

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JASON NUTT, ASSISTANT CITY MANAGER,
CITY MANAGER'S OFFICE
SUBJECT: AMEND THE SANTA ROSA FEE SCHEDULE TO ADD AN
ANNUAL TOBACCO RETAIL LICENSE FEE

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the City Manager's Office that the Council: 1) hold a public hearing to discuss adding an annual Tobacco Retail License Fee; and 2) by resolution, add an annual Tobacco Retail License Fee associated with one compliance visit per fiscal year to the Santa Rosa Fee Schedule as Section 7.07, effective January 1, 2025.

EXECUTIVE SUMMARY

The City Council will hold a public hearing to consider adding an annual Tobacco Retail License Fee to the Fee Schedule to cover costs associated with compliance monitoring of Chapter 6-20 of the Santa Rosa City Code titled "Regulation of Retail Tobacco Sales", adopted by Council on August 6, 2024, and in effect on September 7, 2024. Council will be provided with a presentation describing how the proposed fee was developed in compliance with Government Code Section 50076 to ensure it does not exceed the estimated reasonable cost of providing the compliance monitoring activities. The public hearing will provide the public with an opportunity to provide feedback relating to the proposed fee.

BACKGROUND

The City Council approved an ordinance adding Chapter 6-20 to the Santa Rosa City Code titled "Regulation of Retail Tobacco Sales" on August 6, 2024, requiring all tobacco retailers to obtain a license and comply with enhanced regulations associated with tobacco sales, in particular, those targeting sales to youth. During the ordinance adoption, Council directed staff to return with a resolution proposing an annual fee to offset the reasonable costs of providing compliance monitoring activities.

The approved Ordinance includes the following key criteria:

- Imposes a 600-foot radius between new tobacco retailers and schools providing K-12 instruction, daycare centers, youth centers, sports facilities, and parks; and

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- Bans the sale of flavored tobacco products; and
- Bans the sale of electronic devices, including CBD, essential oils and other wellness product; and
- Establishes a minimum package size and pricing for various tobacco products.
- Establishes penalties for unlicensed retailers.
- Establishes penalties for licensed retailers.

PRIOR CITY COUNCIL REVIEW

November 14, 2023 – Study Session outlining key features of an ordinance. Council provided directive feedback.

May 21, 2024 – Public Hearing introducing the first reading of the Tobacco Retail License Ordinance. Approved by council.

June 4, 2024 – Consent item to adopt the Tobacco Retail License through a second reading of the ordinance. Council requested that staff return with specific modifications to the ordinance aligning sections associated with license transfers, fines and penalties with the ordinance recently adopted by Sonoma County.

July 23, 2024 – Public Hearing introducing the first reading of the Tobacco Retail License Ordinance. Approved by Council.

August 6, 2024 – Consent item to adopt the Tobacco Retail License through a second reading of the ordinance. Approved by Council.

ANALYSIS

Since the City is requiring that all retailers obtain a Tobacco Retail License by January 1, 2025, it will be necessary to collect a fee and conduct a compliance visit for the period between January 1 and June 30, 2025. In an effort to streamline the application process for both the Sonoma County Department of Health Services (DHS) and the tobacco retailers, staff is recommending that the initial license be valid from January 1, 2025, to June 30, 2026, as reflected in the resolution. DHS has developed fee options based on the number of annual compliance visits being requested by the City.

- Option 1 - One annual compliance visit beginning July 1, 2025 = \$631
- Option 2 - Two annual compliance visits beginning July 1, 2025 = \$828

In addition to either Option, staff is recommending that the fee include one compliance visit for the period between January 1 – June 30, 2025, with a fee of \$382. In that regard, the recommended total fee for Options 1 and 2 to cover the entire initial license period beginning on January 1, 2025, and ending on June 30, 2026, would be:

- Option 1: \$631 + \$382 = \$1,031 (as shown in Attachment 1).
- Option 2: \$828 + \$382 = \$1,210 (as shown in Attachment 2).

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Based on Council feedback during their July 23, 2024, meeting, staff is recommending that the fee be set based on Option 1 (Attachment 1), which has been included in the resolution as Exhibit A. Should council direct staff to implement the fee associated with Option 2 (Attachment 2), Exhibit A to the resolution will be changed to reflect that decision.

FISCAL IMPACT

Finance, Code Enforcement, and Planning and Economic Development have been consulted regarding the potential staff and financial impacts that could result from this policy and it has been determined to be less than significant at this time.

Exhibit A, attached to the proposed resolution, provides evidence that this annual fee complies with Government Code Section 50076 to ensure it does not exceed the estimated reasonable cost of providing the compliance monitoring activities.

This annual fee will not cover increased responsibilities of Code Enforcement; however, specific data on staff involvement is unknown at this time. While license fees will be collected by the County for their efforts to manage the program on behalf of the City, fines and appeal fees will be collected by the City to offset costs to the General Fund.

Should the MOU with the County be terminated or expire and not renewed, implementation of the ordinance will be conducted by Code Enforcement, resulting in adjustments to the annual fee to ensure cost recovery of the services needed to fully implement the ordinance and offset General Fund costs.

Potential sales tax loss is not currently measurable.

ENVIRONMENTAL IMPACT

The 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 Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

To notify and obtain input on the proposed annual Tobacco Retail License Fee, the City Manager's Office published a Notice of Public Hearing on October 11, 2024, and October 17, 2024, in the Press Democrat announcing the Public Hearing of October 22, 2024. On October 22, 2024, Council continued the Public Hearing to be heard on November 12, 2024.

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ATTACHMENTS

- Attachment 1 – Option 1 - Exhibit A - City of Santa Rosa Tobacco Retail License Fee Calculation
- Attachment 2 – Option 2 - Exhibit A - City of Santa Rosa Tobacco Retail License Fee Calculation
- Attachment 3 –Fee Schedule
- Resolution/ Exhibit A – Tobacco Retail License Fee

PRESENTER

Jason Nutt, Assistant City Manager