

# Revenue Enhancement Options

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FINANCE SUBCOMMITTEE  
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# Overview

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- 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

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- 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%
<b><i>Santa Rosa</i></b>	<b>9%</b>	<b>3%</b>	<b>2%</b>	<b>14%</b>
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%	
<b><i>Santa Rosa</i></b>	<b><i>5%</i></b>	<b><i>No</i></b>	<b><i>Yes</i></b>	<b><i>\$1,000 cap</i></b>
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
<b><i>Santa Rosa</i></b>	<b><i>Yes</i></b>	<b><i>No</i></b>	<b><i>Yes</i></b>	<b><i>\$3,000 cap on four business groups</i></b>
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
<b>Total Tax</b>	<b>\$ 2,907</b>

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

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

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

# 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%
<b>Total CA State Tax</b>	<b>7.25%</b>

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%
<b>Total Local District Tax</b>	<b>2.00%</b>

<b>Total Sales Tax in the City of Santa Rosa</b>	<b>9.25%</b>
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