

City of Laguna Beach  
AGENDA BILL

No. 14

Meeting Date: 6/28/16

**SUBJECT: RESULTS OF THE 2016 COMMUNITY SURVEY**

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**SUMMARY OF THE MATTER:**

**Background**

On March 22, 2016, the City Council: 1) authorized the City Manager to negotiate and execute a professional services agreement with Fairbank, Maslin, Metz & Associates (FM3), a public opinion research firm, in an amount not to exceed \$35,000 to develop and implement a community survey, and to report its results at a future City Council meeting; 2) appointed Mayor Pro Tem Iseman and Councilmember Whalen to a subcommittee to collaborate with FM3 and staff to develop survey objectives, a survey instrument, and survey topics; 3) provided direction to the subcommittee regarding topics to be placed on the survey; and 4) authorized the City Manager to expend up to \$15,000 for additional consulting services related to a potential ballot measure as directed by the subcommittee.

As authorized, the City Manager executed an agreement with FM3 for their survey services. Additionally, the subcommittee researched firms specializing in ballot measure feasibility and voter education on potential ballot measures, which ultimately led the subcommittee to request that the City Manager enter into a contract with TBWB Strategies for the above-referenced consulting services. The subcommittee has met multiple times with FM3, TBWB Strategies, and city staff to develop survey objectives, a survey instrument, and survey topics.

At the May 10, 2016 City Council meeting, the City Council approved a list of topics to include on the survey. Since then, the subcommittee continued to meet with FM3, TBWB Strategies, and city staff to develop survey objectives and finalize a survey instrument, which was completed on June 1.

(continued)

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**RECOMMENDATION:** It is recommended that the City Council: 1) Receive a presentation of the results of the 2016 Community Survey from FM3 and TBWB Strategies staff; 2) Provide direction to staff regarding any ballot measures the City Council would like to see placed on the November 2016 ballot; and, 3) If ballot measures are desired, appoint a City Council subcommittee to work with staff and the consultants to draft language for consideration by the City Council at its July 26 City Council meeting.

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Appropriations Requested: (none)

Submitted by:   
Christa Johnson, Assistant City Manager

Fund: N/A

Coordinated with: \_\_\_\_\_

Attachments: Attachment A: Memorandum from FM3  
Re: Summary of Survey Results

Approved:   
John Pietig, City Manager

Attachment B: Orange County Cities' TOT Rates

### **Survey Information and Presentation of Survey Results**

FM3 administered the 20-minute community survey, which was conducted by both telephone and email between the dates of June 2 – June 12, 2016. The survey was first launched online with email invitations sent to approximately 6,000 residents whose email addresses were available from the voter registration database and commercial lists. After the initial online response, phone interviews commenced in order to obtain a sample that is representative of the demographics of Laguna Beach. A total of 543 completed surveys were received by FM3, which allows for an overall margin of error of  $\pm 4.2\%$  at the 95% confidence interval.

A presentation of results from the 2016 Community Survey will be provided by FM3 and TBWB Strategies staff. Additionally, a summary of the survey results is attached as Attachment A.

### **Transient Occupancy Tax and Sales Tax Information**

The survey results indicate potential support for an increase in transient occupancy tax (TOT) and sales tax rates to fund a variety of community projects and unmet community needs. Revenue from TOT and sales tax are used for general operating expenses to fund public safety services such as police, fire, and marine safety in addition to other city services such as public works, water quality, and community services.

The City of Laguna Beach has a 10% TOT rate that is paid by hotel and motel guests for stays of thirty days or less. Three Orange County cities, La Habra, Rancho Santa Margarita, and Villa Park, have a 0% TOT rate while cities such as Anaheim and Garden Grove have a 15% TOT rate. A complete list of TOT rates in Orange County cities can be found on Attachment B. A 4% TOT increase could provide the City with an additional \$4 million annually.

The sales tax rate in Laguna Beach is 8%, which is similar to 32 out of 34 Orange County cities. The City's share of the sales tax is equal to 1% of the 8% sales tax rate. The 7% balance of the sales tax is distributed to the County of Orange, the State of California, and the Orange County Transportation Authority. Cities such as La Habra and Stanton have added voter-approved local sales tax increases to be used only within their respective cities. Sales tax rates for La Habra and Stanton are 8.5% and 9.0%, respectively. A 1% sales tax increase could provide the City with an additional \$5 million annually.

It is important to note that the City also has a 2% Business Improvement District (BID) fee that is typically assessed on hotel room receipts separate from the TOT. The BID funds activities that promote tourism and related tourist events in the City such as Visit Laguna Beach, Arts Commission and Cultural Arts, Laguna Art Museum, Laguna Playhouse, and Laguna College of Art and Design.

### **Possible Revenue Measures**

The survey results show that Laguna Beach voters value the programs and services provided by the City, and support one or more revenue measures that would provide additional funding. On the agenda this evening, the City Council will be discussing changes to the two-year budget. Notably, there are many programs and services that cannot be funded at this time. Those services include policing and fire prevention programs among other requests. There are also unmet needs for additional facilities, which are referenced

in the survey results. If additional funds were provided, those programs, services, and facilities could be improved.

Therefore, it is recommended that the City Council provide direction to staff regarding any ballot measures the City Council would like to see placed on the November 2016 ballot. Additionally, if ballot measures are desired, it is recommended that the City Council appoint a City Council subcommittee to work with staff and the consultants to draft language for consideration by the City Council at its July 26 City Council meeting.

Should the City Council place one or more revenue measures on the November 2016 ballot, the following timeline would provide the community and city staff with an understanding of necessary preparation of events and deadlines pertaining to a revenue measure.

<b>BALLOT MEASURE PREPARATION</b>	
<b>Event</b>	<b>Scheduled Date</b>
Resolution adoption to include: 1. Ballot language 2. Proposed ordinance 3. Instruct City Attorney to prepare impartial analysis 4. Authorize City Manager to prepare fiscal impact 5. Establish deadlines to receive arguments for and against as well as rebuttal arguments (legal noticing) 6. Authorize City Council member(s) to author arguments	July 26, 2016
Resolution to County of Orange Registrar with title, summary for ballot measure, City Attorney's impartial analysis, and City Manager's fiscal analysis	Must be submitted no later than August 12, 2016
<b>ELECTION DAY</b>	<b>November 8, 2016</b>

## ATTACHMENT A

TO: John Pietig, City Manager

FROM: John Fairbank & Adam Sonenshein  
Fairbank, Maslin, Maullin, Metz & Associates (FM3)

RE: Summary of Survey Results

DATE: June 22, 2016

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Fairbank, Maslin, Maullin, Metz & Associates (FM3) recently completed a survey of Laguna Beach residents to provide the City with feedback on its residents' priorities and assess interest in possible local community revenue options. The topics of the survey were discussed and approved by the Laguna Beach City Council at its meeting on May 10<sup>th</sup>, 2016. The survey was conducted from June 2<sup>nd</sup> – 12<sup>th</sup>, 2016, using a dual-mode telephone and online methodology to collect responses from 543 Laguna Beach residents. The survey sample was a randomly drawn from voter registration lists matched to available commercial databases. The margin of error for questions asked of the full sample is plus or minus 4.2 percent.

### Key Findings:

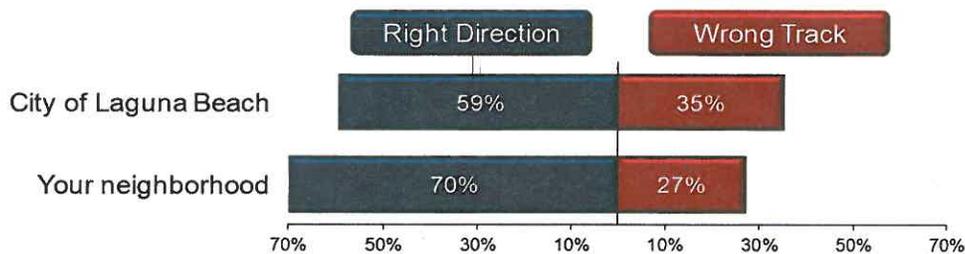
- 1) **Survey respondents were generally positive about the direction of Laguna Beach overall and even more so for their own neighborhood.** Nearly six-in-ten (59 percent) said things in the City are generally headed in the right direction. Opinions about respondents' own neighborhoods were even more positive, with seventy percent saying things are headed in the right direction.
- 2) **The survey tested opinions on several local issues.** A strong majority (75 percent) indicated support for a city-wide smoking ban in all public places. Respondents were more closely split on making the first block of Forest Avenue into a pedestrian-only street (49 percent indicating support and 42 percent opposing) and allowing medical marijuana dispensaries in Laguna Beach (49 percent support and 45 percent opposed).
- 3) **The top priorities for the uses of local funds include protecting beaches and the ocean from runoff and pollution (84 percent extremely or very important), local fire protection (83 percent), maintaining 911 emergency response times (79 percent), preparing for natural disasters (72 percent) and removing utility poles and moving wires underground to protect neighborhoods from fires and prevent blackouts (65 percent).** Several other funding priorities were rated as either extremely or very important by at least half of respondents.

- 4) Nearly six-in-ten respondents (59 percent) indicated that they would support establishing a voter-approved sales tax to maintain necessary local services such as public safety protection, 911 emergency response times, removing utility poles and moving wires underground to protect neighborhoods from fires and prevent blackouts, and improving parking among other general services. This is above the 50 percent threshold necessary to pass the measure and outside the survey’s margin of error.
- 5) The survey also found that six-in-ten respondents (61 percent) would support an increase of the tax on hotel or short-term rental guests to fund city services, infrastructure and improvements required to accommodate Laguna Beach’s millions of annual visitors including public safety, streets, sidewalks and parking, and removing utility poles and moving wires underground to protect neighborhoods from fires and prevent blackouts, among other services. This is also above the 50 percent threshold necessary to pass the measure and outside the survey’s margin of error.

**Local Policy Issues:**

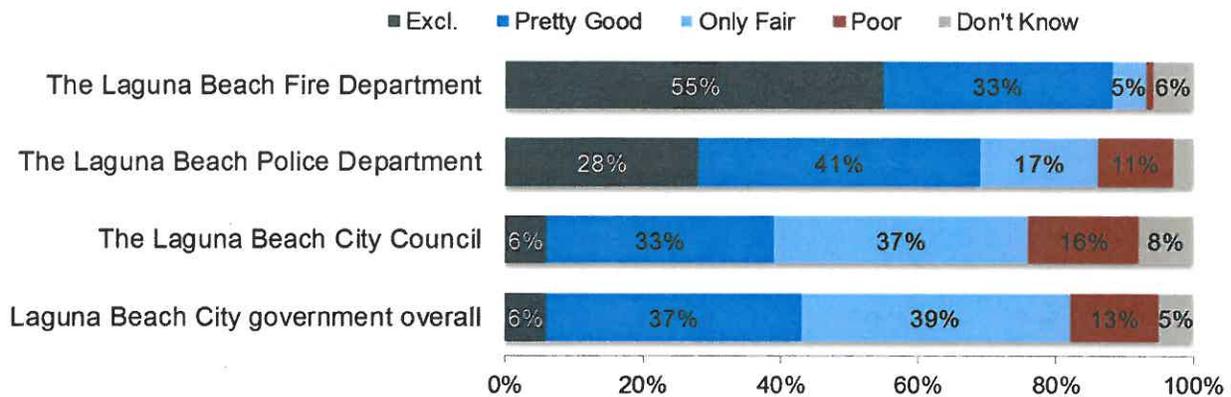
Nearly six-in-ten (59 percent) said things in the City are generally headed in the right direction (Figure 1). Thirty-five percent of respondents felt that things are off on the wrong track, while six percent were unsure. Opinions about respondents’ own neighborhoods were even more positive, with seventy percent saying things in their neighborhood are headed in the right direction. Just over a quarter of respondents (27 percent) said things in their neighborhood are off on the wrong track, with 3 percent unsure.

**Figure 1: Assessment of the Direction of the City and Neighborhoods**



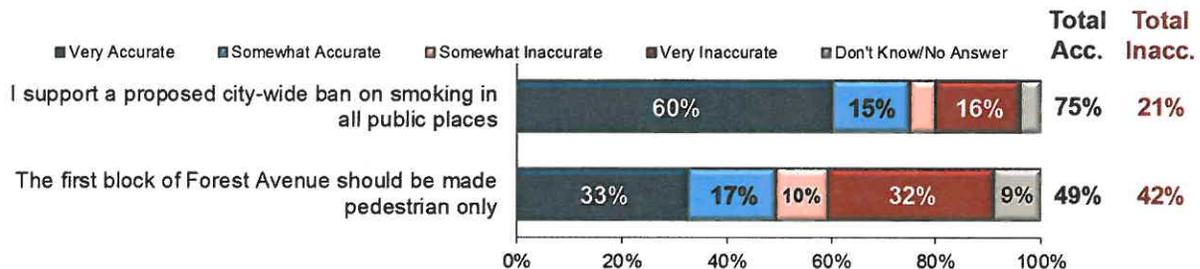
Agencies of the Laguna Beach government were also rated well in the survey (see Figure 2 below). Respondents were overwhelmingly positive about the performance of the City’s fire department and police department. The Laguna Beach Fire Department received the most positive ratings of the entities tested in the survey with 93 percent of respondents describing its performance as either “excellent,” “pretty good,” or “fair.” Just one percent of respondents described the Fire Department’s performance as poor. Ratings of the performance of the Laguna Beach Police Department were also strong with 86 percent of respondents calling it “fair” or above. Eighty-two percent of respondents said the performance of “the Laguna Beach city government overall” is “fair” or above. Seventy-six percent described the performance of the City Council this way. As is typical in community surveys, ratings for the City Council and city government, while positive, were less enthusiastic than those for the public safety agencies.

Figure 2: Ratings of Laguna Beach City Government and Agencies



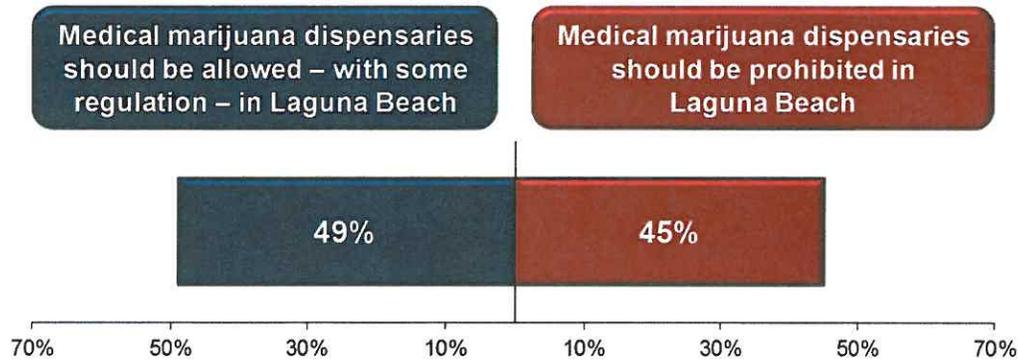
The survey tested opinions on local issues, including the proposed smoking ban in public places, potentially making the first block of Forest Avenue into a pedestrian-only street, and allowing medical marijuana dispensaries in Laguna Beach. **A strong majority of respondents (75 percent) indicated support for a city-wide smoking ban in all public places (Figure 3).** Twenty-one percent of respondents indicated that they would not support the proposed smoking ban and four percent were unsure. Respondents were more split on the other issues tested in the survey. **Forty-nine percent of respondents said the first block of Forest Avenue should be made pedestrian only, while 42 percent disagreed.** Nine percent were unsure.

Figure 3: Opinions on Proposed Smoking Ban and Usage of Forest Avenue



Respondents were closely divided on the question of medical marijuana dispensaries (Figure 4). Forty-nine percent of respondents agreed with the statement, “Medical marijuana dispensaries should be allowed – with some regulation – in Laguna Beach.” On the other hand, forty-five percent agreed that “Medical marijuana dispensaries should be prohibited in Laguna Beach.” Nine percent of respondents were unsure.

Figure 4: Opinions on Medical Marijuana Dispensaries



The survey also tested opinions on perceived local problems, including traffic congestion, parking, and utility poles and wires. A strong majority of respondents (73 percent) indicated that traffic congestion on Coast Highway and Laguna Canyon Road is the most serious problem in Laguna Beach followed by traffic congestion of local streets at roads (66 percent) and the number of homeless people (59%). A list of perceived local problems can be found in Table 1 below.

Table 1: Ratings of Seriousness of Problems in Laguna Beach

	Extremely Serious	Very Serious	Somewhat Serious	Not too Serious	Don't Know / No Answer	Total Extr. / Very Serious
Traffic Congestion on Coast Highway and Laguna Canyon Road	45%	28%	23%	3%	0%	73%
Traffic Congestion on local streets and roads	44%	23%	26%	7%	1%	66%
The number of homeless people	30%	29%	27%	12%	2%	59%
Not enough public parking	27%	24%	31%	17%	1%	51%
Impact on neighborhood streets of employee and visitor parking	25%	24%	32%	17%	3%	48%
Utility poles and wires <u>along Laguna Canyon Road</u>	23%	16%	31%	27%	3%	39%
Utility poles and wires <u>throughout the City</u>	18%	21%	36%	24%	1%	39%

	Extremely Serious	Very Serious	Somewhat Serious	Not too Serious	Don't Know / No Answer	Total Extr. / Very Serious
Mansionization of local homes	18%	21%	22%	34%	6%	39%
The lack of safe bike lanes	21%	16%	31%	30%	3%	37%
Waste and inefficiency in local government	14%	22%	25%	19%	19%	37%
Too many tourists	21%	15%	24%	39%	2%	36%
A lack of affordable housing	18%	15%	26%	35%	5%	33%
The loss of cottages and historic homes	14%	17%	28%	31%	11%	30%
The change of the character of Laguna Beach neighborhoods	14%	16%	28%	39%	3%	30%
Inadequate sidewalks	11%	15%	33%	39%	1%	26%
The amount we pay in local taxes	10%	13%	31%	39%	6%	24%
The City's readiness for natural disasters	10%	12%	32%	22%	23%	22%
The lack of senior housing and assisted living	7%	15%	28%	35%	15%	22%
Crime and public safety	5%	14%	33%	45%	2%	19%
Lack of recreation facilities	3%	6%	22%	63%	5%	10%
911 emergency response times	2%	2%	7%	48%	42%	3%

**Local Priorities:**

There are several high-priority uses of funds that were identified by Laguna Beach residents, including protecting beaches and the ocean from runoff and pollution (84 percent extremely or very important), local fire protection (83 percent), maintaining 911 emergency response times (79 percent), preparing for natural disasters (72 percent) and removing utility poles and moving wires underground to protect neighborhoods from fires and prevent blackouts (65 percent). A list of the potential uses of funds can be found in **Table 2** below.

**Table 2: Importance of Potential Uses of Funds Generated by Local Ballot Measures**

	<b>Extremely Impt.</b>	<b>Very Impt.</b>	<b>Somewhat Impt.</b>	<b>Not too Impt.</b>	<b>Don't Know / No Answer</b>	<b>Total Extr. / Very Impt.</b>
Protecting beaches and the ocean from runoff and pollution	49%	35%	12%	3%	1%	<b>84%</b>
Local fire protection	47%	36%	8%	6%	2%	<b>83%</b>
Maintaining 9-1-1 emergency response times	39%	40%	11%	8%	3%	<b>79%</b>
Preparing for natural disasters	32%	39%	20%	7%	1%	<b>72%</b>
Removing utility poles and moving wires underground to protect neighborhoods from fires and prevent blackouts	35%	31%	21%	10%	4%	<b>65%</b>
Improving parking in downtown and commercial areas	30%	33%	20%	15%	2%	<b>63%</b>
Local paramedic services	23%	39%	21%	12%	5%	<b>62%</b>
Increasing public parking away from downtown, including at Act Five	26%	33%	24%	12%	5%	<b>59%</b>
Local police services	25%	33%	23%	15%	5%	<b>58%</b>
Open space maintenance and upkeep	26%	32%	31%	10%	2%	<b>58%</b>
City bus and trolley service	21%	37%	24%	17%	1%	<b>58%</b>
Street and pothole repairs	22%	36%	31%	11%	1%	<b>57%</b>
Marine safety services	25%	31%	33%	8%	3%	<b>56%</b>
Removing utility poles and moving wires underground	28%	27%	24%	20%	1%	<b>55%</b>
Expanding the outbound side of Laguna Canyon Road to include an additional lane for cars	27%	27%	19%	23%	4%	<b>54%</b>
Improving 9-1-1 emergency response times	22%	28%	17%	18%	14%	<b>50%</b>
Maintenance of street trees	17%	34%	37%	12%	1%	<b>50%</b>
Restoring the local movie theater	25%	21%	27%	25%	2%	<b>47%</b>
Youth sports and after-school education activities	16%	30%	27%	23%	5%	<b>46%</b>
Parks and recreation programs	18%	26%	34%	19%	3%	<b>44%</b>
Senior services	18%	24%	37%	18%	3%	<b>42%</b>
Adding pedestrian improvements and sidewalks	17%	26%	33%	24%	1%	<b>42%</b>

	Extremely Impt.	Very Impt.	Somewhat Impt.	Not too Impt.	Don't Know / No Answer	Total Extr. / Very Impt.
Adding bicycle lanes to Laguna Canyon Road	20%	19%	24%	34%	3%	39%
Senior assisted living	17%	21%	32%	24%	7%	37%
A parking structure at Village Entrance	17%	19%	23%	35%	5%	37%
Affordable housing	16%	21%	22%	38%	3%	37%
Expanding community arts and recreation opportunities	13%	20%	28%	37%	2%	32%
Affordable <u>senior</u> housing	14%	17%	32%	35%	3%	30%
Adding pedestrian paths to Laguna Canyon Road	14%	15%	23%	43%	4%	29%
Affordable work/live housing for artists	12%	15%	31%	39%	3%	27%
A community arts and event center	11%	15%	29%	42%	3%	26%
A city-run community swimming pool	11%	15%	21%	51%	2%	26%
Permanent housing for the chronically homeless	9%	16%	28%	44%	3%	26%
Improving and expanding public art	8%	15%	31%	44%	1%	23%
A local skateboard park	10%	12%	19%	57%	2%	22%
Building a community arts and events center at Village Entrance	7%	8%	26%	53%	6%	15%
Increasing the number of playing fields	6%	9%	22%	56%	7%	15%
Replacing the South Laguna fire station	5%	10%	18%	36%	31%	15%

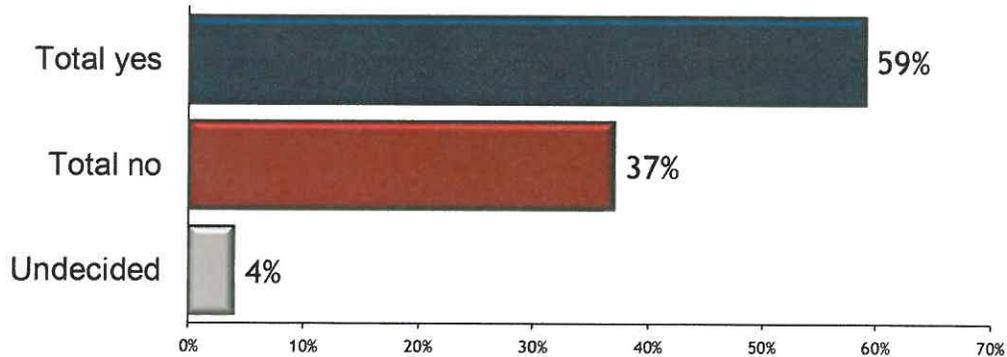
**Local Funding:**

Among the topics requested for inclusion by the City Council on May 10<sup>th</sup>, 2016 was an exploration of options to increase local revenues for high-priority services.

Nearly six-in-ten respondents indicated support for a voter-approved one-cent sales tax measure. After hearing a description, 59 percent of respondents said they would support a possible revenue measure called the Laguna Beach Public Safety and Essential Services Protection Measure (see Figure 5 below) to maintain and improve local services, above the fifty percent threshold for passage and outside the survey's margin of error. The hypothetical measure would provide funding for police, fire, paramedics, and 911 emergency response, marine safety services, improve safety, remove utility poles and move wires underground to protect neighborhoods from fires and prevent blackouts, improve parking, and expand community arts and recreation opportunities among other services. The measure

would provide \$5 million annually and be in effect until ended by voters. The hypothetical measure includes several provisions to ensure fiscal accountability including annual audits, public disclosure of expenditures and requires that all funds generated by the measure only be used to support local services in Laguna Beach.

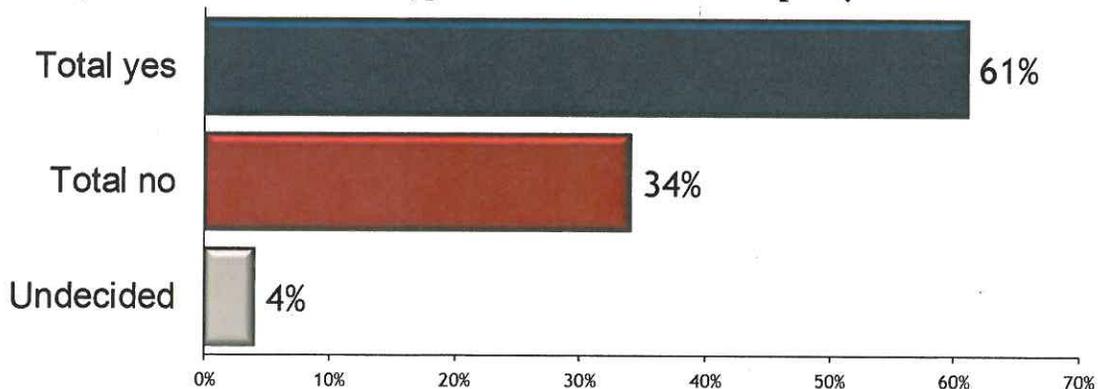
Figure 5: Initial Vote on Hypothetical Local Sales Tax Measure



A slightly larger number of the respondents indicated that they would support a local ballot measure to establish a half-cent sales tax for the same purposes. Sixty-two percent of respondents would support a half-cent sales tax measure, 34 percent would oppose such a measure and four percent were undecided. Such a measure would generate \$2.5 million.

More than six-in-ten respondents (61 percent) said they would support a hypothetical ballot measure to fund city services, infrastructure and improvements required to accommodate the millions of visitors that come to Laguna Beach annually (Figure 6). The measure would provide approximately \$4 million annually for public safety, street and sidewalk improvements, and removing utility poles and moving wires underground, among other services, by increasing the Transient Occupancy Tax (TOT), paid by guests in hotels and short-term rentals from ten percent to fourteen percent. Similar to the sales tax measure, the hypothetical Transient Occupancy Tax measure would be in effect until ended by voters and includes several provisions to ensure fiscal accountability including annual audits, public disclosure of expenditures, and requires that all funds generated by the measure only be used to support local services in Laguna Beach.

Figure 6: Initial Vote on Hypothetical Transient Occupancy Tax Measure



## Attachment B

### TOT Breakdown by City

As of January 1, 2016

Sorted highest to lowest

City	Rate
Anaheim	15.00%
Garden Grove	15.00%
Buena Park	12.00%
Seal Beach	12.00%
Santa Ana	11.00%
Aliso Viejo	10.00%
Brea	10.00%
Cypress	10.00%
Dana Point	10.00%
Fullerton	10.00%
Huntington Beach	10.00%
Laguna Beach	10.00%*
Laguna Hills	10.00%
Laguna Woods	10.00%
Lake Forest	10.00%
Orange	10.00%
Placentia	10.00%
San Clemente	10.00%
San Juan Capistrano	10.00%
Tustin	10.00%
Yorba Linda	10.00%
Fountain Valley	9.00%
Newport Beach	9.00%
Costa Mesa	8.00%
Irvine	8.00%
La Palma	8.00%
Laguna Niguel	8.00%
Los Alamitos	8.00%
Mission Viejo	8.00%
Stanton	8.00%
Westminster	8.00%
La Habra	0.00%
Rancho Santa Margarita	0.00%
Villa Park	0.00%

\* Laguna Beach has a 2% Business Improvement District (BID) that is assessed on hotel/motel room receipts approved annually by the hotels/motels in Laguna Beach, which is separate from TOT. Other cities may have BID's as well with rates varying from city to city.