



# STAFF REPORT – CITY COUNCIL MEETING

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February 07, 2024

**TO:** Honorable Mayor and City Council Members

**FROM:** Tabatha Miller, Finance Director

**PREPARER:** Tabatha Miller, Finance Director

**DATE:** January 30, 2024

**TITLE:** **Award a Contract in an Amount Not to Exceed \$38,700, without Mutual Written Agreement, to Fairbank, Maslin, Maullin, Metz, & Associates, Inc., DBA FM3 Research for Public Opinion Research on Potential Tax Measure(s); Authorize the Finance Director to Increase the Contract Price Up to \$22,500 for Optional Additional Research Services; and Authorize the City Manager to Execute All Applicable Documents.**

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## **RECOMMENDATION:**

It is recommended that the Council:

- 1) Award a contract in an amount not to exceed \$38,700.00, without written mutual agreement, for public opinion research on potential tax measure(s);
- 2) Authorize the Finance Director to increase the contract price up to \$22,500 for optional additional research services; and
- 3) Authorize the City Manager to execute all applicable documents.

## **INTRODUCTION:**

At the December 6, 2023, City Council meeting, the Council provided direction to staff to continue to evaluate and develop a potential Transaction Use Tax (TUT) increase, a potential Transient Occupancy Tax (TOT) increase and a possible Vacancy Tax ballot measure for the November 5, 2024, election. The Council provided direction that, as part of that process, the City hire a consultant to conduct polling and public opinion research. The firm Fairbank, Maslin, Maullin, Metz, & Associates, Inc., doing business as FM3 Research (FM3) provided public opinion research in fiscal year 2020 for the City on Measure A - the City's Open Space, Parks and Trails Parcel Tax.

## **BACKGROUND:**

The City Council has identified priority projects for Fiscal Year 2023-24, many of which are ongoing goals requiring either a shift in current resources to fund, or an additional revenue source. These include efforts to combat homelessness and its impacts, mitigation of and adaptation to climate change, continued and possibly expanded public safety alternative response programs such as the Community Ambassador Program and Mobile Intervention Services Team (MIST), and infrastructure improvements including safe streets, transit, alternative transportation, parks and trails, and Valley West Improvements.

As discussed with the Council, funding to support these projects could come from a potential tax measure or measures placed on the November 5, 2024, ballot.

## **DISCUSSION:**

To meet the filing deadline to submit the request for a consolidated election to Humboldt County, the City should have the full text of a proposed measure or measures to the City Clerk on or before May 13, 2024. This leaves only months to determine and craft what, if any, revenue measures should be developed into written ballot measures to present to the voters on November 5th.

As discussed at the December 6, 2023, City Council meeting, a research consultant can provide key information on what voters likely will and won't support in the November election. This would be extraordinarily helpful in determining what programs, if any, the City voters would support through a tax increase and meeting voter expectations.

FM3 has been conducting public policy-oriented opinion research since 1981 on issues of major economic and social concern. They are a medium-sized firm with 24 full-time employees working out of offices in Portland, Oakland and Los Angeles. FM3 provided public opinion research in fiscal year 2020 for the City's successful Measure A - the City's Open Space, Parks and Trails Parcel Tax.

FM3 uses a variety of research tools designed to address clients' unique circumstances. Some of these tools are quantitative, such as surveys; some are qualitative, such as focus groups; and others fall somewhere in between. In any given year, FM3 conducts more than 300 surveys and 160 focus groups, in addition to providing ongoing consulting for key clients. FM3 also actively monitors methodological developments through the industry's trade association—the American Association for Public Opinion Research (AAPOR).

### Experience Conducting Research on Local Revenue Measures

FM3 is a recognized leader in conducting survey research that helps California cities, counties, special districts, and other jurisdictions objectively evaluate the viability of passing local ballot measures to secure additional revenue. Their research has contributed to the passage of more than 600 local finance measures approved for 160+ California agencies in every region of the state. Election results are typically within the margin of error of what FM3's surveys suggest will be the level of support on Election Day.

FM3's research identifies the feasibility of a potential ballot measure (or measures); the most appropriate tax rate and revenue mechanism (parcel tax, sales tax, transient occupancy tax, utility user tax, bond measure, etc.); how voters would prefer additional revenue to be used; and how to phrase the ballot label language. Furthermore, the finance measure research that FM3 conducts for public agency clients assists in drafting the 75-word ballot label, but also quantitatively identifies which legally permissible messages will best resonate among the City's constituents when engaging in community outreach and education.

FM3's municipal clients represent a diverse cross-section of large and small cities and other jurisdictions, including suburban, urban, and rural communities, in every region of the state of California. In 2022 alone, FM3 helped more than 50 local governments across California win voter approval to fund important services for citizens. These included:

- **Sixteen sales tax measures** in the cities of Atwater, Elk Grove, Galt, Goleta, Larkspur, Malibu, Monterey Park, Ontario, Pacifica, Sausalito, Tehachapi, Torrance, Vallejo, and Westminster, as well as Fresno County and Kern County.

- **Six transient occupancy tax measures** in the cities of Alameda, Imperial Beach, Paso Robles, and Sacramento, as well as Humboldt County and North Lake Tahoe.
- **Six cannabis tax measures** in the cities of El Segundo, Hermosa Beach, Montclair, South Lake Tahoe, Tulare, as well as Los Angeles County.
- **Three business tax/fee measures** in the cities of Culver City, Palo Alto, and Pico Rivera.
- **Two parcel tax measures**, one for the City of Oakland and another for the Oakland Unified School District
- **Two utility user taxes** in the cities of Carson and Hercules.
- **A tax on single-use, disposable cups** in Santa Cruz County.

For this project, FM3 recommends conducting a 15- to 20-minute dual-mode (telephone and online) survey among a randomized sample of 300 to 400 likely November 2024 voters within the City of Arcata. Given the modest size of the City’s voter population (approximately 10,100 likely November 2024 voters), FM3 will work to obtain as many interviews as possible.

To maximize response, FM3 recommends utilizing four different contact methods (telephone calls, emails, text messages, and mailed postcards) to provide an array of ways for potential respondents to participate in the survey. Providing multiple forms of contact helps engage historically disadvantaged communities that may not have adequate broadband access and/or access to computers or smart phones. Additionally, different demographic groups often have varying communication preferences—some may be more likely to answer a phone call than open an email or text message, and vice versa.

As an option, FM3 could also conduct a tracking survey before the City Council chooses to place the measure on the ballot to get a better sense of how voters are feeling about a potential measure closer to the general election. This survey would be shorter in length (10 minutes) and have a sample size of up to 300.

<b>Methodology</b>	Dual-mode survey using a combination of telephone and online interviews
<b>Respondent Contact Method</b>	Telephone calls; email, text, and postcard invitations
<b>Population &amp; Sample</b>	300-400 likely November 2024 voters in the City of Arcata
<b>Margin of Sampling Error*</b>	<p>±5.7% - sample of 300  ±5.2% - sample of 350  ±4.9% - sample of 400</p> <p><i>*At the 95% confidence level (i.e., in 95 out of 100 cases)</i></p>
<b>Questionnaire</b>	15-20 minutes

**BUDGET/FISCAL IMPACT:**

The attached scope of work provides for services not to exceed \$38,700 without prior mutual written agreement. This amount will cover the cost of up to 400 baseline surveys of 20 minutes in length. Depending on the outcome of the baseline survey, the City may choose to conduct an additional tracking survey at cost of \$22,500 to poll how voters are feeling about a potential measure closer to the general election. The City’s adopted FY 2023-24 Budget does not currently include funds for public opinion research related to potential ballot measures. However, the Finance Department currently has funding available to cover the base survey and if needed will request the additional cost of a tracking survey in the upcoming Mid-Year Budget Review.

	Survey Length	300 interviews	350 interviews	400 interviews
Baseline Survey	15 minutes	\$31,950	\$33,700	\$35,450
	20 minutes	\$34,700	\$36,700	\$38,700
Tracking Survey	10 minutes	\$22,500	—	—

**ATTACHMENTS:**

A. FM3 Scope of Work (PDF)