

City of Sebastopol Budget

July 1, 2025 - June 30, 2026

Meeting 1

Presentation to City Council

Presented by Ana Kwong, June 2025

Budget Changes from June 3 to June 17

- Revised Measure U revenues increased \$152,000
- Measure U associated expenses increased \$75,000 (reflecting 40% policy)
- City's Bottom line improved by \$77,000
- New Total Budget Surplus is \$148,249

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
- Cost Allocation Plan
- All fund overviews
- General Fund: Revenues Sources | Measure U | Expenses by Department
- Staffing
- Enterprise Funds
- Special Revenue Funds
- Insurance Fund

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

City Budget Monetary Flow

Where money comes from: \$32 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: \$29.1 Million

- Police and fire protection
- Roads and infrastructure
- Parks and recreation
- City personnel costs
- 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 in 2027 recession) & responsible revenue projections
- New \$1.1M annual payment to Gold Ridge Fire District

Key Highlights

- Financial Health & Reserves: General Fund at 27.6%
- Property tax growth: 5% on average, includes new construction and Prop 13 (max 2%)
- Sales tax growth: 3% on average
- Measure U revenue @ .25% until legislation passage (0.50% for first 6 months | 0.25% for last 6 months)
- Pension costs based on CalPERS investment assumptions
- Employee compensation reflects a 5% adjustment in the budget (approved by Council on January 7, 2025) plus any standard annual merit increases where applicable.
- \$1.1M wastewater loan gets repaid to city (FY28-32)
- Hotel Barlow to include permit fee impact in '25-26 budget
- The term Cost Allocation Plan -> a mechanism to allocate shared costs by distributing general fund staff and/or resource to enterprise funds based on time spent or usage.

Sebastopol City Goals

1 – COMMUNITY VITALITY

2 – PUBLIC SAFETY

3 – INFRASTRUCTURE

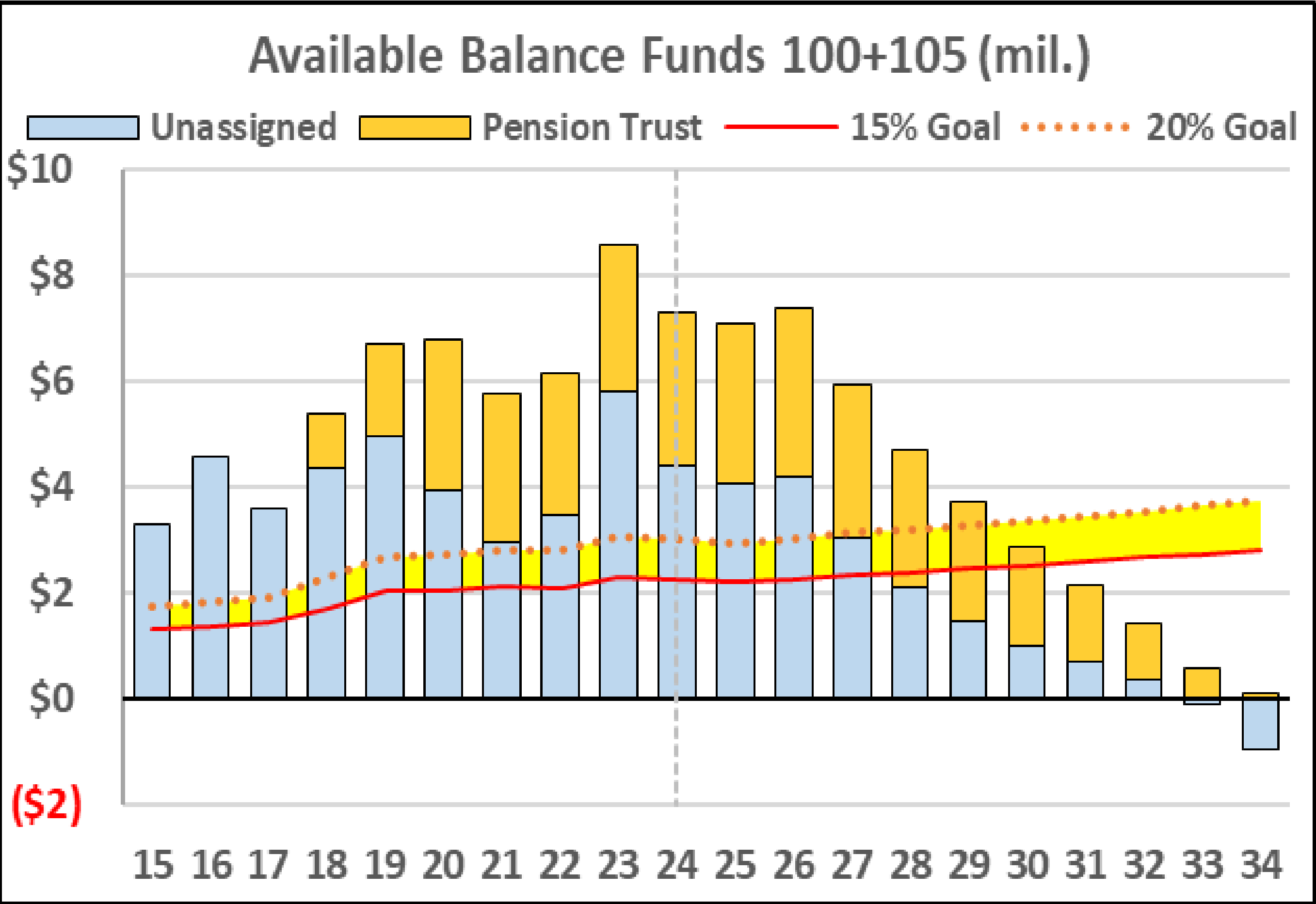
4 – HIGH PERFORMANCE ORGANIZATION

5 – LONG TERM FINANCIAL SUSTAINABILITY

6 – ECONOMIC DEVELOPMENT

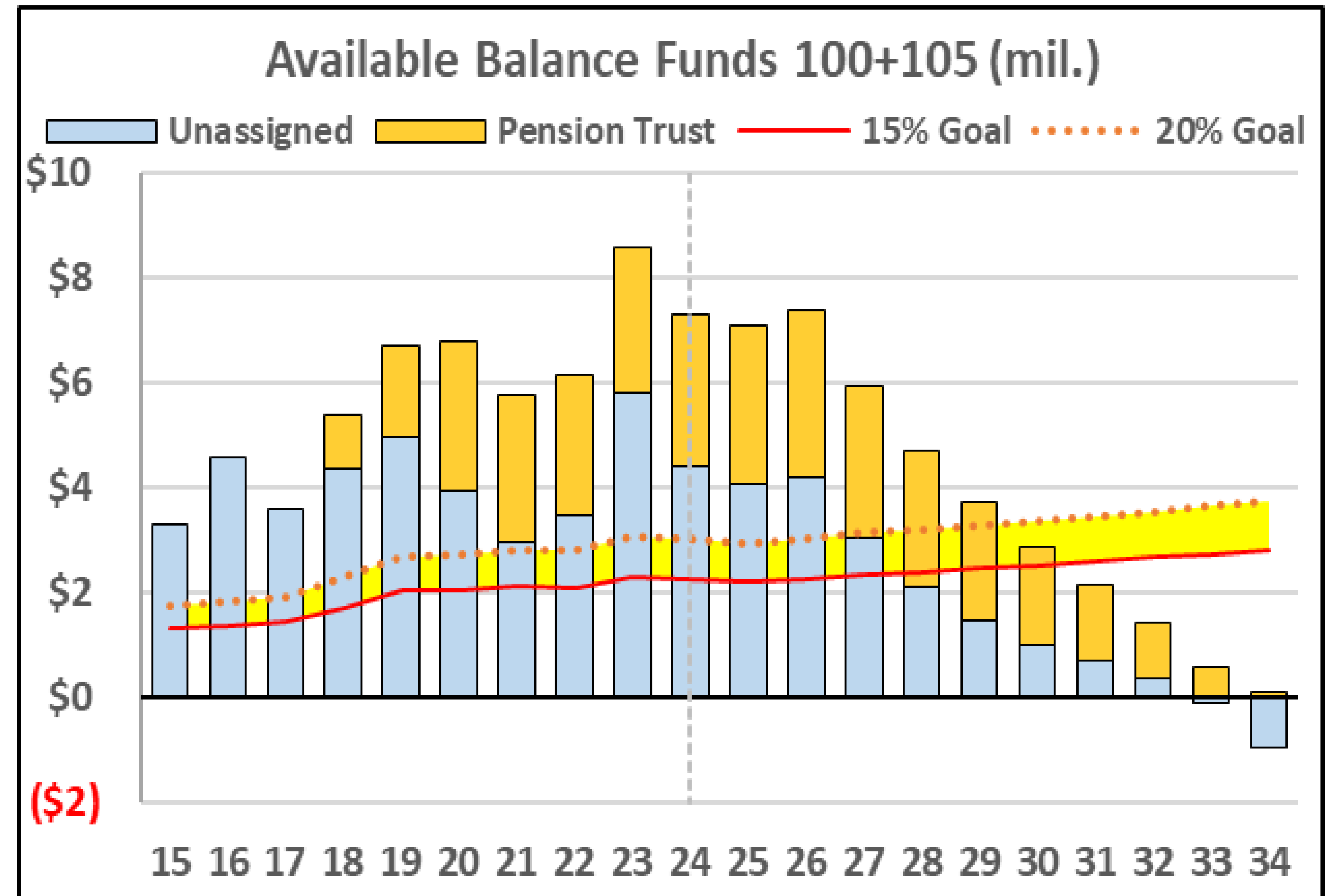
Baseline Forecast: Steady Decline in Fund Balance

- Measure U: (7/25-12/25) = 0.5%, (1/26-6/26) = 0.25%
- FY27 recession with subsequent recovery; recessions every 7 years thereafter
- Structural shortfall averages near \$1.0M per year from FY24-FY34
- Pension Trust diverts to general fund in FY27 and is depleted in FY34;
- Unassigned balance continues to fall; below minimum 15% reserve level starting FY30
- Requires \$500K additional revenues or reduced spending starting FY27 to achieve unassigned balance of 20% by FY34



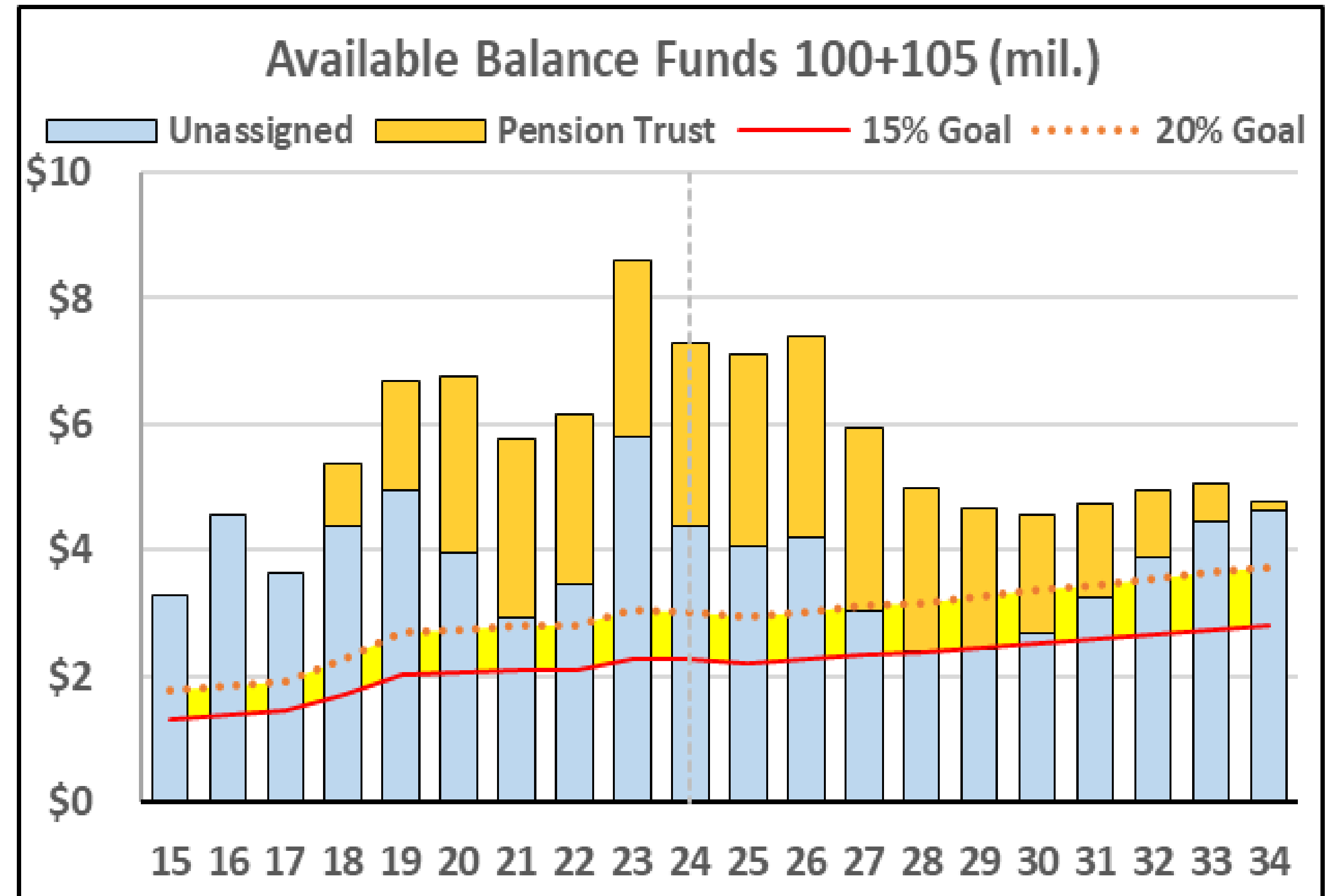
Alternative 1: Measure U Continues @ 0.5% Rate, NO HOTEL

- Assumes approval is secured for 0.5% (1/26 - sunset)
- Measure U tax rate remains in effect over its entire 12-year term
- Structural shortfall eliminated, creating fiscal capacity to improve services and/or capital funding
- Includes impact of FY27 recession and subsequent recovery; recessions every 7 years thereafter



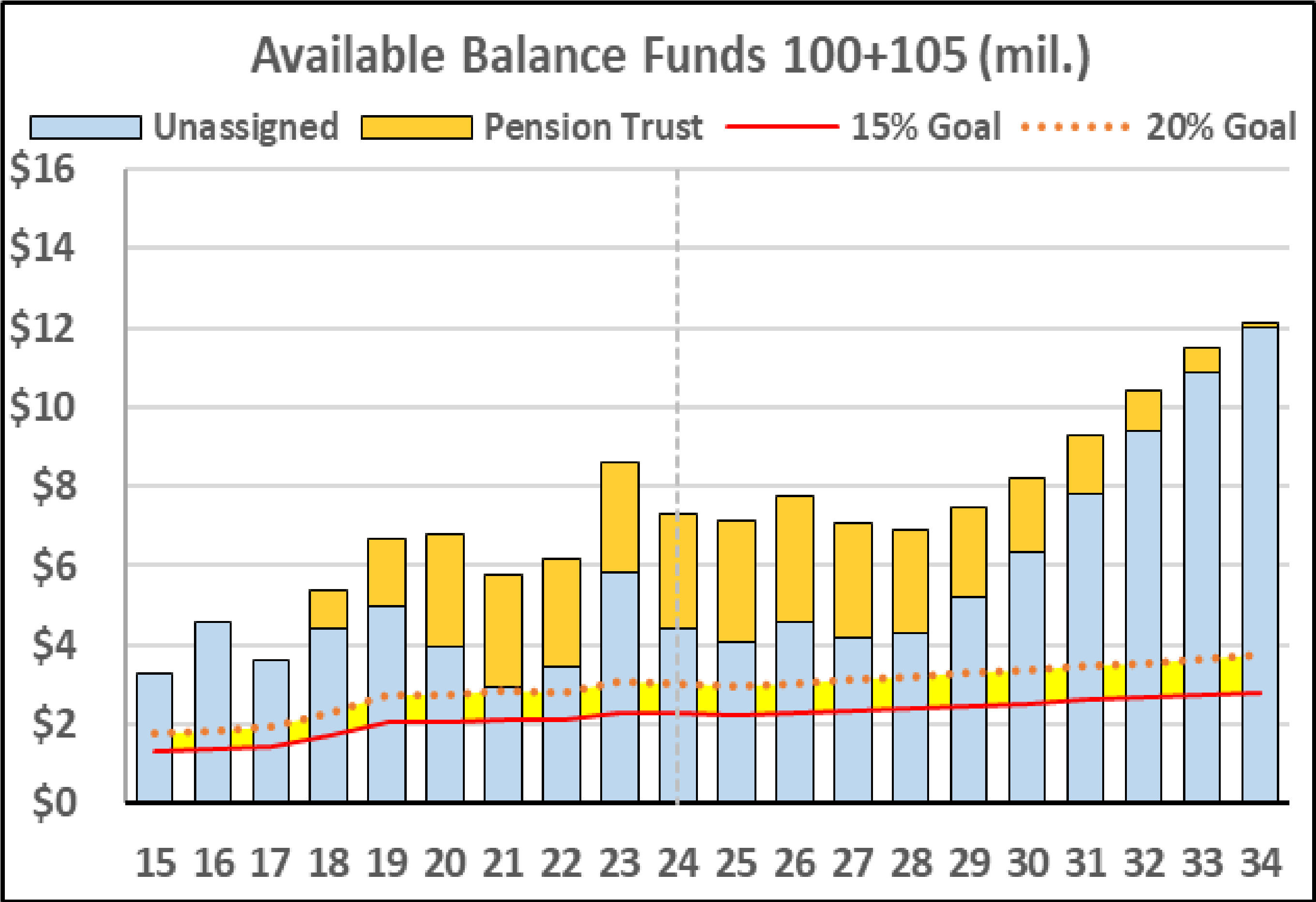
Alternative 2: Measure U = 0.25% Rate, + Barlow Hotel

- Measure U: (7/25-12/25) = 0.5%, (1/26-6/34) = 0.25%
- Barlow Hotel opens July 2027 (83 rooms, \$350 average room rate, 70% occupancy; with a high-end hotel in a new market, experience will be required to determine revenue generation capability of this property)
- Significant growth in TOT results; shows impact of following recession in FY34
- Structural shortfall eliminated, just above reserve goal through FY34



Alternative 3:
Measure U @ 0.50% Rate + Barlow Hotel

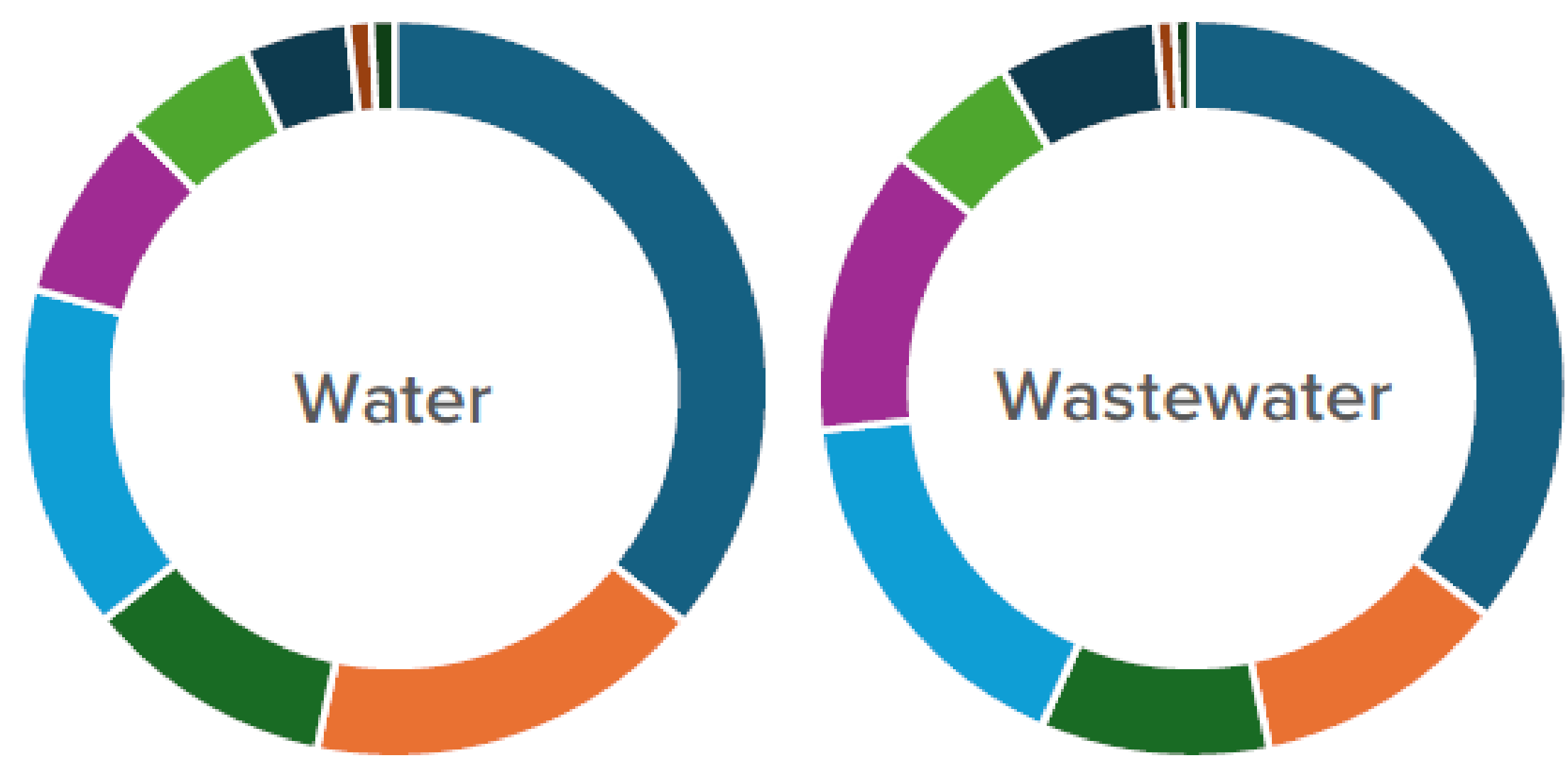
- Measure U continues at 0.50% rate through its entire 12-year term
- Assumes Barlow Hotel opens July 2027 (83 rooms, \$350 average room rate, 70% occupancy ramped up over 5 years)
- Structural shortfall eliminated; balance shows significant growth starting FY29



Cost Allocation Plan

Shared service cost recovery between departments for utility-related support

ALLOCATIONS RECEIVED BY UTILITIES FOR FY 2025-26

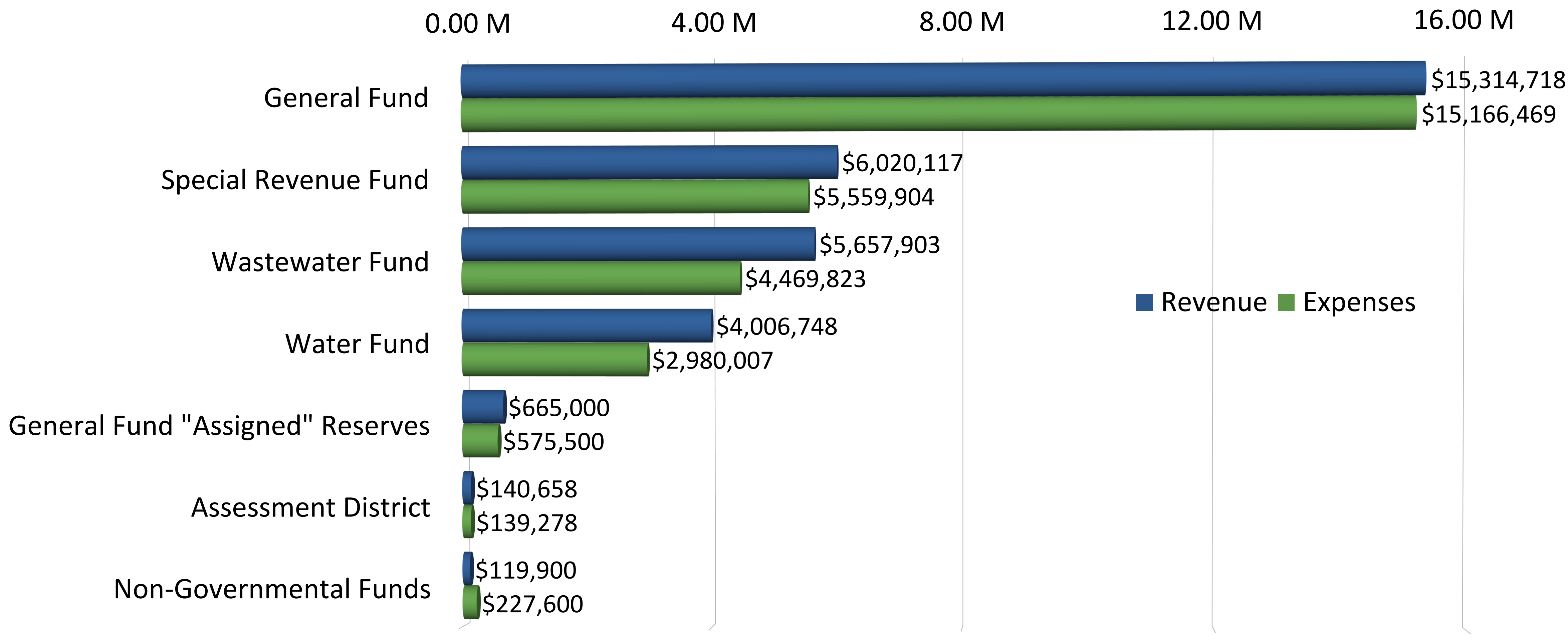


- Greater than one-third is Finance / Administrative Services, which includes utility customer service and billing in addition to financial reporting and administrative functions.
- Up to one-third is Public Works department administration and Engineering technical support.
- Remaining costs are attributable to general governmental oversight and administration.

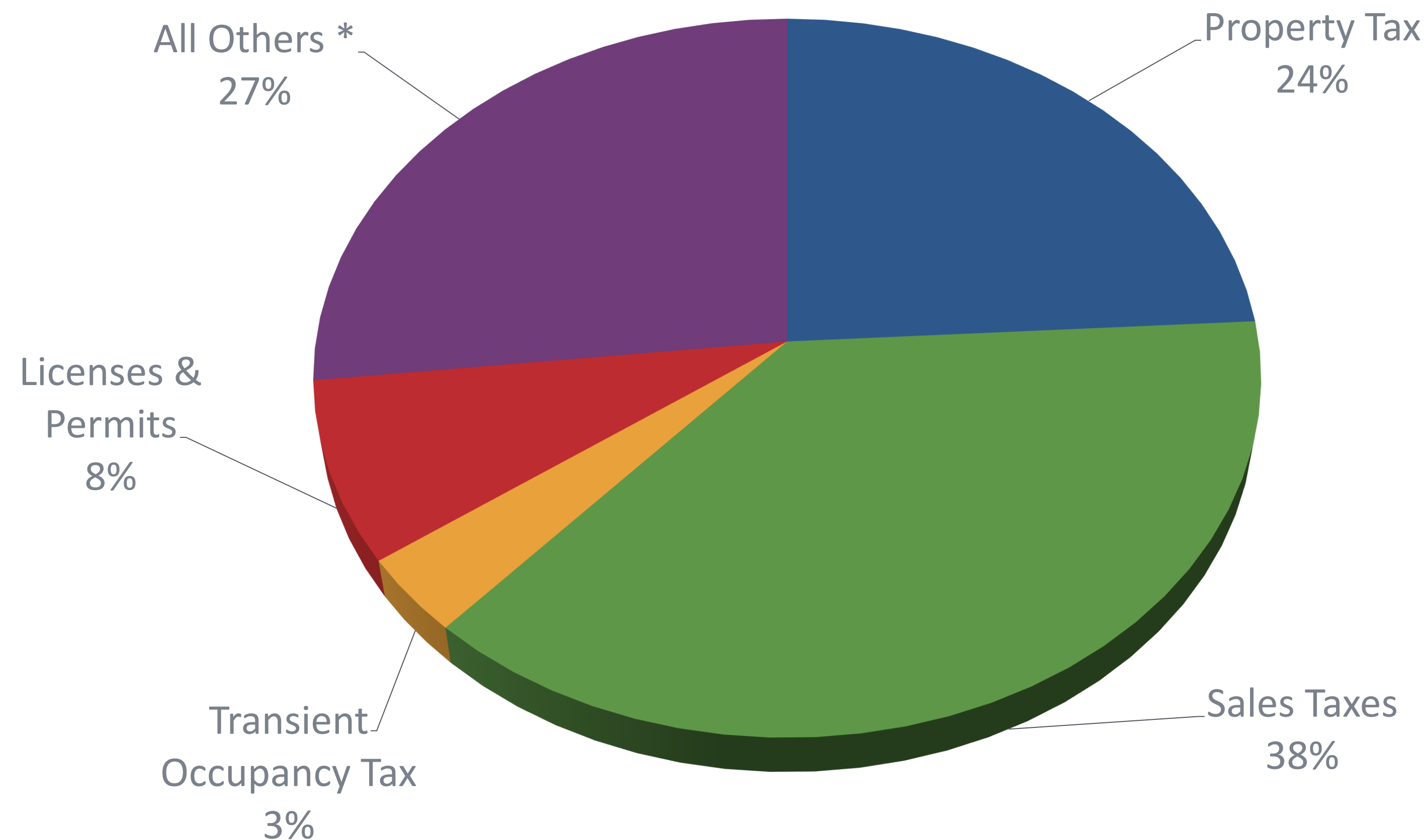
Central Services Department/Division or Functional Cost Pool Created by the Plan	Received by Water	Received by Wastewater
100-14 Finance / Administrative Services:		
Citywide Accounting / Budget	\$ 54,550	\$ 93,975
Utility Billing & Support	\$ 186,559	\$ 186,559
Payroll	\$ 7,592	\$ 6,916
Accounts Payable	\$ 14,322	\$ 5,499
Accounts Receivable / Cash Receipts	\$ 20,077	\$ 26,936
Information Technology Management	\$ 6,028	\$ 5,084
Human Resources	\$ 14,418	\$ 13,134
100-41-02 Public Works - Corporation Yard	\$ 147,373	\$ 105,858
100-23 Engineering	\$ 91,734	\$ 94,161
100-11 City Manager	\$ 128,272	\$ 157,791
100-12 City Attorney	\$ 69,512	\$ 119,751
100-10 City Council	\$ 49,767	\$ 54,891
100-13 City Clerk	\$ 38,096	\$ 65,629
100-00 Non Departmental	\$ 8,500	\$ 7,564
100-41-06 Public Works - Governmental Building	\$ 8,558	\$ 7,217
Total Allocated Central Services Cost Received	\$ 845,358	\$ 950,965

The current cost allocation structure, based on standard industry methods for indirect costs, was approved by the City Council in February 2024. City staff will review the Indirect Cost Allocation Plan in FY 2025-26 to determine if updates are needed. Any proposed changes will be presented to the City Council mid-year for consideration.

FY 2025-26 Revenue | Expenditures Overview by Fund



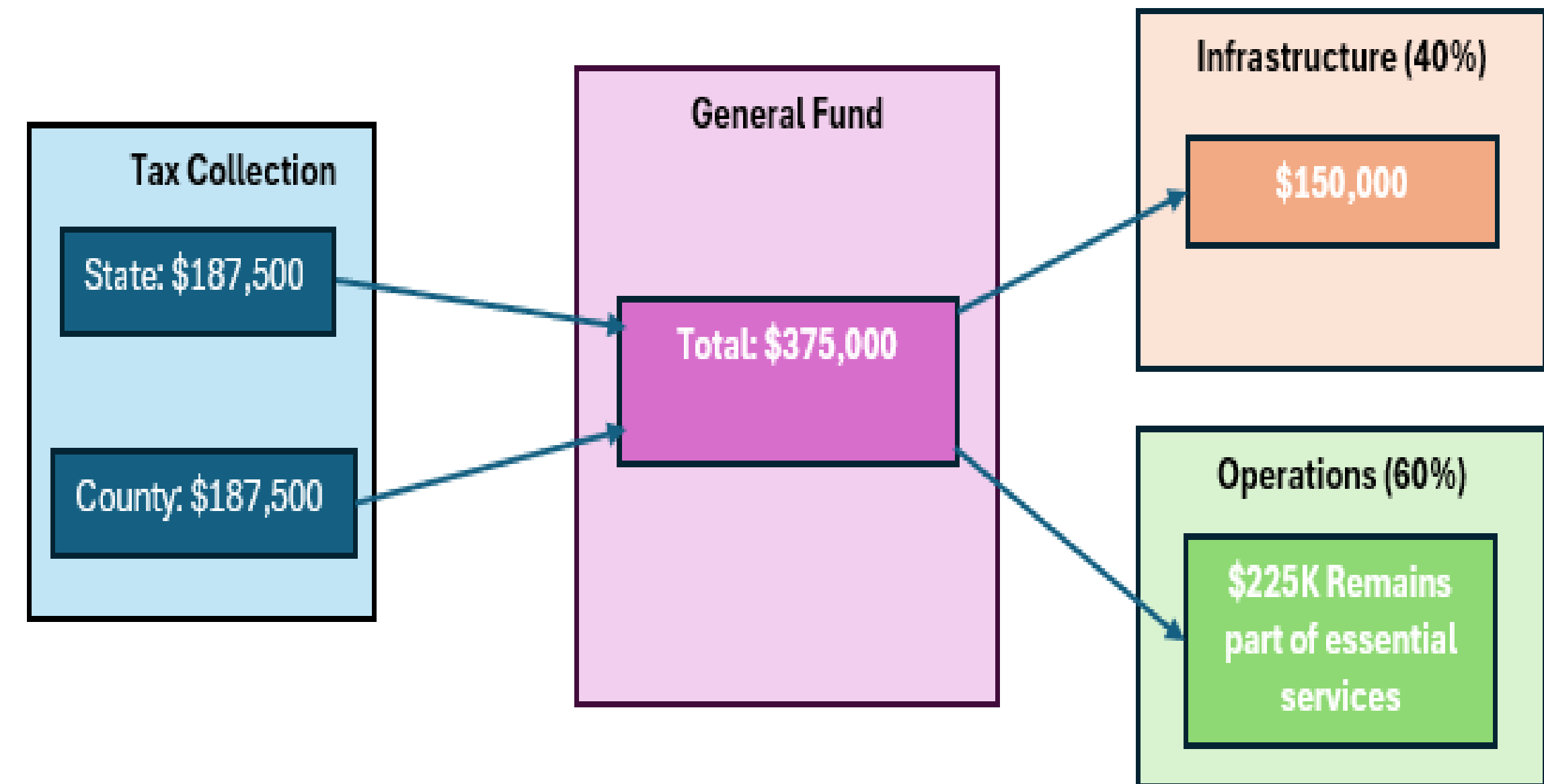
FY 2025-26 General Fund Revenue Sources %



*user taxes (UUT), franchise fees, charges for services, cost allocation plan, transfers

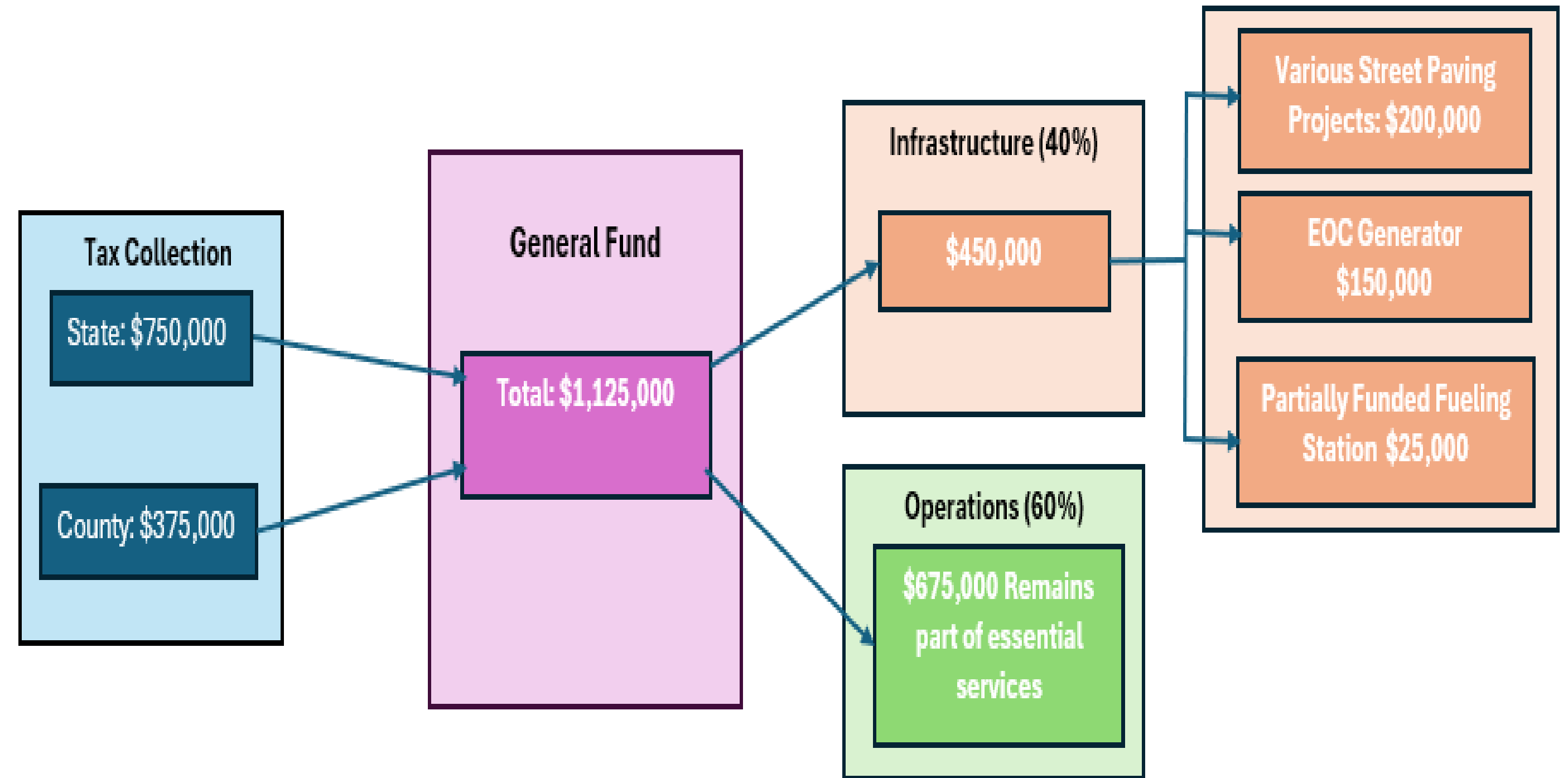
FY24-25 Measure U

- April–June 2025 (Last Quarter of FY24-25) – full 0.5%
- Projected Revenue: \$375,000
\$.005 guaranteed by the State
\$.0025 temporarily supported by the County
- 40% policy put in to Building, Facilities and Infrastructure: (\$150,000)
- Remaining funds to be used for operations: \$225,000

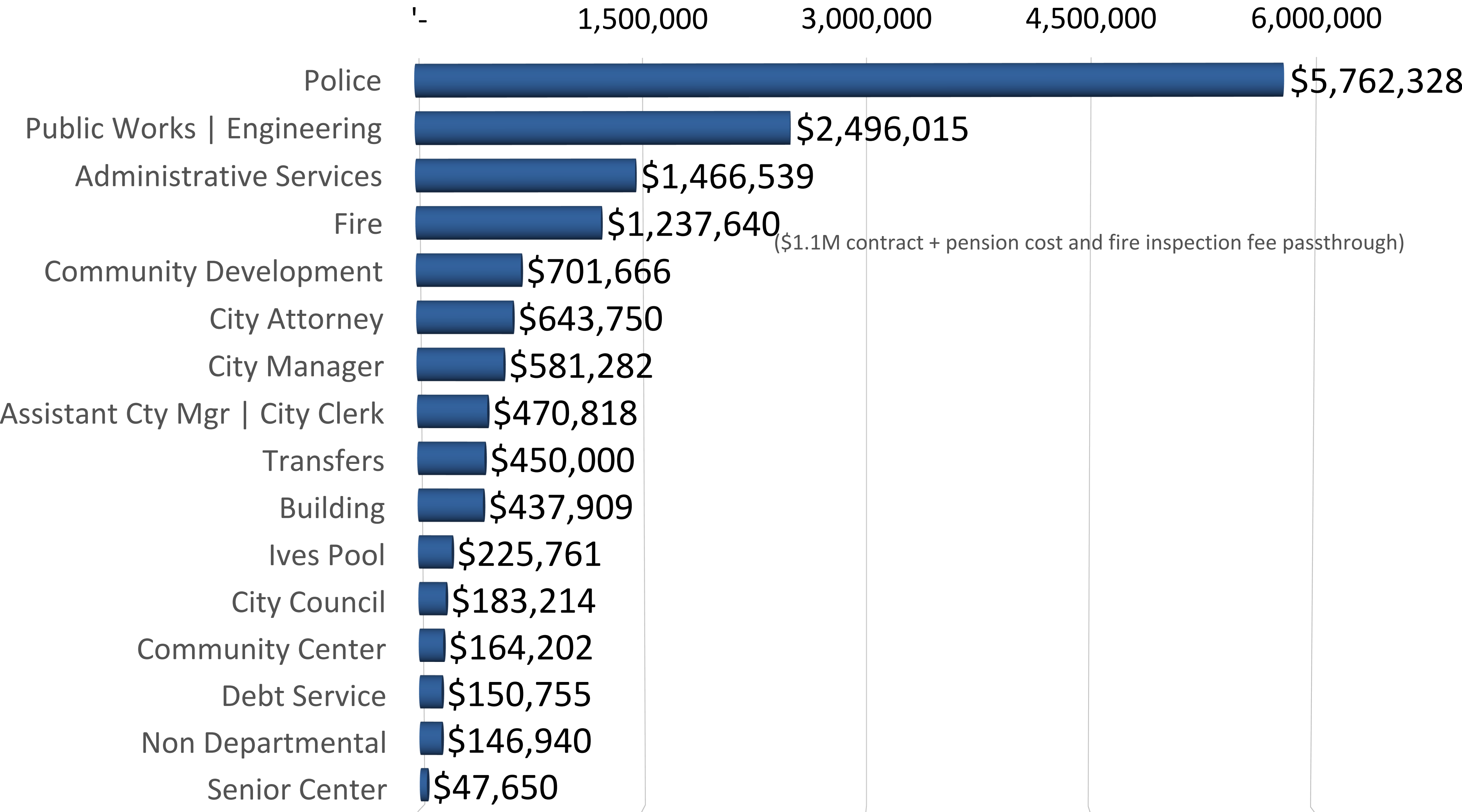


FY25-26 Measure U

- FY25-26 (July 2025-June 2026)
- Projected Revenue: \$1,125,000
 - \$.0025 guaranteed by the State (06/25-6/26)
 - \$.0025 temporarily supported by the County (06/25-12/25)
- 40% policy put in to Building, Facilities and Infrastructure: (\$450,000)
- Remaining funds allocates to operations: \$675,000

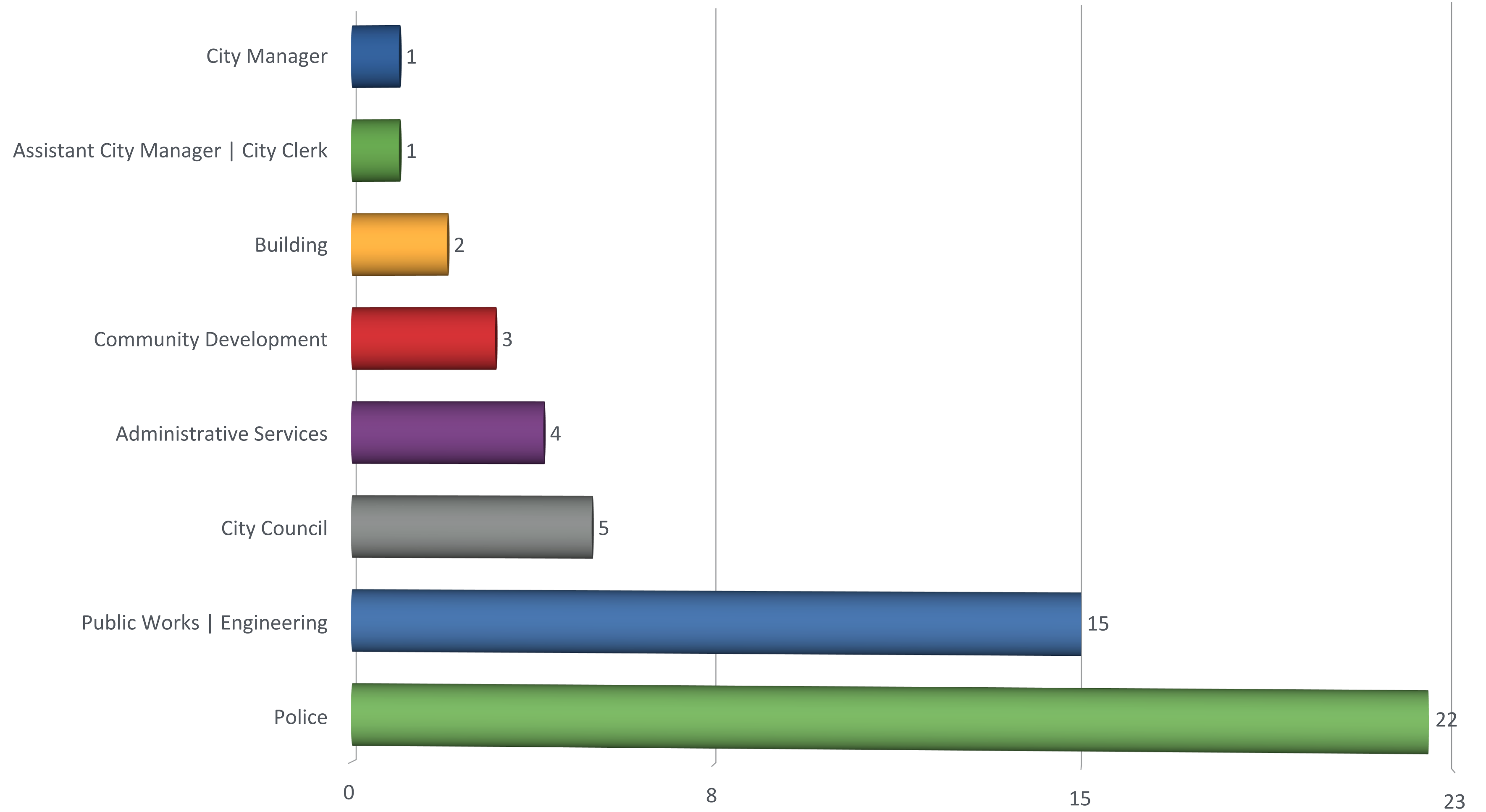


FY 2025-26 Expenditures By Department

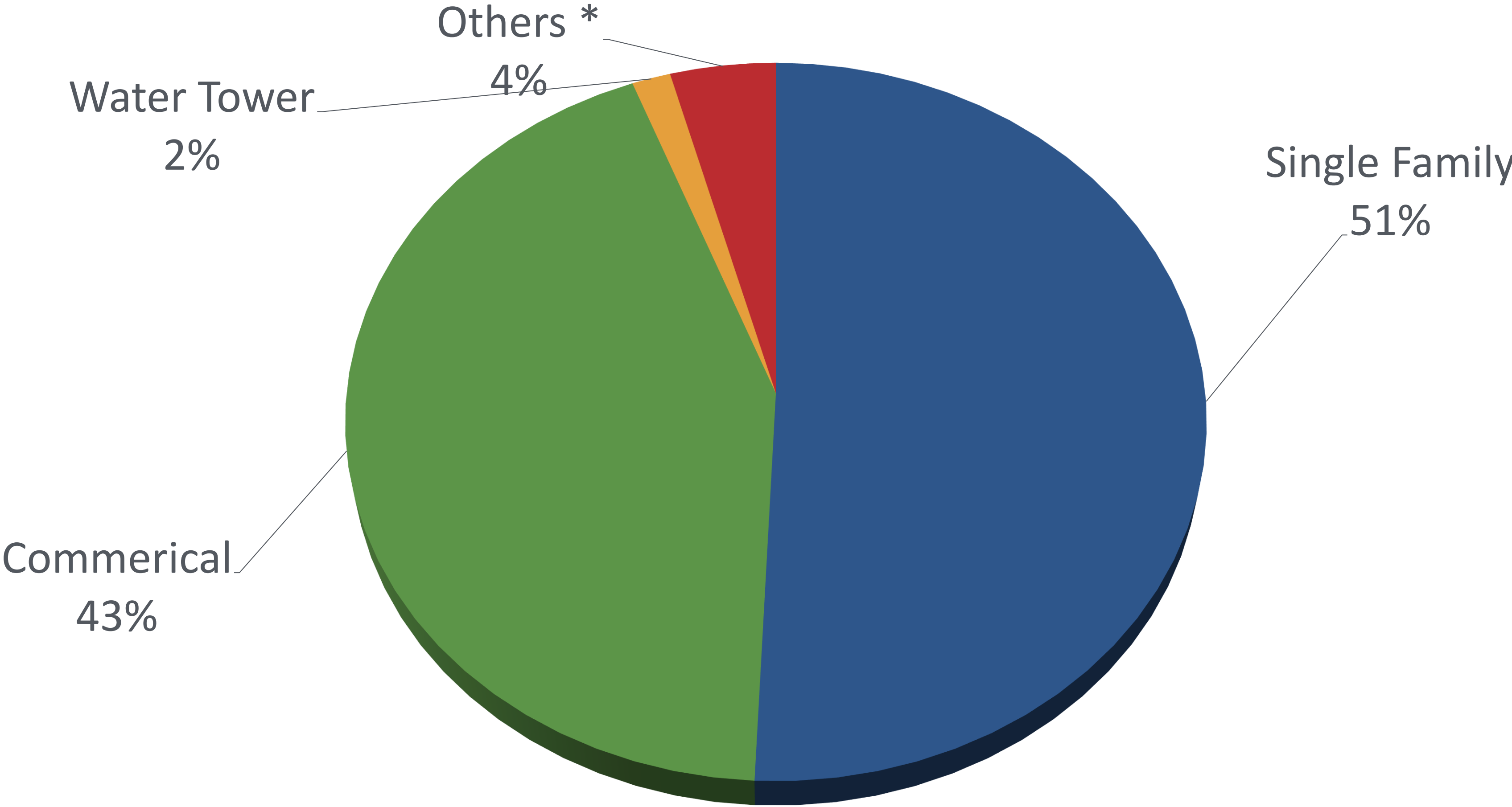


City Personnel

- 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

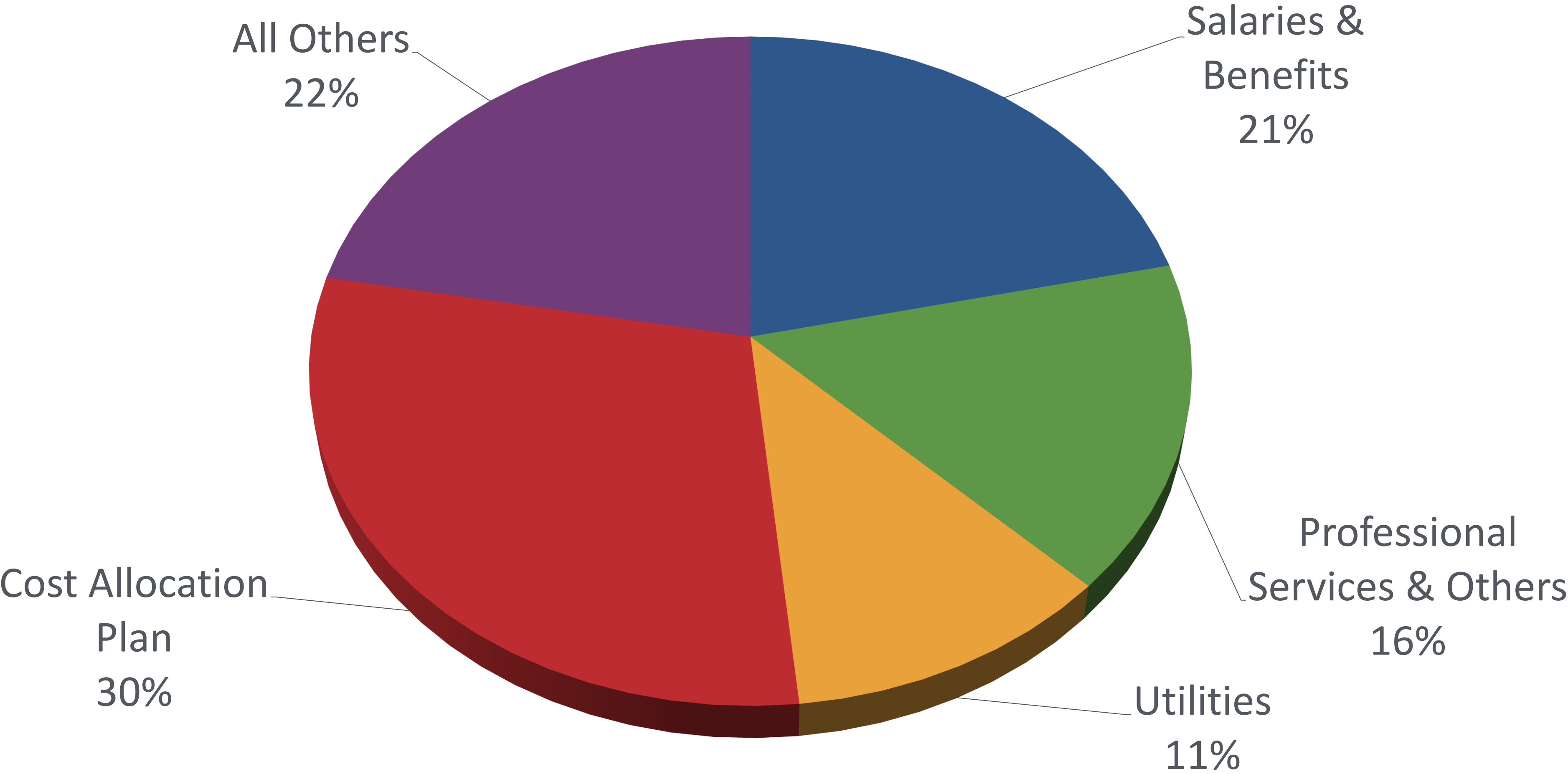


FY 2025-26 Water Fund Revenue Proposed Budget

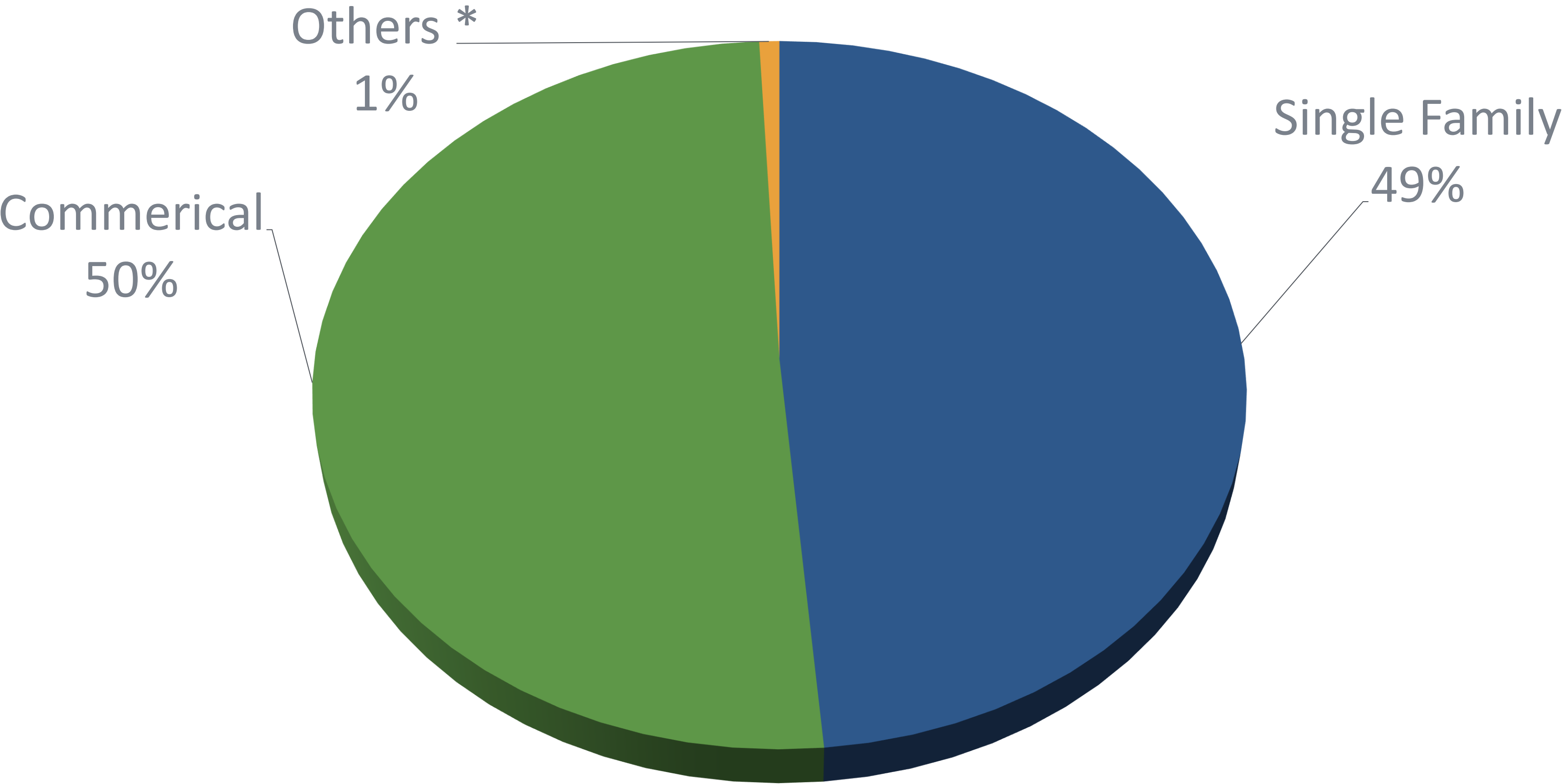


*Others: interest income, new account set up fee, penalties

FY 2025-26 Water Fund Expenses Proposed Budget

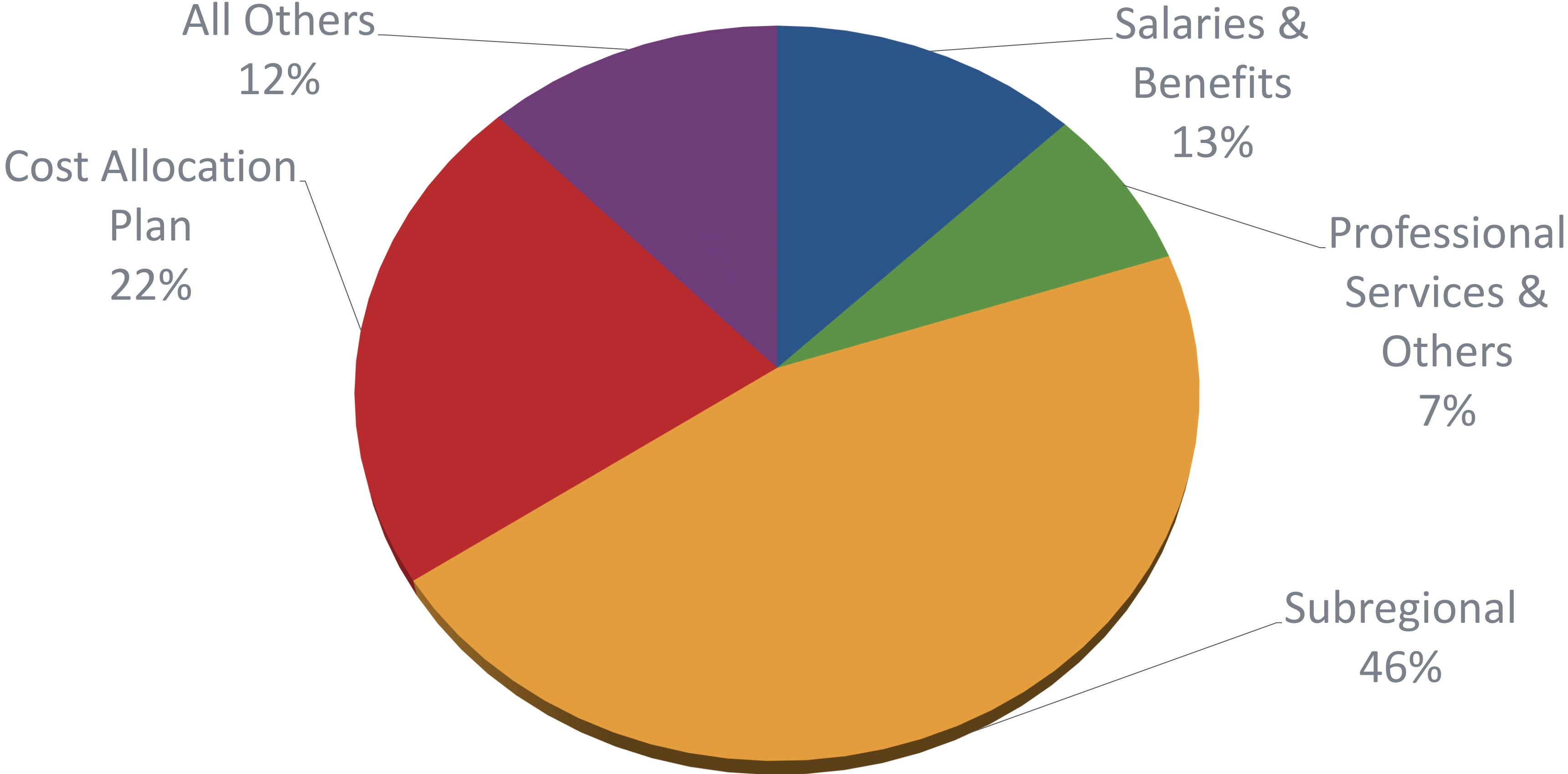


FY 2025-26 Wastewater Fund Revenue Proposed Budget



*Others: interest income, penalties

FY 2025-26 Wastewater Fund Expenses Proposed Budget



FY 2025-26 Special Revenue Funds Proposed Budget

- 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 25+ different funds to follow these rules
- Each of these fund can be found on pages 139-173

FY 2025-26 Insurance Fund Proposed Budget

- 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 to Receive Comments from the Public

- Additional City Council Questions of Staff
- Council Discussion/Deliberations
 - Budget Discussion continues with the following options:

Schedule a special meeting before June 30th

Or budget continues at next scheduled meeting on July 1 and/or July 15, 2025

- Council discussion/deliberations/action will be conducted at a future city council meeting