

**IMPARTIAL ANALYSIS BY CITY ATTORNEY
CITY OF FOUNTAIN VALLEY
MEASURE S**

Measure S would increase the transient occupancy tax of the City of Fountain Valley from the current 9% to 10%. The transient occupancy tax is collected from persons who stay in hotels, motels and similar lodgings within the City of Fountain Valley for 30 days or less.

The existing tax is 9% of the hotel charge and the passage of this measure would increase the tax 1%. These taxes are collected by the hotel operator and transferred to the City on a quarterly basis. These are general taxes and the funds collected are authorized by law to be used for general government purposes and basic services such as police, fire, public works and recreation programs.

Most cities in Orange County have a transient occupancy tax and those range from 8% to 15%.

State law requires general taxes to be approved by a majority of those voting in the City election. This Measure has been placed on the ballot by the City Council.

A "YES" vote on the Measure will increase the existing transient occupancy tax on hotel stays from 9% to 10%.

A "NO" vote on the Measure will keep the existing transient occupancy tax on hotel stays at 9%.

(The above statement is an impartial analysis of Measure S. In the event this Measure is not printed and included in this packet, call the elections official's office at 714-593-4445 and a copy will be provided at not cost to you.)

Dated: 07-01-2014

s/ Alan R. Burns
City Attorney

ARGUMENT IN FAVOR OF MEASURE S

Approving Measure S will add needed funds for public safety and other City services residents, businesses and visitors use each day.

The current 9% Transient Occupancy Tax (TOT), commonly called "hotel or bed tax," is paid only by hotel guests who stay in Fountain Valley hotels 30 days or less.

The majority of the Fountain Valley City Council supports a raise of the TOT Tax by 1%, bringing Fountain Valley's TOT up to the county average of 10%. By raising the TOT just 1%, an estimated \$100,000 annual revenue may be added to the General Fund to help pay for needed services.

Fountain Valley entered the 2008 Recession with both expense and revenue problems to solve. Since then the City reduced the number of employees by 40, re-negotiated all employee contracts including major benefit reforms, hired outside private contractors to reduce costs, while cutting the budget over \$5,000,000 during this time.

Fountain Valley's revenues have been under attack by repeated State raids, and a depressed economy. We must find other revenue sources to maintain our public safety, good roads and high quality services our residents and visitors deserve.

Four out of five council members believe Measure S will benefit Fountain Valley with this 1% increase in the Transient Occupancy Tax where visitors will enjoy staying in a safe and desirable community, playing in our beautiful sport parks, while experiencing the best our diverse community has to offer.

Fountain Valley will use these funds to maintain and enhance public safety services, parks, and our City infrastructure. Best of all, the State cannot take this revenue. This one percent increase in Fountain Valley's TOT will ensure a safe and desirable community that serves its residents, businesses, and visitors.

We respectfully request a "Yes" vote on Measure S, on Tuesday November 4 to Protect City Services.

s/ Michael Vo
Mayor

s/ Steve A. Nagel
Mayor Pro Tem

s/ Cheryl Brothers
Council Member

s/ John J. Collins
Council Member

REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE S

In their argument in support of this tax increase, four City Council members state:

1. "We must find other revenue sources to maintain our public safety..."
2. "Fountain Valley will use these funds to maintain and enhance public safety..."
3. "... visitors will enjoy staying in a safe and desirable community,..."

What are we to make of the repeated references to Public Safety? Is Public Safety somehow compromised without additional revenue?

Fountain Valley already enjoys great public safety, low crime rates overall and many desirable amenities such as Mile Square Park.

Increasing the Transient Occupancy Tax is not needed to ensure our public safety. Rather, it is indicative of a mindset that views raising taxes as a viable option for increasing City revenues. This is a problem.

Doesn't it make better sense to increase revenue by attracting desirable businesses to Fountain Valley? We've enjoyed strong success in this area in recent years. Isn't expanding our business development a more viable means of increasing revenues than taxing the public to grow the City's general fund?

My colleagues mention the depressed economy as one of the reasons this increase is needed. All of us who have lived through these lean years have already had to make personal sacrifices. Do we really want another tax increase to grow City revenues? Let's work on other options to ensure tax increases are only considered as a last resort.

Please join me in voting No on Measure S.

s/ Mark McCurdy
Fountain Valley City Council Member

ARGUMENT AGAINST MEASURE S

Another tax increase? It seems all too "casual" these days. Measure S proposes an increase in the Transient Occupancy Tax (TOT); a tax charged by hotels that is returned to the City's general fund.

Fountain Valley charges a TOT of 9%. If approved by the voters, the TOT will increase to 10%.

An easy answer to increase City revenues is often another tax increase. But, is that really the best answer? Fountain Valley has a AAA credit rating, good reserves in the bank and even a surplus. Do we really need another tax increase?

Fountain Valley residents are already paying increased tax rates and other fees. The City's water & sewer tax just went up, last year the Orange County Sanitation District passed a fee hike, and the City is considering a proposed trash rate increase. Now a hotel tax increase?

We're told not to worry because this tax increase will be paid by visitors staying in Fountain Valley hotels. It won't affect the residents. Really?

If you have ever had your family or friends stay in Fountain Valley, it will affect you. If you have a fire, flood, or fumigation of your home, and need a place to stay, it will affect you.

Our family had two events several years ago in Huntington Beach. The Huntington Beach TOT is currently 10%. In each case, our family chose to stay in Fountain Valley. You should know that Costa Mesa, with its Fairgrounds/South Coast Plaza, and Irvine, with John Wayne Airport and the "Great Park", each charge 8% TOT.

The excuse that it won't affect us is too often how politicians justify increasing taxes. How can it not affect us and the cost of goods and services that we all pay?

Reject another "casual" tax increase. Vote "No" on Measure S.

s/ Mark McCurdy
Fountain Valley City Council Member

REBUTTAL TO ARGUMENT AGAINST MEASURE S

Let's set the record straight.

We don't casually raise taxes or fees. We are all taxpayers! Fees cover the actual cost of providing a service. A 'hotel tax' is one way the City can continue to provide our residents and visitors with quality services without asking residents to pay more. Cities with big malls, car dealerships, Disneyland and beaches may have higher revenue, but more problems. Many cities in Orange County have a tax on all your utilities, Fountain Valley never has.

The City's reserves have proven to be a smart thing; this is how the city has kept providing services to you by short-term spending of reserves. Now those reserves need to be replenished. Without reserves, we would have been forced to fire staff and reduce services. The City does have an AAA credit rating but we won't borrow money to pay for on-going services - not a smart way to budget.

The city does not tax water or sewer; those charges are based on cost from special districts plus the actual cost of city staff providing those services. Further, Fountain Valley is not proposing a trash rate increase - our trash hauler is.

Visitors adversely impact police, fire, paramedic resources, good streets, and public areas. The current "hotel tax" and proposed one percent increase commit visitors to share the burden and benefits Fountain Valley residents enjoy and expect. Measure S does not raise taxes for residents of Fountain Valley.

Vote "Yes" on Measure S to maintain our "Nice Place to Live."

s/ Michael Vo
Mayor

s/ Steve A. Nagel
Mayor Pro Tem

s/ Cheryl Brothers
Council Member

s/ John J. Collins
Council Member