

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, ACTING CHIEF FINANCIAL OFFICER
SUBJECT: SALES TAX BALLOT MEASURE

AGENDA ACTION: RESOLUTION AND ORDINANCE

RECOMMENDATION

It is recommended by the Finance Department that the City Council (1) introduce an ordinance to add chapter 3-30 to the Santa Rosa City Code consolidating and extending the City's two general quarter-cent Transaction and Use Taxes into one half cent Transaction and Use Tax, and (2) approve a resolution ordering the submission of a ballot measure to seek voter approval of that ordinance at the November 3, 2020, General Municipal Election and directing related actions.

EXECUTIVE SUMMARY

The City has three, quarter-cent add-on Transaction and Use Tax measures that augment the City's ability to pay for City services. Two of the additional taxes are general taxes, and one is a special tax to fund public safety and violence prevention programs. The public safety special tax and one general tax expire in 2025, the other general tax expires in 2027.

Each of the Transaction and Use Tax measures generates approximately \$9 million annually. Given the City's ongoing structural deficit, and the potential lasting impacts from the COVID-19 pandemic and recession, the City commissioned the services of Godbe Research to perform a general opinion survey of likely voters in Santa Rosa and as a part of that survey asked about extending these measures. Voters surveyed favored extending the general taxes, but did not favor extending the public safety special tax.

The survey information was presented to the Long-Term Financial Policy and Audit sub-committee on July 9, and the sub-committee requested the presentation be given to the full council.

This item will provide the full City Council with the opinion survey results and recommends consolidating and extending the two, quarter-cent, general Transaction and Use taxes into one, half-cent general Transaction and Use Tax.

BACKGROUND

Over the years the City has asked the voters to approve additional Transaction and Use Taxes to augment City services, or to provide additional revenue in times of financial crisis. General tax measures require approval by a simple majority of voters, and may be used for any service provided by the City through its General Fund. Special taxes require a two-thirds majority approval from the voters, and may only be used for specified purposes. The revenue generated by special taxes go to Special Revenue Funds and are completely separate from the General Fund. Here are the three tax measures approved by voters that are currently in place:

- In 2004, voters approved a special public safety tax to pay for additional Police, Fire, and Violence Prevention (Gang Prevention) services. This tax is scheduled to end in 2025.
- In 2010, during the Great Recession, voters approved a general tax to maintain City services in light of extensive budget reductions. This tax was extended in 2016, and will now expire in 2027.
- After the 2017 Tubbs fire, a general tax was approved by voters in 2018 to help build back reserves and continue services as the City's structural deficit continued to grow. This measure is also set to expire in 2025.

ANALYSIS

The City's two add-on, quarter-cent general Transaction and Use Taxes each generate approximately \$9 million to \$10 million per year, or together between \$18 million and \$20 million annually for the General Fund. These taxes were passed by the voters to maintain vital City services during the Great Recession and after the Tubbs Fire. These vital services included park maintenance and infrastructure, street and pothole repair, disaster response and preparedness, and other City services. These ongoing City services cannot be sustained with a loss of revenue of up to \$20 million per year.

An opinion survey conducted June 17-25, 2020 by Godbe Research provided polling information to better understand how well the City provides services to Santa Rosa residents, areas for improvement, and the feasibility of extending the sales tax measures.

The survey was sent to over 75,000 registered, likely voters, generated a sample size of 1,524 resulting in a margin of error of +/- 2.49%. The survey was developed in the form of a split sample allowing 50% to receive questions about a general tax, and 50% received questions based on a special tax.

Some of the immediate takeaways from the survey results were that approximately 60% of likely voters favored consolidating and extending general taxes, and doing so without a specific end date, but instead allowing the voters to decide when to end the tax.

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Conversely, approximately 52% of likely voters approved of extending the public safety special tax. As a special tax, the measure would require at least 66.66% approval, so with the special tax extension polling at 52%, it is unlikely the measure would pass.

Ballot Measure

The following summarizes key features of the proposed ballot measure:

- Consolidates the existing two quarter-cent general purpose Transaction and Use Tax measures into one half-cent general purpose Transaction and Use Tax which would be administered by the California Department of Tax and Fee Administration (CDTFA), and the proposed ordinance will include the administrative provisions required by the CDTFA.
- Extends the existing Transaction and Use Tax measures as a general purpose tax, and allocates the proceeds for general purposes. As a general purpose revenue measure, passage will require majority (50% plus one) voter approval.
- Includes strong existing fiscal accountability provisions. Along with the City's ongoing commitment to citizen involvement as a fundamental principle of good government, fiscal accountability provisions include:
 - a. Charter-required independent annual financial audit. The amount of revenues generated by this measure along with other General Fund revenues will be included in an annual financial audit performed by an independent certified public accountant.
 - b. Integration of the use of funds into the City's budget and goal-setting process. The estimated revenue and proposed use of funds generated by this measure will be an integral part of the City's budget and goal setting process, and significant opportunities will be provided for meaningful participation by citizens in determining priority uses of these funds.
- The measure would not automatically expire, but instead would end at any time the voters decide to end the measure.

Ordinance

Under the state statute, an ordinance imposing a general sales tax requires five affirmative votes of the Council to be adopted. A simple majority of those voting on the measure in the November 2020 election is needed to approve the sales tax. The tax will be collected for the City under an agreement with the CDTFA for a small charge.

Under the ordinance, the revenues of the tax will be allocated to the City's General Fund. This revenue will allow the City of Santa Rosa to maintain the essential City service levels to which citizens are accustomed to including 911 emergency, paramedic, and fire

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response, gang-crime prevention and investigation, street paving and pothole repair; parks and recreation; youth and senior programs and other city services.

The ordinance, if approved by the voters, would add a specific chapter to the Santa Rosa City Code to establish the new consolidated tax. That new chapter would be effective upon certification of the vote. The City Code provisions regarding the prior two City general taxes would be repealed. The new tax revenues would be subject to the City's existing fiscal accountability measures such as the charter-required independent audit and review of City revenues and expenditures as part of the public budget process.

Resolution

In addition to the ordinance, a resolution is necessary to place the tax measure on the ballot for the November 2020 election. The resolution calls for a special election for the tax measure and requests its consolidation with the other elections being held on the same date. The resolution contains the wording of the tax measure as it will appear on the ballot. The wording is recommended by the City Manager.

The Resolution also requests the City Attorney to prepare an impartial analysis of the measure and allows for the submittal of "rebuttals" to the arguments that may be submitted for inclusion in the ballot pamphlet. The Council, in the exercise of its discretion, may permit or not permit "rebuttals."

PRIOR CITY COUNCIL REVIEW

None.

FISCAL IMPACT

Funds have been included in the Fiscal Year (FY) 2020-21 budget to pay for costs associated with the November election, plus one additional ballot measure. This cost is estimated to be \$350,000. There is no additional impact to the General Fund.

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

The Long Term Financial Policy and Audit Subcommittee reviewed the opinion survey presentation on July 9, 2020, and recommended the presentation be given to the full Council for discussion.

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NOTIFICATION

Not applicable.

ATTACHMENTS

- Ordinance
- Resolution

CONTACT

Alan Alton, aalton@srcity.org, 707-543-3093