

**CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: March 4, 2025**

To: Honorable Mayor and City Councilmembers
From: Don Schwartz, City Manager
Subject: Long-term Budget Model and Projections and Preview of FY 25-26 Budget

RECOMMENDATIONS:

1. Accept report on City’s long-range budget projections.
2. Provide direction on alternative scenarios of Council interest.
3. Accept preview of FY 25-26 Budget.

EXECUTIVE SUMMARY:

For over a year, the City has been taking a thoughtful, data-driven approach to its long-term financial planning with the help of the financial model developed by Bob Leland of Baker Tilly. The "Baseline Scenario" offers a mixture of positivity as well as caution. While the budget figures have improved from a year ago, the City has ongoing financial hurdles.

Implementing Measure U fully and adding one or more hotels are key to our financial stability. Solving our long-term financial challenges will require two of the following three to occur:

- a. Approval of the full ½ cent for Measure U
- b. Completion and occupancy of the Barlow Hotel
- c. Completion and occupancy of the Hotel Sebastopol

Staff is using the model in preparing the FY 25-26 budget; see Preview of FY 25-26 Budget and the attached presentation on the FY 25-26 budget for further information.

BACKGROUND AND DISCUSSION:

The City of Sebastopol has made significant strides in our long-term financial planning, which began in earnest in 2024 when we engaged Bob Leland of Baker Tilly to develop a comprehensive financial model and forecast for the City’s General Fund. With the ability to update the model regularly and conduct detailed yearly reviews of assumptions on revenues and expenditures, we can maintain a good sense of the City’s long-term financial outlook.

Mr. Leland will attend the Council meeting to present the latest results of the model, including a ‘Baseline Scenario’ which reflects our best understanding about our finances. The results of any model reflect assumptions that drive the results; the key assumptions are shown on Slides 3 and 4 of the attached presentation. They include:

- a. Maintaining current levels of staff
- b. 3% Cost of Living annual increases
- c. Annual return for PERS of 6.2%
- d. Property tax growth of 3.9% annually
- e. Sales tax growth of 2.2% annually
- f. Increasing amounts for ‘asset preservation’ (buildings, parks, street maintenance, vehicle replacement) to \$600,000 in FY 25-26, \$900,000 in FY 26-27, and commensurate with inflation thereafter)
- g. Receipt of ½ cent revenue from Measure U for six months, and ¼ cent for duration of Measure (12 years)
- h. Reorganization of Fire services with Gold Ridge occurs
- i. No new hotels

Mr. Leland will also present several alternative scenarios using different assumptions on key factors, such as the future of Measure U revenues and potential hotels. As the budget model is complex the details will be best communicated through a presentation at the Council meeting.

The material reflects the best available information as of mid-February 2025. Revenues and expenses are subject to frequent changes. Projections for future years, particularly several years or more into the future, carry inherent uncertainty. Even within the current fiscal year, changes will occur. As Mr. Leland notes, "the numbers never sleep," highlighting the dynamic nature of financial management.

STAFF ANALYSIS: The City's financial situation is better than a year ago. This is due to several factors, the most important being the passage of Measure U (1/2 cent sales tax increase), which if fully implemented will generate about \$1.5 million/year in sales tax revenue. However, because of legal uncertainties, the model assumes that we will receive ½ cent initially (for the last quarter of FY 24-25 and the first quarter of FY 25-26), and a ¼ cent for the remaining 11 ½ years of the Measure. We are awaiting an Attorney General opinion on this Measure or a resolution of the issue by the state Legislature.

The anticipated fire reorganization with Gold Ridge is a major development, with the projected \$400,000 in annual savings starting in FY 25-26. This reorganization will also substantially improve service. There was also substantial savings from belt-tightening at the end of FY 23-24, showing a proactive approach to managing expenses.

Despite these improvements, the Baseline Scenario projects deficits to continue, at about \$300,000 in FY 25-26 to about \$2 million/year thereafter. Some key factors increasing future deficits include a peak of revenue in fees from new housing in the current fiscal year (FY 24-25) and FY 25-26. We do not expect these higher revenues to continue later years. Pension costs are another major factor, projected to increase from \$1.7 million in the current fiscal year to \$2.2 million within three years (26%), with further increases in later years.

The model projects going below the 15% policy minimum for Fund Balance in FY 26-27 (in part due to a projected recession), and a negative Fund Balance in FY 28-29. Projections from last year were for a \$3 million/year annual deficit and a negative Fund Balance near the end of 2026. This illustrates that Measure U (and fire reorganization) will help to stabilize the City's finances, even if we receive half of the anticipated revenue.

Alternative Scenario A (slides 7 and 8), includes the same assumptions as the Baseline Scenario, plus unspecified cuts averaging \$1.2 million/year. These cuts would be needed to retain an acceptable unassigned Fund Balance.

Alternative Scenario B (slides 10 and 11), assumes that the full ½ cent from Measure U takes affect for the full 12 years. It suggests that we will have a modest surplus in FY 25-26, with deficits averaging about \$1 million/year thereafter. The Fund Balance will go below the minimum goal of 15% in FY 28-29 and negative by FY 34-35. No major cuts (such as those in Alternative Scenario A) are anticipated in this scenario.

Additional slides show various scenarios in which hotels are built and generate significant taxes. While we consider these revenues too uncertain to include in our baseline forecasts, the model illustrates that even one hotel would make a substantial improvement in the City's long-term fiscal condition.

The 'bottom line' is that while Measure U and fire reorganization help to stabilize our finances, there is a clear need for some combination of substantial additional revenue (such as that from hotels) to avoid significant cuts in services. There are also opportunities for greater efficiency worth pursuing. Fire reorganization is an example of partnering with other agencies to leverage economies of scale that a small city such as Sebastopol cannot achieve on our own. There are other shared service models that we are part of today, such as REDCOM for fire and ambulance dispatch and the Laguna water treatment plant for wastewater, operated by Santa Rosa. Others may be

worth pursuing. Additionally, there are opportunities for internal efficiencies, such as investments in technology common in other cities, that can help us to provide the best value for the dollar to our residents.

PREVIEW OF FY 25-26 BUDGET: Staff have attached a separate presentation which previews some of the key topics for the FY 25-26 budget. We are basing the budget on the model's "Baseline Scenario" as that is the most prudent and fiscally responsible approach.

The key points include:

1. We are projecting a deficit of around \$300,000 for FY 25-26. This will likely change as we further develop the budget.
2. Measure U does not create an additional pool of funds for new initiatives or services. Its intent, as stated in the ballot measure, is to "maintain Sebastopol's City services."
3. The Council adopted a policy of using 40% of Measure U revenues for maintaining and repairing City roads, streets, drainage, and parks. This would come to about \$375,000. We will likely be able to afford this allocation by using the Measure U funds for what is shown as "asset preservation" in the long-term model.
4. We expect to maintain current levels of police staffing, and to provide sufficient funding for fire services via a reorganization with Gold Ridge; this is another part of the Council-adopted Measure U policy.
5. We know that there is considerable interest in new recreational amenities; we will need to balance these against maintaining the facilities and infrastructure that we have.
6. We are unlikely to propose any new positions unless we delete an existing vacant position. We will also explore applying recommendations from the recent staffing study to improve efficiency and create greater depth in the organization.
7. We should pursue economic development to increase our revenues. There are many ideas about what this could mean. We should take a thoughtful approach to ensure we are focusing on the most promising ideas. And we should do so in collaboration with the local business community.
8. With financial pressures continuing, we should consider investments to increase efficiency. For example, the City has under-invested in technology that has become standard in other jurisdictions and that saves considerable staff time and/or improves services.
9. The City has two reserve funds – one for Buildings, Equipment, and Infrastructure, with an anticipated FY 24-25 Fund Balance of about \$1 million. The second is for Fleet, Vehicles, and Technology, with an anticipated Fund Balance of nearly \$800,000. We will likely recommend the use of substantial amounts of both funds to address pressing needs.

City staff and the budget committee will prepare a detailed thoughtful budget reflective of the ever-changing long term model.

For reference, we have attached the Council resolution outlining the approved use of Measure U funds. This resolution further clarifies the intended scope and limitations of Measure U funding.

COMMUNITY OUTREACH:

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

FISCAL IMPACT: There is no fiscal impact associated with accepting this item.

OPTIONS: The Council can provide feedback on the modeling results and preview of the FY 25-26 budget.

ATTACHMENTS:

Presentation by Bob Leland of Baker Tilly

Resolution regarding use of Measure U funds
Presentation on Preview of FY 25-26 Budget

APPROVALS:

Department Head Approval: Approval Date: _____

CEQA Determination (Planning): Approval Date: _____

The proposed action is not a project under the California Environmental Quality Act (CEQA)

If it is a project – Planning will need to include language

Administrative Services (Financial) Approval Date: _____

Costs authorized in City Approved Budget: Yes No N/A

Account Code (f applicable) _____

City Attorney Approval: Approval Date: N/A

City of Sebastopol Long-Range Forecast Update



March 4, 2025
City Council Presentation

Bob Leland, Special Advisor
Baker Tilly Advisory Group, LP



Baker Tilly Advisory Group, LP

Original Baseline Forecast Assumptions Still Valid

Agenda Item Number: 9

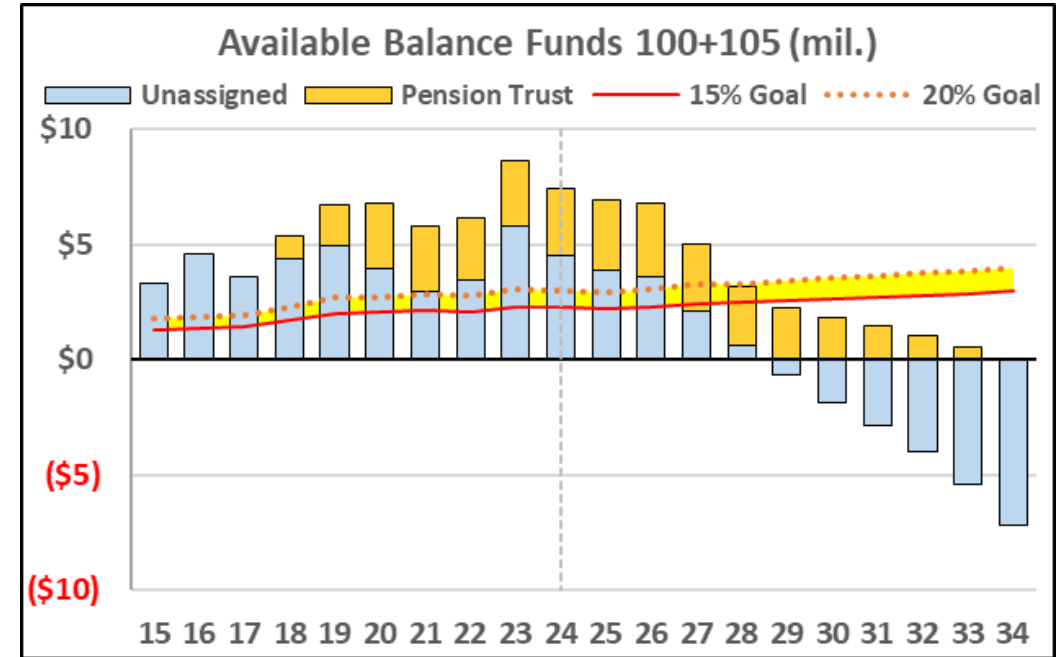
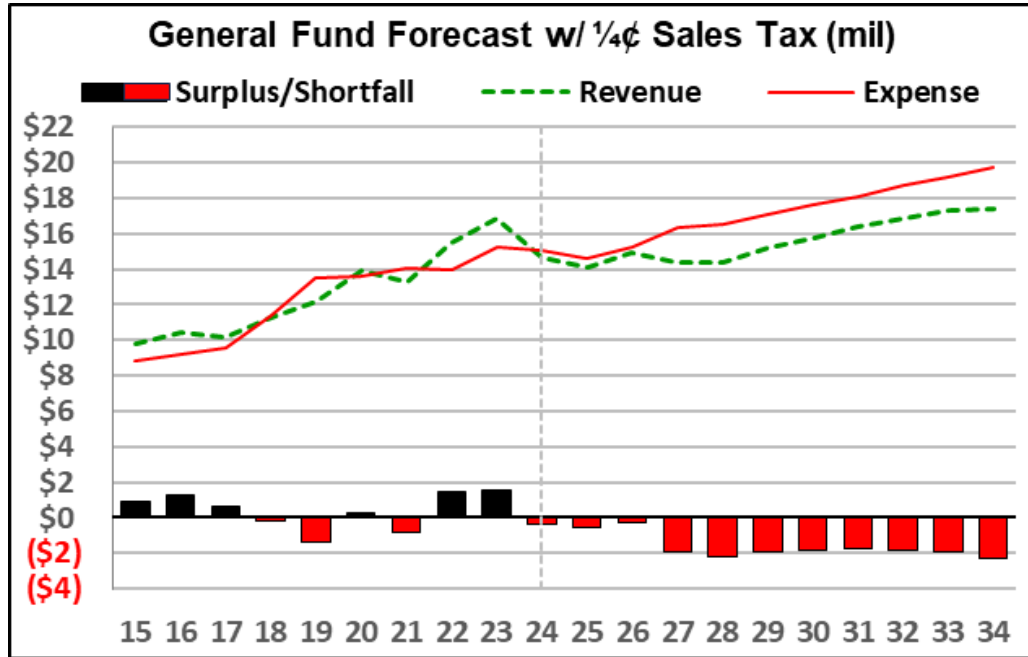
- FY24 based on estimate and FY25 based on budget
- 3% COLAs plus 0.25% net merit increase offset by turnover savings
- 4% vacancy rate ongoing
- Maintain current FY25 staffing levels (does affect ability to respond to future workload increases)
- Pension scenarios per CalPERS Pension Outlook, assumes 6.8% discount rate but lower average return of 6.2% (more conservative than CalPERS actuarial assumptions)
- Assumes Pension Trust reimburses 20% of pension costs starting FY27 until balance is depleted
- O&M expense grows at 2.5%
- Interest is 1.5% return on fund balance, with 4.5% on Pension Trust portion
- Moderate recessions starting FY27 on 7-year cycle thereafter
- Property tax growth averages 3.9%, FY25 per County assessed values
- Sales tax growth averages 2.2%, FY25 per Avenu forecast
- Transfers In/Out from other funds grows from FY25 base
- Debt service per debt maturity schedules
- Capital outlay \$150K per year
- Asset preservation increases for building/park/street maintenance and vehicle replacement (first \$300K in FY25 budget, add \$300K ongoing in FY26 and another \$300K starting FY27)
- \$1.1M loan to Wastewater Fund in FY24 repaid over FY28-32

Revised Baseline Assumptions

Agenda Item Number: 9

- FY24 based on actuals; FY25 based on staff estimate
- Measure U Local Sales Tax
 - Voters approved a ½ cent rate for 12 years, but conflicts with Measure I, which together puts the total sales tax rate at 10.50%, which is over the 10.25% limit per state law
 - CA Dept of Tax and Fee Administration is seeking CA Attorney General's opinion, and as a backup, legislative remedies are being explored to allow the City to keep the full ½ cent rate approved by the voters
 - Temporary agreement between the City and County is expected to result in 6 months of revenue at a ½ cent rate level, followed by a ¼ cent tax for 11.5 years, assuming no legal or legislative remedy is obtained
 - Presentation will show the impact of both a ¼ cent rate and a ½ cent rate
- Fire Service
 - Consolidation of fire service with Gold Ridge Fire Protection District results in no City Fire expense starting FY26
 - \$1.11M direct payment to Gold Ridge starting FY26 (with 2.5% growth)
 - \$40K fire inspection fees paid to GRFPD starting FY26 (with 2.0% growth)
- Hotels
 - Hotel Barlow is moving faster toward development than Hotel Sebastopol, but neither hotel is included in the revised baseline assumptions

Result is Steady Decline in Unassigned Balance



- Structural shortfall averages \$2M per year
- Requires additional revenues or reduced spending to close gap

- Pension Trust use starts in FY27 and is depleted in FY34, but unassigned balance goes into deficit earlier in FY29
- Additional revenue or expense reductions required in 3 years

Summary Revised Baseline Forecast

Measure U at ½
cent for 6 months
and ¼ cent for 11.5
years

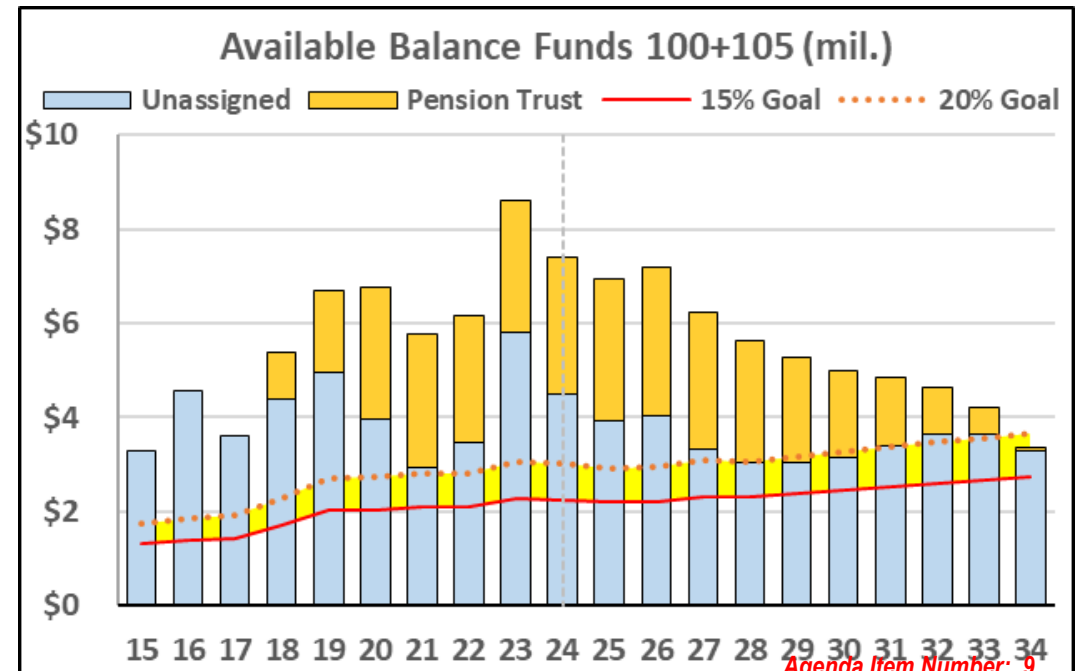
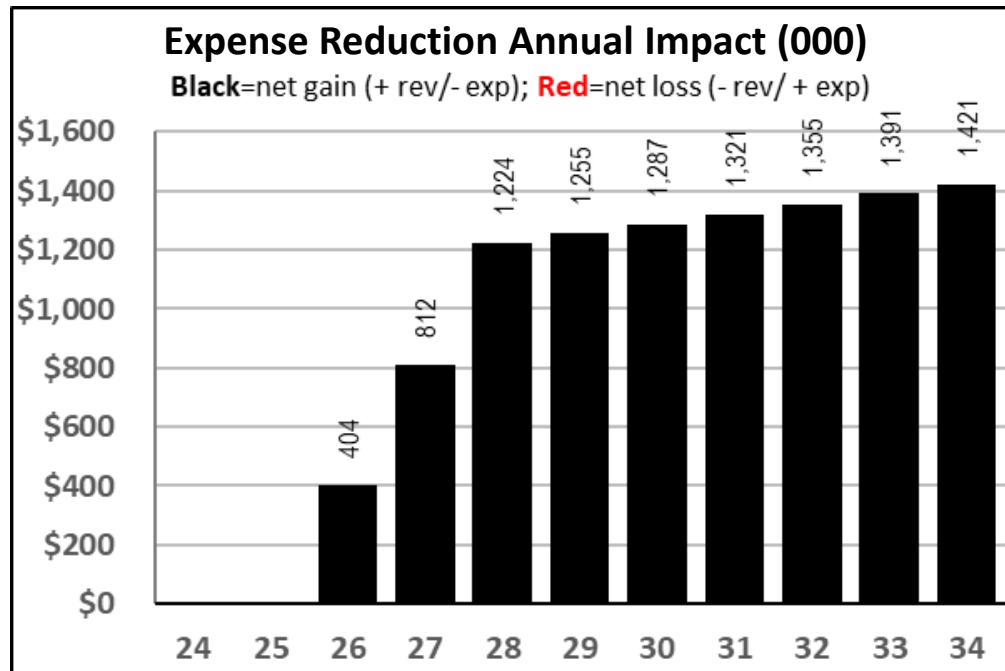
No Cuts, No Hotels
are Built

(\$ in 000)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	
Property Tax	3,293	\$3,444	\$3,620	\$3,664	\$3,813	\$3,891	\$4,009	\$4,211	\$4,422	\$4,644	\$4,830	\$5,023	
Sales Tax	2,365	2,305	2,251	2,331	2,271	2,259	2,467	2,591	2,720	2,891	2,864	2,801	
Local Sales Taxes	2,353	2,322	2,634	3,316	3,224	3,056	3,374	3,486	3,640	3,712	3,808	3,716	
Utility Users Tax	851	863	877	924	949	975	1,002	1,030	1,058	1,087	1,117	1,148	
Transient Occup Tax	544	519	519	549	537	565	610	627	644	646	664	649	
Other Taxes	688	692	717	732	744	749	762	783	804	825	842	856	
Intergovernmental	1,726	115	51	51	51	51	51	51	51	51	51	51	
Building Permits	558	349	1,040	980	400	408	416	424	433	442	450	459	
Fees & Charges	190	171	142	145	140	140	146	153	160	163	166	161	
Interest	(31)	(3)	100	38	19	1	-	-	-	-	-	-	
Other Revenues	1,228	673	179	266	269	272	275	278	281	285	288	291	
Transfers In	103	102	188	125	126	127	128	130	131	132	133	135	
Cost Allocation*	2,190	2,303	1,762	1,802	1,842	1,884	1,926	1,969	2,014	2,059	2,105	2,153	
Total Revenue	16,058	13,855	14,080	14,922	14,384	14,379	15,167	15,732	16,359	16,837	17,319	17,443	
Salaries	3,987	4,433	4,278	4,452	4,830	4,987	5,149	5,316	5,489	5,667	5,851	6,041	
Part-time	415	67	102	104	106	108	110	113	115	117	120	122	
Overtime	431	257	251	243	250	258	266	274	282	290	299	308	
Pension	1,574	1,512	1,746	1,910	2,121	2,192	2,363	2,400	2,432	2,521	2,540	2,562	
Health/OPEB	870	966	972	1,140	1,208	1,244	1,281	1,319	1,358	1,399	1,440	1,483	
Other Personnel	888	1,051	977	983	1,009	1,036	1,063	1,091	1,120	1,149	1,180	1,211	
Vacancy Savings	-	-	-	(353)	(381)	(393)	(409)	(420)	(432)	(446)	(457)	(469)	
Subtotal Personnel	8,164	8,286	8,326	8,478	9,143	9,431	9,823	10,092	10,363	10,698	10,972	11,258	
Services & Supplies	3,384	3,345	4,412	3,226	3,307	3,390	3,474	3,561	3,650	3,742	3,835	3,931	
Liability Insurance	571	651	641	554	567	582	596	611	626	642	658	675	
Utilities	341	354	553	550	564	578	592	607	622	638	654	670	
Contributions	580	257	80	82	84	86	88	91	93	95	97	100	
Fire District/Contract	-	-	-	1,150	1,220	1,292	1,366	1,444	1,524	1,607	1,693	1,783	
Debt Service	254	300	208	446	389	111	86	86	86	86	86	86	
Capital/Other Tfrs Out	1,176	1,074	433	432	442	453	465	476	488	500	513	526	
Asset Preservation Adds	-	-	-	300	600	615	630	646	662	679	696	713	
Total Expense	14,470	14,267	14,653	15,218	16,316	16,538	17,122	17,614	18,116	18,688	19,205	19,741	
Net Annual	1,587	(412)	(573)	(296)	(1,932)	(2,159)	(1,955)	(1,882)	(1,757)	(1,851)	(1,886)	(2,298)	
Pension Trust Contribs	-	-	-	-	424	438	473	480	486	504	508	512	
Balance Sheet Adjusts	-	(1,039)	-	-	-	-	-	-	-	-	-	-	
Wastewater Loan	-	(1,100)	-	-	-	220	220	220	220	220	-	-	
Beginning Fund Balance	5,644	7,231	4,680	4,107	3,811	2,303	802	(460)	(1,642)	(2,693)	(3,819)	(5,197)	
Ending Fund Balance	7,231	4,680	4,107	3,811	2,303	802	(460)	(1,642)	(2,693)	(3,819)	(5,197)	(6,983)	
less: Commit/Assign	1,423	200	200	200	200	200	200	200	200	200	200	200	
Unassigned Balance	5,809	4,480	3,907	3,611	2,103	602	(660)	(1,842)	(2,893)	(4,019)	(5,397)	(7,183)	
Pension Trust (105)	2,781	2,906	3,037	3,173	2,892	2,584	2,227	1,848	1,444	1,005	542	54	
Total Avail Balance	8,589	7,386	6,944	6,784	4,995	3,186	1,568	6	(1,448)	(2,417)	(3,414)	(4,729)	
Unassign as % of Exp	40.1%	31.4%	26.7%	23.7%	12.9%	3.6%	City Council Meeting Packet for Meeting of March 11, 2025						(7.129%)
*net of G&A expense for FY18-24												-36.4%	

Alternate Forecast Scenarios

A - ¼ cent Measure U + \$1.2M in Expense Cuts

- Assumes Measure U continues at ¼ cent rate and is not renewed by the voters
- Assumes \$1.2M of ongoing expense reductions (5.6% cut) are phased in over three years starting FY26; if cuts are delayed, the level of future cuts will need to be higher to compensate
- Balance continues to decline, making additional reductions likely in 10 years



Summary Forecast for Alternate Scenario A

Measure U at ½ cent for 6 months and ¼ cent for 11.5 years

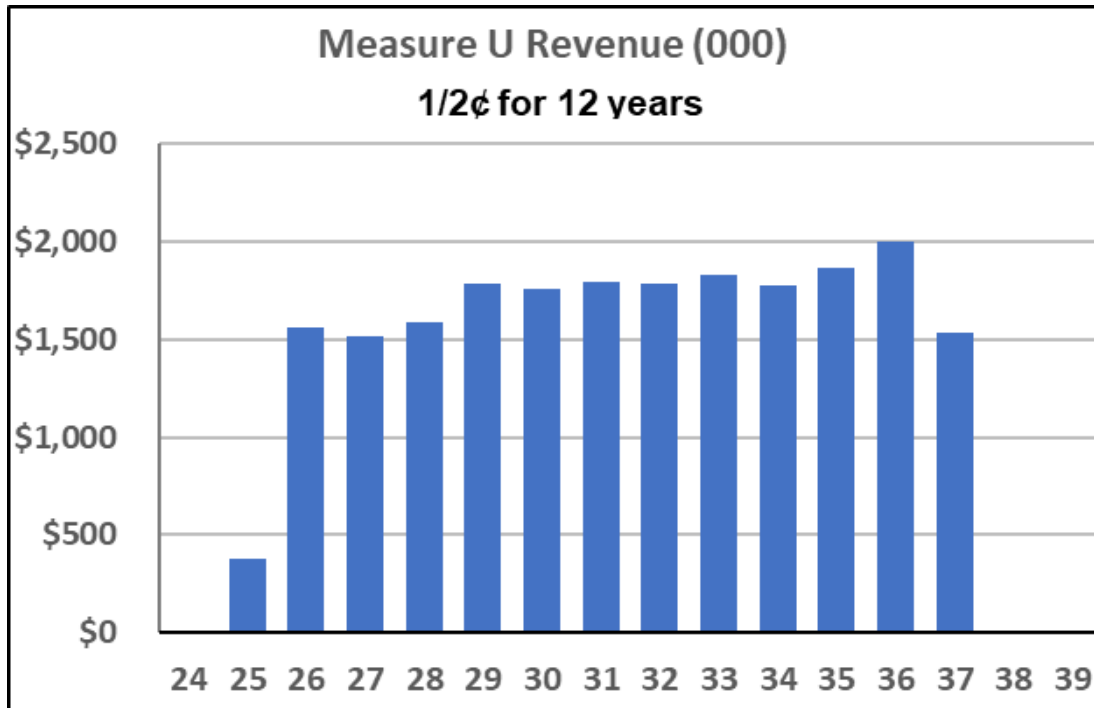
\$1.2M in Expense Cuts, No Hotels are Built

(\$ in 000)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Property Tax	3,293	\$3,444	\$3,620	\$3,664	\$3,813	\$3,891	\$4,009	\$4,211	\$4,422	\$4,644	\$4,830	\$5,023
Sales Tax	2,365	2,305	2,251	2,331	2,271	2,259	2,467	2,591	2,720	2,791	2,864	2,801
Local Sales Taxes	2,353	2,322	2,634	3,316	3,224	3,056	3,374	3,486	3,640	3,712	3,808	3,716
Utility Users Tax	851	863	877	924	949	975	1,002	1,030	1,058	1,087	1,117	1,148
Transient Occup Tax	544	519	519	549	537	565	610	627	644	646	664	649
Other Taxes	688	692	717	732	744	749	762	783	804	825	842	856
Intergovernmental	1,726	115	51	51	51	51	51	51	51	51	51	51
Building Permits	558	349	1,040	980	400	408	416	424	433	442	450	459
Fees & Charges	190	171	142	145	140	140	146	153	160	163	166	161
Interest	(31)	(3)	100	42	30	25	25	26	29	32	35	32
Other Revenues	1,228	673	179	266	269	272	275	278	281	285	288	291
Transfers In	103	102	188	125	126	127	128	130	131	132	133	135
Cost Allocation*	2,190	2,303	1,762	1,802	1,842	1,884	1,926	1,969	2,014	2,059	2,105	2,153
Total Revenue	16,058	13,855	14,080	14,926	14,396	14,402	15,192	15,758	16,388	16,869	17,354	17,475
Salaries	3,987	4,433	4,278	4,452	4,830	4,987	5,149	5,316	5,489	5,667	5,851	6,041
Part-time	415	67	102	104	106	108	110	113	115	117	120	122
Overtime	431	257	251	243	250	258	266	274	282	290	299	308
Pension	1,574	1,512	1,746	1,924	2,132	2,205	2,356	2,387	2,391	2,445	2,439	2,423
Health/OPEB	870	966	972	1,140	1,208	1,244	1,281	1,319	1,358	1,399	1,440	1,483
Other Personnel	888	1,051	977	983	1,009	1,036	1,063	1,091	1,120	1,149	1,180	1,211
Vacancy Savings	-	-	-	(354)	(381)	(393)	(409)	(420)	(430)	(443)	(453)	(464)
Subtotal Personnel	8,164	8,286	8,326	8,492	9,153	9,444	9,816	10,080	10,324	10,625	10,876	11,125
Services & Supplies	3,384	3,345	4,412	3,226	3,307	3,390	3,474	3,561	3,650	3,742	3,835	3,931
Liability Insurance	571	651	641	554	567	582	596	611	626	642	658	675
Utilities	341	354	553	550	564	578	592	607	622	638	654	670
Contributions	580	257	80	82	84	86	88	91	93	95	97	100
Fire District/Contract	-	-	-	1,150	1,220	1,292	1,366	1,444	1,524	1,607	1,693	1,783
Debt Service	254	300	208	446	389	111	86	86	86	86	86	86
Capital/Other Tfrs Out	1,176	1,074	433	432	442	453	465	476	488	500	513	526
Asset Preservation Adds	-	-	-	300	600	615	630	646	662	679	696	713
Total Expense	14,470	14,267	14,653	14,831	15,526	15,351	15,885	16,341	16,785	17,290	17,751	18,217
Net Annual	1,587	(412)	(573)	94	(1,130)	(948)	(693)	(584)	(397)	(421)	(398)	(741)
Pension Trust Contribs	-	-	-	-	426	441	471	477	478	489	488	485
Balance Sheet Adjusts	-	(1,039)	-	-	-	-	-	-	-	-	-	-
Wastewater Loan	-	(1,100)	-	-	-	220	220	220	220	220	-	-
Beginning Fund Balance	5,644	7,231	4,680	4,107	4,201	3,497	3,210	3,208	3,322	3,624	3,912	4,002
Ending Fund Balance	7,231	4,680	4,107	4,201	3,497	3,210	3,208	3,322	3,624	3,912	4,002	3,745
less: Commit/Assign	1,423	200	200	200	200	200	200	200	200	200	200	200
Unassigned Balance	5,809	4,480	3,907	4,001	3,297	3,010	3,008	3,122	3,424	3,712	3,802	3,545
Pension Trust (105)	2,781	2,906	3,037	3,173	2,890	2,579	2,223	1,846	1,451	1,027	586	127
Total Avail Balance	8,589	7,386	6,944	7,175	6,187	5,589	5,232	4,968	4,875	4,739	4,388	3,673
Unassign as % of Exp	40.1%	31.4%	26.7%	27.0%	21.2%	19.6%	18.9%	19.1%	20.4%	21.5%	21.4%	19.5%

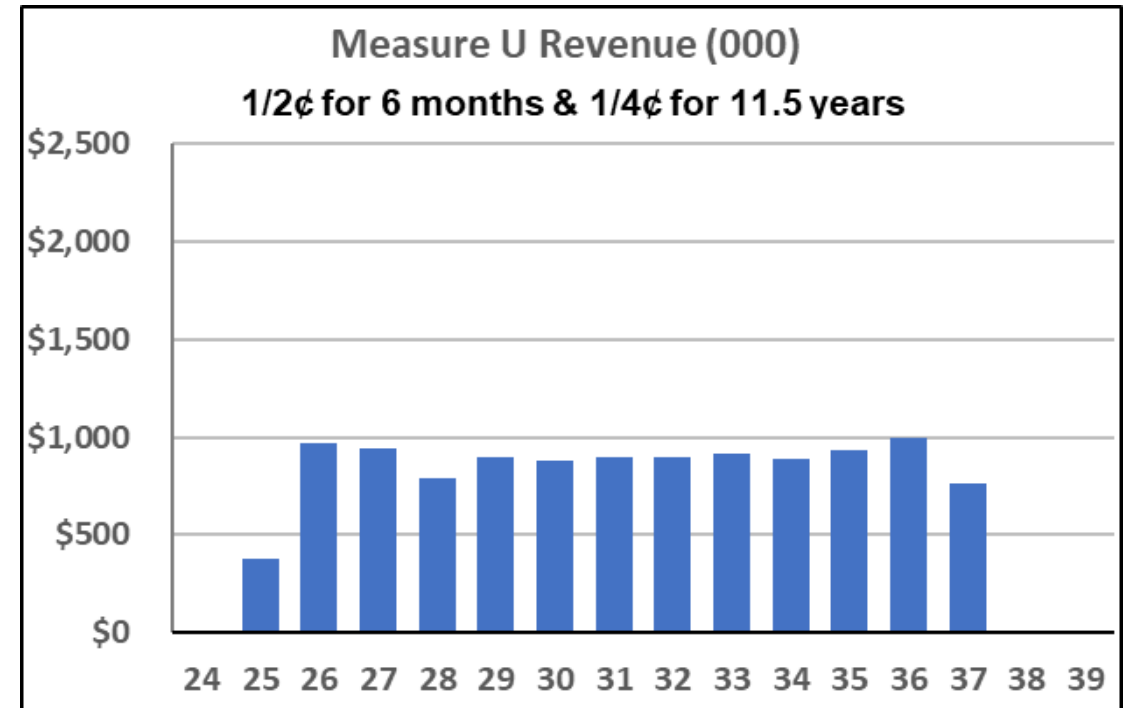
*net of G&A expense for FY18-24

B - ½ cent Measure U for 12 years + No Cuts

As Approved by Voters



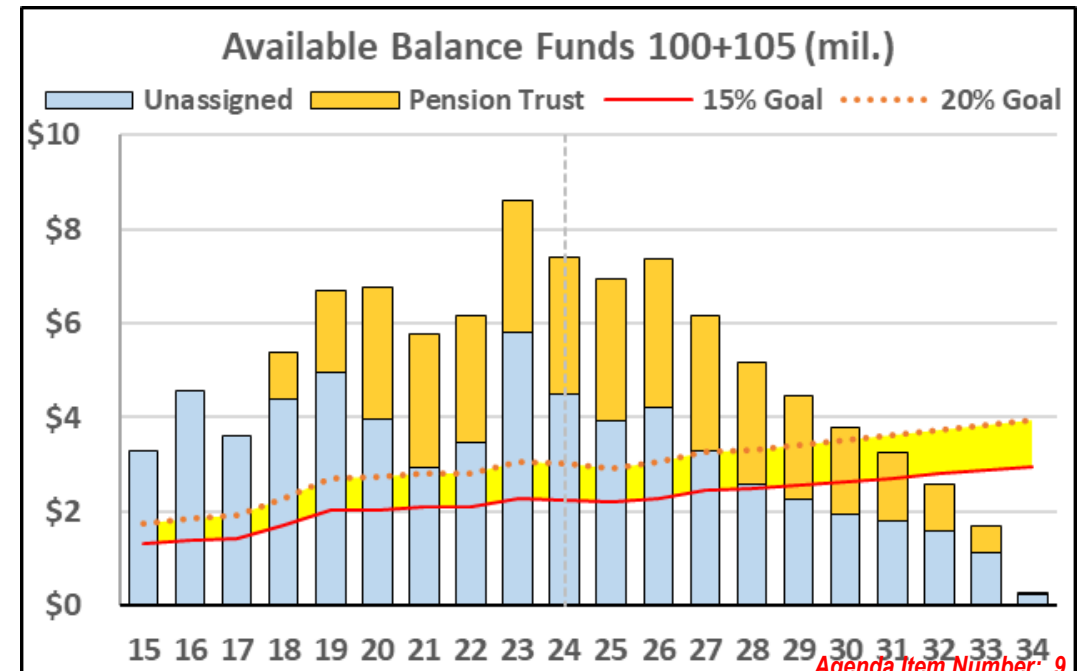
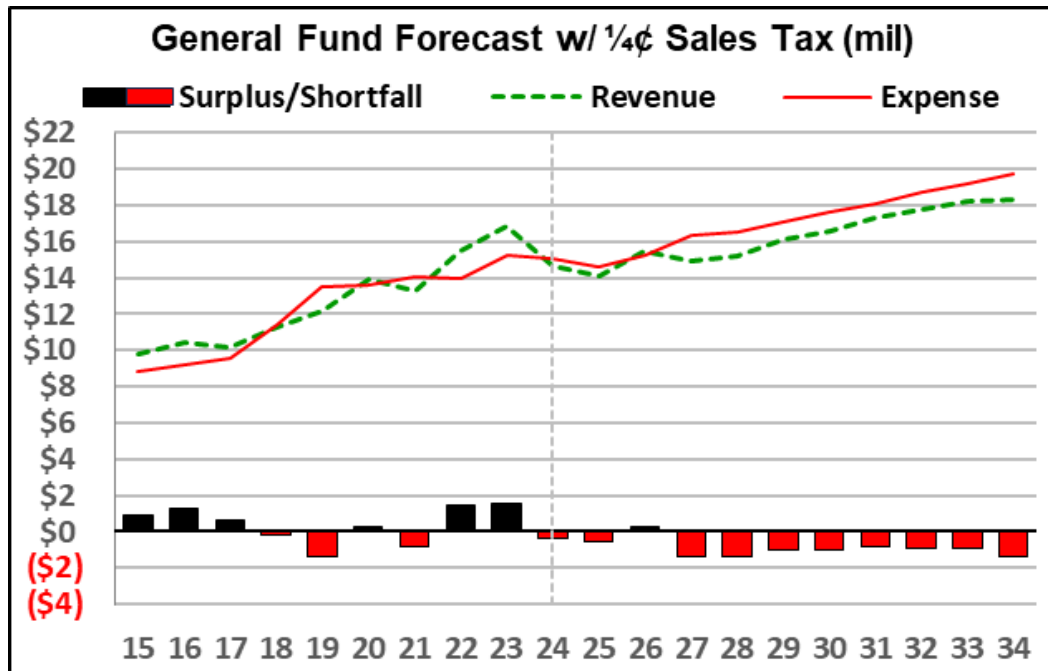
Limited by State Local Rate Cap



- Assumes tax not renewed by the voters
- Amounts include partial first and last year receipts
- Includes impact of economic cycles

B - ½ cent Measure U for 12 years + No Cuts

- Assumes Measure U continues at ½ cent for 12 years (legal issues with cap resolved in City's favor, but no voter renewal)
- Balance still declines over time (but more slowly), going negative in FY35
- Additional reductions likely required in 6 years



Summary Forecast for Alternate Scenario B

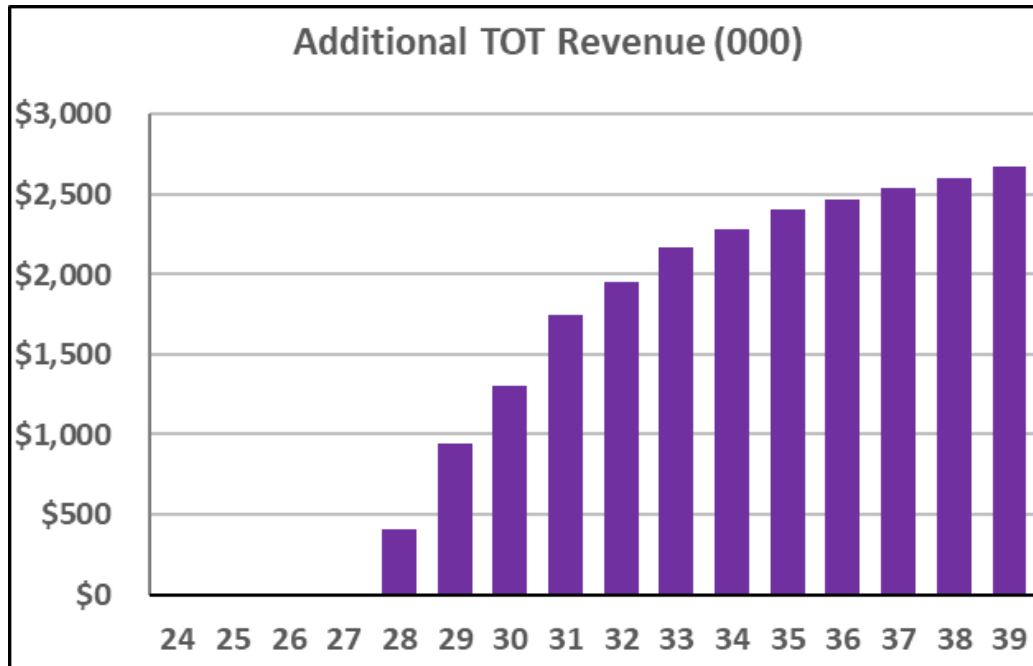
Measure U at ½ cent 12 years

No Cuts, No Hotels are Built

(\$ in 000)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Property Tax	3,293	\$3,444	\$3,620	\$3,664	\$3,813	\$3,891	\$4,009	\$4,211	\$4,422	\$4,644	\$4,830	\$5,023
Sales Tax	2,365	2,305	2,251	2,331	2,271	2,259	2,467	2,591	2,720	2,791	2,864	2,801
Local Sales Taxes	2,353	2,322	2,634	3,905	3,796	3,849	4,268	4,363	4,537	4,607	4,722	4,605
Utility Users Tax	851	863	877	924	949	975	1,002	1,030	1,058	1,087	1,117	1,148
Transient Occup Tax	544	519	519	549	537	565	610	627	644	646	664	649
Other Taxes	688	692	717	732	744	749	762	783	804	825	842	856
Intergovernmental	1,726	115	51	51	51	51	51	51	51	51	51	51
Building Permits	558	349	1,040	980	400	408	416	424	433	442	450	459
Fees & Charges	190	171	142	145	140	140	146	153	160	163	166	161
Interest	(31)	(3)	100	43	30	21	17	14	13	11	10	2
Other Revenues	1,228	673	179	266	269	272	275	278	281	285	288	291
Transfers In	103	102	188	125	126	127	128	130	131	132	133	135
Cost Allocation*	2,190	2,303	1,762	1,802	1,842	1,884	1,926	1,969	2,014	2,059	2,105	2,153
Total Revenue	16,058	13,855	14,080	15,516	14,968	15,191	16,078	16,623	17,268	17,743	18,243	18,334
Salaries	3,987	4,433	4,278	4,452	4,830	4,987	5,149	5,316	5,489	5,667	5,851	6,041
Part-time	415	67	102	104	106	108	110	113	115	117	120	122
Overtime	431	257	251	243	250	258	266	274	282	290	299	308
Pension	1,574	1,512	1,746	1,924	2,132	2,205	2,356	2,387	2,391	2,445	2,439	2,423
Health/OPEB	870	966	972	1,140	1,208	1,244	1,281	1,319	1,358	1,399	1,440	1,483
Other Personnel	888	1,051	977	983	1,009	1,036	1,063	1,091	1,120	1,149	1,180	1,211
Vacancy Savings	-	-	-	(354)	(381)	(393)	(409)	(420)	(430)	(443)	(453)	(464)
Subtotal Personnel	8,164	8,286	8,326	8,492	9,153	9,444	9,816	10,080	10,324	10,625	10,876	11,125
Services & Supplies	3,384	3,345	4,412	3,226	3,307	3,390	3,474	3,561	3,650	3,742	3,835	3,931
Liability Insurance	571	651	641	554	567	582	596	611	626	642	658	675
Utilities	341	354	553	550	564	578	592	607	622	638	654	670
Contributions	580	257	80	82	84	86	88	91	93	95	97	100
Fire District/Contract	-	-	-	1,150	1,220	1,292	1,366	1,444	1,524	1,607	1,693	1,783
Debt Service	254	300	208	446	389	111	86	86	86	86	86	86
Capital/Other Tfrs Out	1,176	1,074	433	432	442	453	465	476	488	500	513	526
Asset Preservation Adds	-	-	-	300	600	615	630	646	662	679	696	713
Total Expense	14,470	14,267	14,653	15,231	16,326	16,551	17,115	17,602	18,077	18,614	19,109	19,608
Net Annual	1,587	(412)	(573)	285	(1,359)	(1,360)	(1,037)	(979)	(808)	(872)	(866)	(1,274)
Pension Trust Contribs	-	-	-	-	426	441	471	477	478	489	488	485
Balance Sheet Adjusts	-	(1,039)	-	-	-	-	-	-	-	-	-	-
Wastewater Loan	-	(1,100)	-	-	-	220	220	220	220	220	-	-
Beginning Fund Balance	5,644	7,231	4,680	4,107	4,392	3,460	2,761	2,415	2,134	2,024	1,861	1,483
Ending Fund Balance	7,231	4,680	4,107	4,392	3,460	2,761	2,415	2,134	2,024	1,861	1,483	693
less: Commit/Assign	1,423	200	200	200	200	200	200	200	200	200	200	200
Unassigned Balance	5,809	4,480	3,907	4,192	3,260	2,561	2,215	1,934	1,824	1,661	1,283	493
Pension Trust (105)	2,781	2,906	3,037	3,173	2,890	2,579	2,223	1,846	1,451	1,027	586	127
Total Avail Balance	8,589	7,386	6,944	7,365	6,149	5,139	4,439	3,780	3,275	2,888	2,489	620
Unassign as % of Exp	40.1%	31.4%	26.7%	27.5%	20.0%	15.5%	12.9%	11.9%	11.7%	11.9%	12.7%	2.5%

*net of G&A expense for FY18-24

C – Potential Impact of New Hotels

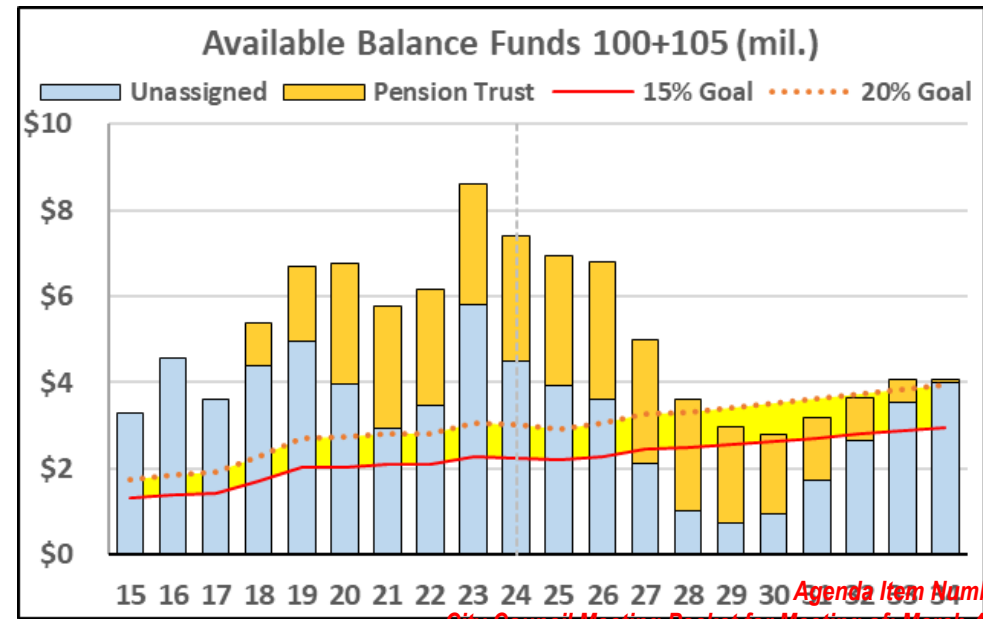
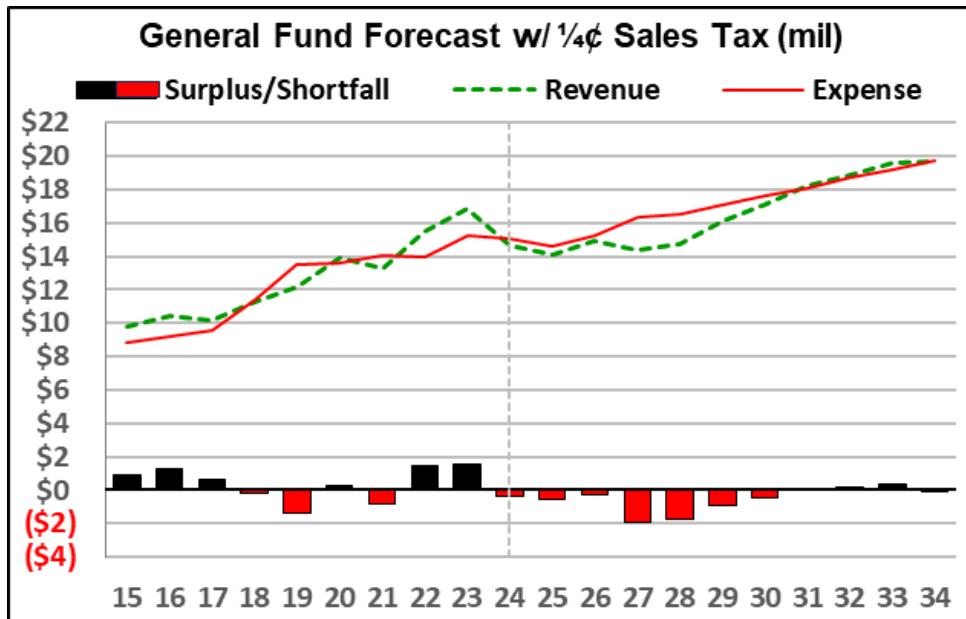


TOT=Transient Occupancy Tax at 12% of room receipts for stays of under 30 days

- Assumes both hotels currently in the planning stages are ultimately constructed
- Will they get built? Will market support ultimately two high-end hotels?
- Assumes Hotel Barlow at 80 rooms, \$550 average room rate, 70% occupancy rate, opens Jan 2028
- Assumes Hotel Sebastopol at 66 rooms, \$350 average room rate, 75% occupancy rate, opens Jan 2030
- To be conservative, assumes both hotels start at 60% of full revenue-generating level and phase into that full revenue level over 5 years

C - ¼ cent Measure U + Two New Hotels + No Cuts Agenda Item Number: 9

- Assumes Measure U at ¼ cent rate expires after 12 years (no voter renewal)
- Assumes both hotels are built and phase into full expected revenue generating levels
- Balance (including Pension Trust) remains above 15% reserve goal
- Hotel revenues subject to wide variance depending on health of the economy; risk is associated with including revenues from two projects that are not yet completed



Summary Forecast for Alternate Scenario C

Measure U at ½ cent for 6 months and ¼ cent for 11.5 years

No Cuts, Both Hotels are Built

(\$ in 000)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Property Tax	3,293	\$3,444	\$3,620	\$3,664	\$3,813	\$3,891	\$4,009	\$4,211	\$4,422	\$4,644	\$4,830	\$5,023
Sales Tax	2,365	2,305	2,251	2,331	2,271	2,259	2,467	2,591	2,720	2,791	2,864	2,801
Local Sales Taxes	2,353	2,322	2,634	3,316	3,224	3,056	3,374	3,486	3,640	3,712	3,808	3,716
Utility Users Tax	851	863	877	924	949	975	1,002	1,030	1,058	1,087	1,117	1,148
Transient Occup Tax	544	519	519	549	537	971	1,604	2,002	2,481	2,656	2,890	2,881
Other Taxes	688	692	717	732	744	749	762	783	804	825	842	856
Intergovernmental	1,726	115	51	51	51	51	51	51	51	51	51	51
Building Permits	558	349	1,040	980	400	408	416	424	433	442	450	459
Fees & Charges	190	171	142	145	140	140	146	153	160	163	166	161
Interest	(31)	(3)	100	38	18	5	2	4	12	22	34	39
Other Revenues	1,228	673	179	266	269	272	275	278	281	285	288	291
Transfers In	103	102	188	125	126	127	128	130	131	132	133	135
Cost Allocation*	2,190	2,303	1,762	1,802	1,842	1,884	1,926	1,969	2,014	2,059	2,105	2,153
Total Revenue	16,058	13,855	14,080	14,922	14,384	14,788	16,163	17,111	18,208	18,869	19,579	19,715
Salaries	3,987	4,433	4,278	4,452	4,830	4,987	5,149	5,316	5,489	5,667	5,851	6,041
Part-time	415	67	102	104	106	108	110	113	115	117	120	122
Overtime	431	257	251	243	250	258	266	274	282	290	299	308
Pension	1,574	1,512	1,746	1,924	2,132	2,205	2,356	2,387	2,391	2,445	2,439	2,423
Health/OPEB	870	966	972	1,140	1,208	1,244	1,281	1,319	1,358	1,399	1,440	1,483
Other Personnel	888	1,051	977	983	1,009	1,036	1,063	1,091	1,120	1,149	1,180	1,211
Vacancy Savings	-	-	-	(354)	(381)	(393)	(409)	(420)	(430)	(443)	(453)	(464)
Subtotal Personnel	8,164	8,286	8,326	8,492	9,153	9,444	9,816	10,080	10,324	10,625	10,876	11,125
Services & Supplies	3,384	3,345	4,412	3,226	3,307	3,390	3,474	3,561	3,650	3,742	3,835	3,931
Liability Insurance	571	651	641	554	567	582	596	611	626	642	658	675
Utilities	341	354	553	550	564	578	592	607	622	638	654	670
Contributions	580	257	80	82	84	86	88	91	93	95	97	100
Fire District/Contract	-	-	-	1,150	1,220	1,292	1,366	1,444	1,524	1,607	1,693	1,783
Debt Service	254	300	208	446	389	111	86	86	86	86	86	86
Capital/Other Tftrs Out	1,176	1,074	433	432	442	453	465	476	488	500	513	526
Asset Preservation Adds	-	-	-	300	600	615	630	646	662	679	696	713
Total Expense	14,470	14,267	14,653	15,231	16,326	16,551	17,115	17,602	18,077	18,614	19,109	19,608
Net Annual	1,587	(412)	(573)	(310)	(1,942)	(1,763)	(952)	(491)	132	255	470	106
Pension Trust Contribs	-	-	-	-	426	441	471	477	478	489	488	485
Balance Sheet Adjusts	-	(1,039)	-	-	-	-	-	-	-	-	-	-
Wastewater Loan	-	(1,100)	-	-	-	220	220	220	220	220	-	-
Beginning Fund Balance	5,644	7,231	4,680	4,107	3,797	2,281	1,180	919	1,126	1,956	2,919	3,877
Ending Fund Balance	7,231	4,680	4,107	3,797	2,281	1,180	919	1,126	1,956	2,919	3,877	4,468
less: Commit/Assign	1,423	200	200	200	200	200	200	200	200	200	200	200
Unassigned Balance	5,809	4,480	3,907	3,597	2,081	980	719	926	1,756	2,719	3,677	4,268
Pension Trust (105)	2,781	2,906	3,037	3,173	2,890	2,579	2,223	1,846	1,451	1,027	586	127
Total Avail Balance	8,589	7,386	6,944	6,771	4,971	3,558	2,943	2,772	3,207	4,330	5,100	4,395
Unassign as % of Exp	40.1%	31.4%	26.7%	23.6%	12.7%	5.9%	City Council Meeting Packet for Meeting of March 1, 2025	5.9%	5.9%	5.9%	5.9%	21.8%
*net of G&A expense for FY18-24												

Agenda Item Number: 9

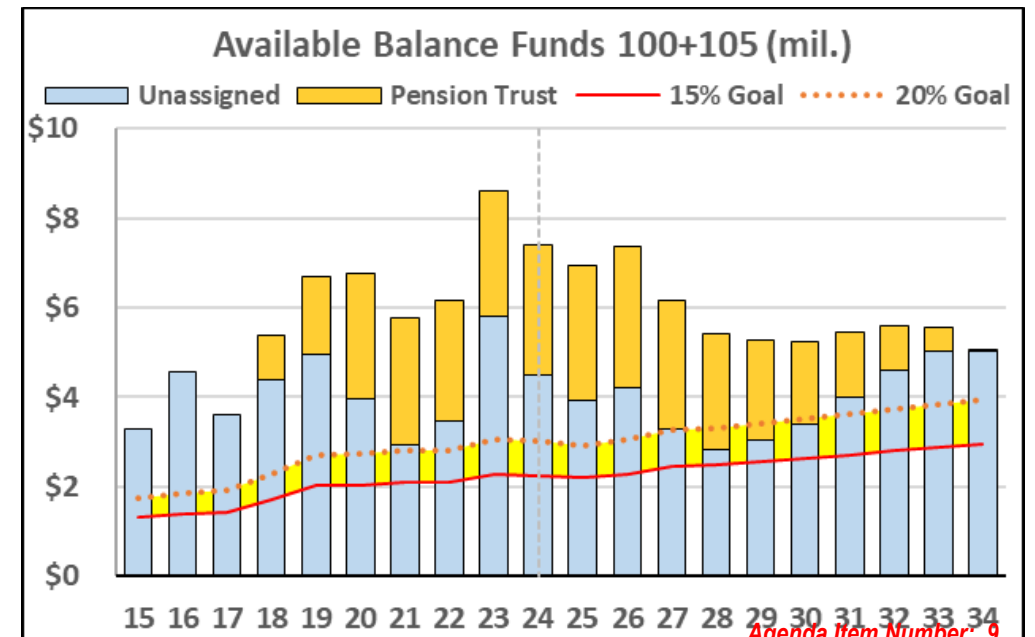
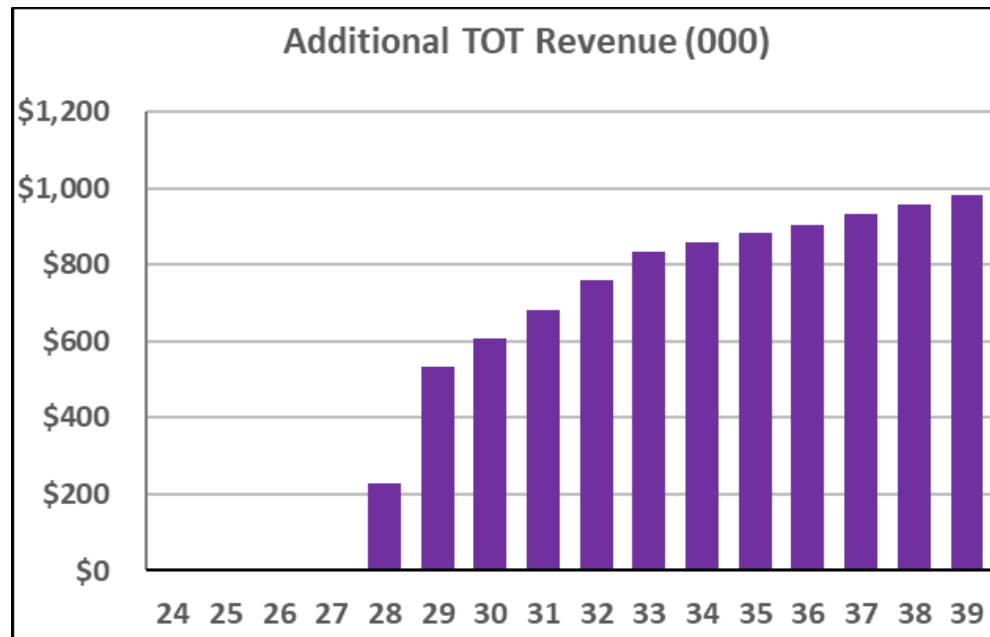
Agenda Item Number: 9

City Council Meeting Packet for Meeting of March 1, 2025

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D - ½ cent Measure U + One New Hotel + No Cuts

- Assumes Measure U at ½ cent rate expires after 12 years
- Assumes one hotel opens in Jan 2028 at lower revenue level, and the other is not built
- Balance (including Pension Trust) levels off above 15% reserve goal
- Requires resolution of local sales tax rate cap; there is still some risk of assuming new hotel TOT revenue, but includes only one, not two



Summary Forecast for Alternate Scenario D

Measure U is ½ cent for 12 Years

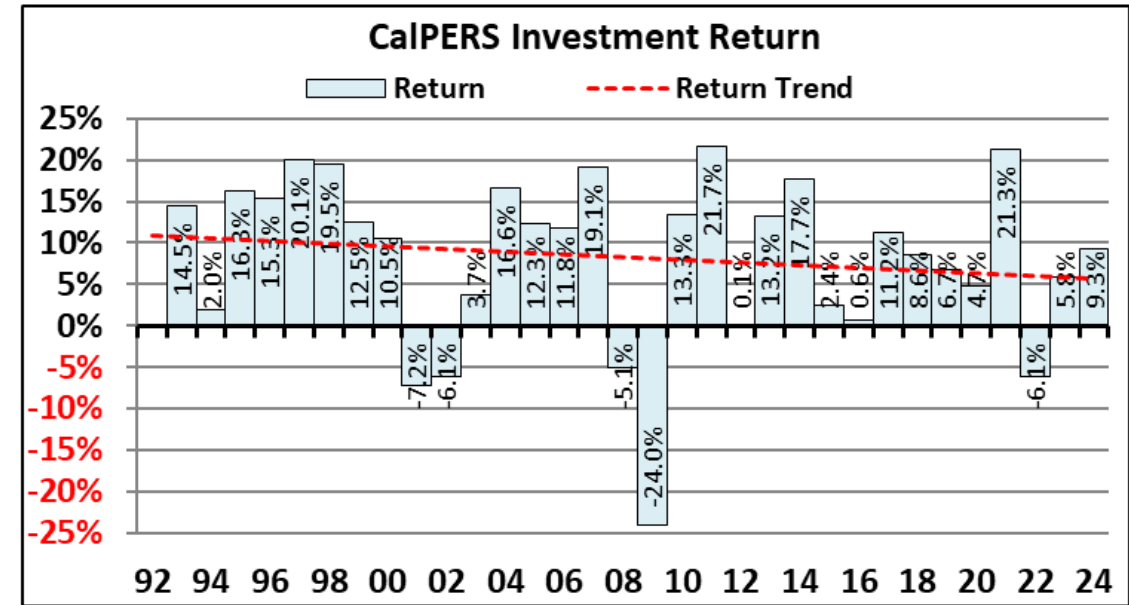
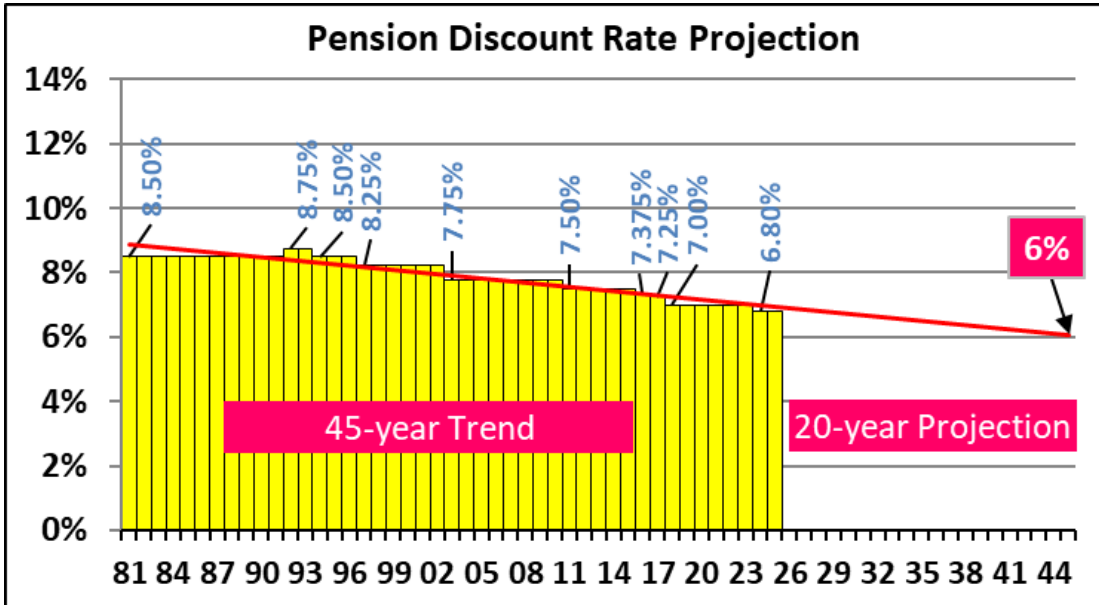
No Cuts, One Hotel is Built

(\$ in 000)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Property Tax	3,293	\$3,444	\$3,620	\$3,664	\$3,813	\$3,891	\$4,009	\$4,211	\$4,422	\$4,644	\$4,830	\$5,023
Sales Tax	2,365	2,305	2,251	2,331	2,271	2,259	2,467	2,591	2,720	2,791	2,864	2,801
Local Sales Taxes	2,353	2,322	2,634	3,905	3,796	3,849	4,268	4,363	4,537	4,607	4,722	4,605
Utility Users Tax	851	863	877	924	949	975	1,002	1,030	1,058	1,087	1,117	1,148
Transient Occup Tax	544	519	519	549	537	794	1,169	1,266	1,363	1,426	1,521	1,487
Other Taxes	688	692	717	732	744	749	762	783	804	825	842	856
Intergovernmental	1,726	115	51	51	51	51	51	51	51	51	51	51
Building Permits	558	349	1,040	980	400	408	416	424	433	442	450	459
Fees & Charges	190	171	142	145	140	140	146	153	160	163	166	161
Interest	(31)	(3)	100	43	30	23	25	29	35	41	48	49
Other Revenues	1,228	673	179	266	269	272	275	278	281	285	288	291
Transfers In	103	102	188	125	126	127	128	130	131	132	133	135
Cost Allocation*	2,190	2,303	1,762	1,802	1,842	1,884	1,926	1,969	2,014	2,059	2,105	2,153
Total Revenue	16,058	13,855	14,080	15,516	14,968	15,421	16,645	17,276	18,009	18,552	19,139	19,219
Salaries	3,987	4,433	4,278	4,452	4,830	4,987	5,149	5,316	5,489	5,667	5,851	6,041
Part-time	415	67	102	104	106	108	110	113	115	117	120	122
Overtime	431	257	251	243	250	258	266	274	282	290	299	308
Pension	1,574	1,512	1,746	1,924	2,132	2,205	2,356	2,387	2,391	2,445	2,439	2,423
Health/OPEB	870	966	972	1,140	1,208	1,244	1,281	1,319	1,358	1,399	1,440	1,483
Other Personnel	888	1,051	977	983	1,009	1,036	1,063	1,091	1,120	1,149	1,180	1,211
Vacancy Savings	-	-	-	(354)	(381)	(393)	(409)	(420)	(430)	(443)	(453)	(464)
Subtotal Personnel	8,164	8,286	8,326	8,492	9,153	9,444	9,816	10,080	10,324	10,625	10,876	11,125
Services & Supplies	3,384	3,345	4,412	3,226	3,307	3,390	3,474	3,561	3,650	3,742	3,835	3,931
Liability Insurance	571	651	641	554	567	582	596	611	626	642	658	675
Utilities	341	354	553	550	564	578	592	607	622	638	654	670
Contributions	580	257	80	82	84	86	88	91	93	95	97	100
Fire District/Contract	-	-	-	1,150	1,220	1,292	1,366	1,444	1,524	1,607	1,693	1,783
Debt Service	254	300	208	446	389	111	86	86	86	86	86	86
Capital/Other Tfrs Out	1,176	1,074	433	432	442	453	465	476	488	500	513	526
Asset Preservation Adds	-	-	-	300	600	615	630	646	662	679	696	713
Total Expense	14,470	14,267	14,653	15,231	16,326	16,551	17,115	17,602	18,077	18,614	19,109	19,608
Net Annual	1,587	(412)	(573)	285	(1,359)	(1,129)	(470)	(326)	(68)	(62)	30	(389)
Pension Trust Contribs	-	-	-	-	426	441	471	477	478	489	488	485
Balance Sheet Adjusts	-	(1,039)	-	-	-	-	-	-	-	-	-	-
Wastewater Loan	-	(1,100)	-	-	-	220	220	220	220	220	-	-
Beginning Fund Balance	5,644	7,231	4,680	4,107	4,392	3,460	2,991	3,213	3,585	4,215	4,862	5,380
Ending Fund Balance	7,231	4,680	4,107	4,392	3,460	2,991	3,213	3,585	4,215	4,862	5,380	5,475
less: Commit/Assign	1,423	200	200	200	200	200	200	200	200	200	200	200
Unassigned Balance	5,809	4,480	3,907	4,192	3,260	2,791	3,013	3,385	4,015	4,662	5,180	5,275
Pension Trust (105)	2,781	2,906	3,037	3,173	2,890	2,579	2,223	1,846	1,451	1,027	586	127
Total Avail Balance	8,589	7,386	6,944	7,365	6,149	5,370	5,236	5,231	5,466	5,889	6,765	7,403
Unassign as % of Exp	40.1%	31.4%	26.7%	27.5%	20.0%	16.9%	16.2%	16.2%	16.0%	15.0%	14.0%	14.0%

*net of G&A expense for FY18-24

Pension Cost Forecast

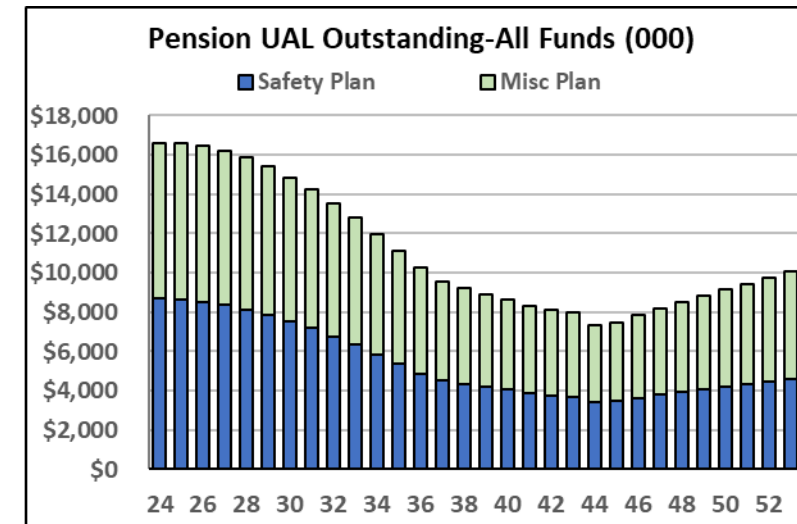
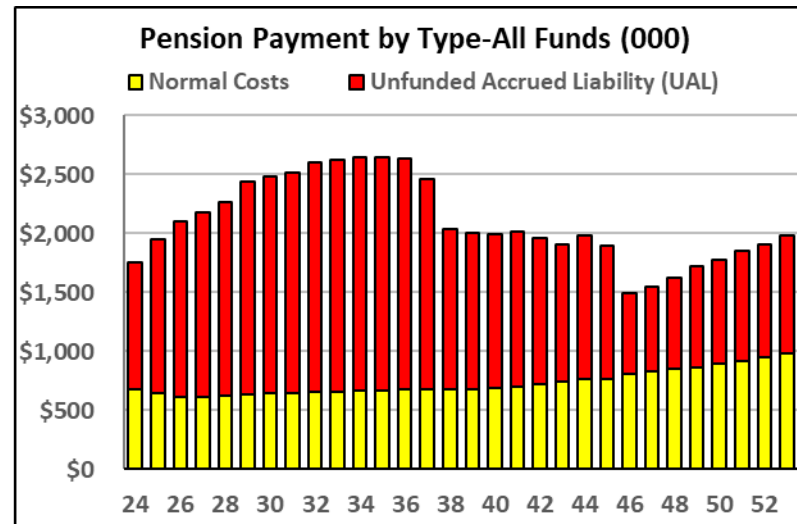
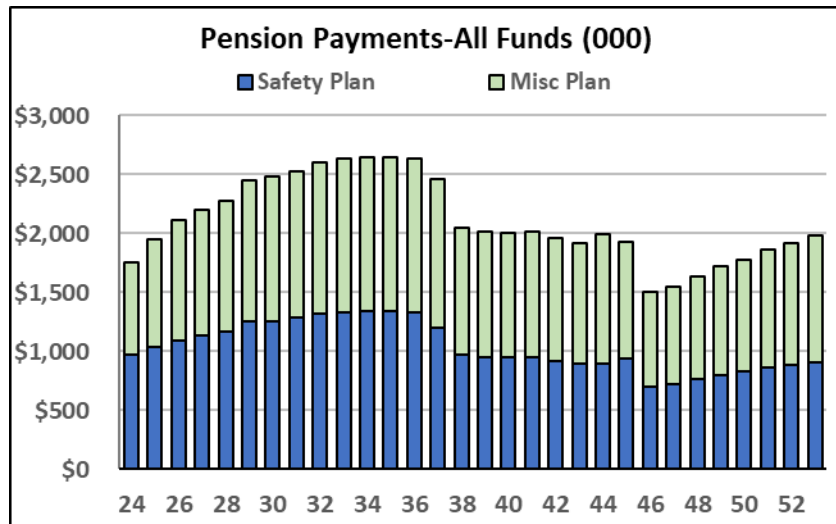
Basis for Lower CalPERS Investment Return Assumption



- Discount rate is investment rate of return assumed by CalPERS
- Discount rate has been lowered several times over past 45 years, from high of 8.75% to current 6.8%
- Following the 45-year linear trend of discount rates, in 20 years discount rate would theoretically be 6.0%
- However, **forecast assumes the current 6.8% discount rate is maintained**; if discount rate is lowered, City costs will be higher in near-term, and lower in long-term

- CalPERS investments are volatile, and have been on slow overall downward trend over past 30 years
- CalPERS plans to leverage its investments in private equity (carries greater risk and volatility of return) to achieve its 6.8% return target
- **Forecast assumes 6.2% average returns** to be conservative, given risks inherent in CalPERS' investment strategy

Summary of Pension Costs-Citywide



Source: CalPERS Pension Outlook Model

- Assumes 6.8% discount rate and 6.2% average return
- UAL shrinks significantly, but begins to grow again assuming returns average less than the discount rate; if discount rate drops, costs to City increase in near-term but UAL eventually is paid off
- If returns are higher, then UAL is paid down faster; at 6.8% returns and 6.8% discount rate UAL is (in theory) paid off completely in 2045

RESOLUTION NUMBER: 6615-2024

CITY OF SEBASTOPOL

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL ADOPTING A POLICY REGARDING THE USE OF REVENUE GENERATED BY THE SEBASTOPOL PUBLIC SAFETY, ROADS, CITY SERVICES MEASURE

WHEREAS, on November 5, 2024, Sebastopol voters will consider Measure U, the Sebastopol Public Safety, Roads, City Services Measure; and

WHEREAS, if adopted, the Sebastopol Public Safety, Roads, City Services Measure will generate revenue through a ½-cent transaction and use tax (sales tax); and

WHEREAS, prior to placing the measure on the ballot, the City conducted a community priorities survey to gather feedback from residents regarding their priorities; and

WHEREAS, the top three issues identified in the community survey as a “high priority” by respondents: providing effective public safety, managing city finances, and responding to natural disasters; and

WHEREAS, maintaining and repairing City streets, and maintaining park, trails, bike lanes and the City pool were the next two issues that the respondents identified as a high priority; and

WHEREAS, the City Council desires to use revenue from the Sebastopol Public Safety, Roads, City Services Measure for the priorities identified by the community as high priorities; and

WHEREAS, if the measure is adopted, the City anticipates receiving two months of the revenue for fiscal year 2024-2025; and

WHEREAS, the City Council desires to adopt a spending policy identifying how it will use the revenue from the Sebastopol Public Safety, Roads, City Services Measure, if adopted by the voters.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Sebastopol adopts the following policy with respect to expenditure of revenue generated by the Sebastopol Public Safety, Roads, City Services Measure beginning for FY 2025-2026:

1. 40% of the revenue shall be allocated for maintaining and repairing City roads, streets, drainage, and parks.
2. Sufficient revenue shall be allocated for maintaining public safety, including retaining existing Police Department staffing levels and providing sufficient funding for fire services after the reorganization of such services with the Gold Ridge Fire Protection District.
3. If there is sufficient revenue allocated for items 1 and 2 above remaining revenues will be allocated to maintain Sebastopol’s City services such as 911 emergency medical/police/fire response, wildfire/emergency preparedness, maintenance of streets/roads, parks/trails, library, youth and senior services, retaining/attracting local businesses; and for general government use.

BE IT FURTHER RESOLVED that any revenue generated by the Sebastopol Public Safety, Roads, City Services Measure during FY 2024-2025 shall not be allocated until the fourth quarter of the fiscal year, once the actual revenues and expenditures for FY 2024-2025 are clearer.

The above and foregoing Resolution was duly passed, approved, and adopted at a meeting by the City Council on the 17th day of September, 2024, by the following vote:

VOTE:

Ayes: Councilmembers Hinton, Maurer, McLewis, Vice Mayor Zollman and Mayor Rich
Noes: None
Absent: None
Abstain: None

APPROVED: Signed by:
Diana Rich
24BD41281D2746F...

Mayor Diana Gardner Rich

ATTEST: DocuSigned by:
Mary C Gourley
44C0774260FE430...

Mary Gourley, Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM: Signed by:
Alex Mog
66BDB79D572A4EB...

Alex Mog, City Attorney

FY 25-26 Budget: Issues and Challenges

City of Sebastopol
City Manager Don Schwartz
March 4, 2025

Starting Point: Long-term Projections

- Projected FY 25-26 Deficit: \$296,000
- Projected future deficits: \$2 million

Measure U

- “To maintain Sebastopol’s City services”
- Does not provide funding for new initiatives or services
 - Unless you reduce something else

Measure U

Council Policy (non-binding):

1. 40%: maintain/repair streets, drainage, and parks (40% = \$375K)
2. Sufficient funding for public safety, including retaining Police staffing and sufficiently funding fire
3. Remainder: Other City services

New Positions?

- Staffing Study Identified Significant Needs
- Most likely will need to replace existing to add new

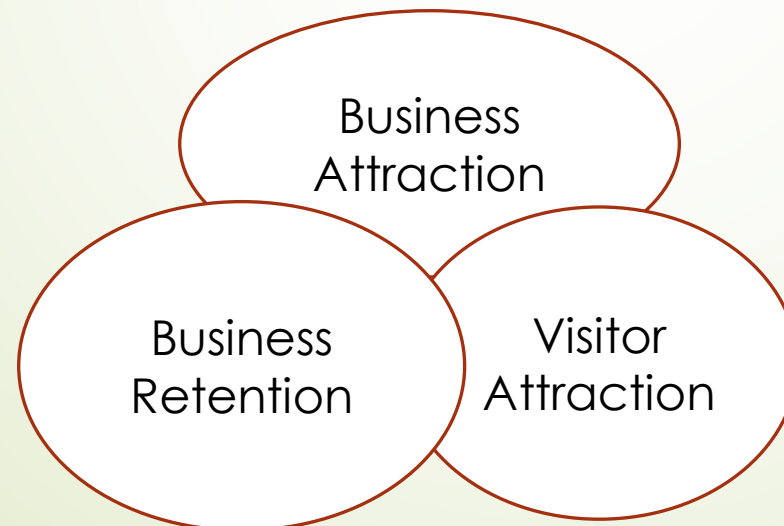
Facilities & Infrastructure: Balancing the Existing with Anything New

- Examples:
 - Trails prioritized in ATP
 - Pickleball courts

- We have many facilities and much infrastructure with great needs

Economic Development

- Can mean many things
- Includes potential EIFD and Hotels
- Potential framework:
 - Foundation of good planning practices and culture
 - Three overlapping components:



Efficiency Opportunities

- Technology: we are behind
- Service models: leverage economies of scale
- Fleet replacement?
- Cross-training & more generic positions
 - As recommended in staffing study
- Move Building Dept. to City Hall

Consider Using Reserve Funds

- Buildings, Facilities, and Infrastructure
 - FY 24-25 Year-end Balance: \$1,040,000
 - Could complement Measure U

- Equipment, Technology, and Vehicles
 - FY 24-25 Year-end Balance: \$792,000

Additional Revenues: Recommendations from September

1. Expand Economic Development: Yes
2. Pursue EIFD: Yes
3. Review User Fees: In Spring
4. Initiate Development Impact Fees: Not yet
5. Update Building Valuation Fees: Done
6. Consider Trench Cut Ordinance: Not yet

Next Steps

- Staff Developing Recommendations
- Budget Committee to Review
- Goal-setting: April 1
- Follow up to goal-setting: April 15
- Completion of Rec. Budget: May
- Budget Hearings: June