

City of Sebastopol Budget

July 1, 2025 - June 30, 2026

Meeting 1

Presentation to City Council

Presented by Ana Kwong June 2025

City of Sebastopol Budget July 1, 2025 - June 30, 2026

What we'll cover today:

- Where the city gets money (revenue)
- Where the city spends money (expenses)
- Keeping the budget balanced, How we plan for the future
- Financial Forecast Overview (Baker Tilly)
- All fund overviews
- General Fund Revenues & Expenses
- Staffing
- Enterprise Funds
- Special Revenue Funds
- Insurance Fund
- Public / Council questions and feedback

Budget Committee: Councilmembers Maurer & Carter, City Manager Mary Gourley, Administrative Services Director Ana Kwong

The Big Picture - All City Money

Total City Budget

Where money comes from: \$31.8 Million

- Property taxes from homes and businesses
- Sales taxes from stores and restaurants
- Water and sewer bills
- Building permits and fees
- State and federal grants

Where money goes: \$28.9 Million

- Police and fire protection
- Roads and infrastructure
- Parks and recreation
- City staff salaries
- Water and sewer services

What This Budget Accomplishes

- A balanced budget (income \geq expense)
- Maintains current city staffing levels
- Improves services, accommodates annual goals
- Invests min \$300K annually (starting FY27) in fixing roads, buildings, and equipment
- Prepares for economic uncertainty (forecasted late 2026 recession) & responsible revenue projections
- New \$1.1M annual payment to Gold Ridge Fire District

Key Highlights

- Financial Health & Reserves: General Fund at 27.3%
- Property tax growth: 3.75% average, includes new construction and Prop 13 (max 2%)
- Sales tax growth: 2.44% average
- Measure U revenue @ .25% until legislation passage
- Pension costs based on CalPERS investment assumptions
- Employee raises: 5% plus annual merit increases
- \$1.1M wastewater loan gets repaid to city (FY28-32)
- Hotel Barlow to impact beginning '25-26 budget
- The term Cost Allocation Plan -> a fair way to divide shared cost by distributing general fund costs of staff or resource by time or usage to enterprise funds.

Sebastopol City Goals

GOAL 1 – COMMUNITY VITALITY

GOAL 2 – PUBLIC SAFETY

GOAL 3 – INFRASTRUCTURE

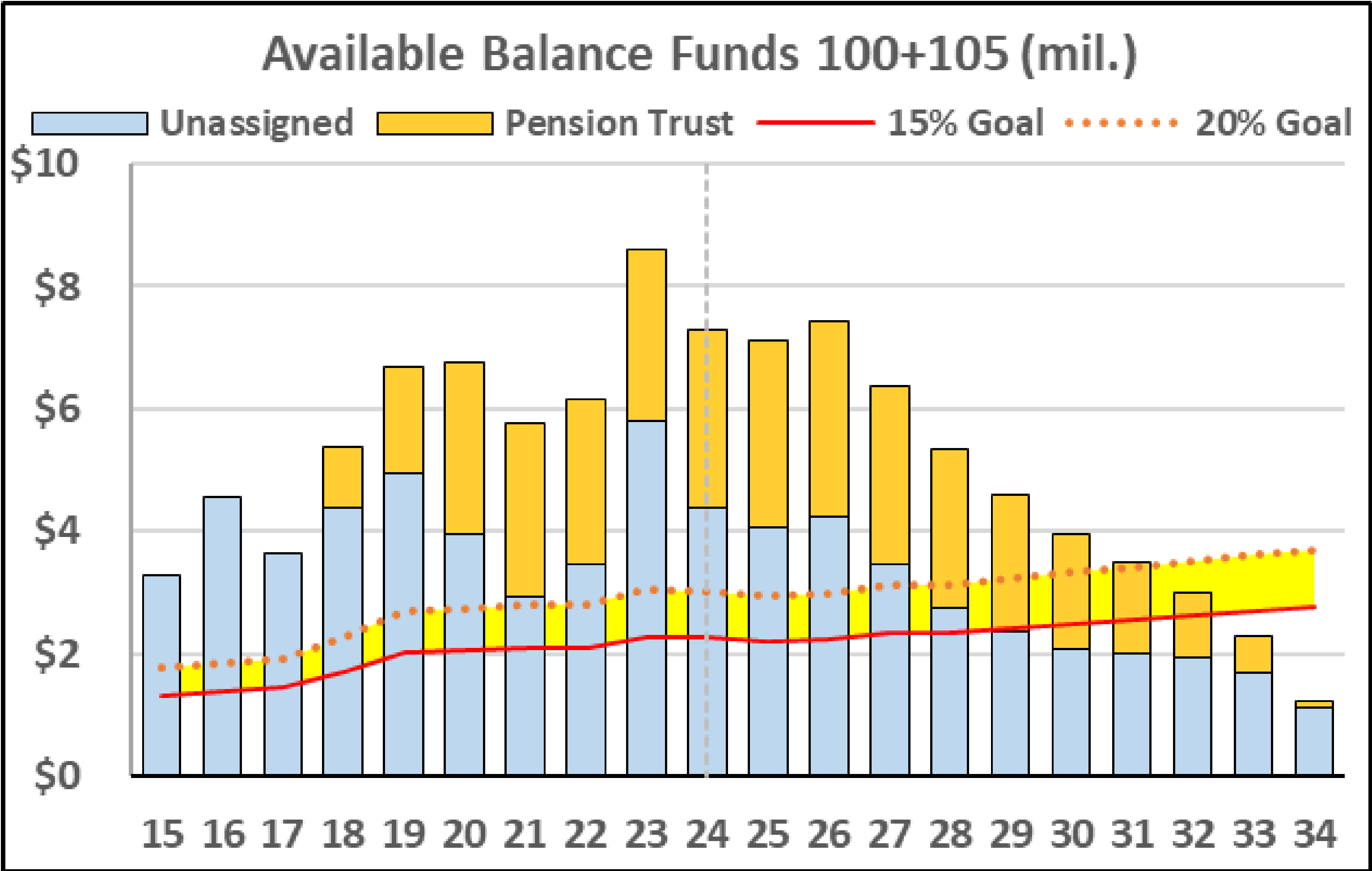
GOAL 4 – HIGH PERFORMANCE ORGANIZATION

GOAL 5 – LONG TERM FINANCIAL SUSTAINABILITY

GOAL 6 – ECONOMIC DEVELOPMENT

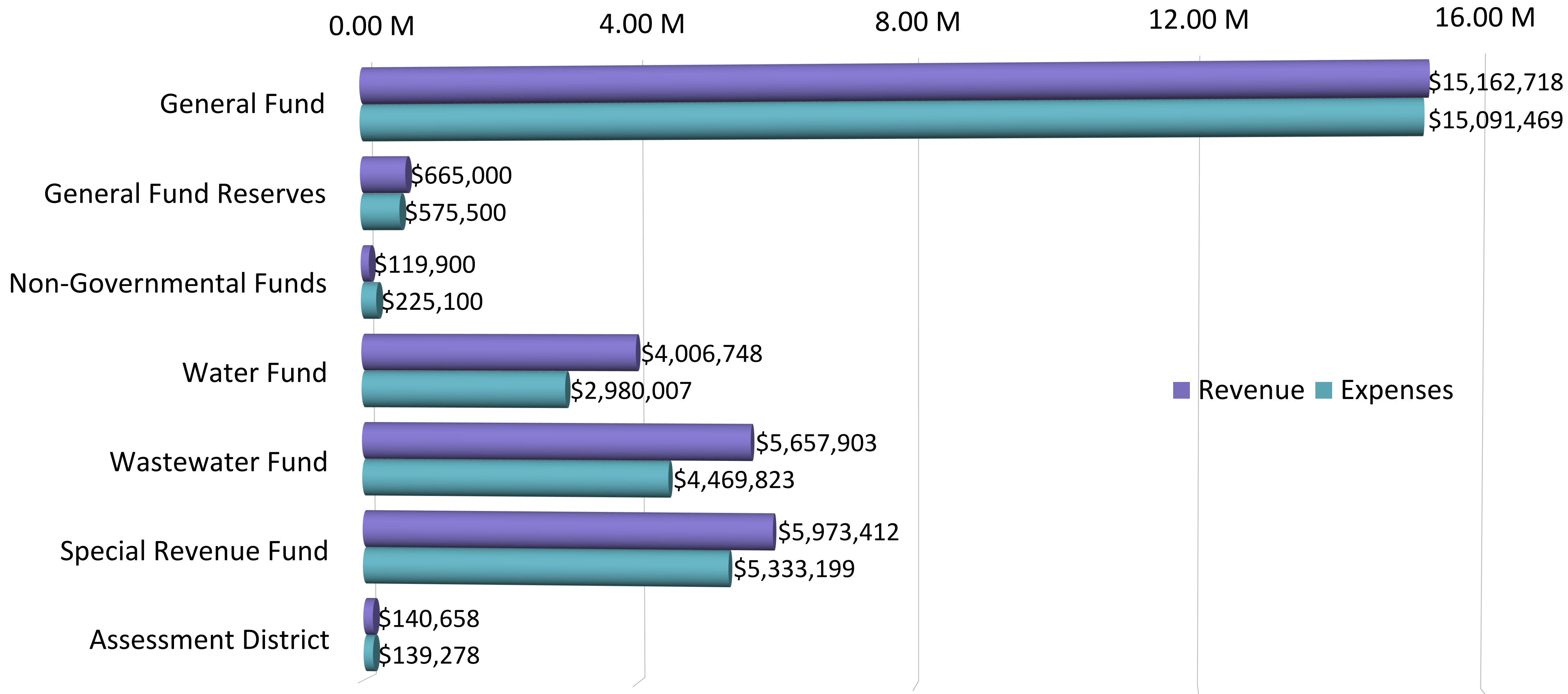
FY 2026-34 FUND BALANCE FORECAST

- Baker Tilly (3/25)
- Assumes savings starting FY27 and ending FY34, to bolster unassigned General Fund balance
- Shortfall requires \$500K expense reduction starting FY27 (-2.5%), or comparable new revenue, to correct

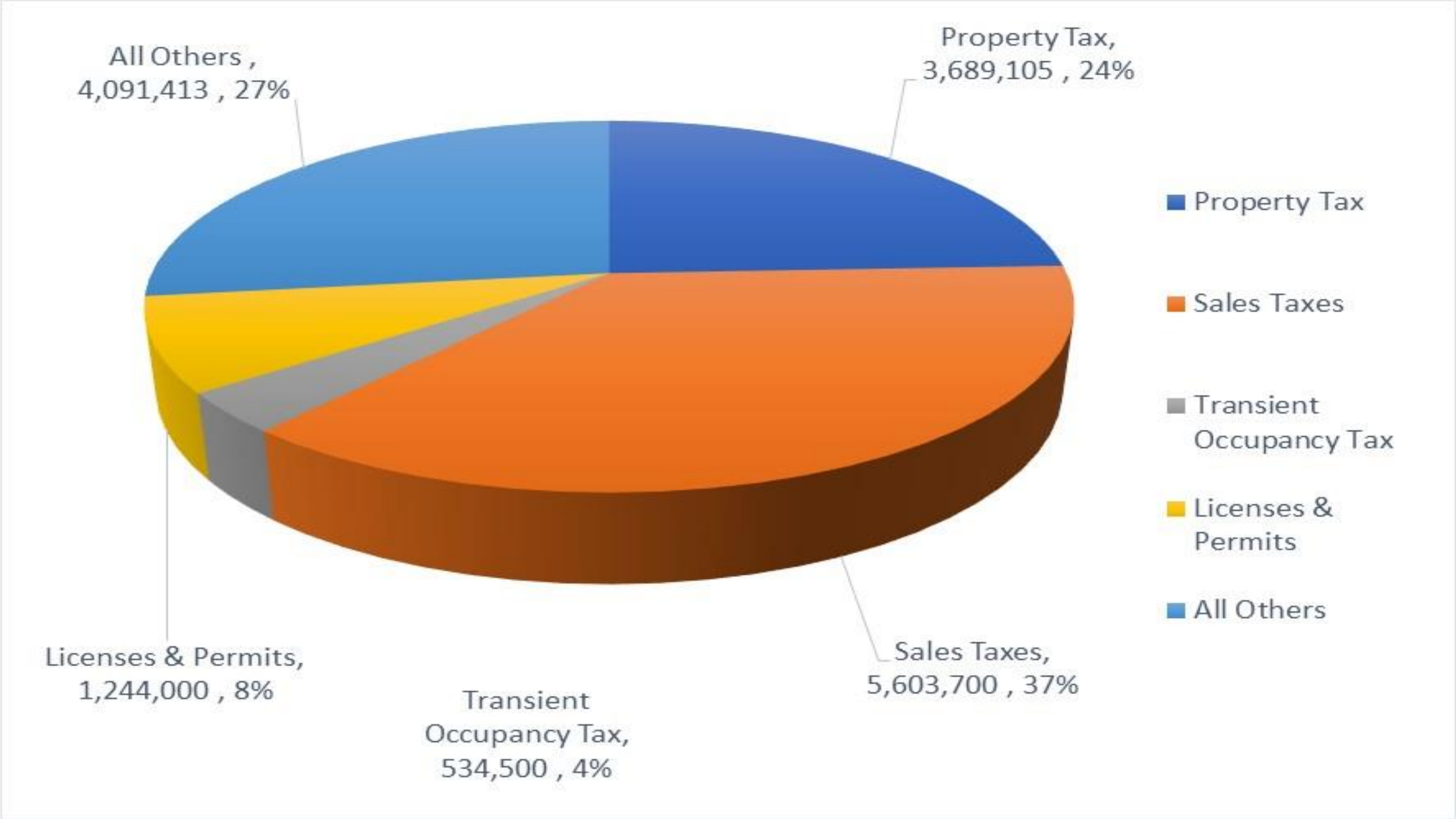


❖ Note not updated to reflect new tax increase or Barlow Hotel impact

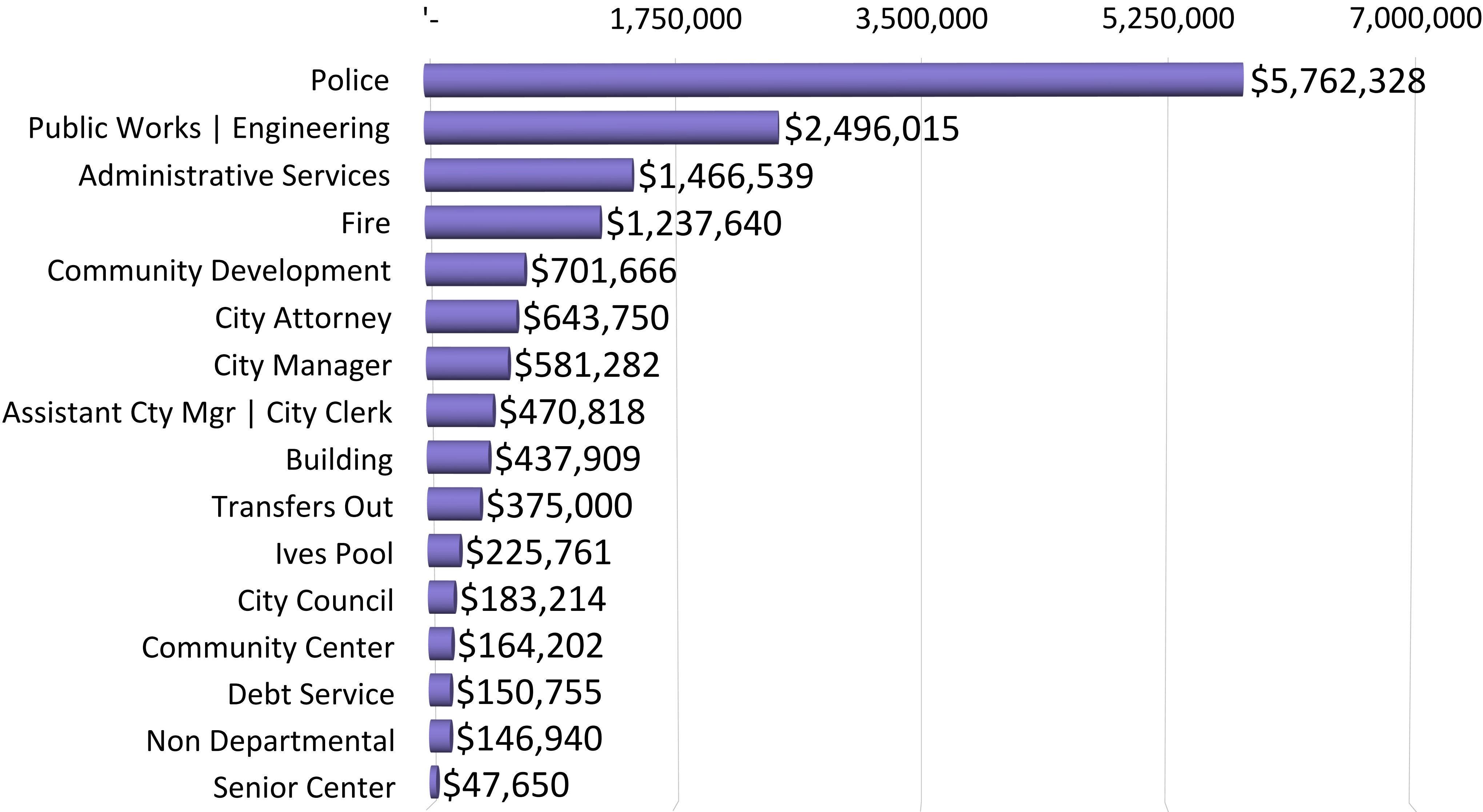
FY 2025-26 Revenue | Expenditures Overview



FY 2025-26 Revenue Sources %

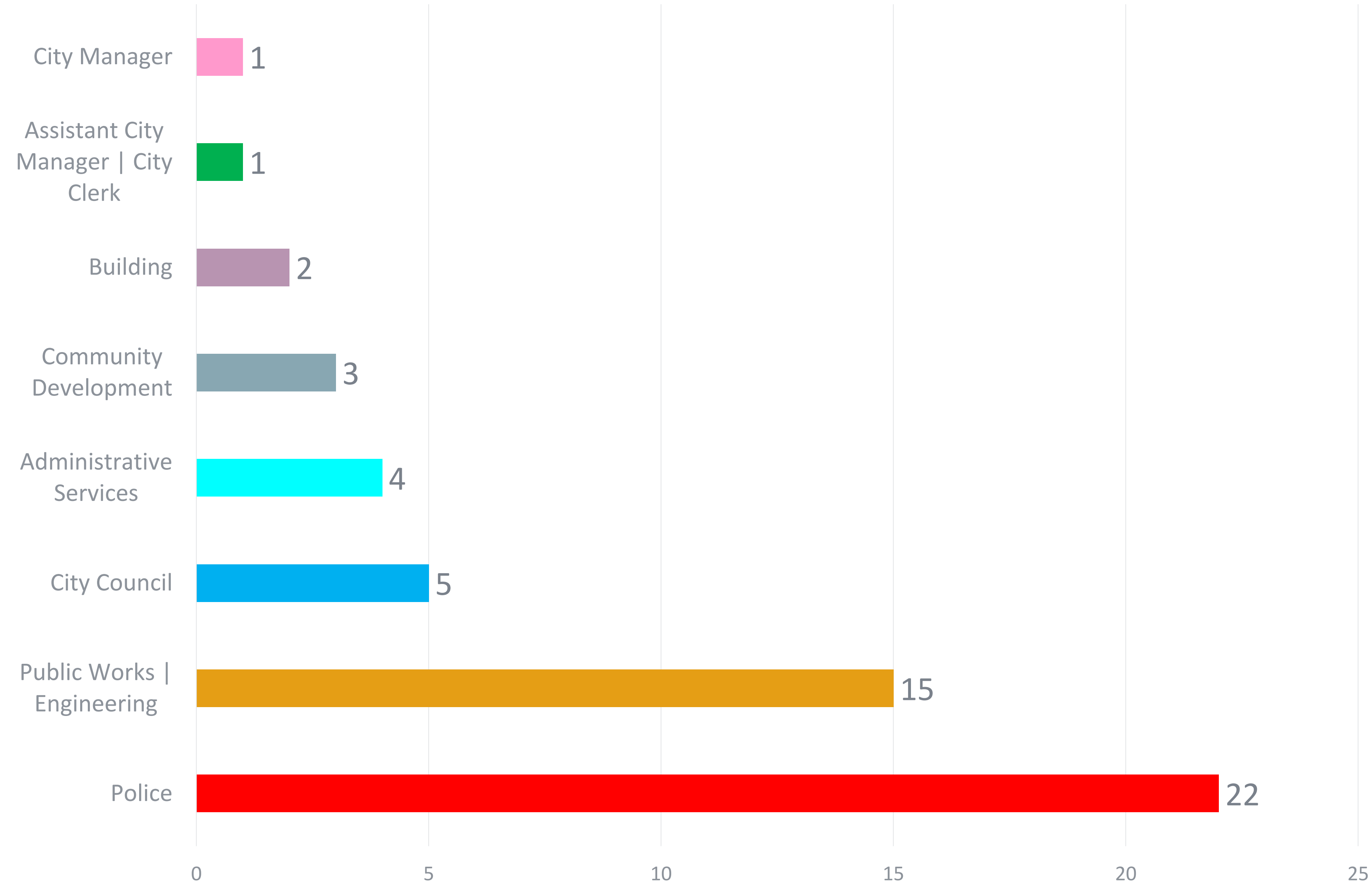


FY 2025-26 Expenditures By Department



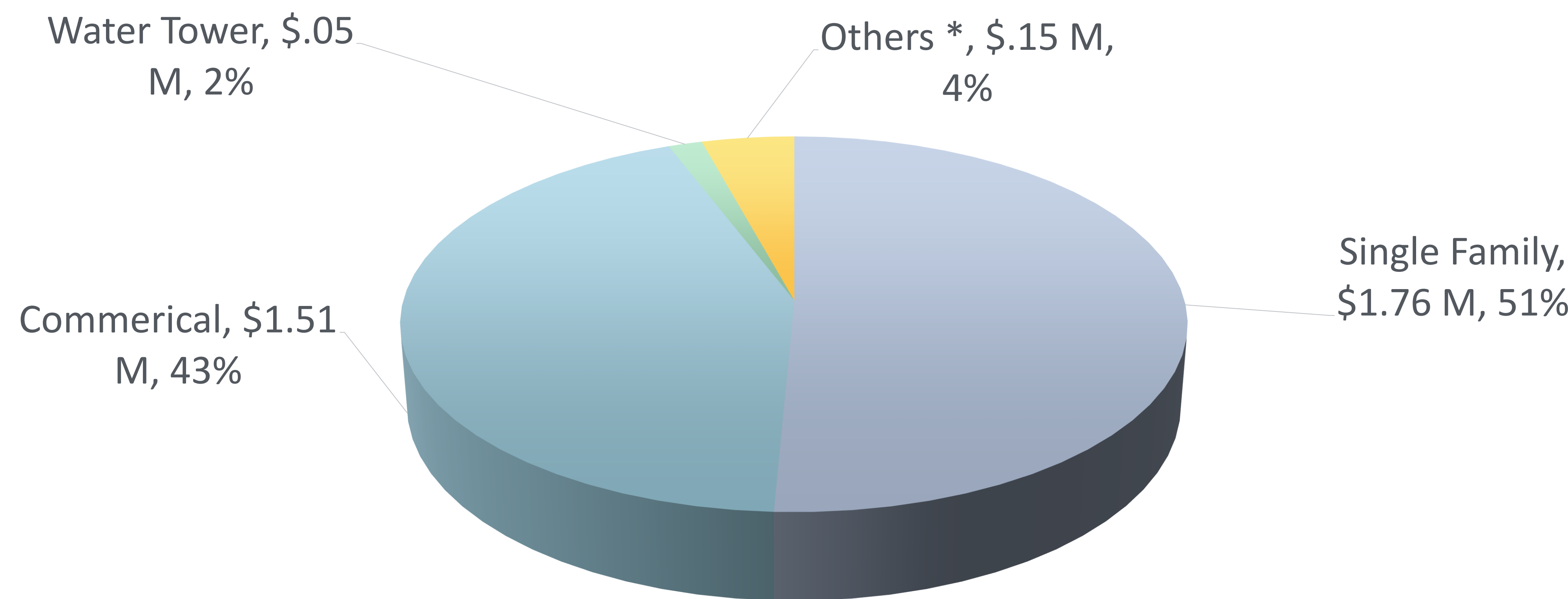
City Personnel

- 53 Full-Time Equivalent positions
- FY 25 26 Budget Includes COLA or step increases
- Maintains current staffing levels (other than Fire personnel who have merged with Gold Ridge Fire Department)
- 2 Positions Remains Frozen (Laborer & Police Officer)
- No layoffs or furloughs proposed for FY 25 26



FY 2025-26 Proposed Budget

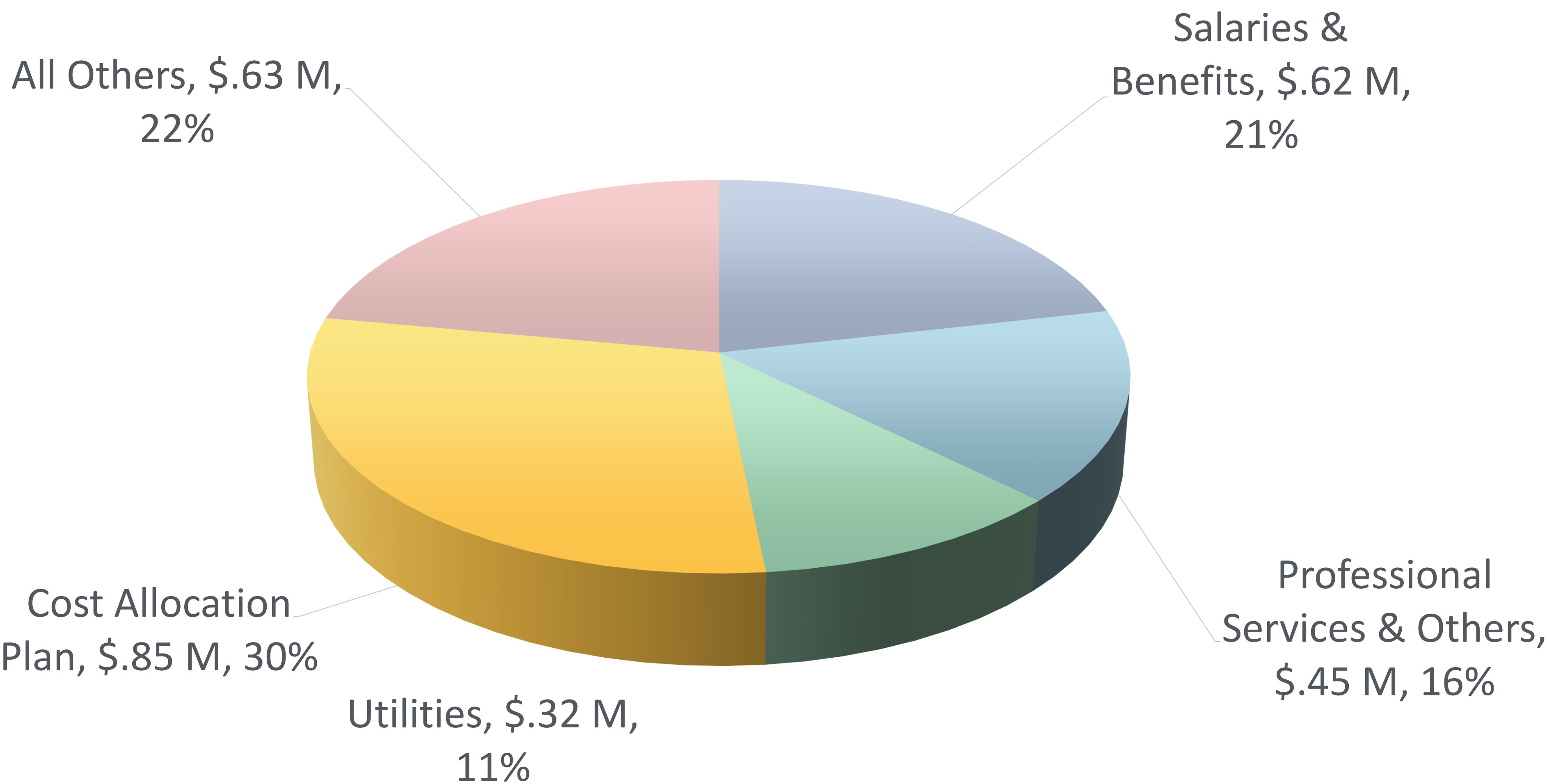
Water Fund, Revenue by Category



*Others: interest income, new water service fee, penalties

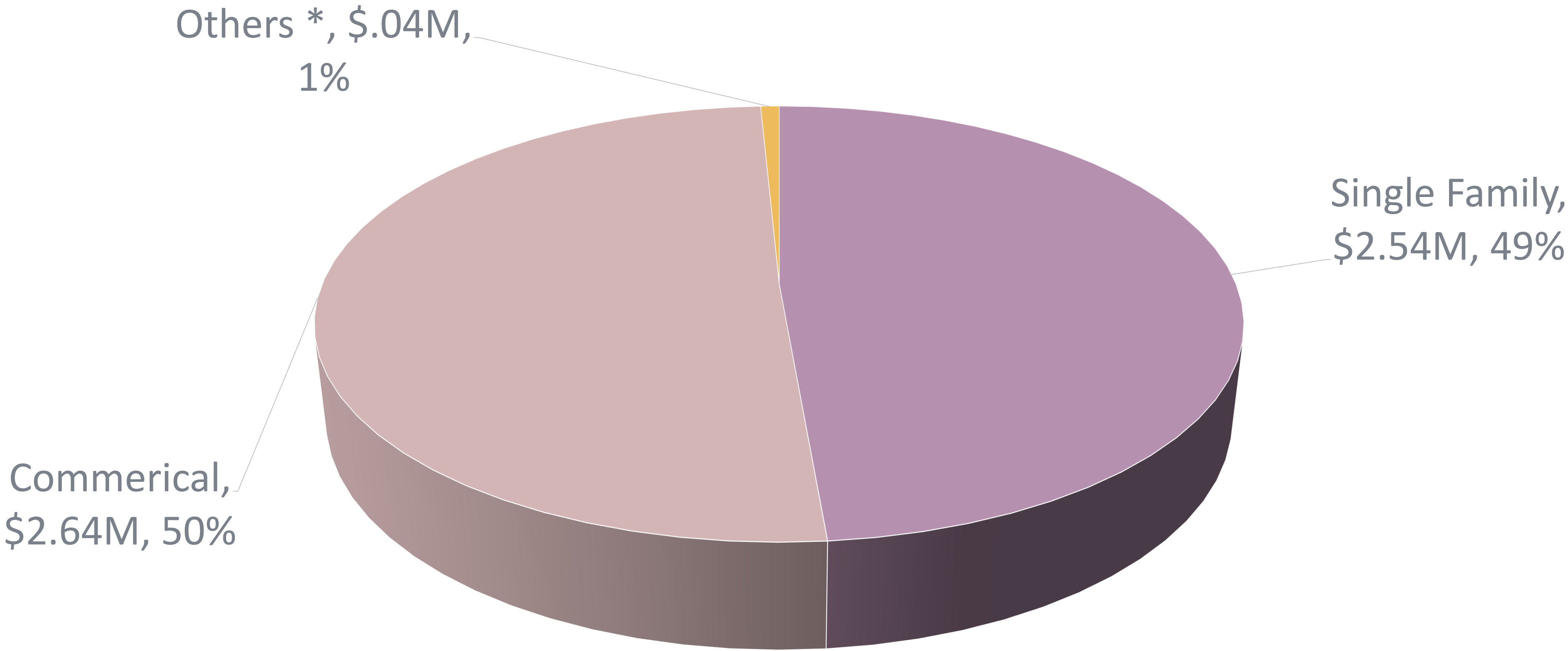
FY 2025-26 Proposed Budget

Water Fund, Expenses by Category



FY 2025-26 Proposed Budget

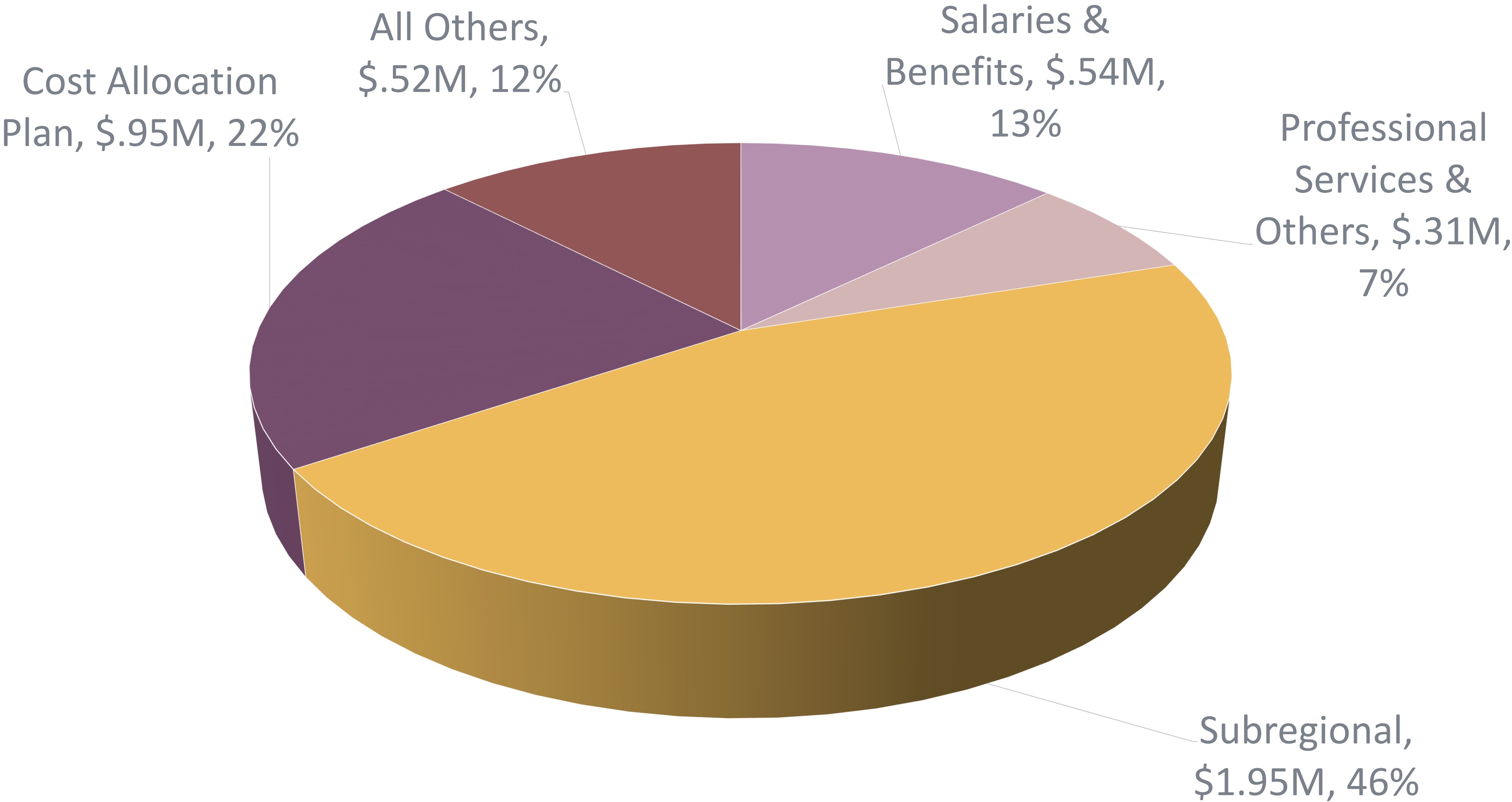
Wastewater Fund, Revenue by Category



*Others: interest income, penalties

FY 2025-26 Proposed Budget

Wastewater Fund, Expenses by Category



FY 2025-26 Proposed Budget

Special Revenue Funds

- Money that comes with rules about how it can be spent, like having separate piggy banks for different purposes. For instance:
 - Gas Tax income can only fix roads
 - Park Fees can only improve parks
- Supports ongoing capital projects
- We keep 24 different funds to follow these rules
- Each of these fund can be found on pages 139-173

FY 2025-26 Proposed Budget

Insurance Fund

- The City is part of a joint powers authority (JPA) risk pool.
- Insurance Budget - pages 174-175
- Each year, the California Intergovernmental Risk Authority (CIRA) determines the premiums for various types of insurance, and the City budgets and distributes those costs accordingly.
 - Workers' compensation premium and deductible costs are paid from the insurance fund, then proportionally allocated to all departments based on their total salary
 - General liability premium and deductible costs are paid from the insurance fund, then distributed proportionally across all departments based on prior year expenditures

Open Public Hearing to Receive Comments from the Public

- Additional City Council Questions of Staff
- Council Discussion/Deliberations
 - Budget Discussion continues to the next scheduled meeting for June 17, 2025
- Council discussion/deliberations/action will be conducted at a future city council meeting