

Seb CC EIFD Item for Jan 16 2024 Mtg- (REPORT ACCEPTED Jan 11 2024 @ 9:00pm)

2. **July 2025 is when the City will make the contribution decision.** In approximately July 2025, under the estimated timeline presented in this Report, the City would make the final decision to approve a project list and contribution amount, or to instead withdraw from participation in the EIFD. (Note that the County would have the same choice.
3. **The City's annual contribution to an EIFD would be under \$20,000, based on current projections.** Assuming the City contributed 25% of its currently projected future incremental tax increases to an EIFD, the annual obligation is projected to be under \$20,000. This assumes a 2% annual increase in total property taxes collected by the City.
4. **The County's total contribution to an EIFD over a 45-year term would be \$207,754,939.** This assumes a 2% annual increase in property taxes and a County commitment to contribute 25% of those annual increases.
5. **The City's total contribution to an EIFD over a 45-year term would be \$16,106,818.** This assumes a 2% annual increase in property taxes and a City commitment to contribute 25% of those annual increases.
6. **The City would have 50% control over the decision-making body empowered to develop the project list and specify contribution amounts from participating taxing agencies.** The Public Financing Authority (PFA) is the decision-making body that will be convened by (in our estimated timeline) February 2025. The PFA will develop the Infrastructure Financing Plan (IFP) to be brought to the Council in approximately July 2025. Assuming a 7 member PFA, based on the Santa Rosa City experience, the Council would have full control over three seats, the County would have full control over three, and the City and County would share control over appointment to the final seat.
7. **The earliest the EIFD could expect projects to begin is unknown, but assuming a minimum of 5 years, that would be 2031.**
8. **The County is considering allocation of \$50,000 for EIFD consultant fees, but only if the proposed EIFD includes evaluation of boundaries within District 5, up to and including all of West Sonoma County.** To the extent the City elects to pursue an EIFD that includes only the City limits, or the City plus a small portion of unincorporated Sonoma County, these consultant fees will be unavailable.

C. EIFD Boundaries and Revenue

Questions #1, #2, and #3 presented to the Ad Hoc are addressed in this section.

1. West Sonoma County EIFD Introductory Comments: As was discussed at the December 19, 2023 City Council meeting (and as is reiterated below), the consultant cost for the initial EIFD formation stages is estimated at \$50,000. If the evaluation of the EIFD boundaries includes consideration of unincorporated West Sonoma County, up to a possible West Sonoma County wide EIFD, Supervisor Hopkins will pursue \$50,000 in County funding to cover that initial expense. Her office has informed us that this item will be on the January 23, 2024 Board of Supervisors agenda. If the City intends to restrict the EIFD boundaries evaluated by the consultant, limiting the boundaries to include only the City or the City plus a small portion of unincorporated West Sonoma County, County funding will be unavailable and applicable consultant costs will be borne by the City of Sebastopol.

Given the City's current fiscal crisis (\$1.67M deficit), and the December 19 City Council general support for the \$50,000 funding proposal made by Supervisor Hopkins, the Ad Hoc is focusing this report on an evaluation that would include unincorporated District 5, up to and including a possible West Sonoma County EIFD. The Ad Hoc provides the following relevant information based on a West Sonoma County EIFD.

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2. West Sonoma County EIFD Boundaries and Revenue: See the attached map for District 5 boundaries, and the attached West Sonoma County and City of Sebastopol EIFD projections for details regarding revenue. A summary of key information regarding potential revenue is as follows:
 - a. Boundaries of a West Sonoma County EIFD: This Report does not put forth a specific West Sonoma County EIFD boundary. That topic is best left for discussions with the EIFD, from the perspective of the Ad Hoc and from the perspective of Supervisor Hopkins. To the extent the Council elects to pursue this joint effort with the County, the Ad Hoc suggests that the Council be open to evaluation of all possible boundaries the consultant might propose.
 - b. County Contribution to West Sonoma County EIFD: The County EIFD contribution for a full West Sonoma County EIFD is projected as follows, assuming a 2% annual increase in property values within the EIFD:
 - 1) **\$207,754,939** over 45 years if the County contributes 25% of its incremental tax increases.
 - 2) This amount decreases to \$82,746,363 if the EIFD is in existence for only 30 years.
 - 3) This amount increases to \$415,509,878 for a 45 year EIFD if the County contributes 50% of its incremental tax increases.
 - 4) All projections increase if the annual property growth assumption is more than 2%.
 - c. City Contribution to West Sonoma County EIFD: Any contribution the City of Sebastopol chose to allocate from its incremental tax increases would provide additional revenue for the EIFD.
 - 1) The City will be required to contribute a portion of its future incremental property tax increases to the EIFD, as a condition of holding voting seats on the Public Finance Authority (PFA) Board that will control which projects are funded and other key details regarding the EIFD. See details below.
 - 2) The City's final deadline for determining continuing participation in the EIFD will be when the PFA brings its Infrastructure Financing Plan (IFP) to the City for approval. The Council vote in support of the IFP will commit the City to the project list and a specific contribution amount. This is projected to occur in July 2025. See timeline below.
 - 3) As an example, if the City were to contribute 25% of its incremental tax increases at a projected 2% annual increase in property values, the total City contribution over 45 years is estimated to be \$16,106,818. Over 30 years this amount would be \$6,469,570. Any amount contributed by the City of Sebastopol toward a West County EIFD would be in addition to the projected County contribution outlined above (\$207,754,939 for a 45 year EIFD, 25% contribution, 2% property value increase).
 - 4) Annually, 25% of the City's currently projected incremental tax increases, assuming a 2% increase in property taxes each year, is estimated as follows:
 1. 2023-24: \$17,075 (25% of \$68,300)
 - d. 2024-25: \$16,458 (25% of \$65,832)
 - e. 2025-26: \$16,787 (25% of \$67,149) (EIFD estimated to begin collecting contributions in Jan 2026)
 - f. 2026-27: \$17,123 (25% of \$68,492)
 - g. 2027-28: \$17,465 (25% of \$69,861)
 - h. 2028-29: \$17,815 (25% of \$71,259)
 - i. Other Special Districts' Contribution to West Sonoma County EIFD: Any contribution from other tax districts within the EIFD that chose to participate would provide additional revenue for the EIFD. The Ad Hoc directs the Council's attention to the attached West County EIFD and City of Sebastopol projections for a list of the various special districts within the EIFD. The projected potential contribution to the EIFD is listed for each special district.

Please see attached West County and City of Sebastopol Revenue Projections for details.

- 3. Discussion provided for reference purposes: City of Sebastopol or “Sebastopol Plus” EIFD Boundaries and Revenue: Projections for the City of Sebastopol-only EIFD were collected prior to the December 19 Council meeting. Projections for an EIFD that would include the City of Sebastopol plus an adjacent small portion of unincorporated West Sonoma County (“Sebastopol Plus”) are not currently available to the Ad Hoc. If the City Council elects to limit an EIFD consultant’s evaluation to either of these more constrained EIFDs, County funding for an EIFD consultant will not be available, and the City will need to retain its own consultant to further develop those projections.
 - a. An EIFD limited to the City boundaries would be funded by voluntary contributions from taxing agencies within those boundaries. For example, the County could agree to contribute a portion of its incremental tax increases to this more limited EIFD, and so could the City, as well as other taxing agencies within the designated boundaries.
 - b. The Ad Hoc refers the City Council to the attached City of Sebastopol Revenue Projections for details.
 - c. As has already been stated, the Ad Hoc does not have available boundaries or projected revenue for a “Sebastopol Plus” EIFD.

D. Infrastructure Projects

Question #4 presented to the Ad Hoc is addressed in this section.

1. General Types of Infrastructure Projects that are Eligible for Financing:

Universal Citation: CA Govt Code § 53398.50 (2022) states the following: The Legislature finds and declares that with the dissolution of redevelopment agencies, public benefits will accrue if local agencies, excluding schools, are provided a means to finance the reuse and revitalization of former military bases, fund the creation of transit priority projects and the implementation of sustainable communities plans, fund projects that enable communities to adapt to the impacts of climate change, construct and rehabilitate affordable housing units, and construct facilities to house providers of consumer goods and services in the communities served by these efforts.

The City of Santa Rosa implemented the above by stating the following on its site: the infrastructure projects that provide community-wide benefit and have a useful life of at least 15 years are eligible for funding. Examples of eligible projects include:

- 1. Roads, highways, streets/streetscapes, parking facilities and transit facilities
- 2. Affordable housing
- 3. Internet access services
- 4. Childcare facilities
- 5. Libraries
- 6. Parks, open space, and recreational facilities
- 7. Improvements related to fighting climate change
- 8. Brownfield restoration and other environmental mitigation
- 9. Transit priority facilities
- 10. Sewer, reclamation, and water facilities
- 11. Solid waste facilities
- 12. Flood control facilities, retention bases, and drainage channels

- 2. Examples of Potentially Eligible Projects within the City of Sebastopol: Within the City of Sebastopol, there are needs in each of the above categories. Please see attached “Potentially Eligible Projects Within the City of Sebastopol.” This list is provided for the purpose of providing examples only, to give the Council a sense of the variety of projects that could potentially qualify for EIFD funding. The final selection of the EIFD project list will be made much later in the process, after a consultant is retained and a Public Financing Authority (PFA) is formed. The PFA is anticipated to convene approximately a year from now, and would include appointees from the City

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Council and the Board of Supervisors, as well as public members. See additional discussion below. The Council will have time between now and then to review and consider potential infrastructure projects to propose to the PFA.

3. Examples of Potentially Eligible Projects in Unincorporated West Sonoma County: If an EIFD is formed to include an evaluation of a West Sonoma County EIFD, the PFA will consider potential projects from the unincorporated West Sonoma County area. The Ad Hoc is not aware of which County projects might be introduced into the discussion by the EIFD consultant or the PFA. That will be a question addressed during the EIFD process.

E. Next Steps and Timeline

Questions #5 & #6 presented to the Ad Hoc are addressed in this section.

1. Timeline: The City of Santa Rosa’s experience is the only reference available to us in Sonoma County. That suggests the following timeline, assuming the Council votes to move forward with a West Sonoma County EIFD at the January 16 meeting:

January 16, 2024	Council approves West Sonoma County EIFD boundaries and directs staff to move forward with an RFP for an EIFD consultant as soon as County funding is received, and to take other action as needed.
January 23, 2024	Board of Supervisors approves \$50,000 in funding for Sebastopol’s EIFD consultant.
March 2024	The City releases an RFP for EIFD consultant services.
May 2024	City Council approves selection of EIFD consultant.
November 2024	EIFD Consultant presents report to Council. Council approves Resolution of Intention to Establish an EIFD (ROI) and Resolution Establishing a Public Financing Authority (PFA).
December 2024 – February 2025	Appointments made to EIFD: Council members, County members, public members.
March 2025	PFA Public Meeting #1. Adopt bylaws; address administrative needs; public discussions; direct staff to develop Infrastructure Finance Plan (IFP).
April 2025	PFA Public Meeting #2. Intro of draft IFP, answer questions, consider comments.
May 2025	PFA Public Hearing #1. No actions; will hear public comments.
June 2025	PFA Public Hearing #2. Reject or modify IFP based on public comments.
July 2025	Council and County and any other taxing agencies participating in EIFD vote on resolutions to approve IFP (committing each to project list and tax increment contributions).
August 2025	PFA Public Hearing #3. Meeting to approve the IFP and adopt Resolution of Formation or schedule vote pending outcome of protests.
November 2025	Request for Jurisdictional Boundary Change submitted to the California State Board of Equalization. This sets the base year for purposes of calculating incremental tax increases.
January 2026	Surveys and documentation of parcels within the EIFD.
January 2026	Incremental property tax increases begin to fund EIFD.
June 30, 2026	First annual EIFD audit due.
Date unknown	EIFD projects break ground.

2. City Council Next Steps if a West County EIFD Boundary is Approved (estimated dates):

- Jan '24: Agree to consider a variety of EIFD boundaries within District 5, including (but not limited to) evaluation of a full West Sonoma County EIFD, and to direct the EIFD consultant accordingly, with the parameters of the EIFDs to be discussed with the County. Direct City staff to move forward with an RFP and other necessary actions upon receipt of County funding for an EIFD consultant.
- May '24: Approve selection of EIFD consultant.
- Continuing: Work with EIFD consultant and with the County (Supervisor Hopkins' office) as needed.
- Nov '24: Approve Resolution of Intention (ROI) and establish Public Financing Authority (PFA)
- Dec '24-Feb '25: Appoint 2 Councilmembers to PFA, facilitate County appointments, make public member appointments.
- Mar-Nov '25: Receive reports from Councilmembers appointed to the PFA regarding progress. Make decisions as necessary (e.g. If the City approves the IFP in ~July 2025 that decision will commit the City to the project list and to making future incremental tax increase contributions to the EIFD). Participate as needed with the EIFD consultant retained to provide services to the City through the point of submittal to the Board of Equalization).
- Nov '25 and beyond: Receive reports from the PFA appointees regarding activities of the PFA. Make decisions as necessary.

3. City Council Next Steps if a West County EIFD is Not Approved: If an EIFD to include evaluation of EIFDs within District 5, including but not limited to a West County EIFD is not approved by the City Council, there will be no County funding potential for an EIFD consultant. Without the County funding the Council will have two choices: (1) Abandon the EIFD inquiry, or (2) Consider allocation of City funds for pursuit of a more restricted (e.g. City-only) EIFD. For allocation of City funding, a proposal for the needed \$50,000 would need to be brought before the full City Council, and also submitted to the Budget Committee.

Given the City's current fiscal crisis, the Ad Hoc EIFD Committee does not recommend a funding request for EIFD consultant fees.

F. Costs of EIFD Formation

Questions #7, #8, #9, ad #10 presented to the Ad Hoc are addressed in this section.

1. Consultant Costs: A consultant is needed for the formation of an EIFD. Initial information (based on the costs incurred by Santa Rosa) suggests that the minimum expense for the initial stages of formation of an EIFD would be \$50,000, and that there would be additional required expenses following official formation, for example to survey the parcels within the EIFD.

The Santa Rosa Example: Santa Rosa contracted with David Taussig and Associates (DTA) for EIFD consultation, and spent a total of \$49,500 for a feasibility study and initial work on the formation of its EIFD. This included \$20,000 for Phase 1 - the feasibility study (EIFD boundaries, revenue study, bonding analysis, infrastructure needs, and next steps memo with timeline and tasks), plus \$29,500 for Phase 2 – the subsequent formal steps needed to finalize the EIFD (drafting Council resolution and Public Financing Authority formation documents plus Infrastructure Financing Plan, property owner meetings, and completion of documents required by State Board of Equalization).

The Ad Hoc estimates that these Phase 1 and Phase 2 stages, through submittal to the Board of Equalization, will take about a year for Sebastopol to complete, until November 2025. It's these initial stages that the consultant cost of \$50,000 is expected to cover.

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Santa Rosa allocated an additional \$102,000 to pay for subsequent tasks, including \$52,000 for surveys of all parcels within the EIFD and \$50,000 for additional future anticipated consulting support.

County Assistance with Consultant Costs: As has been noted, Supervisor Lynda Hopkins attended the Council's December 19 meeting and committed to requesting County funding for Sebastopol's consultant fees. Supervisor Hopkins will be submitting a \$50,000 funding request to the January 23 Board of Supervisors' meeting. This grant will be available if the City elects to support evaluation of a possible a West Sonoma County EIFD (exact boundaries TBD), but not if the City chooses to limit it's consideration to a City only EIFD.

Additional consultant fee costs have not been promised by the County, and would need to be requested as needed at a later time.

2. Sebastopol City Staff Time: Sebastopol City Staff Time: City staff time will be required during the EIFD formation process, to oversee the selection of an EIFD consultant, to coordinate with County staff, to research, draft, and prepare staff reports, etc. It is estimated that the process culminating in the selection of an EIFD consultant will require approximately 20 hours of City Staff time. Management and oversight of the consultant will likely require a modest amount of staff time over the estimated two-year process leading up to submittal of the EIFD to the Board of Equalization, but we're unable to provide specifics.
3. Legal Fees: Because the EIFD evaluation will include unincorporated West Sonoma County, and there will be substantial involvement by Supervisor Hopkins' office, County Counsel will be actively reviewing legal issues regarding the EIFD as the process moves forward. The City will have some legal fees associated with ensuring that any City-specific interests are protected, but it's expected that those fees should be minimal and may be covered by the existing City litigation budget.
4. PFA Costs: The administrative operational costs of the PFA, once the IFP is approved and the boundaries are submitted to the Board of Equalization, are covered by the funds collected by the PFA.

G. EIFD Governance – The PFA and the IFP

Question #11 presented to the Ad Hoc requested answers to any other questions the Ad Hoc encountered during its inquiries. One such question raised by the Ad Hoc's inquiries is how the EIFD is governed and how final decisions regarding projects and contributions are made. That question is addressed here.

1. The Public Financing Authority – Governing Body of the EIFD. An EIFD is a separate legal entity, governed by a Public Financing Authority (PFA). The minimum size of a PFA is five. For all PFAs the majority must be legislative members and at least two members of the public must be included. The Santa Rosa PFA as originally planned had five members: two Councilmembers, one Supervisor, and two members of the public. In its final form, it has seven members: two Councilmembers, two Supervisors, and three members of the public (one appointed by the Council, one appointed by the Board of Supervisors, and one appointed jointly by the Council and the BOS). For a West Sonoma County EIFD, with contributions from the County, a PFA of five is possible (two Councilmembers, one Supervisor, and two public members), but a PFA of seven members appears more likely: two Sebastopol Councilmembers, two Supervisors, and three members of the public. In a 5 member PFA, the City would have majority control over appointments: the City would appoint two Councilmembers plus one public member and the County would appoint one Supervisor plus one public member. The more likely outcome is that this PFA would be 7 members, with equal (50%) control between the Council and the County: the City would appoint two Councilmembers plus one public member, the County would appoint two Supervisors plus one public member, and the final public member would be a joint City/County appointment.

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- 2. The Infrastructure Finance Plan – Governing Document of the EIFD. The Public Financing Authority (PFA) has the authority to develop the key document that governs the EIFD: The Infrastructure Finance Plan (IFP). (As noted above it’s anticipated that the Sebastopol PFA would be active by early 2025.) The IFP specifies the projects the EIFD will fund, the tax revenues each participating entity will contribute, as well as many other details regarding the EIFD. It is in the PFA’s authority to make these essential decisions.

H. Summary: City Commitment and Control

This section summarizes the City’s obligations if a West Sonoma County EIFD is approved. It draws from answers in various preceding sections of this Staff Report.

1. City Commitment:

- a. **Funding:** The City will be required to contribute a portion of its future incremental property tax increases to the EIFD, as a condition of holding voting seats on the PFA. That contribution decision will need to be made when the City Council is presented with the IFP, which in the estimated timeline in this staff report is expected to be in July 2025. In approving the IFP the City Council would be committing to a specific project list and contribution amount.
- b. **Staff Time:** As noted above, City staff time will be required during the EIFD formation process, to oversee the selection of an EIFD consultant, to coordinate with County staff, to research, draft, and prepare staff reports, and to manage and oversee the consultant through the two-year period until the EIFD is presented to the Board of Equalization.
- c. **Legal Costs:** The City will incur some legal costs as the EIFD process progresses.
- d. **Council Time:** Council time will be required during the EIFD formation process to review staff reports and provide direction as needed.
- e. **Councilmember Participation as Appointees to the EIFD:** Councilmembers appointed to the PFA will have obligations to participate through formation and thereafter.

2. City Control:

- a. **PFA:** The City would have at minimum 50% control over appointments to the PFA, providing input on key decisions about the project list and funding, as well as other core matters that will govern the EIFD.
- b. **City Funds:** The City will determine what portion of its future incremental property tax increases it will commit to the EIFD.
- c. **Withdrawal from EIFD:** Because the IFP is subject to approval by each participating affected taxing entity, the City will have final authority to remove itself from the PFA by voting not to approve the IFP. The projected date for the IFP approval is July 2025.

Resources

- Enhanced Infrastructure Financing District Law: 2022 California Government Code Title 5, Division 2, Part 1, Chapter 2.99: Enhanced Infrastructure Financing District:
- Primer on California’s Tax Increment Financing Tools 2nd Edition (2023), California Association for Local Economic Development.

CITY COUNCIL AND/OR GENERAL PLAN GOALS:

Goal 5: Provide Open and Responsive Municipal Government Leadership

5.3.3. Encourage and increase public awareness of City Policies, decisions, programs and all public processes and meetings, by investigating effective methods of communication and obtaining feedback from the community.

Goal 6: Maintain a highly qualified Staff that works to provide services to serve and protect the residents, visitors and business of this community.

Action CHW 5c: Practice an open-door policy in City programs, and actively engage and encourage participation from all individuals regardless of ethnicity, race, religion, class, disability, sexual orientation, and gender.

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ENVIRONMENTAL REVIEW

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment. However, if staff receives public comment from interested parties following the publication and distribution of this staff report such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of this item.

PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to the scheduled meeting date.

FISCAL IMPACT:

Supervisor Hopkins' office has informed the Ad Hoc that the \$50,000 EIFD consultant request is scheduled to be considered by the Sonoma County Board of Supervisors at its regular meeting on January 23, 2024. The City will not know until then if this request will be approved or denied.

If a West County EIFD is not approved, there will be no County funding potential for an EIFD consultant. Without the County funding the Council will have two choices: (1) Abandon the EIFD inquiry, or (2) Consider allocation of City funds for pursuit of a City-only or "City Plus" EIFD. For allocation of City funding, a proposal for the needed \$50,000 would need to be brought before the full City Council, and then submitted to the Budget Committee. Given the current fiscal crisis, the Ad Hoc EIFD Committee does not recommend a funding request for EIFD consultant fees.

The creation of an EIFD will not decrease the amount of Property Tax revenue the General Fund receives. Instead, the Property Tax generated within the EIFD boundaries will be frozen at the amount in the assessment roll that was last equalized prior to formation of the EIFD, creating a base year.

RECOMMENDATION:

The recommended action tonight is:

- a) Receipt of the Report Out
- b) Decision to engage in a formal discussion process with the County (Supervisor Lynda Hopkins) to move forward or not move forward with forming an EIFD
- c) Decision regarding the boundaries of the EIFD: (1) To accept consideration of all possible EIFD boundaries within Supervisorial District 5, including but not limited to a possible full West Sonoma County EIFD, (2) To limit consideration to a much more restricted EIFD boundary, to include only the City of Sebastopol or at most the City plus a small portion of unincorporated West Sonoma County (Sebastopol Plus).
- d) Acceptance of \$50,000 County Funding (if approved at the January 23, 2024 Board of Supervisors Meeting) (only available if the Council accepts consideration of all possible EIFD boundaries within Supervisorial District 5, including potentially all of West Sonoma County).
- e) Decision regarding further steps (If the boundaries are the City of Sebastopol or Sebastopol plus a small portion of unincorporated West Sonoma County)

Attachments:

Boundary Map-Supervisorial District 5
Revenue Projections-West County EIFD 45 years

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Revenue Projections-West County EIFD 30 years
Revenue Projections-City of Sebastopol EIFD 45 years
Revenue Projections-City of Sebastopol EIFD 30 years
Potentially Eligible Projects Within the City of Sebastopol