

# Transient Occupancy Tax Ballot Measure

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CITY COUNCIL  
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# TOT Overview

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- Transient Occupancy Tax (TOT) is a general tax which funds general government services
- The tax is charged to visitors renting room at lodging establishments, including hotels, motels, and short-term rentals
- Santa Rosa's current TOT rate is 9% of room rate
- Santa Rosa has two Business Improvement Area assessments
  - Local Santa Rosa Tourism BIA (SRTBIA) – 3% of room rate
  - Sonoma County Tourism BIA (SCTBIA) – 2% of room rate
- The combined TOT and BIA rates is 14%

# BIA Overview

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- City joined SCTBIA by contract in 2004
  - 2% assessment to lodging operators with more than \$350,000 of revenue
  - Revenue to Sonoma County Tourism
  - FY 2022-23, approximately \$1.2 million collected from SCTBIA
- City formed SRTBIA in 2010
  - 3% assessment to lodging operators (hotels, motels, STRs)
  - Shared 30% to City Economic Development Fund, 70% to Metro Chamber
  - FY 2022-23, approximately \$2.2 million collected from SRTBIA
- Revenue goes to various county and local programs to promote tourism, destination marketing, and drive economic growth.

# Budget Overview

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- The City's General Fund is forecasting a long-term deficit
- The FY 2023-24 is projected to close the year with a \$2M deficit
- The FY 2024-25 adopted budget has a \$13.3M deficit
  - Deficit a result of rising non-personnel operating costs, rising labor costs, and the loss of one-time Federal and State grant funding for programs
- With no changes, the deficit will grow progressively each year
- The General Fund deficit draws down reserve balances
  - Fiscal Stability Reserves will be gone in FY 2025-26
  - Unassigned GF Reserves by FY 2027-28

# Fiscal Stabilization

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- Correcting this imbalance requires a broad, long-term approach
- Expenditure reduction measures have included keeping operational budgets flat over the last two years, budget neutral additions
- Currently in hiring freeze
- Have begun expenditure reductions, with more cuts coming in current budget and next year's budget development
- Need to add new ongoing revenue
- Need to invest in long-term economic growth opportunities, but not at the expense of expenditure reductions and revenue enhancements

# Proposed Changes

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- Increase TOT rate by 2% - from 9% to 11%
- This will generate up approximately \$1.2M of additional revenue to the General Fund
- There are no changes to the SCTBIA or SRTBIA assessments
- The increase in TOT will bring the total amount of taxes and fees paid by visitors to Santa Rosa lodging businesses from 14% to 16%, which would be the highest combined charges in the County, equal to Healdsburg

# Rate Comparison

## CURRENT TOT RATES

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

## PROPOSED TOT RATES

City	TOT	BIA - Local	BIA - County	Total
Healdsburg	14%		2%	16%
<b>Santa Rosa</b>	<b>11%</b>	<b>3%</b>	<b>2%</b>	<b>16%</b>
Sonoma	13%	2%		15%
Rohnert Park	12%		2%	14%
Sebastopol	12%		2%	14%
Sonoma County	12%		2%	14%
Windsor	12%		2%	14%
Petaluma	10%	2%	2%	14%
Cloverdale	10%		2%	12%

# Benefit

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- Revenue generated will go into the General Fund, funding essential services
- These services are beneficial to promoting tourism and economic development
- Increase in rates keeps pace with the cost of providing service
- Does not increase taxes on Santa Rosa residents
- Taxes paid by visitors ensuring they contribute to the funding of essential services



# Resolution

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- A resolution is necessary to place a tax measure on the ballot for the November 2024 election
- The resolution contains the wording of the tax measure as it will appear on the ballot
- Directs the City Attorney to prepare an impartial analysis and allows for the submittal of rebuttals to the arguments that may be submitted for inclusion in the ballot pamphlet
- Provides the opportunity for the Council to designate an individual or individuals to submit an argument in favor of the measure and a rebuttal argument on behalf of the Council

# Ballot Language

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## “City of Santa Rosa Hotel/Motel Guest Tax Measure”

<p>To maintain locally controlled funding for services, such as repairing potholes and maintaining streets; maintaining youth violence prevention, drug/gang intervention programs; keeping city parks clean safe/well maintained, and improving wildfire prevention/preparedness, shall City of Santa Rosa’s measure be adopted increasing the existing transient occupancy tax charged to hotel, motel and lodging guests by 2%, until ended by voters, providing \$1,200,000 annually and all funds staying local?”</p>	Yes  <hr/>	No  <hr/>
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# Recommendation

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It is recommended by the Finance Department that the City Council (1) introduce an ordinance to amend Chapter 3-28 of the Santa Rosa City Code to increase the Transient Occupancy Tax (TOT), paid by guests at hotels, motels, and other lodging establishments by two percent (2%), and (2) approve a resolution ordering the submission of a ballot measure to seek voter approval of this ordinance at the November 5, 2024, General Municipal Election, directing related actions, and designating an individual to submit, on behalf of the City Council, an argument in favor of the measure and a rebuttal argument.