

**SONOMA COUNTY
LOCAL AGENCY FORMATION COMMISSION (LAFCO)**

**Municipal Service Review and
Sphere of Influence Update**

City of Santa Rosa

Public Review Draft – January 29, 2024



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LIST OF ABBREVIATIONS USED

ACFR	Annual Comprehensive Financial Report
CalPERS	California Public Employees' Retirement System
CFPD	Consolidated Fire Protection District
CIP	Capital Improvements Program
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
DUC	Disadvantaged Unincorporated Community
FY	Fiscal Year
ISO	Insurance Service Office
JPA	Joint Powers Authority
LAFCO	Local Agency Formation Commission
LMIHF	Low- and Moderate-Income Housing Fund
MSR	Municipal Service Review
OPEB	Other Post-Employment Benefits
SOI	Sphere of Influence
UGB	Urban Growth Boundary

EXECUTIVE SUMMARY

The Local Agency Formation Commission (“LAFCO” or “Commission”) for the County of Sonoma (“County”) is preparing this Municipal Service Review (“MSR”) and Sphere of Influence (“SOI”) update for the City of Santa Rosa (“City”). LAFCO acts as the county-wide oversight agency that coordinates logical and timely changes to local government boundaries.

LAFCO retained consultant RSG, Inc. (“RSG”) to prepare the MSR, which included a survey and interview with City staff, and collecting demographic, fiscal, and other data to support the review of services and facilities in the City, and to make findings and determinations within the requirements of State law and LAFCO policies.

SUMMARY OF MSR DETERMINATIONS

- Santa Rosa’s population has increased slightly since 2010, compared to a small decline in population in the County as a whole. As of December 31, 2023, there are 41 housing projects approved by Council which will add 656 single-family residential units, 2,886 multi-family residential units, and 404 accessory dwelling units (ADUs). The average household size in Santa Rosa is 2.63 persons per the U.S. Census Bureau as of July 1, 2015. Excluding the ADUs, the current active residential units would add 9,315 new residents to the City.
- Sonoma LAFCO is finalizing a study which identifies and maps disadvantaged unincorporated communities (“DUC”). The study’s preliminary findings indicate that there are DUCs within the City’s SOI, including portions of southern Santa Rosa and many of the remaining unincorporated islands within the City. The City independently identified potential DUCs through the General Plan Update process for General Plan 2050 in most of the unincorporated area in the southern part of the City’s SOI (south of Bellevue Avenue), along with 16 of the small islands within the City limits.
- Santa Rosa’s public facilities and services are generally sufficient to meet community needs and expected growth. The City should address capital improvements to its streets network. It

is also in need of funding for a new fire station in the southern part of the City, generally east of Highway 101. Additionally, the City is in the process of rebuilding Fire Station 5, which was destroyed in the 2017 fires and relocating Fire Station 8. Both stations are being funded through the Capital Improvements Program (“CIP”) process.

- The State Auditor gave Santa Rosa a fiscal health risk of “low” for Fiscal Year (“FY”) 2021-22, and only marked two out of ten fiscal indicators as high risk. The two high risk indicators include future pension costs and OPEB funding. Staff also noted that the City has a growing structural deficit that could reach unsustainable levels in the future if not addressed through increasing revenues and strategic expenditure reductions.
- In 2008, an agreement was established to send a portion of the Town of Windsor's recycled water to the Geysers steam fields via the Geysers Pipeline. The cities of Santa Rosa, Rohnert Park, Cotati, Sebastopol, and South Park County Sanitation District send their wastewater to the Laguna Treatment Plant and are parties to a regional agreement that manages and pays for the operation, maintenance, and capital improvements of the regional system. The City also has a service cooperation agreement with the Sonoma County Fire District to ensure the closest available fire resource is dispatched to critical calls for service. RSG did not identify further opportunities for shared facilities for the City.
- The City employs best practices to provide transparency and accountability regarding municipal service operations to meet the needs of the public it serves.

SUMMARY OF SOI DETERMINATIONS AND RECOMMENDATIONS

- The City’s public facilities and services are generally sufficient to accommodate growth over the next decade, although some significant capital improvements (including improvements to streets and a new fire station) are necessary to improve the quality of service.
- There are currently no LAFCO-designated DUCs within or contiguous to the City of Santa Rosa. However, LAFCO is currently updating its DUC maps, and anticipates that there will be at least two DUCs in Santa Rosa’s SOI.

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- Santa Rosa's SOI does not match its Urban Growth Boundary ("UGB"). RSG recommends Santa Rosa's SOI boundaries be modified to match the City's UGB such that the two boundaries are coterminous, pursuant to LAFCO's SOI Policy.

BACKGROUND

LEGAL REQUIREMENTS AND PURPOSE

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56430 et. seq., (“CKH”) requires LAFCOs to prepare periodic reviews of services provided by most local agencies and provides discretion on the manner in which a commission undertakes these reviews. The reviews are instrumental in making determinations on jurisdictional and SOI boundaries, as well as informing commissions, affected agencies, and the general public of opportunities for improving service delivery.

LAFCO RESPONSIBILITIES

CKH directs LAFCOs in California to discourage urban sprawl, encourage the orderly formation and development of cities and special districts, and preserve agricultural land. LAFCOs act as the county-wide oversight agency that is responsible for considering logical and timely changes in local governmental boundaries, including annexations and detachments of territory, incorporations of cities, formations of special districts, and consolidations, mergers, and dissolutions of districts. In this manner, LAFCOs play an important role in assuring the thoughtful, appropriate, and efficient reorganization, simplification, and streamlining of quality local governmental services.

As part of these objectives, LAFCOs establish and periodically review spheres of influence for local agencies through a process known as an MSR and SOI update.

SPHERE OF INFLUENCE DETERMINATIONS AND UPDATES

Since 1972, LAFCOs in California have been responsible for determining and overseeing the sphere of influence for local government agencies. An SOI is defined as “a plan for probable physical boundaries and service area of a local agency, as determined by the Commission.” Consistent with Commission SOI policies, an SOI can be a) coterminous to agency boundaries

as the ultimate foreseen configuration of the agency in anticipation of no future growth, b) extended beyond the agency boundaries in anticipation of future growth, c) be smaller, indicating the need to detach areas from the agency boundaries or d) be designated a “zero sphere”, which indicates a potential dissolution of the agency. In order to amend the sphere of influence boundaries, formal approval from the Commission is required. Factors considered in an SOI study include current and future land use, capacity needs, and any relevant areas of interest such as geographical terrain, location, and any other aspects that would influence the level of service.

Per Government Code Section 56425, the Commission shall consider and prepare a written statement of its determinations of the following factors:

1. Present and planned land use in the area, including agricultural and open space lands.
2. Present and probable need for public facilities and services in the area.
3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. Existence of any social or economic communities of interest in the area.
5. Present and future need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The purpose of an SOI is to ensure efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands by preventing overlapping jurisdictions and duplicating services. On a regional level, LAFCOs consider the orderly development of a community by reconciling differences between different agency plans. This is intended to ensure the most efficient urban service arrangements are created for the benefit of area residents and property owners.

LAFCO SPHERE OF INFLUENCE POLICY

From time-to-time, an SOI may be modified as determined by LAFCO; the procedures for making sphere amendments are outlined in CKH, and in some cases, further refined by a Commission's own guidelines. Pursuant to Government Code Section 56430, a commission must first conduct a municipal services review prior to updating or amending a SOI.

The Commission adopted a "Spheres of Influence and Municipal Service Reviews Policy" on October 1, 2008, which provides a timeline and framework for SOI updates and the completion of MSRs. In updating spheres of influence, the Commission's general policies are as follows:

- The Commission will review all spheres of influence every five years for each governmental agency providing municipal services. Municipal services include cities and jurisdictions providing police, fire protection, waste disposal, and water services.
- Sphere of influence changes initiated by any agency providing a municipal service shall require either an updated or new service review.
- Spheres of Influence of districts not providing municipal services including, but not limited to, ambulance, recreation, hospital, resource conservation, cemetery, and pest control shall be updated as necessary.

RSG analyzes the spheres in the SOI Recommendations section of this MSR.

DISADVANTAGED UNINCORPORATED COMMUNITIES

As part of the MSR, RSG considered the impact of the SOI related to Disadvantaged Unincorporated Communities. A DUC is defined by Government Code Section 56033.5 as an area of inhabited territory located within an unincorporated area of a county within a "disadvantaged community." A disadvantaged community is defined in Water Code Section 79505.5(a) as a community with an annual median household income which is less than 80 percent of the statewide median household income. Government Code Section 56046 defines "inhabited" as a territory within which there are 12 or more registered voters.

Sonoma LAFCO is in the process of identifying and mapping DUCs within the County via a separate DUC study, which should be finalized by spring 2024. The study's preliminary findings reveal the presence of DUCs within the City's SOI, including areas in southern Santa Rosa and many of the remaining unincorporated islands within the City. The City has also identified a number of potential DUCs within its SOI based on criteria set by Senate Bill 244 through the City's General Plan Update process for General Plan 2050, which is currently underway and expected to be adopted in early 2025. These include most of the unincorporated area in the southern part of the City's SOI (south of Bellevue Avenue), along with 16 of the small islands within the City limits. The existing General Plan 2035 includes a policy (GM-B-5) which requires a detailed land use plan be prepared for the area east of Santa Rosa Avenue and north of Todd Road, in the southern portion of the SOI, prior to annexation. The plan is required in order to evaluate the need for City services and infrastructure in that area, in addition to addressing land use and circulation.

MUNICIPAL SERVICE REVIEW (MSR) REQUIREMENTS

Section 56425(g) of CKH requires that LAFCOs evaluate a given SOI every five years, as necessary; the vehicle for doing this is known as an MSR. Prior to or in conjunction with SOI reviews, an MSR must be prepared pursuant to Government Code Section 56430. MSRs are conducted to assist in the SOI review process by providing information regarding the ability of agencies to provide public services. Pursuant to Government Code Section 56430, MSRs are to make determinations considering seven required topics based on CKH, including:

1. Growth and population projections for the affected area.
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence(s).
3. Present and planned capacity of public facilities and adequacy of public services, infrastructure needs or deficiencies related to sewers, municipal and industrial water, and

structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including government structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCO Policy.

The focus of an MSR is to describe how public services are being carried out and to determine if the residents of the community are receiving a sufficient level of service, while also discouraging urban sprawl and the premature conversion of agricultural lands. If an MSR determines that certain services are not being carried out to an adequate standard, LAFCO can recommend changes such as sphere changes, as well as consolidation or dissolution of service providers to provide the best service possible to the population.

PREVIOUS MSR DETERMINATIONS

The last service review of the City of Santa Rosa was adopted by LAFCO in July 2006, prepared by Economic & Planning Systems, Inc., herein referred to as the “2006 MSR”.

The 2006 MSR made several findings with respect to the City. For context, these findings are identified below:

- Growth and development in the City had been constrained by the habitat location of the California tiger salamander, which potentially limited the City’s ability to develop land designated for urban development in its General Plan. According to the General Plan Environmental Impact Report 2035, the proposed expansion of urban land uses in General Plan 2035 would not conflict with any adopted habitat conservation plans. The 2005 Santa

Rosa Plain Conservation Strategy includes mitigation measures that are designed to lessen impacts to the California tiger salamander.

- Unincorporated islands within the City presented several challenges, including fragmented development and discontinuity of infrastructure and services. In some unincorporated areas, there was opposition to annexation by the residents. Since the 2006 MSR, the City has annexed a total of nine islands: six in southwest Santa Rosa and three in northeast Santa Rosa. This includes the five islands annexed in 2017: Roseland, Brittain Lane, West Hearn, West Third, and Victoria Drive in the southwest portion of the City.
- The 2006 MSR indicated that the water entitlement for the City was not sufficient to meet projected demand, and that the City was exploring alternative ways of increasing its water allotment. The City has since implemented water efficiency programs and decreased its average per capita water use, and as a result is now able to meet both current and projected future demand for water. In order to enhance the community's water supply resiliency, Santa Rosa Water conducted a study in 2023 of water supply options and developed an adaptive Water Supply Alternatives Plan for reducing vulnerability to short-term water shortages during drought and enhancing long-term water supply reliability. The plan outlines opportunities that require additional feasibility studies in the near-term.
- Funding was not sufficient as of the 2006 MSR for the City to fully maintain its streets and transportation infrastructure. The funding deficiencies led to a significant maintenance backlog. This issue remains a challenge for the City.
- The Fire Department struggled to maintain a high level of service as of 2006 due to insufficient funding and aging equipment and facilities. The City passed a sales tax in 2004 to assist with the funding shortfalls. The City is currently funding a fire station relocation project for Fire Station 8 and rebuilding Fire Station 5 through the CIP process.

METHODOLOGY

MSRs are conducted to assist in the SOI review process by providing information regarding the ability of agencies to provide public services. For this MSR, RSG worked with LAFCO staff to review the services provided by the City of Santa Rosa and, to a lesser extent, services provided within the City by other agencies. Key tasks and activities in completing this MSR included data collection, interviews with City staff, City profile development, determination analysis, public review of the draft MSR, and the adoption of the final MSR.

Data Collection

To fully understand key factors and current issues involving the City, RSG conducted an initial working session with LAFCO staff to determine the project scope and formalize overall MSR objectives, schedules, policy and fiscal criteria, service standards, and roles and responsibilities. The MSR began with a complete and thorough review of available data and documents including adopted budgets, comprehensive financial reports, capital improvement plans, strategic plans, and the current General Plan 2035. These documents were assessed to develop a comprehensive overview of the City. In addition, various reports and documents were utilized from the California Department of Finance, the California Department of Tax and Fee Administration, the California State Auditor, the Census Bureau, LAFCO, CoStar (a commercial real estate database), and ESRI Business Analyst.

Interviews

In coordination with LAFCO, during the month of October 2023, RSG interviewed the executive leadership of the City to gain insight on current operations and any unique challenges for Santa Rosa.

The content of this interview included the following topics:

- Financing constraints and opportunities;
- Growth and population projections;

- Infrastructure needs or deficiencies;
- Cost avoidance opportunities;
- Opportunities for rate restructuring regarding services provided;
- Opportunities for shared facilities with other cities or agencies;
- Government structure options, including advantages or disadvantages of consolidation or reorganization of service providers;
- Evaluation of management efficiencies; and
- Local accountability and governance, specifically the structures in place to support public engagement and participation.

City Profile

Following data collection and interviews, RSG developed a City profile based on the MSR and SOI determination criteria required for the completion of the MSR per CKH. The profile includes key characteristics such as services offered, staffing levels, population and growth, service providers, infrastructure, financial condition, and boundary areas and maps. Department profiles can be found in the Service Review sections.

Annual Budget Data

RSG utilized the City's annual budgets for fiscal years ("FYs") 2019-20 through 2023-24 and the Annual Comprehensive Financial Reports ("ACFRs") for FYs 2019-20 through 2021-22 to analyze historical operating revenues and expenditures. RSG analyzed the data to make determinations regarding the City's fiscal health, including tax revenue and expenditure trends. The dataset provides current expenditures by department (general government, public safety, community development, transportation, etc.), and type of operating expenditure (salaries and wages, retirement benefits, materials and supplies, contract services, debt service, and capital outlay).

The data also includes reports on general revenues, tax revenues, fees for services, special benefit assessments, and intergovernmental revenues.

SERVICE REVIEW – CITY OF SANTA ROSA

The City of Santa Rosa is located roughly at the center of Sonoma County, east of State Route 116, intersected by State Route 12 and U.S. Route 101, and west of Sugarloaf Ridge State Park. The City shares portions of its borders with unincorporated areas of the County, and nearby cities include the City of Rohnert Park to the south and the City of Sebastopol to the west. Santa Rosa was incorporated on March 26, 1858, as a charter city. Within the County government, portions of the City are in the First, Third, Fourth, and Fifth Supervisorial Districts.

At present, Santa Rosa spans an area of approximately 43 square miles and includes a number of small islands within its corporate boundary, particularly in the northeast portion of the City. The SOI also extends beyond the City's boundaries on the northeast, south, and southwest sides of the City. Santa Rosa is home to 174,323 residents, 8,416 businesses, and a workforce of 90,351 employees.¹ The City maintains an in-house model to deliver municipal services.

Figure 1 presents a demographic and land use profile of the City and the overall County.

¹ Source: Esri Business Analyst

Figure 1: Demographic Profile – Santa Rosa

	Santa Rosa	Sonoma County
Population as of 2010	167,815	483,878
Population as of 2023	174,523	478,174
Annual Pop. Growth Since 2010	0.3%	-0.09%
Total Housing Units	71,563	208,234
Persons/Housing Unit	2.44	2.30
Land Area (Sq Miles)	43	1,768
Persons/Square Mile	4,078	270
Median Household Income	\$86,459	\$94,295
Projected Population in 2035	213,615	568,815
Annual Proj. Growth 2023-2035	1.70%	1.46%
Projected Population in 2040	223,060	584,045
Annual Proj. Growth 2023-2040	1.45%	1.18%
Total Current City Staff (FTE)	1,289.50	

Sources: Esri Business Analyst, Department of Finance, Association of Bay Area Governments. US Census. Santa Rosa Budget

Between 2010 and 2023, Santa Rosa experienced a population increase of less than one percent.² According to the Association of Bay Area Governments, the population is expected to grow over the next 15 to 20 years at approximately 1.45 percent annually.

The State and the County have seen an overall decrease in population brought about by a variety of factors including an aging population, declining birth rates, impacts of COVID-19, and an increase in domestic migration to other areas.

Santa Rosa consists of a diverse landscape that combines both urban living and suburban residential neighborhoods, as well as parks and open space. The City has an extensive network of over 60 community and neighborhood parks. Santa Rosa's major employment sectors include the service industry (48.7 percent of employment), manufacturing industry (11.9 percent), and retail trade industry (11.6 percent).³

² Source: ESRI Business Analyst

³ Source: ESRI Business Analyst

Figure 2 provides a land use summary of residential and commercial development in the City.

Figure 2: Land Use Summary – Santa Rosa

Santa Rosa		County	
Residential Units	Units	%	%
Single Family	46,791	65.6%	75.8%
Multifamily	21,814	30.6%	19.8%
Mobile Home	2,686	3.8%	4.4%
Total Units	71,291	100%	100%
New Units Since 2010	1,387		
Commercial	Gross SF	% City	% County
Retail	11,112,462	30.9%	32.1%
Industrial	11,983,407	33.3%	38.0%
Office	10,060,282	28.0%	21.0%
Other	2,805,686	7.8%	8.9%
Total	35,961,837	100%	100%
New Commercial Since 2010	397,959		

Sources: California Department of Finance, Costar, ESRI BAO

Single family housing is the predominant residential building type, representing approximately 66 percent of the 71,291 housing units in Santa Rosa. Approximately 1,387 of these 71,291 units (two percent) have been constructed since 2010. Commercial space is fairly evenly split between retail, industrial, and office, with each category making up around a third of the total. Industrial space takes a slight lead and makes up approximately 33 percent of the commercial building area in Santa Rosa.

The City's adopted 6th Cycle Housing Element for 2023-2031 ("Housing Element") was reviewed by the Department of Housing and Community Development on April 7, 2023, and was deemed in compliance with state law. The Housing Element states that the City is required to plan for 4,865 units during the 2023-2031 planning period, including 1,919 units that are affordable to extremely-low, very-low, and low-income households, 771 units that are affordable to moderate-income households, and 1,995 units for above moderate-income households. As of April 2022,

there were an estimated 5,385 housing units either planned and approved or under construction that could meet a portion of the City's RHNA. With the addition of pending projects, capacity within the Downtown Area Specific Plan ("DSASP"), the vacant site capacity (outside of the DSASP area), and the projected ADUs, the City would have a total surplus of 2,314 units.

CURRENT SPHERE OF INFLUENCE

Appendix 2 shows the City's jurisdictional boundary and SOI as of October 2023. Since the 2006 MSR, the Commission has approved Santa Rosa annexation applications for nine islands, including six islands in southwest Santa Rosa and three islands in northeast Santa Rosa. This includes five islands annexed in 2017 (together known as the Roseland Area) totaling 715 acres in the southwest portion of the City. There are 45 remaining islands, mostly consisting of five parcels or fewer.

Santa Rosa's 45.2 square mile SOI is larger than the current 41.29 square mile City limits, encompassing a number of small islands within the City boundaries. The SOI extends beyond the City limits to the northeast, south, and southwest. These boundaries are identified on Santa Rosa's SOI map⁴ by LAFCO dated June 6, 2020. None of the areas contain LAFCO-designated DUCs. The City boundaries include six adjacent noncontiguous unincorporated areas, none of which are part of the City's SOI.

Approximately 10,000 people reside in Santa Rosa's unincorporated SOI, compared to 174,500 residents inside the city boundaries. While the city limits and unincorporated SOI are similar in terms of average persons per household, population densities are lower in the SOI because it includes several large undeveloped areas. The population within the unincorporated SOI has experienced a slight increase over the past ten years, commensurate with the increase in the population of the City as a whole.

⁴ Source: LAFCO City Maps, Santa Rosa Sphere of Influence Map, dated June 6, 2020.
<https://permitsonoma.org/Microsites/Permit%20Sonoma/Documents/Pre-2022/GIS/Downloadable%20Map/City-Santa-Rosa-Urban-Boundaries.pdf>

The City has requested that Sonoma LAFCO amend the City's SOI to match its urban growth boundary ("UGB") as shown in Appendix 3. At present, there are several areas where the SOI is smaller than the UGB, as well as areas where the SOI extends beyond the UGB. Santa Rosa voters approved a five-year UGB in 1990, followed by a twenty-year UGB in 1996. Voters extended the UGB measure in 2010 to ensure that it will not be changed until at least 2035.

The City's SOI update request is consistent with Sonoma LAFCO's policies, which state that a sphere of influence should "include properties wholly within both the voter-approved Urban Growth Boundary and the Urban Service Boundary for the city in the Sonoma County General Plan; include properties within a city's Urban Growth Boundary that are outside the Urban Service Boundary for the City in the Sonoma County General Plan; and exclude parcels outside the Urban Growth Boundary and Urban Service Boundary of a city."

EXTRATERRITORIAL SERVICES

The Santa Rosa Water Department provides wholesale recycled water to the cities of Santa Rosa and Rohnert Park, agricultural customers, and the Geysers Geothermal Project under structured agreements and contracts. The City also provides water and/or sewer services to unincorporated parcels in several agreement areas and County islands. Prior to the State of California granting authority to LAFCO over the extension of an agency's services outside of its boundary, cities provided extraterritorial services through a variety of means, including infrastructure agreements and assessment districts. Since or before 2001, the City has been providing water or sewer services to areas including but not limited to Broadmoor Acres, Industry West Complex, Willowside Estates, Middle Rincon Road Assessment District, and the Hansen Drive Assessment District.

FORM OF GOVERNMENT AND STAFFING

The City of Santa Rosa is a charter city governed by a seven-member City Council. The City Council is elected through district elections, wherein eligible registered voters elect one council member for the district in which they are registered. Council members select the Mayor from

amongst themselves. City Council members have staggered four-year terms and the Mayor serves for a term of two years or until a successor is chosen, unless removed earlier by the Council. In the most recent November 2022 election, four Council seats were up for re-election.

The City Council appoints a City Manager to serve as the administrative head of the City government responsible for the efficient operation of the City. The City Council also appoints a City Attorney and a Vice-Mayor, who serves as Mayor Pro Tem in the absence or sickness of the Mayor. The City Manager appoints a City Clerk, City Engineers, a Chief Financial Officer, a Chief of Police, and a Chief of the Fire Department. Other department heads are hired by, and report to, the City Manager.⁵ The City is organized into departments operating under the direction of the City Manager, including Planning and Economic Development, Housing and Community Services, and Public Works. The City Council also serves as the Successor Agency of the former Redevelopment Agency.

The City operates with an annual General Fund budget of about \$35 million and 1,296 full-time employees.⁶ Santa Rosa is generally regarded as a self-administered City, meaning that it manages and provides most municipal services directly through its own staff rather than by outsourcing or contracting.

Appendix 1 contains the current organizational chart of the City for FY 2022-23.

SERVICES PROVIDED

The City provides for most public services with in-house City staff, including general government, community development, and community services. Public safety (including police, fire, and emergency medical services) and public works services are also provided by City departments. Animal control and library services are provided by the County of Sonoma. Solid waste management is handled by a contractor, and electricity and natural gas are provided through a

⁵ Source: Charter of the City of Santa Rosa

⁶ Source: City of Santa Rosa 2022-23 Budget

franchise agreement with Pacific Gas & Electric. Figure 3 provides a summary of municipal services and associated service providers within Santa Rosa.

In general, the City has the capacity to provide adequate services to the community at the current level of demand, and City representatives anticipate that they will be able to continue to provide service in accordance with projected growth rates.

Figure 3: Santa Rosa Service Provider Matrix

Public Service	Responsible Agency	Service Provider
Law Enforcement	City	Santa Rosa Police Department
Fire Protection	City	Santa Rosa Fire Department
Fire Prevention	City	Santa Rosa Fire Department - Fire Prevention Bureau
Emergency Management	City	Santa Rosa Fire Department
Emergency Medical	City	Santa Rosa Fire Department - Emergency Medical Services Division
Building/Planning	City	Santa Rosa Planning & Economic Development
Housing	City	Santa Rosa Housing & Community Services Department
Housing and Homeless Services	City	Santa Rosa Housing & Community Services Department
Code Enforcement	City	Santa Rosa Planning & Economic Development
Animal Control	County	Sonoma County Animal Services
Parks and Recreation	City	Santa Rosa Recreation & Parks
Library	County	Sonoma County Library Comission
Landscape Maintenance	City	Santa Rosa Recreation & Parks
Lighting	City	Santa Rosa Transportation & Public Works
Streets/Road Maintenance	City	Santa Rosa Transportation & Public Works
Electricity/Natural Gas	City (Franchise)	Pacific Gas and Electric Company
Solid Waste	City (Contract)	Recology, Inc. dba Recology Sonoma Marin
Stormwater Drainage	City	Santa Rosa Transportation & Public Works
Water	City	Santa Rosa Water Department
Wastewater	City	Santa Rosa Water Department
Wastewater Treatment & Disposal	City	Santa Rosa Water Department

Government Services

General government services are primarily provided by elected officials and City management. The City's elected officials are responsible for all legislative and policy functions that establish the quality of City services, and administration and support staff are responsible for implementing such policies. The City Council also serves on several City agencies and boards, including the Successor Agency to the Redevelopment Agency and the Successor Agency Oversight Board. In addition to the City Council, the City's legislative bodies include the Planning Commission, Community Advisory Board, Board of Public Utilities, Cultural Heritage Board, Housing Authority, and several others. The City Clerk and City Attorney provide additional support to the City's legislative bodies.

Police Services

The City of Santa Rosa provides in-house police protection services through the Santa Rosa Police Department. As of FY 23-24, the Department has authorized 264 full-time equivalent positions, including 184 sworn positions (or 1.03 officers per 1,000 residents). The Department has three divisions: Field Services, Special Services, and Technical Services.

The Field Services Division is comprised of eight patrol teams divided among various beats, with officers assigned to a beat for six months at a time. This Division also includes traffic safety and enforcement.

The Special Services Division focuses on more serious crimes and includes six detective units (domestic violence and sexual assault, narcotics, property crimes, violent crimes, gang crimes, and special enforcement) which are supported by a forensic team.

As of 2022, the Police Department has an average response time of approximately seven minutes for priority one calls, eleven minutes for priority two calls, and twenty-three minutes for priority three calls. The Police Department typically receives and processes approximately 250,000 routine and emergency calls for police, fire, and medical services each year, and received a total

of 256,140 calls in 2022. Santa Rosa and Sonoma County have seen an overall rise in violent crimes, including a slight increase in gun violence from 2021 to 2022.

Santa Rosa has seen an overall decrease in reported crimes between 2013 and 2022. In 2013, 541 violent crimes were reported, and in 2022, 669 violent crimes were reported. In 2013, 3,506 property crimes were reported, and in 2022, 2,581 property crimes were reported.

In 2004, voters approved Measure O, a ¼ cent special sales tax for public safety and violence prevention. It currently provides funding for 11 sworn positions and five civilian positions, along with funding for public safety activities such as the DUI investigators. Measure O was due to sunset in 2025. In 2022 voters approved the extension of the sales tax, now called Measure H, through March 31, 2045.

Fire Department Services

The City provides fire protection, fire prevention, emergency medical services, and emergency management through the Santa Rosa Fire Department. There are ten fire stations throughout the City with 169 approved positions. The Fire Prevention Bureau is designated by the State as a Certified Unified Program Agency for hazardous materials regulatory enforcement.

The Department published a Five-Year Strategic Plan in 2016 which identified seven areas of focus: service delivery, training, finance, community engagement, administration and support services, emergency medical services, and fire prevention. The plan helps the Department develop its annual budget and goals. The Department initiated an update to the strategic plan in 2023 and plans to complete it in 2024.

In 2004, a Grand Jury Report found that a new fire station was needed in the central-south area of the City. Based on development activity since that time, the Fire Department now intends to add an additional station in the area between Highway 101 and Petaluma Hill Road, south of Kawana Springs Road. Construction has not yet started on this new station, but approximately \$400,000 was included in the FY 23-24 CIP for construction, and in prior years approximately

\$2.2 million has been allocated in the CIP for the project. The CIP does not indicate when construction will begin.

In 2017, the Tubbs Fire heavily impacted Santa Rosa's community. The fire tragically took 24 lives, caused the evacuation of 100,000 people countywide, and destroyed more than 3,000 homes within Santa Rosa. It also destroyed Fire Station 5, which the City is currently in the process of rebuilding. In January 2023, City Council approved an \$18.2 million design-build contract for the new Fire Station 5, which is being funded through the CIP. The new site will include an 8,690 square foot fire station building and a 10,295 square foot operations yard.

Animal Services

The Sonoma County Department of Health Services provides animal control services regarding stray dogs, feral cats, and injured animals through its Animal Services Division. The Division serves the unincorporated areas of the County and the City at its shelter located in the unincorporated County near the Sonoma County Airport.

Vector Control

The Marin/Sonoma Mosquito and Vector Control District ("Vector Control District"), an independent special district, provides ongoing mosquito and vector control services within Santa Rosa. The Vector Control District provides routine services, including the identification prevention, and control of pests. Additionally, the Vector Control District responds to case-by-case service requests for mosquito issues and infestations (e.g., bees, rodents, and fire ants), and provides presentations for elementary and middle schoolers about local vectors. The City does not pay for these services, which are instead funded by ad valorem property and benefit taxes on individual parcels.

Planning and Economic Development

The City's Planning and Economic Development Department oversees the physical development within Santa Rosa. It includes six divisions: Building, Code Enforcement, Economic Development, Engineering and Development Services, Planning, and Public Art. These divisions are

responsible for implementing the City's land use and building policies, including the General Plan 2035, Zoning Ordinance, and building codes. The Building Division additionally performs inspections for all building-related construction, while the Engineering and Development Services Division inspects construction of public improvements.

The City provides code enforcement services through the Building Division of the Planning and Economic Development Department. The Code Enforcement Division receives and investigates complaints regarding violations of City Codes in order to ensure the safety and maintain the appearance of the community.

Housing and Community Services

Housing and Community Services administers affordable housing and homelessness services programs in the City, and provides staff support to the Housing Successor Agency. Two of the City's key affordable housing programs are the Section 8 Housing Choice Voucher Rental Assistance Program, which provides rental assistance to residents, and the Santa Rosa Housing Trust, which administers affordable housing development.

The City adopted a five-year Homelessness Solutions Strategic Plan in November 2022, which aims to reduce the number of people experiencing homelessness in the City to zero. The plan has three strategies to achieve this goal: improving the performance of the City's homeless response, expanding services to the population experiencing homelessness, and collaborating with regional partners, including the County and the Sonoma County Continuum of Care. The City currently spends approximately \$5 million annually on homelessness services including emergency shelter, street outreach, and supportive services.

Transportation and Public Works

The City's Transportation and Public Works Department maintains the City's infrastructure, including streets, traffic signals, storm drains, bridges, sidewalks, and the City fleet. Santa Rosa has 512 center-line miles of streets, over 16,000 street and park lights, and 18,400 storm drain structures.

The City monitors its pavement needs via the Metropolitan Transportation Commission's ("MTC") pavement management system, StreetSaver. StreetSaver identifies the capital improvements needed throughout the network to maintain the current pavement condition index of the City. Because Santa Rosa has significant street mileage, maintenance of the streets is a challenge with limited funding available. Per the MTC's 2022 annual report, published in November 2023, Santa Rosa has 1,136 total lane miles and a pavement condition index of 62, which is considered fair.

The City's adopted budget for FY 2023-24 allocated \$74.8 million for a Capital Improvements Program. The majority of these expenditures are for the Water Department (\$39.3 million) and the Transportation and Public Works Department (\$25.8 million).

The City is working to repair damages to infrastructure caused by the 2017 fire. In the 2023-24 CIP, \$2.4 million was allocated to repair collector and arterial streets within the burn area. In prior years, the CIP has allocated a cumulative \$323,000 to burn area repairs.

Recreation and Parks

The City currently owns and operates 72 neighborhood and community parks, amounting to just under 700 acres of parkland or approximately 3.5 acres of parkland per 1,000 residents. In 2008, the City Council approved a Business and Strategic Action Plan for the parks in the City which identified the City's parks needs and priorities, provided strategic direction for meeting those needs, and prepared a financial plan to provide funding and financing for new parks and facilities.

The Recreation and Parks Department requested a total of \$5.4 million of Capital Improvement Program funding for FY 23-24 to fund park amenity replacements, play equipment, and park rehabilitation. The County's Measure M (Parks for All) tax measure was approved in 2018 with a sunset date of March 31, 2029, and provides the City with about \$1.9 million annually from 2019 to 2029 with the first two years dedicated toward fire damaged park recovery and deferred maintenance assessment of the parks. The City is working on a Parks Condition Assessment and Prioritization Report, which will help further prioritize capital improvements and deferred maintenance projects throughout the park system.

Figure 4 presents an inventory of the twelve community parks in the City, which have a range of approximately 12 to 138 acres in size. The parks inventory also includes 58 smaller neighborhood parks, four special purpose parks, and six trails.

Figure 4: Santa Rosa City Parks

Park Name	Park Address	Size	Facilities
A Place to Play	2375 W Third St	77.2 acres	Sports facility and park that features six soccer fields, two baseball fields, restrooms, concession stand, playground, dog park and a lake for wildlife
Doyle Community Park	700 Doyle Park	21.8 acres	Five picnic sites, barbecues, restrooms, sports fields, clubhouse, off-leash dog area, playground, restrooms
Finley Community Park	2060 W College Ave	12.2 acres	Pool, walking trails, basketball, tennis, volleyball, and pickleball courts, barbecues, restrooms, playground
Franklin Community Park	2095 Franklin Ave	13.4 acres	Picnic site, barbecues, baseball diamond, clubhouse, playground, restrooms, soccer field
Galvin Community Park	3330 Yulupa	23.6 acres	Dog parks, barbecues, baseball diamond, fitness course, fly casting pond, golf course, picnic tables, playground, restrooms, soccer field, tennis court
Howarth Memorial Park	630 Summerfield Rd	137.8 acres	Barbecues, baseball diamond, bike trail, boat ramp, fishing area, pickleball court, picnic tables, playground, pond/lake, tennis court, restrooms
Nagasawa Community Park	Kawana Springs Rd	33.2 acres	Pond/Lake, boat ramp, fishing area, trails, picnic tables, restrooms
Northwest Community Park	2880 W Steele Lane	35.1 acres	Barbecues, baseball diamond, bicycle pump track, dog parks, picnic tables, playground, soccer field, restrooms
Rincon Valley Community Park	5108 Badger Rd	18.9 acres	Barbecues, baseball diamond, dog parks, horseshoe pits, picnic tables, playground, soccer field, restrooms
Skyhawk Community Park	Burbank Ave	20.8 acres	Large grass area with picnic tables, a playground, and a soccer field
Southwest Community Park	1698 Hearn Ave	19.8 acres	Barbecues, baseball diamond, basketball court, picnic tables, playground, soccer field, restrooms
Youth Community Park	1701 Fulton Rd	73.8 acres	Barbecues, horseshoe pits, picnic tables, playground, skate park, restrooms

Water, Storm Drainage, and Wastewater

The Santa Rosa Water Department is the water, storm drainage, and wastewater retailer for the City. The Department also provides storm water regulatory compliance. The Department serves

a population of 173,000, delivers drinking water to over 53,000 customer accounts, and maintains sewer systems for over 49,000 customer accounts. The infrastructure maintained and operated by the Department includes 1,200 miles of water and sewer pipes, 20 water booster pump stations, 24 water reservoirs, and 17 wastewater pump stations. The average water main in the City is 39 years old, and the average sewer main is 37 years old.

The Department charges \$6.36 for the first 1,000 gallons of water up to an individual sewer cap set for each single-family residential customer based on their indoor water use, and \$7.20 per 1,000 gallons for water use above their sewer cap. For multi-unit residential, commercial, industrial, and institutional customers, the Department charges \$6.72 per 1,000 gallons. For dedicated irrigation customers, the Department charges \$6.46 per 1,000 gallons up to 125% of the billing period water budget, and \$8.00 per 1,000 gallons above that. These rates are effective as of July 1, 2023, per a rate schedule adopted by the City Council on May 25, 2021.

The City hires consultants approximately every five years to complete Water and Sewer Master Plan Updates in collaboration with the Asset Management group at the City's water department. These updates project the future demand for water and sewer and identify the pipes with the highest priority for replacement. According to the General Plan 2035, as the City plans for growth it will ensure that water supply capacity and infrastructure are in place prior to the occupancy of any new development through 2035. Existing levels of wastewater service will also be maintained by preserving and improving infrastructure, such as replacing sewer mains. The City's Water & Wastewater enterprises complete rate and fee studies and update them on a frequent basis to ensure rates and fee structures change accordingly for the operation and maintenance of the systems.

The 2006 MSR indicated that the contractual water entitlement from Sonoma Water, the regional water wholesaler, was not sufficient to meet projected demand for the City, but due to water efficiency programs implemented by the City, average daytime water use has decreased and infrastructure now has the capacity to meet current and future demand within the UGB. For future demand, the City's 2020 Urban Water Management Plan (UWMP), which is updated every 5 years by law, projects out 25 years to 2045; the 2025 UWMP would go out to 2050. The General Plan

2035 describes that improvements to the water and sewer systems will accommodate new and infill development within the UGB and water supply is not expected to constrain housing development during the Housing Element planning period through 2031. The water efficiency programs included the adoption of high efficiency building codes, plumbing standards, and landscape ordinances for new development. Per capita water use decreased by 28 percent between 2006 and 2020, with residential use decreasing by 27 percent in the same time frame. Sonoma Water is the City's water wholesale provider and provides 93 percent of the City's potable water supply annually. The other 7 percent comes from City well water.

The City's wastewater is treated at the Laguna Treatment Plant. The City is the owner and operator of the Subregional Water Reuse System which includes the Laguna Treatment Plant. In addition to providing wastewater treatment for the City of Santa Rosa, the Laguna Treatment Plant also provides wastewater treatment for Rohnert Park, Sebastopol, Cotati, and the South Park County Sanitation District, all of which pay for the operation and maintenance of that Plant. The Subregional Water Reuse System provides recycled water to the cities of Rohnert Park and Santa Rosa, agricultural customers, and to the Geysers Pipeline. To accommodate future development, the City is looking into the development of additional sources of water supply, potentially including utilization of the city's groundwater resources, securing additional water supply from the Sonoma County Water Agency, additional water use efficiency measures, and increased use of Santa Rosa's own recycled water to offset current and future water uses which are approved for recycled water.

Solid Waste

The City has an exclusive franchise agreement with Recology Sonoma Marin for solid waste collection services. Recology Sonoma Marin provides residential trash collection, recycling services, and compost within the City. It also provides bulk disposal pickup services for large items to residential customers for free two times per year.

Zero Waste Sonoma is a joint powers authority (“JPA”) which implements waste diversion programs as required by State Law AB 939. The JPA provides education to residents and businesses about ways they can reduce and properly dispose of their waste.

Utilities

Utilities are provided by third parties under franchise agreements with the City, as well as directly by City departments. The Pacific Gas and Electric Company provides electricity and natural gas utilities throughout the County. The City provides water and sanitary sewer services directly to its own residents.

Community Engagement

The Office of Community Engagement provides resources to improve relations between the City residents and the City government. The Office developed a Community Empowerment Strategy that aims to ensure members of the public are empowered to engage with the City, particularly with the Police Department. The Strategy identifies three goals to create a relationship of respect between the City and the community, including increasing dialogue, providing opportunities to review and provide input on the Police Department’s policies, and establishing opportunities for measuring the effectiveness of these efforts.

FISCAL INDICATORS

RSG has evaluated the City’s fiscal health, inclusive of revenue sources and major expenditure categories.

ANNUAL AUDIT FINDINGS

The City is required to undergo an annual financial audit, with the results published in an Annual Comprehensive Financial Report (“ACFR”), including the auditors’ opinion whether the financial statements of the City accurately present the financial position of the City or if there are audit findings that should be resolved. The ACFRs from FY 2019-20 through FY 2020-21 did not

present any audit findings. The FY 21-22 report was issued with an unmodified opinion but presented a material weakness in controls with regard to the Schedule of Expenditures of Federal Awards ("SEFA"). A material weakness refers to deficiencies in internal control over financial reporting. In the FY 21-22 report, there was reasonable possibility that a misstatement in the reporting related to the SEFA would not be detected on a timely basis. The auditor recommended that the City establish a more thorough internal review process and take measures to train department personnel on the requirements for SEFA reporting.

Figure 5 shows the City's historical General Fund revenues and expenditures from FY 2019-20 through FY 2021-22.

Figure 5: Santa Rosa Historical Net General Fund Actual Spending

	2019-20	2020-21	2021-22
Actual Revenues			
Property Taxes	\$30,473,000	\$32,098,000	\$33,690,000
Sales Taxes	58,436,000	65,523,000	71,236,000
UUT	10,669,000	11,468,000	12,108,000
Other Taxes	40,240,000	41,489,000	45,351,000
Licenses and Permits	3,274,000	3,201,000	3,440,000
Charges for Services	26,677,000	23,755,000	25,439,000
Intergovernmental	6,977,000	10,099,000	8,872,000
Fines and Forfeitures	1,732,000	1,118,000	1,676,000
Investment Earnings	1,558,000	2,678,000	965,000
Net Change in Value of Investments	703,000	(634,000)	(5,438,000)
Other	4,767,000	101,144,000	3,015,000
Total Revenues	\$185,506,000	\$291,939,000	\$200,354,000
Actual Expenditures			
General Government	\$43,260,000	\$45,688,000	\$40,956,000
Public Safety	97,194,000	100,684,000	106,659,000
Public Works	21,888,000	24,328,000	26,611,000
Recreation	7,978,000	6,719,000	7,431,000
Other	951,000	286,000	12,565,000
Capital Outlay	382,000	563,000	1,146,000
Debt Service	456,000	1,315,000	1,389,000
Total Expenditures	\$172,109,000	\$179,583,000	\$196,757,000
Net Spending	\$13,397,000	\$112,356,000	\$3,597,000

Source: Santa Rosa Statement of Revenues, Expenditures, and Changes in Fund Balances, General Fund

In FY 2021-22, the City's General Fund revenues totaled about \$200 million or approximately \$1,125 per capita. In FY 2020-21 the notable increase in General Fund revenues can be attributed primarily to a one-time PG&E settlement of approximately \$95 million to settle a lawsuit that resulted from the Tubbs fire that occurred in 2017.

OPERATING REVENUES

RSG compiled three years of financial history, plus the City's current FY 2022-23 and FY 2023-24 adopted budgets. In the City's last annual budget for FY 2023-24, General Fund approved revenues were approximately \$201.9 million.

Figure 6 illustrates the City's revenue sources for the most recent year available in the audit, FY 2021-22.

Figure 6: City of Santa Rosa Operating Revenue – FY 2021-22

	General Fund	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Tax	\$ 33,690,000	\$ -	\$ -	\$ 33,690,000
Sales Taxes	71,236,000	-	11,690,000	82,926,000
UUT	12,108,000	-	-	12,108,000
Other Taxes	45,351,000	-	-	45,351,000
Licenses and Permits	3,440,000	-	-	3,440,000
Charges for Services	25,439,000	-	94,000	25,533,000
Development Impact Mitigation Services	-	-	10,173,000	10,173,000
Intergovernmental	8,872,000	275,000	16,480,000	25,627,000
Fines and Forfeitures	1,676,000	-	-	1,676,000
Investment Earnings	965,000	176,000	573,000	1,714,000
Net Change in Value of Investments	(5,438,000)	(1,172,000)	(2,774,000)	(9,384,000)
Contribution from property owners	-	-	514,000	514,000
Other	3,015,000	-	1,453,000	4,468,000
Total Revenues	\$ 200,354,000	\$ (721,000)	\$ 38,203,000	\$ 237,836,000

Source: City of Santa Rosa Audit "Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds"

Tax revenues made up 73 percent of all revenues collected by the City in FY 2021-22, inclusive of sales tax, property tax, utility user tax, and other taxes. The City's second largest category of revenue is intergovernmental sources, which includes revenues from federal, state, and other local governments. Grants, shared revenues, and other types of intergovernmental payments are also included in the intergovernmental revenue category.

Figure 7 illustrates the City's historical revenue sources for Total Governmental Funds, which encompasses General Fund revenue and Nonmajor Governmental Funds. Nonmajor

Governmental Funds include Special Revenue Funds, such as the Brownfields Grant Fund, Capital Projects Funds, and Debt Service Funds.

Figure 7: Santa Rosa Historical Revenues

Revenues	2018-19	2019-20	2020-21	2021-22
Property Tax	\$30,200,000	\$30,473,000	\$32,098,000	\$33,690,000
Sales Tax	64,978,000	67,987,000	76,187,000	82,926,000
Utility User Tax	10,257,000	10,669,000	11,468,000	12,108,000
Other Taxes	40,218,000	40,240,000	41,489,000	45,351,000
Licenses and permits	4,775,000	3,274,000	3,201,000	3,440,000
Charges for services	31,085,000	26,770,000	23,824,000	25,533,000
Development impact mitigation charges	4,433,000	5,740,000	6,624,000	10,173,000
Intergovernmental	18,876,000	21,060,000	24,956,000	25,627,000
Fines and forfeitures	2,071,000	1,970,000	1,118,000	1,676,000
Investment earnings	1,983,000	3,200,000	3,859,000	1,714,000
Net change in the fair value of investment:	2,190,000	1,486,000	(1,575,000)	(9,384,000)
Contribution from property owners	529,000	334,000	466,000	514,000
Other	7,410,000	7,323,000	102,437,000	4,468,000
Total Revenues	219,005,000	220,526,000	326,152,000	237,836,000

Source: City of Santa Rosa Audit "Statement of Revenues, Expenditures, and Changes in Fund Balances. Governmental Funds"

As shown in Figure 7, sales tax is typically the City's greatest single revenue source, averaging about 46 percent of overall tax revenues annually.

Santa Rosa is mostly dependent on sales tax revenues. Significant sales tax revenue is typically a sign of successful economic development efforts, though this revenue stream can also be more sensitive to market shifts. The City also derives a substantial portion of its revenue from the Other Taxes category, which mainly encompasses Business Taxes, Cannabis Industry Taxes, Real Property Transfer Taxes, and Transient Occupancy Taxes, reflecting a diverse array of revenue streams.

Sales Tax

Cities receive one percent of gross receipts from the sale of tangible personal property sold within city municipalities. The City has two additional local taxes: Measure H, which is a special tax that is a quarter of a cent per dollar to fund public safety services, and Measure Q, which is a general

tax of half a cent that supports the General Fund. Measure H was passed in 2022 in place of the original Measure O, which was set to sunset in in 2025. Measure H extended the funding through March 31, 2045. Measure Q, passed by the voters in 2020, combined two separate General Fund quarter-cent sales taxes (passed by the voters in 2010 and 2018 respectively) into one half-cent sales tax which will sunset on March 31, 2031, if not also extended by the voters.

In FY 2021-22, about \$82.9 million, or about 48 percent of the City's general tax revenues, were derived from sales taxes. The City's FY 2023-24 Adopted Budget provides forward guidance on future sales tax revenues. During the City's FY 2023-24 budget process, budgeted sales tax revenue was estimated at a more conservative growth rate than in FY 2022-23, as increased inflation is expected to reduce the consumption of goods.⁷

Property Tax

The City's FY 2023-24 Adopted Budget notes that property tax is expected to increase by approximately 4.7 percent from FY 2022-23 as property values of homes have held strong despite rising interest rates. In FY 2021-22, about \$33.7 million, or about 19 percent of the City's general tax revenues, were derived from property taxes.⁸

Utility Users Tax (UUT)

Utility Users Tax is a 5 percent usage tax on electricity, gas, cable, and telecommunications. The City's FY 2023-24 Adopted Budget notes that UUT is expected to increase by approximately 9.1 percent from FY 2022-23, mainly due to rising gas and electricity costs. In FY 2021-22, about \$12.1 million, or about 7 percent of the City's general tax revenues were derived from UUT.⁹

Other Taxes

The Other Taxes category is mainly made up of Franchise Fees, Vehicle License Fees, Business Taxes, Cannabis Industry Taxes, Real Property Transfer Taxes, and Transient Occupancy Taxes.

⁷ Source: City of Santa Rosa 2023-24 Adopted Budget

⁸ Source: City of Santa Rosa 2021-22 ACFR

The City's FY 2023-24 Adopted Budget notes that these taxes are overall expected to remain flat from FY 2022-23, mainly due to high interest rates and a decrease in home sales leading to a reduction in Real Property Transfer Taxes. Other categories will continue to grow and offset this reduction, yielding an overall flat growth line year over year. In FY 2021-22, about \$45.4 million, or about 26 percent of the City's general tax revenues, were derived from Other Taxes.

Charges for Services

The City's FY 2023-24 Adopted Budget states that Charges for Services are forecasted to increase by approximately 8.2 percent from FY 2022-23. Charges for services accounted for approximately \$25.5 million in FY 2021-22 across all governmental funds. Charges for services mainly include Interfund charges, Planning and Economic Development fees, Fire Engineering, and Recreation fees.

Intergovernmental Revenues

In general, intergovernmental revenues are received from grant funds, Federal and State entities, and reimbursements for disasters and mutual aid agreements. By their nature, these revenues tend to fluctuate more than other revenue sources. The City's FY 2023-24 Adopted Budget states that Intergovernmental Revenues are expected to decrease significantly from FY 2022-23 due to a one-time receipt of State Grants funding for a Capital Improvement Project that was received in FY 2022-23. The remaining Intergovernmental Revenue is mostly collected from the County of Sonoma for the Roseland Annexation.

Fines and Forfeitures

The City's FY 2023-24 Adopted Budget states that Fines and Forfeitures are forecasted to increase by approximately 13.6 percent from FY 2022-23. Fines and Forfeitures accounted for approximately \$1.7 million of revenue in FY 2021-22.

OPERATING EXPENDITURES

Figure 9 shows the actual General Fund expenditures from FY 2019-20 through FY 2021-22. Total General Fund expenditures amount to about \$172.1 million in FY 2019-20 and increased to approximately \$196.8 million in FY 2021-22. Other expenditures increased drastically relative to prior years due to the use of PG&E settlement funds for the Renewal Enterprise District and down payment assistance.

Figure 8: City of Santa Rosa General Fund Operating Expenditure History

Category	2019-20	2020-21	2021-22	Change from 19-20 to 21-22
General Government	\$43,260,000	\$45,688,000	\$40,956,000	-5%
Public Safety	97,194,000	100,684,000	106,659,000	10%
Public Works	21,888,000	24,328,000	26,611,000	22%
Recreation	7,978,000	6,719,000	7,431,000	-7%
Other	951,000	286,000	12,565,000	1221%
Capital Outlay	382,000	563,000	1,146,000	200%
Debt Service	456,000	1,315,000	1,389,000	205%
Total Expenditures	\$172,109,000	\$179,583,000	\$196,757,000	14%

Figure 10 breaks down the City's departmental operating expenditures by function between FYs 2019-20 and 2021-22.

Figure 9: Santa Rosa Department Expenditures

Category	2019-20	2020-21	2021-22
Governmental Activities:			
General Government	\$48,565,000	\$45,721,000	\$34,904,000
Public Safety	130,331,000	125,549,000	104,806,000
Public Works	43,997,000	45,033,000	37,480,000
Recreation and Parks	15,364,000	13,002,000	12,865,000
Housing opportunity and other	987,000	271,000	12,453,000
Interest on long term liabilities	1,261,000	1,114,000	973,000
Total	\$240,505,000	\$230,690,000	\$203,481,000
Business-type activities:			
Water Utility	\$46,742,000	\$45,396,000	\$40,803,000
Wastewater Utility	83,578,000	79,903,000	70,339,000
Parking	5,763,000	5,989,000	5,388,000
Municipal Transit	16,242,000	14,271,000	13,536,000
Golf Course	664,000	654,000	709,000
Storm Water	1,952,000	2,095,000	1,866,000
Total	\$154,941,000	\$148,308,000	\$132,641,000
Total Primary Government	\$395,446,000	378,998,000	336,122,000
Housing Authority	\$30,446,000	\$32,701,000	\$33,346,000
TOTAL EXPENDITURES	\$425,892,000	\$411,699,000	\$369,468,000

Source: City of Santa Rosa ACFR Statement of Activities

Total Primary Government expenditures in FY 2021-22 decreased by \$59.3 million or approximately 15 percent from FY 2019-20. Governmental activities expenditures in FY 2021-22 also decreased by \$37 million or approximately 15 percent from FY 2019-20. The primary contributor to the decrease in functional expenditures was due to decreases in pension and post-employment benefits (“OPEB”) expenditures. This decrease was offset by an increase in housing opportunity expenditures related to the use of PG&E settlement funds for the Renewal Enterprise District and a down payment assistance program.

NET SURPLUS/DEFICIT

The FY 22-23 General Fund was balanced, but the FY 2023-24 budget anticipates a deficit of about \$3.3 million. The deficit is mainly due to increases in salary and benefit costs, as well as non-personnel costs such as electricity and equipment repair rates. The anticipated \$3.3 million deficit is expected to be mitigated by using General Fund Fiscal Stability Reserves, which are designated to help with short-term deficit conditions.

FISCAL PERFORMANCE STANDARDS

RSG analyzed three different performance measures to evaluate the City's fiscal performance. The three measures include reserve fund balances, pensions, and other post-employment benefits ("OPEB"), and third-party fiscal health evaluations. The findings are outlined below.

RESERVE FUND BALANCE

The City has a policy for General Fund reserves that requires an amount equal to 15 to 17 percent of General Fund operating expenditures to be held in reserve. City staff indicated that the General Fund reserve balance is currently \$49.3 million or 25 percent of operating expenditures, which exceeds the policy requirement. This is due to several years of revenues exceeding budget estimates and unspent appropriations returning to the General Fund.

PENSION AND OPEB OBLIGATIONS

All qualified permanent and probationary employees are eligible to participate in the City's Safety Police, Safety Fire, and Miscellaneous Pension Plans ("Plans"). The City contracts with CalPERS to administer the City's employee retirement benefits. Benefit provisions under the Plans are established by state statute and City resolution. During the past several years the City's employer contribution rates have increased, and the City anticipates rates will continue to increase. The City has established an IRS section 115 trust to prefund pension expenses with the General Fund contributing \$10 million dollars and the Water Enterprise Fund contributing \$4.4 million dollars to help mitigate future increases.

The City sponsors several OPEB healthcare plans to provide medical insurance benefits to eligible retired employees and their spouses. Benefit provisions are established and may be amended by the City.

The Public Employees Medical and Hospital Care Act (PEMHCA) governs health care provided to employees and retirees under health care plans administered by CalPERS. All public agencies providing health care to their active employees through CalPERS PEMHCA plans are also required to offer health care under those plans to their retirees.

As of June 30, 2021, there were 2,807 employees covered by the Miscellaneous Pension Plan, including 1,231 inactive employees receiving benefit payments and 737 inactive employees entitled to but not yet receiving benefits. There were 513 employees covered by the Safety Police Pension Plan, including 291 inactive employees receiving benefit payments and 59 inactive employees entitled to but not yet receiving benefits. There were 339 employees covered by the Safety Fire Pension Plan, including 181 inactive employees receiving benefit payments and 26 inactive employees entitled to but not yet receiving benefits.¹⁰

The City had a Miscellaneous Pension Liability of \$112.6 million, a Safety Police Pension Liability of \$84.5 million, a Safety Fire Pension Liability of \$51.4 million, and total OPEB liability of approximately \$70.7 million at the end of FY 2021-22. The City's historical pension liability and OPEB liability are outlined in Figure 11.

Figure 10: Santa Rosa Pension and OPEB Liabilities

Benefit Liability	2019-20	2020-21	2021-22
Total OPEB Liability/(Surplus)	\$87,971,000	\$94,194,000	\$70,666,000
Ending Plan Fiduciary Net Position	34,190,000	42,437,000	37,463,000
Net OPEB Liability/(Surplus)	\$53,781,000	\$51,757,000	\$33,203,000
Miscellaneous Pension Liability/(Surplus)	\$191,182,000	\$202,850,000	\$112,613,000
Safety Police Pension Liability/(Surplus)	108,394,000	114,971,000	84,546,000
Safety Fire Pension Liability/(Surplus)	73,755,000	76,647,000	51,389,000
Net Benefit Liability/(Surplus)	\$427,112,000	\$446,225,000	\$281,751,000

Source: 2019-20, 2020-21, and 2021-22 ACFRs

¹⁰ Source: City of Santa Rosa 21-22 ACFR

The City's pension indicators outlined in Figure 12 provide insight into the City's pension plan health. The City has historically made employer contributions equivalent to the actuarially determined contribution, and the employer contribution rate has kept pace with the increases to covered payroll over the years.

Figure 11: Santa Rosa Pension Indicators

Pension Indicators	2019-20	2020-21	2021-22
Miscellaneous Plan			
Actuarially Determined Contribution	\$19,174,000	\$20,301,000	\$22,261,000
Employer Contribution	19,174,000	20,301,000	22,261,000
Covered Payroll	71,008,000	74,554,000	74,967,000
Employer Contribution Rate	27.00%	27.23%	29.69%
Safety Police Plan			
Actuarially Determined Contribution	\$9,927,000	\$11,216,000	\$12,295,000
Employer Contribution	9,927,000	11,216,000	12,295,000
Covered Payroll	22,479,000	23,800,000	23,732,000
Employer Contribution Rate	44.16%	47.13%	51.81%
Safety Fire Plan			
Actuarially Determined Contribution	\$7,402,000	\$7,874,000	\$8,511,000
Employer Contribution	7,402,000	7,874,000	8,511,000
Covered Payroll	17,478,000	17,786,000	18,452,000
Employer Contribution Rate	42.35%	44.27%	46.13%

Source: 2019-20, 2020-21, and 2021-22 ACFRs

CALIFORNIA STATE AUDITOR FISCAL HEALTH EVALUATION

The California State Auditor completes an annual audit of local governments in the State to determine which cities may be facing fiscal challenges by assessing risk associated with various fiscal indicators. The fiscal health analysis examined liquidity, debt burden, General Fund revenues, revenue trends, pension obligations, pension funding, pension costs, future pension costs, OPEB obligations, OPEB funding, and overall risk. The Auditor ranked all 431 cities in California on each fiscal indicator, with 1 being the highest risk, and 431 the lowest risk.

As of FY 2021-22, the City of Santa Rosa ranked 248 out of 431 cities and is considered to be at "low" financial risk. The City's current low risk status means that the State Auditor has determined overall little risk of "experiencing financial distress" based on ten financial indicators. However,

two fiscal indicators, OPEB funding and future pensions costs, were ranked high risk by the State Auditor. Three other fiscal indicators (debt burden, pension obligations, and pension costs) were ranked moderate risk by the State Auditor. All other fiscal indicators were ranked low risk.

MSR DETERMINATIONS

Pursuant to Government Code Section 56430, the requisite CKH determinations for this MSR for the City of Santa Rosa are presented below:

1. Population Projections and Growth

The City has experienced a small increase in population since 2010, in comparison to a small decrease in the population of the County as a whole since 2010. As of December 31, 2023, there are 41 housing projects approved by Council which include 656 single-family residential units, 2,886 multi-family residential units, and 404 accessory dwelling units (ADUs). The average household size in Santa Rosa is 2.63 persons according to the U.S. Census Bureau as of July 1, 2015. Excluding the ADUs, the current active residential units would add 9,315 new residents to the City.¹¹

2. Disadvantaged Unincorporated Communities in or Contiguous to SOI

Sonoma LAFCO's ongoing DUC study indicates there are DUCs within the City's SOI in the southern portion of the City and in many of the City's unincorporated islands. In their General Plan Update process for General Plan 2050, the City identified potential DUCs in the unincorporated area south of Bellevue Avenue along with 16 of the small islands within the City limits. Many of the City's unincorporated islands receive some municipal services from the City, including emergency response services and fire protection from the Fire Department and some water services on a parcel-by-parcel basis.

3. Present and Planned Capacity of Public Facilities

The City's present and planned facilities are generally sufficient to meet community needs and are designed to meet current and future planned uses. The City requires a new fire

¹¹ Santa Rosa 2023 Housing Dashboard

station in order to better serve residents in the southern portion of the City, which has been partially funded through the CIP process.

The City is currently operating out of a temporary fire station at the former Fire Station 5 site (Parker Hill Road), which was destroyed in the Tubbs fire in 2017. City Council approved a new Fire Station 5 to replace the station also destroyed in the Tubbs Fire on Newgate Court. An \$18.2 million design-build contract was approved in January 2023 for the 2.11-acre site, which will include an 8,690 square foot fire station building and a 10,295 square foot operations yard. The City is also in the process of relocating Fire Station 8, as partially funded through the CIP process.

There are some significant delayed improvements needed for the street and pavement network of the City.

4. Financial Ability to Provide Services

The City experienced both increasing General Fund revenues and expenditures over the three years through FY 21-22. Revenues increased by eight percent during this period, while expenditures grew by 14 percent. The City's fiscal health is considered low risk by the State Auditor.

City staff noted that the City currently has a growing structural budget deficit that could reach unsustainable levels in the near future if not addressed. The deficit has been driven by inflationary pressures on goods, services, and employee expenses, which have outpaced revenue growth. Addressing this challenge will necessitate both increased revenue and strategic expenditure reductions. The City must additionally secure funding for large capital needs, as failing to do so could lead to infrastructure falling into disrepair and affecting operational efficiency.

5. Opportunities for Shared Facilities

In 2008, an agreement was established to send a portion of the Town of Windsor's recycled water to the Geysers steam fields via the Geysers Pipeline. The cities of Santa Rosa,

Rohnert Park, Cotati, Sebastopol, and South Park County Sanitation District send their wastewater to the Laguna Treatment Plant and are parties to a regional agreement that pays for the operation, maintenance, and capital improvements of the regional system.

RSG did not identify further opportunities for shared facilities for the City.

6. Accountability for Community Service Needs

The City Council is elected on a by-district basis. The City moved to district elections in 2018 following a demand letter that alleged violations of the California Voting Rights Act. In 2022, the City Council updated the district lines to better align the City with the California FAIR MAPS Act and to better distribute the population of the City across the districts.

Santa Rosa's website includes information about City Council meetings, other City services, and contact information for different departments. Public notices and the City newsletter are posted on the website. The City Council streams its meetings through Zoom and on YouTube, and the link is available online to the public. The City is active on at least two social media platforms.

The City utilizes technology and social media to share information with the public effectively. RSG did not identify any issues with accountability in the City.

7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy

No other matters related to effective or efficient service delivery were required for review by LAFCO policy.

SOI DETERMINATIONS AND UPDATE RECOMMENDATION

RSG's findings resulted in the following SOI determinations:

1. Present and Planned Land Uses

Development growth is constrained under present land uses within the City's current boundary. There is an opportunity to extend the SOI to match the City's UGB and ensure the planning goals of the City are consistent with both boundaries.

2. Present and Probable Need for Public Facilities and Services

The City's public facilities and services are generally sufficient to accommodate growth over the next decade, although some significant capital improvements are necessary to improve the quality of service. The City's water and sewer infrastructure is well-equipped to support planned growth, especially due to a decrease in average daily water demand. The City's street infrastructure requires further investment in order to both maintain streets that are currently in good condition and to repair streets that are currently deteriorating. Without further investment, the City's overall street network is at risk of further deterioration, which could impact crucial operations like public transit and emergency response due to decreased ride quality. The Fire Department requires a new fire station in the southern portion of the City and has allocated a portion of the funding needed for this project through the CIP.

3. Present Capacity of Public Facilities and Services

RSG did not identify any significant issues related to the present capacity of public facilities and services. There are some street repairs and upgrades that are necessary, including repairs to streets that were damaged by the 2017 fires.

The City requires a new fire station in the southern portion of the City and has allocated a portion of the funding needed through the CIP. The CIP does not indicate when construction will begin for the station. The City is currently operating out of a temporary

fire station at the site of the former Fire Station 5 on Parker Hill Road, which was destroyed in 2017. In January 2023, Council awarded an \$18.2 million design-build contract for the new Fire Station 5 on Stagecoach Road to replace the Fire Station 5 that was destroyed on Newgate Court.

4. Social or Economic Communities of Interest

According to the City's Draft General Plan 2050, there are several disadvantaged communities within the incorporated area of the City, particularly in the southern part of the City along Highway 101. There are three contiguous census tracts, partially within City limits, that form a Senate Bill 235 Disadvantaged Community. The northernmost tract is partially within city limits, while the other two are immediately south. The neighborhoods just outside of the City to the southwest of the City have below-median household incomes and receive higher scores on CalEnviroScreen 4.0 than any census tracts within the City, meaning they face more environmental and socioeconomic challenges compared to other areas.

5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services

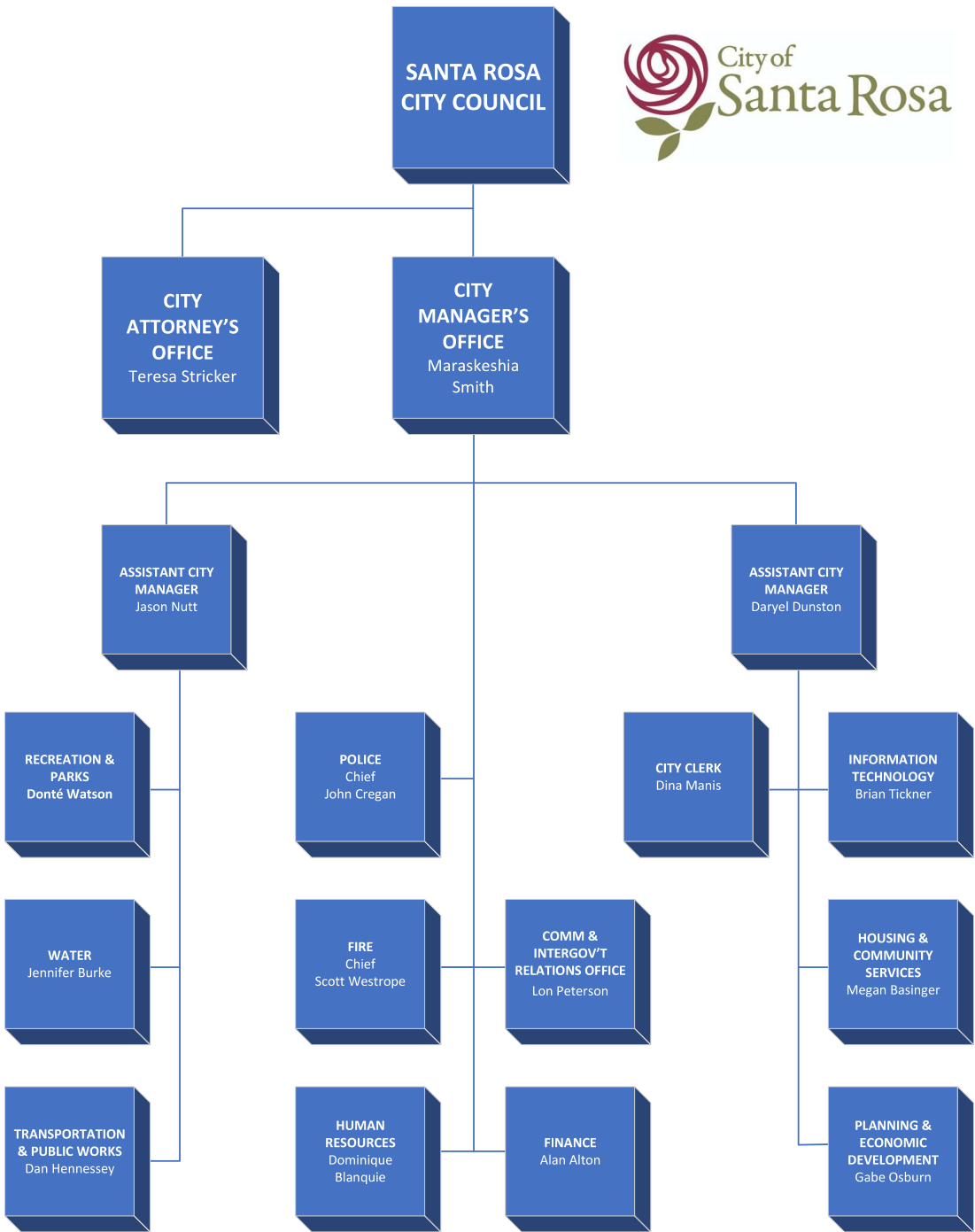
An ongoing study by Sonoma LAFCO indicates there are DUCs within the City's SOI in the southern portion of the City as well as many of the City's unincorporated islands. In their General Plan Update process for General Plan 2050, the City identified potential SOIs in the unincorporated area south of Bellevue Avenue along with 16 of the small islands within the City limits.

Presently, the City's SOI is not coterminous with its UGB. Staff have requested that LAFCO consider an update to the City's SOI to match its UGB, in order to better reflect the urban planning objectives of the City and to create a sense of community for unincorporated areas near or surrounded by Santa Rosa.

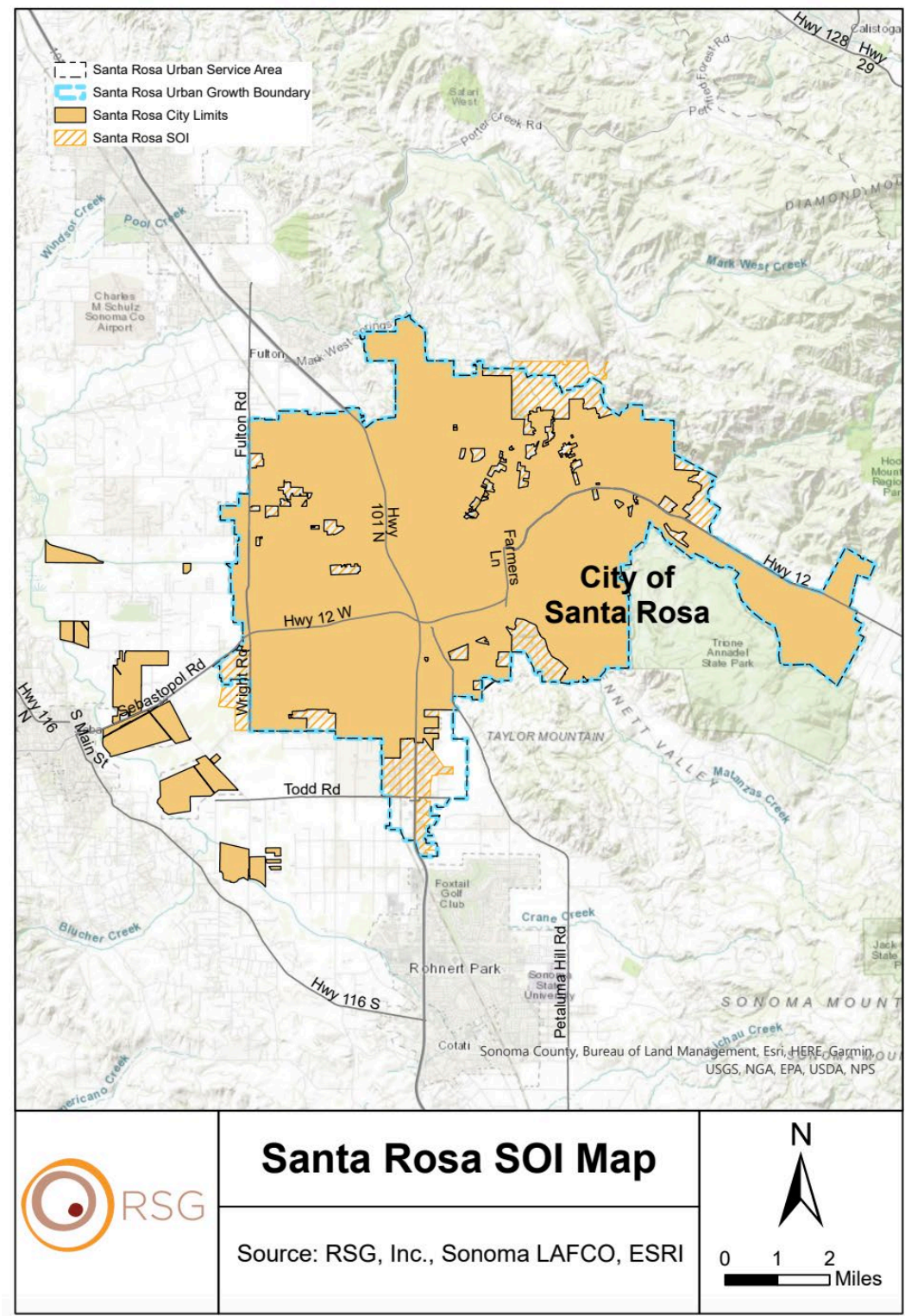
The City's SOI update request is consistent with LAFCO's SOI policies, which state that a sphere of influence should "include properties wholly within both the voter-approved Urban Growth Boundary and the Urban Service Boundary for the city in the Sonoma County General Plan; include properties within a city's Urban Growth Boundary that are outside the Urban Service Boundary for the City in the Sonoma County General Plan; and exclude parcels outside the Urban Growth Boundary and Urban Service Boundary of a city." RSG recommends Santa Rosa's SOI be reconfigured to match the UGB, consistent with LAFCO's SOI Policy.

APPENDICES

APPENDIX 1: CITY OF SANTA ROSA ORGANIZATIONAL CHART



APPENDIX 1: SANTA ROSA CURRENT SPHERE OF INFLUENCE



APPENDIX 3: PROPOSED SANTA ROSA SPHERE OF INFLUENCE

