



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 3/25/2025

To: Sonoma County Board of Supervisors

Department or Agency Name(s): County Administrator, Auditor-Controller-Treasurer-Tax Collector, County Counsel

Staff Name and Phone Number: Nikolas Klein, 707-565-5312

Vote Requirement: 4/5th

Supervisorial District(s): Countywide

Title:

Measure I Implementation Resolutions and First 5 Interagency Agreement

Recommended Action:

- A) Adopt a Resolution Authorizing Examination of Sales or Transactions and Use Tax Records for Measure I. (Majority)
- B) Adopt a Resolution adjusting the Fiscal Year 2024-2025 Revised Budget for Non-Departmental to establish appropriations needed to implement receipt and distribution of County Measure I Child Care and Children's Health Tax proceeds to First 5 Sonoma County in accordance with Measure I and the Interagency Agreement between the County and First 5. (4/5th Vote Required)
- C) Authorize the County Executive Officer or designee to execute an Interagency Agreement with First 5, on terms substantially similar to the draft Agreement attached and with approval of County Counsel, for administration and pass-through distribution of the Measure I sales tax proceeds. (Majority)

Executive Summary:

Measure I, titled the Sonoma County Child Care and Children's Health Initiative ("the Ordinance"), was approved by voters at the November 5, 2024 election and authorizes a countywide one-quarter-cent special transaction and use tax, known as the Sonoma County Child Care and Children's Health Tax ("Tax"), to ensure that Sonoma County children receive the high-quality early care, education and health screening and care they need to be successful adults.

This item requests adoption of two resolutions that are needed to fully implement Measure I and requests delegated authority for the County Executive or designee to execute the Interagency Agreement between the County and First 5 for the distribution of Measure I sales tax proceeds. The first recommended action requests adoption of a resolution to allow the County's sales tax consultant, Hinderliter de Llamas and Associates DBA HdL, to examine the confidential Tax records. The second recommended action requests adoption of a revised budget for Non-Departmental which will establish appropriations needed to implement receipt and distribution of the Tax to First 5 Sonoma County to implement Measure I in accordance with the Interagency Agreement. The third recommended action requests delegated authority for the County Executive or designee to execute the Interagency Agreement with First 5 for the distribution of the Measure I Tax proceeds, on terms substantially similar to the attached draft and with County Counsel approval.

Discussion:

Measure I, which authorizes a countywide one-quarter-cent special transaction and use tax, known as the Sonoma County Child Care and Children’s Health Tax (“Tax”), becomes operative on April 1, 2025.

Resolution Authorizing Examination of Sales or Transactions and Use Tax Records

State law requires the County to execute certain agreements with the California Department of Tax and Fee Administration (CDTFA) for the administration of any sales and transaction and use tax. The County initially entered into the required agreements with the CDTFA for the implementation of the Tax on [December 10, 2024 <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7045351&GUID=FEFF017D-CEFA-4097-92D9-690882B4E20E>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7045351&GUID=FEFF017D-CEFA-4097-92D9-690882B4E20E). However, the Resolution Authorizing Examination of Sales or Transactions and Use Tax Records for Measure I did not include language to allow the County’s sales tax consultant, Hinderliter de Llamas and Associates DBA HdL Companies (HdL), access to the County’s confidential Tax records. The Resolution to be adopted today will allow HdL to examine the County’s confidential Tax records.

Budget Resolution

The County needs to adopt a budget resolution to establish revenue and expenditure appropriations in a newly created Special Revenue Fund to facilitate implementation of the Tax, including receipt and distribution of sales tax proceeds to First 5 Sonoma County (First 5), as the administering agency of the Tax, in accordance with Measure I and the Interagency Agreement between the County and First 5. The Resolution to be adopted today will authorize the Auditor-Controller-Treasurer-Tax Collector to establish the necessary appropriations.

Interagency Agreement with First 5

An agreement between the County and First 5 is needed to establish roles and responsibilities and related terms and conditions governing the distribution of Measure I Tax proceeds in accordance with the Ordinance. Provisions in the Interagency Agreement (Agreement) include requirements for a separate Tax Fund, adoption of the Sonoma County Child Care and Children’s Health Program Plan and Budget (First 5 Sonoma County Strategic Plan), adoption of the Annual Expenditure Plan (First 5 Sonoma County Strategic Allocation Plan), Allocation and Appropriation of Funds, Distribution of Funds and that no supplanting of Tax proceeds is allowed. The Agreement references the [Memorandum of Understanding <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7045351&GUID=FEFF017D-CEFA-4097-92D9-690882B4E20E>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7045351&GUID=FEFF017D-CEFA-4097-92D9-690882B4E20E) between the County and City of Sebastopol (City), which temporarily impacts the distribution of Measure I Tax proceeds until such time as there is either a legislative fix or Attorney General opinion regarding the administration and implementation of Measure I and City’s Measure U, which is expected around June 2025. Delegated authority is being requested for the County Executive or designee to execute this Agreement, on terms substantially similar to the draft attached as Attachment C and with County Counsel approval. The Agreement has not been finalized as the County and First 5 are still discussing the tax proceed distribution schedule.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

3/18/2025 - Approved Countywide Appointments to the Child Care and Children’s Health Community Advisory Council of Sonoma County.

1/28/2025 - Established the Sonoma County Child Care and Children's Health Community Advisory Council

12/10/2024 - Implementation of Measure I (Sonoma County Child Care and Children's Health Sales Tax Measure)

FISCAL SUMMARY

Expenditures	FY24-25 Adopted	FY25-26 Projected	FY26-27 Projected
Budgeted Expenses		\$33,017,900	\$33,017,900
Additional Appropriation Requested	\$7,910,000		
Total Expenditures	\$7,910,000	\$33,017,900	\$33,017,900
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$7,910,00	\$33,017,900	\$33,017,900
Use of Fund Balance			
General Fund Contingencies			
Total Sources	\$7,910,000	\$33,017,900	\$33,017,900

Narrative Explanation of Fiscal Impacts:

The estimated sales tax revenue proceeds for the April 2025 through June 2025 period in FY 24-25 is \$7,910,000 and \$33,017,900 for the full 12-month period in FY 25-26. Anticipated FY 24-25 expenditures include \$7,906,650 for sales tax distributions to First Five per the Measure I Ordinance increasing to an estimated \$32,993,700 in FY 25-26. Sales tax distributions will be based on actual receipts in any given fiscal year, not the assumed budget. In addition to pass-through distributions, FY 24-25 expenditures also include \$3,350 to pay for Auditor-Controller-Treasurer-Tax Collector client accounting services and sales tax consultant costs. In FY 25-26 and FY 26-27, the administrative costs are anticipated to increase to \$24,200. There is no General Fund impact.

Future fiscal year revenues and expenditures will be incorporated into the County’s annual recommended budgets.

Staffing Impacts:

Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Agenda Date: 3/25/2025

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

- A) Resolution Authorizing Examination of Sales or Transactions and Use Tax Records
- B) Budget Adjustment Resolution
- C) Interagency Agreement with First 5 for Measure I Implementation

Related Items "On File" with the Clerk of the Board:

N/A