

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, CHIEF FINANCIAL OFFICER
SCOTT WESTROPE, FIRE CHIEF
SUBJECT: APPROVAL OF MEASURE H FUNDING AGREEMENT

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department and Fire Department that the Council, by resolution, approve a funding agreement with the County of Sonoma pursuant to the Improved and Enhanced Local Fire Protection, Paramedic Services and Disaster Response Transactions and Use Tax Ordinance (Measure H) for tax revenue distribution from the County to the City for enhanced fire safety services.

EXECUTIVE SUMMARY

In March 2024, Sonoma County voters approved the “Enhanced Local Fire Protection, Paramedic Services and Disaster Response Transactions and Use Tax Ordinance” (Measure H). Measure H was a half-cent sales tax measure to provide countywide enhanced fire safety services.

Pursuant to Section 12-68(A) of the Ordinance, a funding agreement is required between the County and all fire agencies, including cities, receiving tax proceeds. The City Council must approve this agreement, prior to the County’s distribution of the tax proceeds to the fire agencies. The first tranche of revenue will be distributed by the County on March 10, 2025. Executed funding agreements must be received by the County by February 7, 2025, to receive the March 10 funding allocation. If the City fails to meet the County deadline, the County will retain these funds until an agreement is approved; the funds would then be released to the City in addition to the next quarterly disbursement. All subsequent funding allocations will be made on a quarterly basis.

BACKGROUND

Measure H, a half-cent transaction and use tax officially titled the “Enhanced Local Fire Protection, Paramedic Services and Disaster Response Transactions and Use Tax Ordinance” was passed by County voters in March 2024. Measure H is a countywide transaction and use tax that generates tax revenue for fire agencies within the County to provide enhanced fire safety services. These enhanced services include hiring fire personnel, purchasing new fire apparatus, and constructing new fire stations.

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PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

Section 12-68(A) of the Measure H ordinance requires that all fire agencies receiving tax proceeds execute a funding agreement between the fire agency and the County prior to the County's allocation of tax proceeds to the agency. The funding agreement establishes the distribution of funds, which will be quarterly on March 10, June 10, September 10, and December 10 each year.

The ordinance does not allow for Measure H funds to be used to supplant the General Fund contribution originating from ongoing General Fund revenues, and there is a maintenance of effort provision that establishes FY 2021-22 as the baseline funding level in the general fund for ongoing fire operations and personnel costs. This means that no matter the condition of the City's General Fund, ongoing budget for the Fire department must not fall below FY 2021-22 levels. If any future budgets did not meet the maintenance of effort required, the City would be in violation and would jeopardize funding from the measure.

The City will be required to provide an annual report to an Oversight Committee no later than December 31 of each year setting forth how Measure H funds received were allocated. The form for the annual reporting is attached to the agreement as Exhibit A.

The half-cent transaction and use tax generated from this measure is expected to be approximately \$47 million annually. Santa Rosa will receive 14.4% of the tax generated, or approximately \$6.8 million per year. These funds will be placed in a special revenue fund outside the City's General Fund. In addition, all expenditures will be budgeted within the special revenue fund to ensure separation from the General Fund. This fund will be managed the same as the City's Public Safety and Prevention (PSAP, formerly Measure O) tax revenue.

FISCAL IMPACT

This item does not represent an annual fiscal impact to the General Fund. The funding agreement between the City and County will allow for the County to allocate collected Measure H revenue to the City on a quarterly basis. These funds will be placed in a special revenue fund outside the General Fund to be used for enhanced fire safety services.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the proposed action is exempt from CEQA pursuant to CEQA Guidelines Section

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15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution / Exhibit A - Measure H Funding Agreement

PRESENTERS

Alan Alton, Chief Financial Officer
Scott Westrope, Fire Chief