

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
SUBJECT: UPDATE ON REVENUE IMPACT DUE TO TUBBS FIRE  
STAFF PRESENTER: DEBORAH LAUCHNER, CHIEF FINANCIAL OFFICER,  
FINANCE DEPARTMENT

AGENDA ACTION: NO ACTION

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RECOMMENDATION

This item is for information only.

EXECUTIVE SUMMARY

The Tubbs Fire had an immediate impact on City of Santa Rosa operations. This item provides an update of General Fund revenue losses as a result of the disaster. The City estimates that the loss of General Fund revenue will be approximately \$4.8 million for the remainder of Fiscal Year (FY) 2017-18, and an estimated \$6.7 million loss projected for FY 2018-19.

BACKGROUND

At approximately 9:45 p.m. on Sunday, October 8, 2017, one of the most destructive wildfires in California history started. The Tubbs Fire ultimately burned a total of 36,807 acres, destroyed 6,957 structures and damaged 486 others. In Santa Rosa, 2,800 structures were destroyed, with the Coffey Park neighborhood and Fountaingrove area among the hardest hit.

Staff has been assessing the short-term and long-term effects this fire will have on City operations, and the City Council has already seen items to increase expenditures to help address community needs resulting from the devastation. In addition, staff is analyzing the impacts the fires have had on the local economy and revenue base. Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Utility Users Tax (UUT) are all major General Fund revenue sources that have been affected by the disaster.

PRIOR COUNCIL REVIEW

This item has not been previously reviewed by the City Council.

# UPDATE ON REVENUE IMPACT DUE TO TUBBS FIRE

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## ANALYSIS

Staff reached out to the City's sales and property tax consultants for help analyzing potential losses. This was necessary to determine the potential impact to ongoing City operations resulting from an immediate, and potentially long-term loss of General Fund revenue.

Table 1 represents a summary of major General Fund revenue impacts for the remainder of FY 2017-18, and all of FY 2018-19 as a result of the fires. This summary is preliminary as we wait for actual revenue amounts. The FY 2017-18 estimates are for the remaining three quarters of the year; the FY 2018-19 estimates are full year estimates. Sales tax, TOT, and business tax estimates are based on actual lost or damaged businesses and the tax revenues those businesses generated. The UUT estimates are based off of a two-year trend analysis of monthly receipts.

Table 1 Summary of General Fund Revenue Impacts

| Revenue Type | FY 2017-18 Est. Revenue Loss | FY 2018-19 Est. Revenue Loss |
|--------------|------------------------------|------------------------------|
| Property Tax | \$675,000                    | \$1,129,000                  |
| Sales Tax    | \$1,800,000                  | \$2,400,000                  |
| TOT          | \$1,100,000                  | \$1,500,000                  |
| UUT          | \$1,100,000                  | \$1,470,000                  |
| Business Tax | \$163,000                    | \$163,000                    |
| Total        | \$4,838,000                  | \$6,662,000                  |

### **Property Tax**

The Sonoma County Assessor will re-assess affected properties at land value. The Property Tax loss estimate is from the Sonoma County Auditor-Controller, based on countywide AB8 factors consistent with the Revenue and Taxation code. The total is based on an estimate of secured property tax from the Auditor-Controller, and a general estimate for unsecured and supplemental property tax. The revenue loss is expected to be higher FY 2018-19, according to the Auditor-Controller, at about \$1.13 million. This loss would most likely remain until structures are rebuilt and the properties are re-assessed.

### **Sales Tax**

Based on businesses lost, approximately \$1.8 million in sales tax is estimated to be lost. This is about 4.9% of the total \$36.7 million of total sales tax revenue budgeted for FY 2017-18. Sales tax revenues are provided to the City in arrears therefore the loss of sales tax revenue cannot be properly assessed until April 2018 when we receive the revenue from the fourth quarter of 2017. Projected losses of \$2.4 million for FY 2018-19 are based on extending the estimated losses for FY 2017-18 for a full year.

### **Transient Occupancy Tax**

The loss in TOT is significant. The City lost three hotels that brought in approximately \$1.5 million in TOT for FY 2016-17, as well as several others that were temporarily closed. The City estimates losing \$1.1 million for the remainder of FY 2017-18, and is projecting TOT losses of approximately \$1.5 million for FY 2018-19 based on a trend analysis of past revenue.

### **Utility Users Tax**

UUT provides a tax on cable, gas and electric utilities used by the community. With the loss of structures, both residential and commercial, the reduced use of these utilities will result in revenue reduction of approximately \$1.1 million. This revenue loss is not expected to return until such time as the structures are rebuilt and occupied. Revenue is projected to be down by almost \$1.5 million in FY 2018-19 based on extending these estimates out for a full year.

### **Other Taxes**

The City estimates \$163,000 in lost business tax revenue due to the loss of businesses in the affected areas. Because business tax is collected annually, we expect the same losses for FY 2018-19, or until businesses rebuild.

In addition to significant General Fund losses, Santa Rosa Water estimates losses from water accounts to be approximately \$1.4 million, and sewer accounts to be \$1.8 million, for combined losses of approximately \$3.2 million for eight months of FY 2017-18. Water and sewer losses are projected to total \$4.78 million (\$2.05 million for water and \$2.73 million for sewer) for FY 2018-19. These estimates are based on residential and commercial accounts affected by the fires.

The City has also experienced reduced revenue in other operations, including losses due to lower recreation class participation, facility rental income while space was used as an evacuation center, and parking revenue in the downtown while parking enforcement was halted for the weeks after the fire. Staff will continue to track and update revenue projections for these types of revenues, and report out to the Council as information becomes available.

### FISCAL IMPACT

The fires will have an immediate short-term impact to General Fund revenues. However, the long-term fiscal impact of this event on the City's revenue base and economy won't be known for several months. Sales tax reports showing actual receipts for this period won't be available until April 2018. The first Property Tax payment from the County won't be received until the end of December.

Based on anecdotal evidence, and precedent from past natural disasters, the City could experience enough activity from the rebuilding effort to fill the gap left by the ongoing revenue losses. Staff will continue to analyze revenues and build assumptions for the Long Range Financial Forecast accordingly.

### ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline Section 15378.

### BOARD/COMMISSION/COMMITTEE REVIEW and RECOMMENDATIONS

Not applicable.

### NOTIFICATION

Not applicable.

### ATTACHMENTS

None.

### CONTACT

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