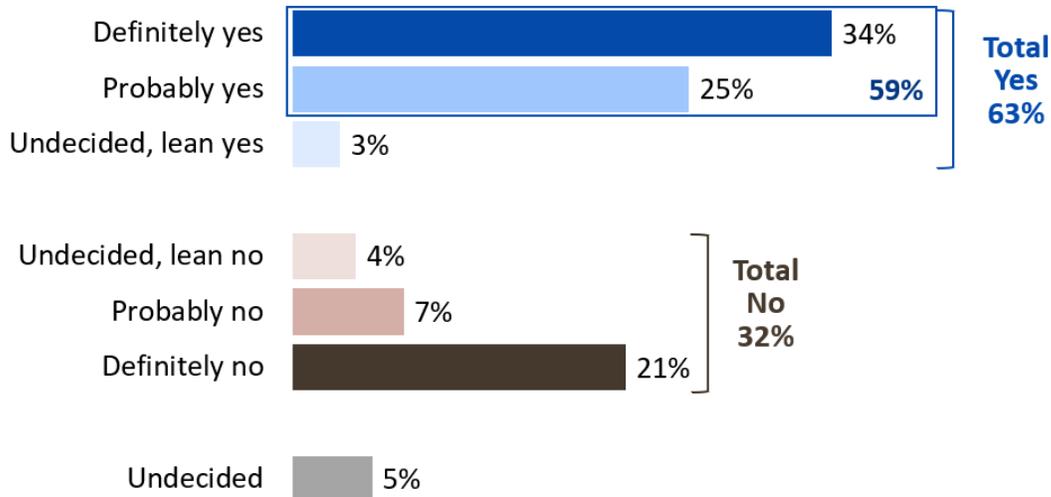
The survey of registered voters took place between September 15 and 22, 2019, and included 442 individual responses with an overall margin of error of +/- 4.9%. For the survey, FM3 used a dual-mode approach (telephone and online) to produce an all-inclusive, representative sample of the registered voters in the City. Similar surveys have been conducted in the past and have helped inform the Council on decisions to place measures on an upcoming ballot. The survey built upon the feedback received in the focus groups and asked residents' preferences on a variety of topics including services, maintenance of existing infrastructure, replacement/upgrades of infrastructure and overall spending priorities. The survey asked participants to respond to a sample ballot measure that renewed the existing LRM at a 1 ½ cent rate that focused on maintenance, essential services and infrastructure. The sample ballot measure language was based upon the input from the focus groups. The following is a summary of the survey results:

1) Need for Additional Funds for Services and Infrastructure

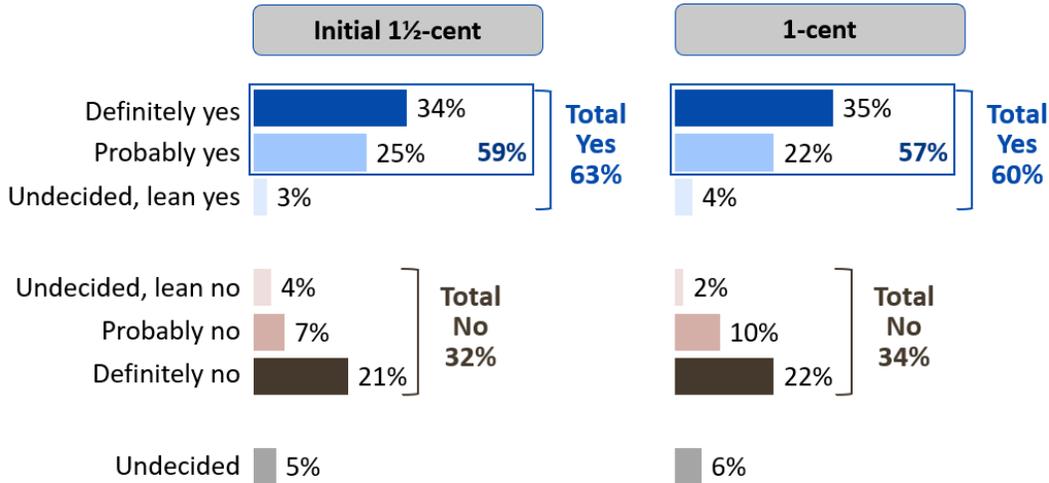
a) Almost six in ten survey respondents perceive the City needs additional funds to provide the level of services and infrastructure residents need and want, though only about two in ten indicate there is a great need.



b) A majority of survey respondents initially support a conceptual local ballot measure at 63 percent. This is an increase from a previous survey conducted in April 2018 which had an initial support of 57 percent. The language in the 2018 survey focused solely on upgrades to infrastructure. Based on the input from the focus groups regarding the importance of services and maintenance, the 2019 survey was broadened to include City services, maintenance and infrastructure.

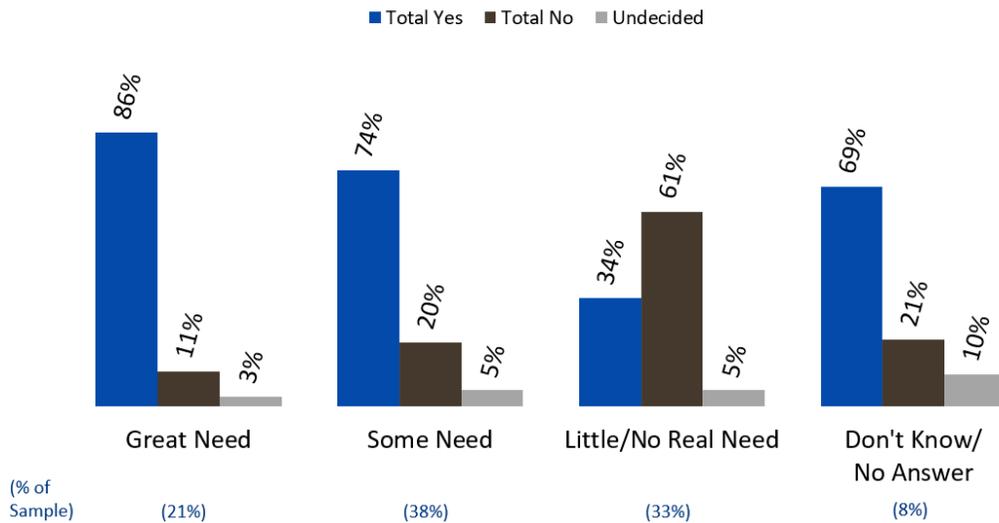


c) The survey asked respondents if they would support the potential ballot measure at a 1-cent rate. The results show there is no statistical difference in support between an extension of the current voter approved LRM at a 1½-cent rate or at a 1-cent rate. 63 percent of respondents would vote yes on an LRM at a 1 ½-cent rate while 60 percent of respondents would vote yes on a 1-cent rate.



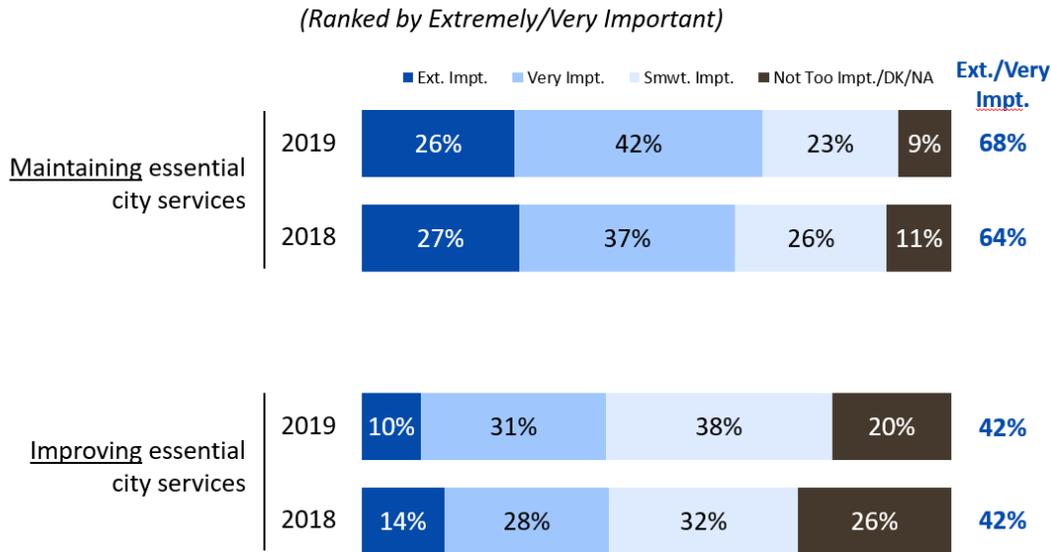
d) The more a survey respondent perceived a need for additional funds for City services, the more one is likely to vote yes in support of a ballot measure. This suggests that additional public education and outreach will help inform residents about the City’s needs for additional services, maintenance and infrastructure.

Initial Vote on the Sales Tax Measure by Need for Additional Funding

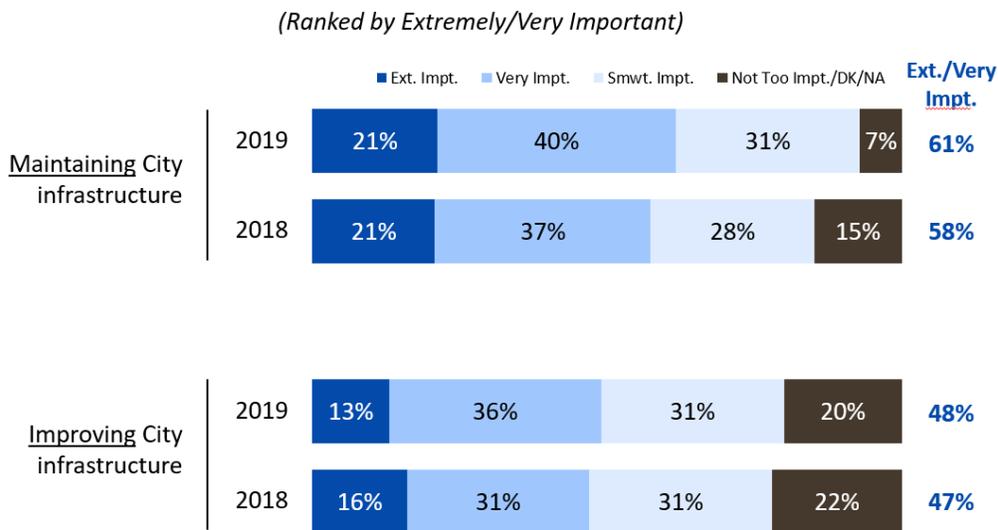


2) Voter Priorities

a) Voters continue to rate with greater importance maintaining (68 percent) rather than improving (42 percent) essential City services. This is consistent with the 2018 survey, when voters rated maintaining (64 percent) rather than improving (42 percent) essential City services.



b) The same can be said of maintaining rather than improving City infrastructure, with 61 percent ranking maintaining City infrastructure as extremely/very important rather than 48 percent ranking improving City infrastructure.



- c) Voters rated requiring all funds used locally; protecting creeks from pollution; addressing homelessness; and maintaining police, fire/emergency response as the most important features of a possible measure.

Rating by Extremely/Very Important	
Requiring all funds used locally	79%
Protecting creeks from pollution	73%
Addressing Homelessness	71%
Maintaining police, fire/emergency response	71%
Keeping public areas safe and clean	67%
Helping ensure children have safe places to play	67%
Preserving open space and natural areas	66%
Requiring all funds to benefit the community	66%
Protecting long-term fiscal stability	65%
Preparing for wildfires and other natural disasters	62%
Repairing streets and potholes	62%
Increasing affordable housing supplies	59%
Replacing fire stations that have been determined by structural engineers to not meet current seismic earthquake standards	59%
Retaining and attracting local businesses	55%
Maintaining and improving parks	55%
Expanding open space and natural areas	54%

Public Engagement and Outreach

Additional public engagement and outreach is recommended to both inform the community of the needs for the City and receive additional feedback on services, maintenance and infrastructure. This effort will fall into the following overall approach:

Informing and consulting residents/stakeholders on the services, maintenance and infrastructure needed to help maintain the City’s character and quality of life into the future.

Additional public engagement and outreach is intended to educate residents, businesses and other community stakeholders about the need for maintaining/improving services and infrastructure, assist in identifying priorities, and the funding options to support them. The information collected from the community will help inform Council on the community’s receptivity of potentially placing a measure on the November 2020 ballot. The strategy involves a multi-channel communications outreach approach with community feedback opportunities. Examples include presentations to community organizations, neighborhood groups, advisory bodies, City staff, an online survey (Open City Hall) and facility tours/information sessions. Public engagement and outreach will continue into the spring.

Council Ad Hoc Subcommittee

On February 5, 2019, Council formed a Council Ad Hoc Subcommittee (subcommittee) comprising of Vice-Mayor Pease and Councilmember Stewart. The committee, with the support of staff, have met bi-monthly since May 2019. The subcommittee observed the participants during the focus groups’ discussions, reviewed the survey questions, and provided guidance on the public engagement and outreach plan.

Based on the research and input from the focus groups and survey, the subcommittee is recommending to Council to continue public outreach and education on the City's needs for services, maintenance and infrastructure, including the potential to renew and amend the LRM with ongoing community oversight. The subcommittee also recommends continuing the established subcommittee with Vice Mayor Pease and Council Member Stewart and to request the support and participation of the Revenue Enhancement Oversight Commission (REOC) to help guide further public engagement and outreach efforts.

Existing Local Revenue Measure

The existing LRM was passed by 70 percent of voters in November 2014. The LRM was a renewal of the City's half-cent sales tax approved in 2006 that focused on the protection and maintenance of essential services and facilities in the following priorities:

1. Open Space Preservation
2. Bicycle and Pedestrian Improvements
3. Traffic Congestion Relief/Safety Improvements
4. Public Safety
5. Neighborhood Street Paving
6. Code Enforcement
7. Flood Protection
8. Parks and Recreation/Senior Programs and Facilities.
9. Other Vital Services and Capital Projects

The funding is split with 70 percent supporting capital projects and 30 percent supporting operations. The LRM has an eight-year sunset, scheduled to expire in spring of 2023. In 2014, the Council established a citizen advisory body, REOC, to review the half-cent sales tax revenues and expenditures, report on the City's stewardship of this general purpose tax and provide recommendations directly to the City Council regarding expenditures of these tax revenues as an integral part of the budget process. As an advisory body, comprising of five residents, the REOC provides important citizen oversight of local sales tax revenues and expenditures and serves as a venue for citizen engagement on the highest priority for the use of the funds.

Previous Council or Advisory Body Action

1. June 18, 2019 - Adoption of the 2019-21 Financial Plan and the Major City Goal: Fiscal Sustainability and Responsibility
2. February 5, 2019 - Potential Next Steps Regarding the Funding the Future Initiative
3. April 17, 2018 - Future SLO Capital Improvement Program
4. January 16, 2018 - Council review of 10-Year Capital Improvement Plan and funding options
5. December 12, 2017 - Budget Foundation: Fiscal Health Response Plan

Policy Context

The Major City Goals for the 2017-19 and 2019-21 Financial Plans include the Fiscal Sustainability and Responsibility goal. Specifically, the 2019-21 goal states to ‘Continue to implement the City’s Fiscal Responsibility Philosophy with a focus on efficiencies, strategic economic development, unfunded liabilities, and infrastructure financing (Funding the Future).’ Specifically, the workplan directs staff to “Begin efforts for Funding the Future.” (Pg. 68).

In the 2017-19 Major City Goal workplan, it states, ‘develop a creative financing plan for development of critical public safety facilities,’ and, “develop creative infrastructure financing options (grants, land-based funding, local revenues) for Council consideration and implement as directed.” (Pg. 432).

Public Engagement

There were two public engagement efforts completed including two resident focus groups and a statistically relevant survey. Both efforts involved registered voters within the City. Additional public engagement efforts will use the City’s Public Engagement Manual and follow an inform and consult model (as previously described) whereby the public will have an opportunity to share feedback on priorities and needs for the City.

ENVIRONMENTAL REVIEW

The review of the Funding the Future of SLO for potential funding options or public engagement process is exempt from environmental review as a Statutory Exemption under Section 15262 of the CEQA Guidelines, feasibility and planning studies. Each project listed as part of the 10 Year CIP and Funding the Future of SLO will need future authorization and environmental review prior to actual funding or construction.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2018-19

Funding Identified: Yes

Fiscal Analysis:

Funding Sources	Current FY Cost	Annualized On-going Cost	Total Project Cost
General Fund	\$99,000		
State			
Federal			
Fees			
Other:			
Total	\$99,000		

As part of the adopted 2017-19 budget, funding for this work was appropriated. The funding has been encumbered to a survey/research firm and communications consultant to complete the research and continue community outreach and engagement efforts.

ALTERNATIVES

- 1. The Council may direct staff to not proceed with further public engagement on this item.** Staff does not recommend this approach based upon results from the focus groups and survey.
- 2. Form a citizen task force to further public engagement efforts.** A citizen task force could be formed to continue public engagement and outreach efforts. The subcommittee recommends requesting the REOC, a citizen advisory body with knowledge and oversight on the use of the existing LRM, to help support and participate in this effort.