

Revenue Enhancement Options

FINANCE SUBCOMMITTEE

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ALAN ALTON

CHIEF FINANCIAL OFFICER

Overview

- General Fund has a budgetary structural deficit
 - ARPA programs returning to General Fund, Council may want to add others
 - New labor contracts will add to current deficit
 - Struggling to be competitive in current labor market
- Deficit corrected through increased revenue, expenditure reductions, or combination of the two
- Flat budget for all non-personnel related costs for FY 2024-25
 - Also, no ongoing “additional needs” or FTE requests
- Identifying Revenue Enhancements
 - Strategy for taking item to ballot – look at 5-year and longer timeline, not all at once

Potential Revenue Enhancements

- Transient Occupancy Tax (TOT)
 - Increase amount to General Fund
- Utility Users Tax
 - Modernize UUT – Telephone to include wireless devices
- Business Tax
 - Make more equitable by adjusting or removing cap on some business types
 - Include residential property rentals for 1-3 units (Tax currently applies to 4+ units)
- Sales Tax
 - Renew ½ cent add-on (Measure Q) prior to June 2031 sunset
 - Potentially increase
 - Measure Q revenue approx. \$23 million per year

Transient Occupancy Tax (TOT)

City of Santa Rosa

- 9% TOT
 - 100% to General Fund
- SRTBIA 3%
 - 30% to Econ Development
 - 70% to SR Tourism
- SCTBIA 2%
 - 100% to Sonoma Co. Tourism
- Total TOT and BIA rate of 14%
- **FY 2022-23 TOT Revenue: \$5,994,113**

City	TOT	BIA - Local	BIA - County	Total
Cloverdale	10%		2%	12%
Healdsburg	14%	2%		16%
Petaluma	10%		2%	12%
Rohnert Park	12%		2%	14%
<i>Santa Rosa</i>	9%	3%	2%	14%
Sebastopol	12%		2%	14%
Sonoma	13%	2%		15%
Windsor	12%		2%	14%
Sonoma County	12%		2%	14%

Utility Users Tax (UUT) - Telephone

City of Santa Rosa

- 5% UUT
 - 100% to General Fund
- Capped at \$1,000
- Does not apply to wireless communications

**FY 23 UUT – Telephone
Revenue: \$955,528**

City	Rate	Wireless	Cap	Notes
Cloverdale	3%*	Yes	No	Plus 2.5% on pre-paid wireless
Healdsburg	No			
Petaluma	No		2%	
Rohnert Park	No		2%	
Santa Rosa	5%	No	Yes	\$1,000 cap
Sebastopol	3.75%	Yes	No	
Sonoma	No			
Windsor	No			

Business Tax

City	Gross Receipts	Flat Rate	Cap	Notes
Cloverdale	No	Yes		Rate dependent on business type
Healdsburg	Yes		Yes	Based on gross receipts w/ max tax amt (\$400, retail; \$665, contractors)
Petaluma	Yes		Yes	.016% - .048% of gross receipts; cap at \$45
Rohnert Park	No	Yes	Yes	Per employee; \$50 first, \$15 each add.; \$5,000 max
<i>Santa Rosa</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>\$3,000 cap on four business groups</i>
Sebastopol	No	Yes		Per employee (retail/wholesale/services) \$90-\$340; professionals, \$150 first, \$75 each other
Sonoma	No	Yes		Rate per employee.
Windsor	No	Yes		\$71 initial application; \$26 renewal

Santa Rosa Business Tax

Group 1: Retailing, Wholesaling, Manufacturing, Corporate Headquarters

(\$25 plus \$0.34/\$1,000 for each \$1,000 over \$25,000)

Group 2: Services, Health Care Centers, Rental of Residential Property, Rental of Non-Residential Property, Public Utilities

(\$25 plus \$0.84/\$1,000 for each \$1,000 over \$25,000)

Group 3: Contractors, Land Developers, Recreation and Entertainment

(\$25 plus \$1.09/\$1,000 for each \$1,000 over \$25,000)

Group 4: Professions

(\$25 plus \$1.68/\$1,000 for each \$1,000 over \$25,000)

Examples

Group 1	
Gross Receipts	\$ 8,500,000
First \$25,000	\$ 25
Remaining	\$ 2,882
Total Tax	\$ 2,907

Group 2	
Gross Receipts	\$ 3,500,000
First \$25,000	\$ 25
Remaining	\$ 2,919
Total Tax	\$ 2,944

Group 3	
Gross Receipts	\$ 2,750,000
First \$25,000	\$ 25
Remaining	\$ 2,970
Total Tax	\$ 2,995

Group 4	
Gross Receipts	\$ 1,750,000
First \$25,000	\$ 25
Remaining	\$ 2,898
Total Tax	\$ 2,923

Sales Tax

- Current Sales Tax in Santa Rosa is 9.25%
 - 7.25% California Sales Tax
 - 2.00% Local District Taxes
- Of the 9.25% of Sales Taxes, City directly receives revenue from 1.75%
- General Fund Sales Taxes: ~\$74M est.
 - 1.0% Bradley Burns (\$49.3M est.)
 - 0.50% Co. Public Safety – Prop 172 (\$1.5M)
 - 0.50% District Tax – GF (\$23.8M est.)
- Public Safety Special Tax
 - 0.25% District Tax – Non-GF (\$12M est.)

State Wide Sales & Use Tax	Rate
California General Fund	3.9375%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health, Public Safety)	1.5625%
City/ County Operations (Bradley Burns)	1.0000%
Countywide Transportation Fund	0.2500%
Total CA State Tax	7.25%

District Taxes	Rate
City of Santa Rosa 2020 TUT (Measure Q)	0.5000%
City of Santa Rosa Public Safety TUT (Measure H)	0.2500%
County of Sonoma Agricultural Preservation	0.2500%
County of Sonoma Library Enhancement Act	0.1250%
County of Sonoma Mental Health & Homeless Services T	0.2500%
County of Sonoma Parks and Safety TUT	0.1250%
County of Sonoma Transportation Authority	0.2500%
Sonoma-Marin Area Rail Transportation Authority	0.2500%
Total Local District Tax	2.00%

Total Sales Tax in the City of Santa Rosa	9.25%
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