



SHAKER HEIGHTS

September, 2009 -- The City has evaluated its current financial situation in light of all the reductions it has put in place. Three things have happened:

1. Reductions made earlier this summer saved nearly \$1 million;
2. City department directors are under-spending their 2009 budgets; and
3. There is some improvement in our revenue -- the decline has not been as steep as anticipated in May and June.

We now project total resources for 2009 of \$35,595,000 against total anticipated disbursements of \$37,311,000; this translates to a projected deficit of approximately \$1.7 million. While serious, this is a less grim projection than previously anticipated.

Unfortunately, we now project even less in revenue than we did a year ago, and even that projection was a substantial decline over our revenue in 2008. We are spending less money each year but our revenue has declined at the same time. We are managing to remain stable only because we have been so aggressive about cutting our expenses.

We continue to look for operational and expense efficiencies to maintain both fiscal stability and, at the same time, the quality of life for our residents. As we grappled with achieving this balance, we conducted a phone survey of our residents.

The survey indicates:

1. On the whole, our residents have a high degree of satisfaction with our services.
2. Council and administration receive strong endorsement for their use of tax payer money.
3. Residents are confident that we are telling them the truth about city finances.
4. There is strong support for the reductions that have already been made and *there is a voter preference to avoid tax increases unless absolutely necessary.*

The full survey report follows.



SURVEY OF COMMUNITY ATTITUDES

REGARDING

THE CITY OF SHAKER HEIGHTS

July 2009

TRIAD Research Group, Inc.
20325 Center Ridge Road Suite 450
Cleveland, OH 44116

09-2661
440.895.5353
Fax 440.895.9913

TABLE OF CONTENTS

Background	1
Summary of Findings	2
I. Satisfaction with City Services	4
II. Support for a Possible City Income Tax Increase	8
III. Reasons Against an Income Tax	17
IV. Arguments in Favor of an Income Tax Increase	19

Appendix

Demographic Tables

Survey Questionnaire

BACKGROUND

Survey Methodology

This report presents the findings of a telephone survey completed with 500 registered voters living in the City of Shaker Heights between July 16 and 20, 2009.

- By design, a sample of voters who voted in the 2008 general election was selected. The interviews were distributed across the city in proportion to the total number of ballots cast in the 2006 general election.
- The sample was also stratified one-half male, one-half female.
- The survey of 500 respondents has a margin of error of $\pm 4.4\%$ at the 95% confidence level. However, several questions regarding each of the two possible income tax increases were only asked of half of the voters. The results for the questions based on 250 completed interviews have a margin of error of no more than $\pm 6.2\%$, also at the 95% confidence level.

Survey Purpose

The survey had three main purposes. They included:

1. Assessing residents' satisfaction with city services, their opinion of the City's use of money, and the impact of the recession on city tax revenue.
2. Measuring support for each of two city income tax options and determining why voters might oppose a tax increase.
3. Testing support for some cuts in services the City has already made as well as other reasons to support an income tax increase such as the impact of knowing the City has a deficit, additional cuts in services may be needed to balance the budget, and if they think more cuts would impact the quality of life in Shaker Heights.

For geographic analysis, we divided the city into the following four regions:

- Northeast – Precincts B, G, M, U, V, W, X, Y, JJ
- Northwest – Precincts A, D, F, L, S, Z, AA, CC, FF, KK
- Southeast – Precincts C, E, H, K, R, T, BB, EE, II
- Southwest – Precincts I, J, N, O, P, Q, DD, GG, HH

SUMMARY OF FINDINGS

Shaker Heights residents think highly of city services and city government.

- 89% of the voters are satisfied with services provided by the city of Shaker Heights, and of these 48% are very satisfied.
- 79% agreed that you can believe what the city of Shaker Heights tells you about the finances of the city.
- 66% rated the City excellent or good on the job it is doing with the tax money it receives while 21% said only fair and 6% said poor.
- 67% think the current recession has had a lot of impact on the city's revenue and 23% think it has had a little impact.

It would be very difficult to pass a city income tax increase in November.

There was slightly more support for a one-quarter percent increase in the city income tax than for a one-half percent increase. On the quarter percent income tax, voters were initially evenly divided with 45% in favor and 45% opposed. Support for this issue increased slightly to 50% Yes at the end of the survey while 44% still voted No.

On the half percent increase, slightly more voters were initially opposed (44%) than in favor (40%) of it. By the end of the survey support increased 7-points, but it was still under half with 47% voting Yes. Nearly as many (43%) said they would vote No in the second vote question.

To be successful, the City will need all of the support of the Yes/Yes voters (41%) and the Moved Positive voters (10%) as well as some of the Moved Negative (5%) or Undecided (6%) voters. Two-fifths of the voters (39%) were firmly opposed to an income tax increase. We should also point out that most of the support for the income tax is 'soft' as only 14% would definitely vote yes and more than twice as many (34%) would only probably vote yes. It will be a challenge to pass an income tax increase.

The possibility of a property tax levy on the ballot for the Shaker Heights City Schools next year could also hurt the chances of passing a city income tax increase. That is, just 36% of all voters said they would still vote for a city income tax when told that the Schools might have a tax issue on the ballot next May. The other 13% of supporters said they would probably (6%) or definitely (1%) vote no on the city income tax or weren't sure if they would still support the city income tax (6%).

Knowing the cost of the two issues was of little help, with a large majority of all those employed saying the cost would not make any difference in the way they would vote. But the two different costs for the half percent increase (with an increased credit for those who work in other cities) were more negative (about 18% less likely on both) than the cost for the quarter percent increase (8% less likely).

There were three main reasons for voting no on an income tax increase.

Need - Need was the reason that most divided the Yes voters from the No and Undecided voters, and the City will have to convince more voters that they need additional money.

- Overall voters were divided, 40% agreed and 39% disagreed, that the City of Shaker Heights has enough money now to provide high quality services, it doesn't need any more.
- But 67% of No/No voters agreed the City has enough money now while 66% of Yes/Yes voters disagreed.

Use of Money, Tighten Belts - There were also several indicators that voters think the City can cut spending and do more with the money they have.

- 74% of all voters agreed that instead of asking for a tax increase the City should tighten its belt like a lot of families, businesses and organizations are doing.
- While the City received a positive rating overall on its use of tax money (66/27; positive/negative), 51% of the No/No voters rated the City negatively on this.
- Also, over half favored five of the six cost reductions the City has already made. The only one a majority opposed was leaving 20 positions vacant and laying-off 10 other employees including firefighters (37% favored, 54% opposed).
- And even after being told about the cuts the City has already made, only 42% said it is worth paying more to avoid further cuts in basic city services while 45% said the City should keep taxes the same even if it means more cuts in city services.
- Also, right now, only 10% of voters think that if the income tax increase were to fail it would have a lot of impact on their family.

Taxes, Economy, Affordability - There were several questions where cost, taxes or the economy emerged as reasons for voting no.

- When asked why they are voting no on the income tax increase, half of the no voters (47%) cited taxes – no more, taxed enough, one of highest in the state and a fourth of the no voters (26%) said they can't afford it, retired, income has been reduced, bad economy, etc.
- 52% of all voters agreed that the economy is too uncertain for me to vote for an income tax increase for the city. But agreement was much higher among No/No (74%) and Moved Positive (61%) voters.
- 38% of all voters agreed that they would like to vote for the city income tax increase, but they can't afford to pay any more money.

Voters are more supportive of an increase if they think the additional cuts will have a negative impact on the city and its residents.

Several arguments could be helpful in demonstrating the need for more money.

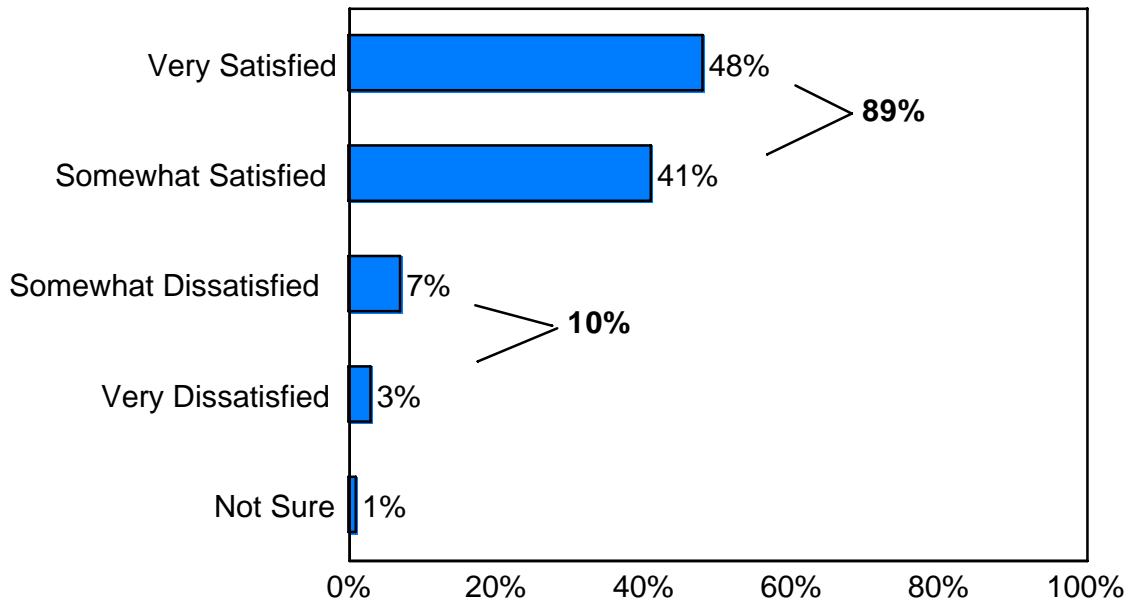
- 34% were more likely to vote yes on an income tax increase knowing that in the past two years, the City cut spending by \$3.5 million.
- 39% were more likely to vote for when told that even with all of the service cuts the City has made, it will still have a budget deficit of \$4 million over the next two years.
- And 47% were more supportive when told that if the tax increase fails, there will be cutbacks in city services and more layoffs in all departments including the police, fire and garbage collection.
- It will also be important to tell senior citizens that non-earned income such as social security, pensions, interest and dividends will not be taxed (41% of seniors more likely).
- Less important is knowing that 21% of the city's income tax comes from people who live outside of Shaker, but work in the city (13% of all voters more likely).

I. Satisfaction with City Services

Nine-out-of-ten voters are satisfied with city services.

Overall, 89% of the voters said they are satisfied with the city services provided by the City of Shaker Heights. Of these, 48% were **very satisfied** while 41% were **somewhat satisfied**. Just 10% of the voters were somewhat (7%) or very (3%) dissatisfied with the city services provided.

Q2 SATISFACTION WITH THE SERVICES PROVIDED BY THE CITY OF SHAKER HEIGHTS



A large majority of every demographic group was satisfied with the city services being provided, and in most cases, more than two-fifths were very satisfied. But there were a few groups less likely to be **very satisfied** and they included:

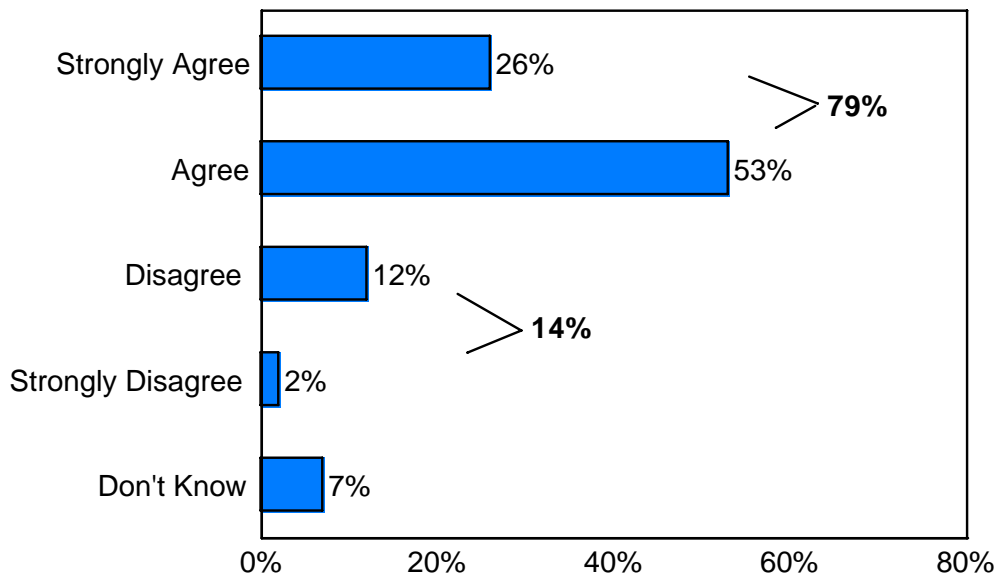
- Voters in the Southwest region of the city (34% very satisfied)
- Voters who aren't employed (38%) or are retired (43%)
- Those with annual household incomes of less than \$60,000 (41%) and
- Non-white voters (41%).

Also, just 32% of the No/No voters on the possible income tax issue were very satisfied with city services while 47% were somewhat satisfied, and 20% were dissatisfied.

There is a high level of trust among voters regarding city finances.

Overall, 79% **strongly agreed** (26%) or **agreed** (53%) that you can believe what the City of Shaker Heights tells you about the finances of the city. Just 14% disagreed with this, while 7% did not know.

Q4 AGREE/DISAGREE YOU CAN BELIEVE WHAT THE CITY OF SHAKER HEIGHTS TELLS YOU ABOUT THE FINANCES OF THE CITY



Here too a large majority of every subgroup agreed with this. Once again, agreement was slightly lower among voters in the Southwest part of the city (68%), voters who aren't employed (71%) or are retired (65%), and those with incomes under \$60,000 (71%) as well as among senior citizens (70%).

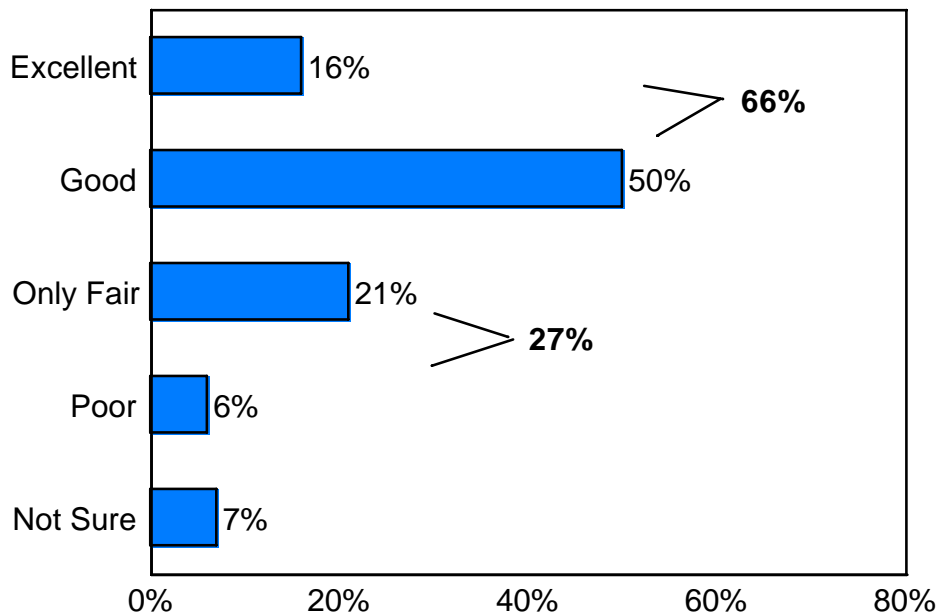
We have asked similar questions regarding other agencies that receive local tax money. This rating is one of the highest we have observed.

The City also received a positive rating on its use of money, but it was not as high.

Two-thirds (66%) rated the City of Shaker Heights positively on the job it is doing with the tax money it receives. And on this item, only 16% rated the City **excellent** while 50% rated it **good**. A fourth (27%) rated the job the City is doing with the tax money only fair (21%) or poor (6%). The remaining 7% could not say.

Again, this is a good rating, but not as positive as residents' satisfaction with city services and believability in the city. It may have been affected by the recent cuts the City has made in services due to the poor economy.

Q3 THE CITY'S RATING ON JOB ITS DOING WITH TAX MONEY



About three-fifths or more of all subgroups rated the City positively on using its tax money. But there was a strong relationship with support for a possible income tax increase. That is, 82% of those supporting a tax increase said the City does an excellent or good job using the tax money it receives, but only 43% of those opposed to an income tax increase rated the City positively on its use of money while 51% of them rated the City negatively.

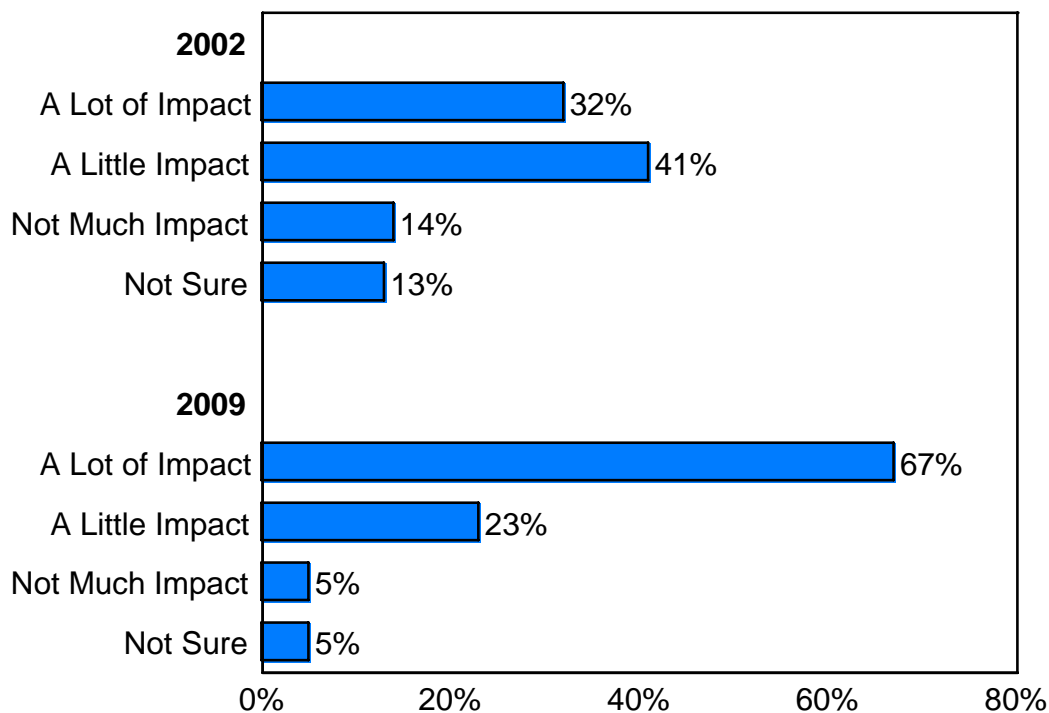
Voters' perceptions of how the City currently uses its money impacts if they would support an income tax increase. Most of those who think the City does an excellent job are Yes/Yes voters (63%). Nearly half of those who rated the City good on its use of money were Yes/Yes voters (46%). Most of those who rated the City only fair or poor would vote no (73%).

Nearly all voters think the current recession has had some impact on the City's revenue.

Overall, 67% think the current recession has impacted the City's revenues **a lot** and 23% think it has had **a little** impact. Only 5% said the recession hasn't had much impact on city revenue.

This same question was asked in the 2002 survey conducted for the City. At that time only 32% thought the recession had a lot of impact on the city's revenue.

Q5 HOW MUCH IMPACT HAS THE CURRENT RECESSION HAD ON THE CITY'S REVENUE



Three-fifths or more of every demographic group think the recession has had a lot of impact on the City's revenue. This included 57% of those opposed to a tax increase. But 75% of those in favor of an income tax increase said the recession has had a lot of impact on the city's tax revenue.

This question also had a strong relationship with support for an income tax. Nearly half of those who think the recession has had a lot of impact on City revenues are Yes/Yes voters (46%), but only 32% who think the recession has had only some impact would vote for while only 13% of those who said it hasn't had much impact voted yes both times.

II. Support for a Possible City Income Tax Increase

Support for both possible income tax issues was under half.

Despite voters' positive ratings for the City and that many voters think the recession has hurt city revenues, less than half of the voters initially supported either of the income tax increase options tested. One-half of the respondents were asked about a one-half percent increase in the city income tax while the other half were asked about a one-quarter percent increase. In both cases, voters were told that the purpose of the income tax would be to provide additional income to pay for necessary municipal functions and to meet increasing operating costs for the city.

As shown below, support for both options was under half in the first vote question. Just 40% initially said they would definitely or probably vote Yes on a one-half percent income tax increase while 44% would definitely or probably vote No.

The results were only slightly better for the one-quarter percent increase with 45% saying they would definitely or probably vote Yes and 45% saying they would definitely or probably vote No.

In both cases, only about a tenth of the voters said they would **definitely vote yes** (8% and 11%, respectively) while one third would only **probably** vote yes on a tax increase (32% and 34%). Thus, much of the current support is 'soft.'

Q6&15 FIRST VOTE ON INCOME TAX INCREASE		
	1/2% Increase	1/4% Increase
	%	%
Definitely Yes	8	11
Probably Yes	32	34
Probably No	22	21
Definitely No	22	24
Not Sure	16	10

By the end of the survey, after being presented with reasons in favor and some reasons against, there was only about a five percent increase in support for each issue and only about half of the voters favored the tax increase. Again, support for the 1/4% income tax increase (50% Yes, 44% No) was a little higher than support for a 1/2% increase (47% Yes, 43% No). But it would be very difficult to pass either tax increase in November.

Q30&31 SECOND VOTE ON INCOME TAX INCREASE		
	1/2% Increase	1/4% Increase
	%	%
Definitely Yes	14	15
Probably Yes	33	35
Probably No	20	20
Definitely No	23	24
Not Sure	11	7

There was some positive vote movement on the income tax issues.

For further analysis, we created a vote movement variable by combining the results to both of the first vote questions and both second vote questions. As shown below, just 41% of the voters said they would vote Yes on the income tax increase both times they were asked. These **Yes/Yes** voters are the issue's core supporters and their support must be reinforced during the campaign.

Another 10% of the voters **Moved Positive**, which means that they initially voted No on the income tax increase, but then voted Yes or become undecided the second time asked, or they were undecided initially and then supported it. **Even with this movement, the Yes/Yes and Moved Positive voters combine for just 51% of the voters.** This too indicates that it would be a challenge to pass an income tax increase in November. Also, keep in mind that only about a tenth of the voters said they would definitely vote for, so even much of the support is soft.

VOTE MOVEMENT ON INCOME TAX ISSUES	
	All Respondents
	%
Yes/Yes	41
Moved Positive	10
Undecided both times	6
Moved Negative	5
No/No	39

Two-fifths of the voters (39%) also opposed the income tax increases both times they were asked. Typically, little can be done to convince **No/No** voters to support a tax issue, unless the amount or purpose of the issue is changed.

Five percent (5%) of the voters **Moved Negative**, which means they voted yes on the income tax increase the first time and then became opposed or undecided by the end of the survey, or they started out undecided then voted against the second time. Another 6% of voters were **Undecided** both times. **To be successful, the City would also need to pick up some support from these two groups of voters.**

There were some important demographic differences in the **Yes/Yes** voters.

- 18 to 34 year olds (65% Yes/Yes) and senior citizens (44%) were more supportive than middle-aged voters (34%).
- There was more support for the income tax issue among voters with incomes under \$120,000 (46%) than over \$120,000 (35%).
- There was more support from the Northwest (49%) and Southeast (44%) regions of the city initially than in the Northeast (34%) and Southwest (36%), but 20% of the voters in the Southwest Moved Positive.
- White voters were slightly more supportive both times asked (43%) than non-white voters (37%), but 14% of non-white voters Moved Positive.
- Only 30% of voters who both work and live in Shaker were Yes/Yes voters compared to 43% of those who work outside Shaker Heights, 44% of those not employed and 45% of those who are retired. Also, 14% of those who aren't employed Moved Positive while 15% of retirees Moved Negative.

No/No voters were most likely to be voters in the Northeast region (50%), 35 to 49 year olds (49%) and 50 to 64 year olds (46%), those with incomes of more than \$120,000 (51%) and those who work in Shaker Heights (54%).

While overall, 11% of the voters **Moved Negative** or were **Undecided** both times, this was higher among retirees (21%), senior citizens (14%), those who refused to give their income (17%), non-white voters (15%) and infrequent voters (17%).

We should also point out that potential support for a city income tax increase was higher among more frequent voters. That is, over half of those who voted in 3 or all 4 of the last four general elections were either Yes/Yes or Moved Positive voters (54% and 51%). Potential support dropped to below half among those who voted in only one or two of the last four general elections (44% and 48%). This suggests that the issue would have a better chance of passing in an off-year election such as this November.

The additional cost of the one-quarter percent income tax was more of a positive for those employed than the additional cost of the one-half percent increase.

Only respondents who were employed were asked about the respective costs of the two income tax proposals. Overall, 72% of all respondents indicated that they or someone in their household is currently employed outside the home or self-employed. Of these, 54% work outside of Shaker Heights while 18% of the respondents indicated that one or more persons in their household work in the City of Shaker Heights.

HOUSEHOLD MEMBER EMPLOYED AND WORK IN OR OUT OF SHAKER HEIGHTS (Q9 & 10 and Q18 & 19 Combined)	
	All Respondents
	%
Employed & a household member works in Shaker	18
Employed, work outside Shaker	54
Not Employed	19
Retired	9

The one-half of respondents who were asked about the quarter percent increase and work either in or out of Shaker Heights (n=187) were asked their likelihood of voting for the income tax knowing residents with annual taxable income of \$50,000 will pay about \$10 a month more in taxes. Overall, 13% said this would make them **more likely** to vote for while 8% said **less likely**. The overwhelming majority (77%) said the additional cost doesn't make any difference to them.

Q20 VOTE FOR INCOME TAX KNOWING RESIDENTS WILL PAY \$10 A MONTH MORE ON AN ANNUAL INCOME OF \$50,000	
	Of Those Asked 1/4% Increase & Work
	%
More Likely	13
Less Likely	8
No Difference	77
Not Sure	2

The two different amounts* for the ½% increase depending on where they work were both more negative than positive.

The one-half of respondents who were asked about the half percent increase and are employed (n=173) were asked two questions. In one question, they were told that residents who live and work in Shaker and have an annual taxable income of \$50,000 will pay about \$21 a month more in taxes. In the second question, they were told that residents who live here, but work outside of Shaker Heights and have an annual taxable income of \$50,000 will pay about \$10 a month more in taxes. These two questions were rotated based on whether they work in or out of Shaker.

For both of these questions, more said they would be less likely to vote the income tax increase than more likely. Overall, 20% were **less likely** to vote for the half percent increase knowing that residents who live and work in Shaker will pay about \$21 a month more in taxes on a taxable income of \$50,000. This was even more of a negative among those who live and work in Shaker (25% less likely). Just 7% said this would make them more likely to vote for. But most (70%) said the cost doesn't make any difference to them.

Q11&14 VOTE FOR INCOME TAX KNOWING RESIDENTS WHO LIVE AND WORK IN SHAKER WILL PAY \$21 A MONTH MORE	
	Of Those Asked 1/2% Increase & Work
	%
More Likely	7
Less Likely	20
No Difference	70
Not Sure	3

Similarly, 17% were **less likely** to vote for the half percent increase knowing that residents who live here, but work outside Shaker Heights will pay about \$10 a month more in taxes on a taxable income of \$50,000. Only 12% were more likely to vote yes.

Q12&13 VOTE FOR INCOME TAX KNOWING RESIDENTS WHO WORK OUTSIDE SHAKER WILL PAY \$10 A MONTH MORE	
	Of Those Asked 1/2% Increase & Work
	%
More Likely	12
Less Likely	17
No Difference	67
Not Sure	4

If the City decides to put an income tax issue on the ballot, our recommendation would be to consider the one-quarter percent increase. Based on these results, it seems that the half percent with reciprocity is more difficult to explain and it could be seen as a much larger increase. But even passing a quarter percent income tax increase will be difficult.

* Under the proposed one-half percent increase tested there would also be an increase of one-quarter percent in the income tax credit for those who work outside Shaker Heights.

Knowing that non-earned income would not be taxed is important to senior citizens.

Overall, just a fourth of all respondents (about 27%) were positively impacted knowing that income from social security, pensions, interest, dividends and capital gains would not be taxed. Only 5% said this would make them less likely to vote for. But two-thirds (about 65%) were not impacted by this.

Q8 & 17 VOTE FOR INCOME TAX KNOWING SOCIAL SECURITY, PENSIONS, INTEREST, ETC. WOULD <u>NOT</u> BE TAXED		
	1/2% Increase	1/4% Increase
	%	%
More Likely	28	26
Less Likely	5	3
No Difference	62	67
Not Sure	5	4

However, about two-fifths of senior citizens (41%) and those who are retired (36%) would be **more likely** to vote for knowing that social security, pensions, interest, etc. would not be taxed. It will be important to communicate this message to seniors in the community.

It was not very helpful to know that 21% of the money from the income tax comes from people who live outside Shaker.

Three-fourths of the voters (78%) said it doesn't make any difference to them to know that 21% of the income tax money Shaker Heights takes in comes from people who live in other communities and work in Shaker Heights. Only 13% said this would make them more likely to support the income tax while 6% would be less likely to vote for.

Q21 VOTE FOR INCOME TAX KNOWING 21% OF THE MONEY COMES FROM PEOPLE WHO LIVE OUTSIDE OF SHAKER	
	All Respondents
	%
More Likely	13
Less Likely	6
No Difference	78
Not Sure	4

At most, 20% of the voters in the Southwest region, and 21% of those with income of less than \$60,000 said this would make them more likely to vote for. This argument has little impact on voters.

Knowing that the Schools may need a tax increase next year could hurt support for a city income tax increase.

Following the second vote question, income tax supporters were told that the Shaker Heights City Schools are considering asking voters for a property tax increase next May. Three-fourths of the Yes voters on the city income tax issue (75%) still said they would definitely (24%) or probably (51%) vote for the city income tax. But 14% would not and this is 7% of all voters. Another 11% weren't sure, which is 6% of all voters. Thus, 13% of the support for the city income tax is at risk if voters are aware that the schools may be asking for a levy next year.

Just 36% of all voters said they would still vote for the city's income tax knowing the schools are considering a property tax increase next May.

Q32 VOTE ON INCOME TAX KNOWING SCHOOLS MAY ASK VOTERS FOR A LEVY NEXT MAY		
	Of Yes Voters on 2nd Vote	All Respondents
	%	%
Definitely Yes	24	12
Probably Yes	51	24
Probably No	12	6
Definitely No	2	1
Not Sure	11	6
Voted No or Not Sure Income Tax in 2nd Vote	NA	52

The potential loss of support includes 22% of the Yes/Yes voters with 12% saying they would vote no on the city income tax knowing there may be a school levy on the ballot next year and 10% who weren't sure.

Some of the Moved Positive voters are also at risk as 37% of them said they would vote no on the income tax issue if there is a school issue next May (21%) or weren't sure if they would still vote yes on the income tax (16%).

The only group where support was over half knowing about a potential school levy next year was among 18 to 34 year olds (55% Yes), but this is also a 10-point drop in support.

Many supporters think the City needs additional money or want to maintain the quality of Shaker Heights.

One-third of those voting Yes on either the one-half or one-quarter percent income tax are supporting the issue because they think the city needs the money, revenues are down because of the economy, costs are increasing, etc. (33%).

Another third (33%) are voting yes to keep the services they have now or to maintain the quality of the services. In addition, 15% are voting yes to keep Shaker Heights a desirable place to live, 7% think it is important to maintaining property values, and 5% specifically said to keep the firefighters, police and other employees.

About a fifth (18%) would support the issue because they trust the city officials and want to support the city.

Also note that 8% of the supporters said they need more information about the tax, why it is needed and what it will be used for.

Q7 & 16 REASONS FOR VOTING <u>YES</u> ON INCOME TAX INCREASE	
	Of Those Voting Yes* %
City needs the money, cities are impacted by the economy, costs are increasing, revenues are down, laying people off	33
To maintain city services, keep important services, services are good	33
I support the city, need to support the city, trust/have confidence in city officials	18
For the city, keep it good, desirable, improving	15
To maintain property values, the community	7
To support/keep firefighters and police, other city employees	5
Need more information	8
Other	2
*Adds to more than 100% due to multiple responses, 2 responses accepted	

Taxes, can't afford, bad economy were the main reasons for opposing an increase in the city income tax.

Nearly half of those voting no (47%) said taxes are too high, no more taxes, we are one of the highest taxed suburbs in the state as their reason for opposing the income tax increase. Another fourth (26%) are voting no because they are retired, can't afford more taxes, no money, took a pay cut, money is tight, bad economy.

In addition, a fifth each said the city wastes money, could do more with what they have (22%) and don't need the money, have enough, cut other things first, tighten belts (21%).

A few of those voting no said services aren't that good for what they pay now (6%), they don't trust the city or how they spend the money (3%) and asking for too much money (1%). Also, 6% of the no voters said they need more information about the tax increase.

Q7 & 16 REASONS FOR VOTING <u>NO</u> ON INCOME TAX INCREASE	
	Of Those Voting No* %
Taxes too high, against new taxes, one of the highest taxed places in the state	47
Retired, can't afford, lack income, money is tight, bad economy	26
Waste money, don't use money right, could do more with what they have	22
Don't need the money, cut other things first, tighten belts, other ways to make cuts, find money	21
City services aren't that good, poor, need improved	6
Don't trust city, don't tell us where money goes, what money is used for	3
Asking for too much money, too large of an increase	1
Need more information	6
Other	2
*Adds to more than 100% due to multiple responses, 2 responses accepted	

III. Reasons Against an Income Tax Increase

Many voters think the City can tighten their belts and think they have enough money.

Six reasons for voting against an income tax increase were tested and first we see that three-fourths of voters (74%) agreed that *if taxes keep going up, it will be even harder to sell my home at a decent price.*

- Well over half of every demographic group agreed with this, including Yes/Yes (59%) and Moved Positive (55%) voters. Agreement with this was also higher among voters in the Southwest region (81%) and voters with annual incomes of \$120,000 or more (78%). Clearly, voters are concerned that higher taxes might make selling their home more difficult. Thus, the City must demonstrate that the additional cost of services is worth it and won't hurt their ability to sell their home.

REASONS FOR OPPOSING THE CITY INCOME TAX INCREASE

If taxes keep going up, it will be even harder for me to sell my home at a decent price. (Q22e)

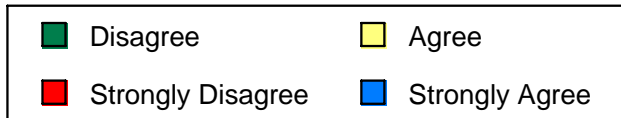
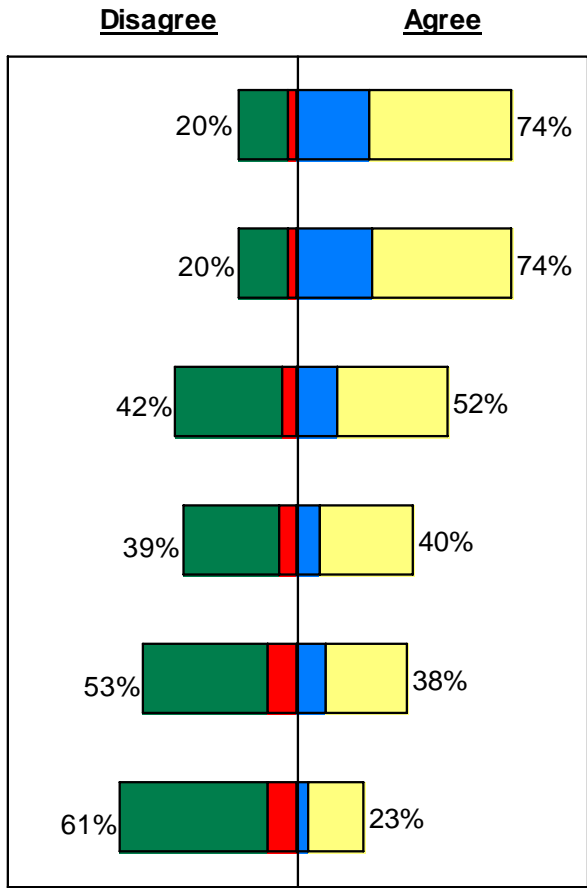
Instead of asking for a tax increase, the City should tighten its belt like a lot of families, businesses and organizations are doing. (Q22f)

The economy is too uncertain for me to vote for an income tax increase for the City. (Q22c)

The City of Shaker Heights has enough money now to provide high quality services, it doesn't need any more. (Q22a)

I would like to vote for a city income tax increase, but I can't afford to pay any more money. (Q22b)

City employees make too much money and the city should cut their salaries instead of asking for a tax increase. (Q22d)



Three-fourths of the voters (74%) also agreed that *instead of asking for a tax increase, the City should tighten their belts just like a lot of families, businesses and organizations are doing*. Only 20% disagreed with this.

- Here too a large majority of every subgroup agreed with this including 52% of Yes/Yes voters and 67% of Moved Positive voters.

But at the same time, only 23% agreed that *city employees make too much money and the city should cut their salaries instead of asking taxpayer for a tax increase*. A majority (61%) disagreed with this.

- Over half of most subgroups disagreed with this. At most, 41% of No/No voters agreed while just as many (41%) disagreed, but 81% of Yes/Yes voters disagreed. However, we will see that a majority of voters supported a 5% pay cut for non-union employees. This is probably not because they think city employees make too much money, but that everyone should do their part to cut back.

Voters were more divided on the remaining three reasons tested for voting no on the income tax. We used multivariate analysis to determine which reason most divided the Yes voters from the No and Undecided voters and that division occurred on **need**. Overall 40% agreed that *the City of Shaker Heights has enough money now to provide high quality city services, it doesn't need any more* while 39% disagreed with this.

- However, 67% of No/No voters agreed they City has enough money now while only 13% disagreed. Yes/Yes voters looked the opposite with only 20% agreeing and 66% disagreeing. Thus, if one believes the City needs more money, they are more likely to vote for the income tax increase, but if they think the City has enough money now, they are unlikely to support it. **The challenge for the City is to convince more voters that they do not have enough money now and if they continue making cuts the quality of city services will go down.**

The affordability and/or economic uncertainty are also a concern for many voters. Importantly, less than half of all voters (38%) agreed that *they would like to vote for a city income tax increase, but they can't afford to pay any more taxes*, while 53% disagreed with this. But over half (52%) agreed that *the economy is too uncertain for me to vote for an income tax increase for the city* while only 42% disagreed.

- Here too, Yes/Yes and No/No voters also looked the opposite. That is, only 25% of tax supporters said the economy is too uncertain to support the income tax while 72% disagreed. But 74% of the No/No voters agreed and are concerned about the uncertain economy as are 61% of the Moved Positive voters and 77% of the Moved Negative voters.

Demographic groups more likely to agree that the economy is too uncertain for them to vote for the tax increase and they can't afford it included voters in the Southeast and Southwest parts of the city, non-white voters, females, senior citizens, those with incomes under \$60,000, those who are retired and those who aren't employed.

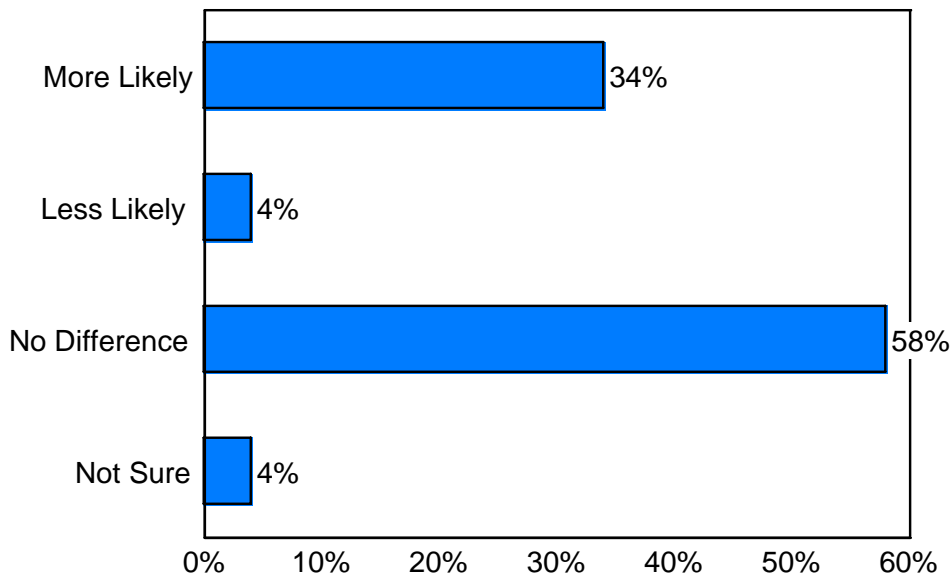
While it may be possible to pass an income tax increase this fall, the City could consider taking some additional cost saving steps and belt tightening measures first as it will help demonstrate the need for additional revenue.

IV. Arguments in Favor of an Income Tax Increase

Knowing the City has already cut \$3.5 million in spending had some impact on voters' support.

A third of all voters (34%) said knowing that over the past two years, the City of Shaker Heights has already cut spending for non-essential city services by \$3.5 million would make them more likely to vote Yes on the income tax issue. Over half (58%) said this doesn't make any difference to them while only 4% were less likely to vote yes.

Q23 LIKELIHOOD OF VOTING YES ON THE INCOME TAX INCREASE KNOWING OVER THE PAST TWO YEARS THE CITY OF SHAKER HEIGHTS HAS ALREADY CUT SPENDING FOR NON-ESSENTIAL CITY SERVICES BY \$3.5 MILLION



This information helps reinforce support of the Yes/Yes voters (57% more likely to vote for) and convinces some of the Moved Positive voters to support the income tax (50% more likely).

A majority of voters favored most of the cuts the City has already made.

Well over half of the voters favored the City....

- Having residents take their grass clippings to the tree lawn rather than having crews haul them to the street from back yards (82%)
- Closing City Hall and the Stephanie Tubbs Jones Community Center every other Friday (70%) and
- Closing Thornton Park Pool one week early before Labor Day (61%).

Q24 FAVOR/OPPOSE THINGS THE CITY HAS ALREADY DONE TO REDUCE SPENDING

Taking your grass clippings to the tree lawn rather than having crews haul them to the street from back yards. (Q24a)

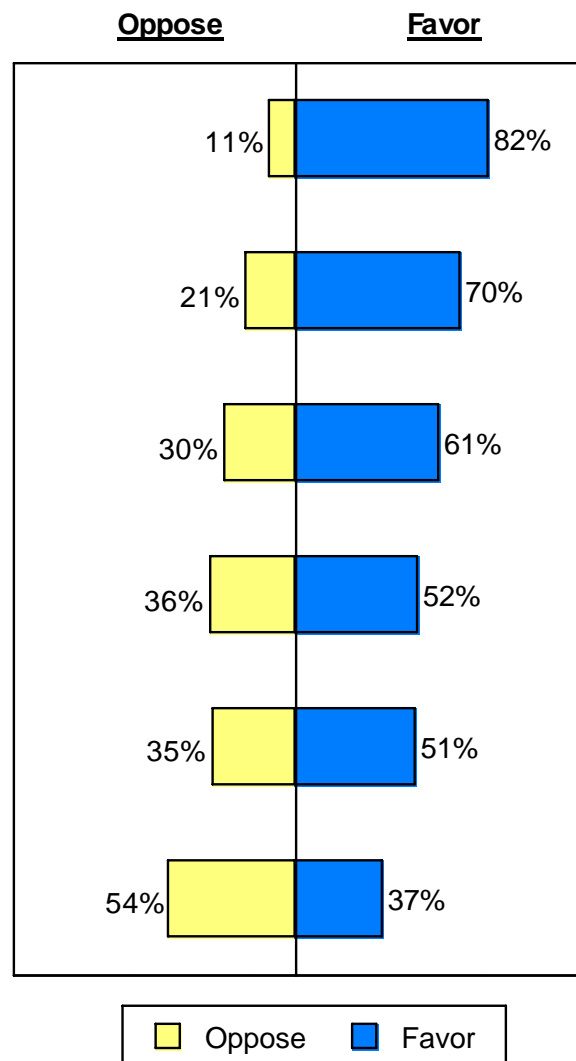
Closing City Hall and the Stephanie Tubbs Jones Community Center ever other Friday. (Q24c)

Closing Thornton Park Pool one week early before Labor Day. (Q24e)

Requiring most full-time, non-union employees take a 5% pay cut by having them take every other Friday off without pay. (Q24b)

Reducing the health care plan for all employees except police and fire by increasing deductibles and co-pays as well as increasing the monthly premium employees pay for their health care insurance. (Q24f)

Not filling 20 vacant positions and laying off ten other city employees, including firefighters. (Q24d)



In addition, half favored the two reductions that affected city employees. They were:

- Requiring most full-time, non-union employees take a 5% pay cut by having them take every other Friday off without pay (52%) and
- Reducing the health care plan for all employees except police and fire by increasing deductibles and co-pays as well as increasing the monthly premium employees pay for their health care insurance (51%).

Over a third opposed these last two cuts (36% and 35%).

The only spending reduction that residents were more apt to oppose was *not filling 20 vacant positions and laying-off 10 other city employees, including firefighters*. Over half (54%) opposed this reduction while 37% favored it.

Over half of every subgroup favored the first three reductions.

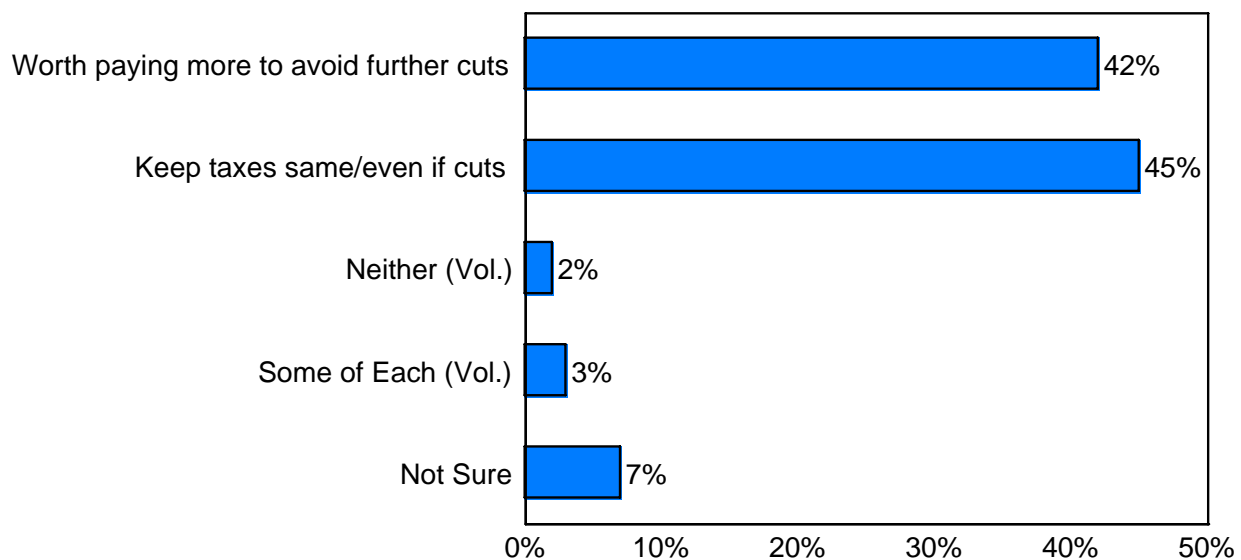
Most groups were also more likely to favor than oppose the two reductions affecting city employees, but non-white voters, those with incomes under \$60,000 and those who are retired were more apt to oppose these reductions to employee pay and benefits.

Nearly all subgroups were more likely to **oppose** leaving 20 positions vacant and laying-off 10 more employees including firefighters. The only exceptions to this were No/No voters (48/46; favor/oppose), residents in the Northeast region (45/42) and voters with incomes of \$120,000 or more (52/41).

Voters were still divided on an increase even after told about the cuts the City has already made.

Despite knowing that the City has already cut \$3.5 million in spending and what these cuts entailed, voters were still divided on what the City should do. That is, 42% said *it is worth paying more tax money to avoid further cuts in basic city services* while 45% said *the City should keep taxes as they are now even if it means more cuts in basic city services*.

Q25 WHICH STATEMENT DO YOU AGREE WITH MORE: IT IS WORTH PAYING MORE TAX MONEY TO AVOID FURTHER CUTS IN BASIC CITY SERVICES OR THE CITY SHOULD KEEP TAXES AS THEY ARE NOW EVEN IF IT MEANS MORE CUTS IN BASIC CITY SERVICES



As we would expect, there was a strong relationship between this question and their vote on the income tax increase. That is...

- 78% of the Yes/Yes voters said it is worth paying more taxes to avoid further service cuts.
- 80% of the No/No voters said the City should keep taxes as is even if it means more cuts.
- Moved Positive voters tended to say it's worth paying more to avoid cuts (46/25).
- But Moved Negative (10/58) and Undecided (16/35) voters were more apt to favor making more cuts and keeping taxes the same as now.

Demographic groups more likely to say *keep taxes the same even if it means more cuts* included:

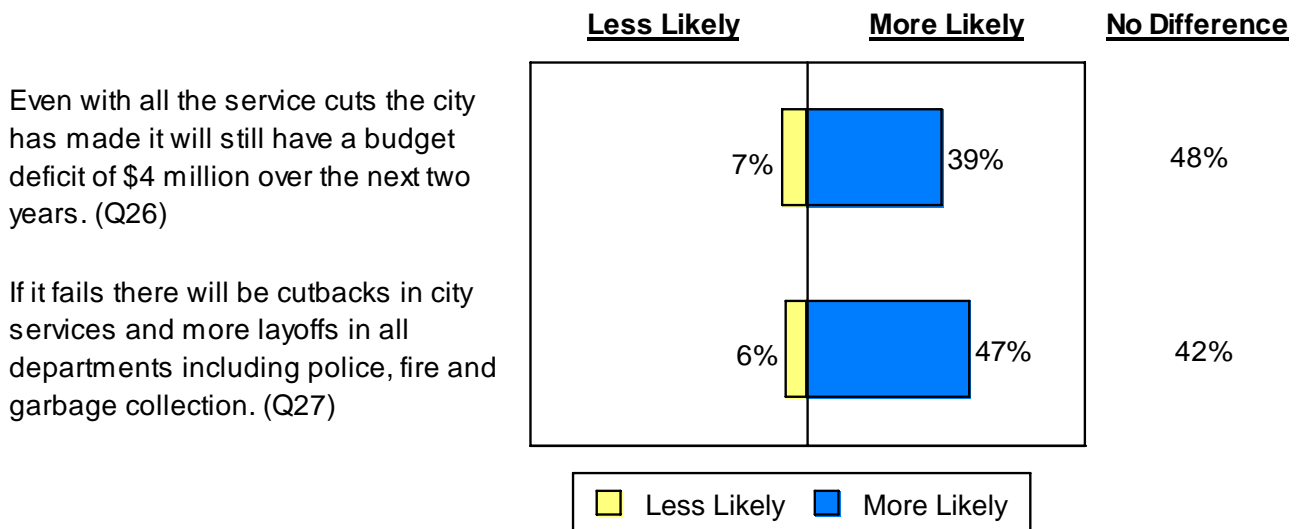
- Voters in the Northeast region (31/57; pay more, no cuts/keep taxes same, more cuts)
- Voters in the Southwest region (38/44)
- Those with income of \$120,000 or more (39/52)
- Voters who both work and live in Shaker Heights (36/53)
- Non-white voters (39/49) and
- Males (41/48).

Voters should be told that even with the recent cuts, the City will still have a deficit and without the income tax, more cuts will be needed.

Overall, 39% said they would be **more likely** to vote for the income tax knowing that *even with all the service cuts the City has made, it will still have a budget deficit of \$4 million over the next two years.* About half (48%) said this wouldn't make any difference to them.

In addition, 47% would be **more likely** to support the issue knowing that *if this tax increase fails, there will be cutbacks in city services and more layoffs in all departments including the police, fire and garbage collection.* Here, 42% said this doesn't matter to them.

LIKELIHOOD OF VOTING YES ON THE INCOME TAX INCREASE KNOWING...



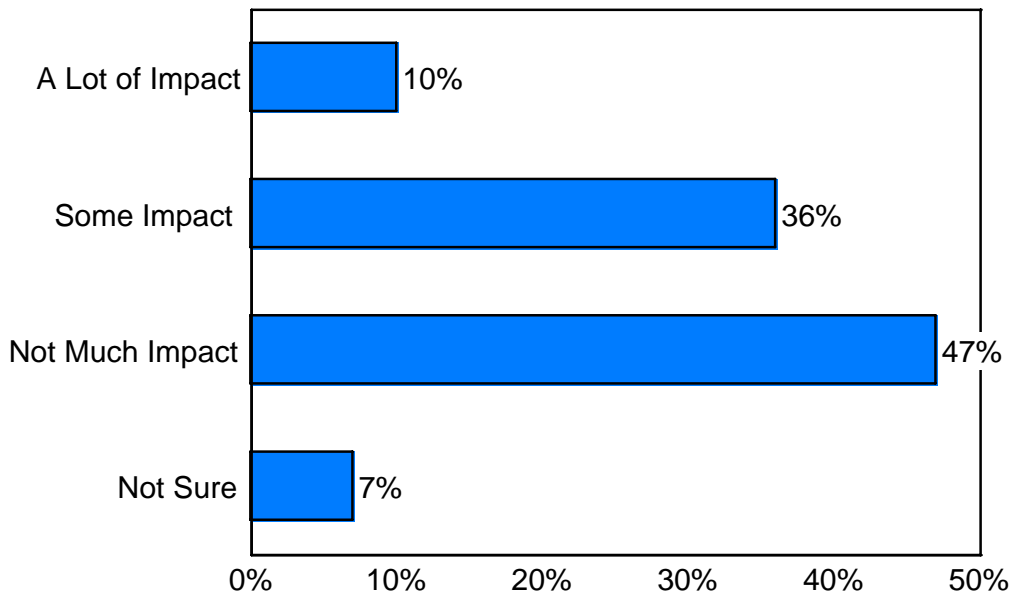
Both of these were compelling arguments for the Yes/Yes voters (68% and 78% more likely, respectively) and the Moved Positive voters (54% and 75% more likely, respectively). Also, nearly half of the Undecided voters (47%) were positively impacted knowing that without the income tax increase, the City will have to make additional cutbacks in city services and employees.

It will not be enough to tell voters that the City will still have a \$4 million deficit, they must also be told how the City will deal with this shortfall. And the City must convey that additional cuts will have a lot of impact on residents and the quality of life in Shaker Heights.

Even with the current cuts, right now only a few voters believe that the failure of the income tax increase would have a lot of impact on them.

Just 10% of all voters said that if the income tax increase failed, it would have a **lot** of impact on them and their family. Another 36% said the failure of the income would have **some** impact on them. But nearly half (47%) said its failure **would not have much impact** on their family.

Q28 IF THE TAX INCREASE FAILS HOW MUCH OF AN IMPACT WOULD THERE BE ON YOU AND YOUR FAMILY

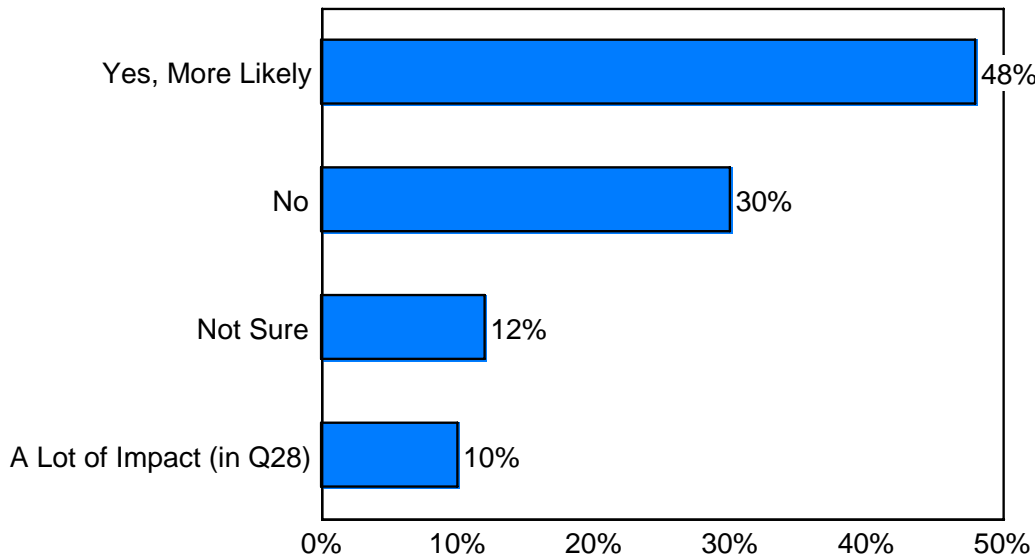


Importantly, 58% of non-white voters and 60% of those in the Southwest region think the income tax failure would have a lot or some impact on their family. These two groups were less likely to be Yes/Yes voters, but about a sixth each Moved Positive.

But if voters thought the issue's failure would have a lot of impact on them, they would be more likely to support the increase.

Those who did not think an income tax failure would have a lot of impact on them and their family (90%) were asked their likelihood of voting for the income tax if they thought the failure of the income tax increase would have a lot of impact on their family. Assuming a lot of impact, 48% said they would be **more likely** to vote for the income tax. But 30% would **not** be more likely to support it and 12% weren't sure.

**Q29 MORE LIKELY TO VOTE YES ON INCOME TAX INCREASE
IF THOUGHT ITS FAILURE WOULD HAVE A LOT OF IMPACT ON FAMILY**



With the exception of No/No voters, a majority of all subgroups either said they would be more likely to support an income tax increase if they thought its failure would have a lot of impact on them or they said in the previous question that its failure would have a lot of impact on them. To be successful, the City will have to show voters that the quality of city services will go down if the income tax issue fails and this will have a negative impact on the city and its residents.