CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: August 4, 2026

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To:	Honorable Mayor and City Councilmembers
From:	Councilmember Phill Carter Councilmember Neysa Hinton
Responsible Department:	Planning Department / City Administration
Subject:	Enhanced Infrastructure Financing District (EIFD) Next Steps — Approval of Agreement with Kosmont Companies for Financing District Formation Advisory Services; and Authorization for City Manager to Execute Agreement

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RECOMMENDATION(s):
The EIFD Ad Hoc Committee recommends that the City Council:

a) Approve the Agreement with Kosmont Companies for Financing District Formation Advisory Services in an amount not to exceed $40,000; and
b) Authorize the City Manager to execute the Agreement with Kosmont Companies; and
c) **Optional/Add On 1** — Authorize an additional $10,000 - $15,000 Budget Amendment Increase for Optional Task 4: Boundary Evaluation and Map Revision, to evaluate growth areas within City limits currently outside the proposed corridor boundary before the boundary is fixed at formation. This would increase the Not to Exceed amount to $50,000 - $55,000 for Kosmont. (This optional task does not expand the EIFD beyond City limits.)
d) **Optional/Add On 2** - Authorize an additional $20,000 Budget Amendment Increase to add areas outside of the City. This was not originally included but is a recommendation from this committee. This would not assume additional costs for the surveying work, since surveying work has not started and a surveyor would be starting fresh only once a final boundary is agreed upon.

Total Item Costs of all Options above is $80,000 - $90,000 (This is separate from the Surveying Agreement and includes request to add areas outside of the City)

Surveying Cost Estimates: $30,000 - $35,000 (This is separate from the Kosmont Agreement)

PROCESS OF AGENDA ITEM:

- Presentation by Councilmembers Carter and Hinton
- Council questions and discussion
- Public comment
- Council deliberation and action

EXECUTIVE SUMMARY:
On December 2, 2025, the City Council adopted a Resolution of Intention (ROI) to form the Sebastopol Enhanced Infrastructure Financing District (EIFD), subject to (1) identification of City funding capacity to complete the formation process, and (2) confirmation of potential County participation as a funding partner.

Kosmont Companies has submitted a proposal, dated June 10, 2026, for Financing District Formation Advisory services to carry the EIFD through its remaining formation steps: stakeholder and County outreach to confirm partnership, preparation of the required Infrastructure Financing Plan (IFP), and support through the public meetings and hearings needed to form the district.

The proposed EIFD boundary is confined to the City's main transportation corridors within City limits. It does not include unincorporated West County territory. Sonoma County adopted its own separate Resolution of Intention to form an Unincorporated West County EIFD on October 14, 2025; that district proceeds independently and has no impact on the City's EIFD.

The 2025 fiscal impact analysis found that the corridor-focused boundary, combined with a 25% City allocation and County dollar match, produces a positive net fiscal impact to both the City and County General Funds over the life of the district.

Approving this agreement begins a 6–12 month formation engagement. Based on the proposed scope, the EIFD could become operational in mid-to-late 2027 — a longer runway than the schedule discussed alongside the December 2025 resolution, which assumed IFP drafting would begin immediately. That drafting work has not yet started; this agreement is what starts it.

County partnership — the County matching the City's tax increment contribution — is not yet confirmed. Securing that confirmation is the first deliverable under this agreement (Task 1) and remains the single largest variable in the project's timeline and funding capacity.

BACKGROUND:
As a result of the elimination of redevelopment agencies in California, the City of Sebastopol lost a tax increment financing (TIF) tool to invest in public facilities supporting community development. In 2014, SB 628 created the Enhanced Infrastructure Financing District (EIFD) as a new TIF tool. EIFDs allow cities, counties, and other taxing entities to capture a portion of future incremental property tax revenues generated by new development and property value growth within a defined area to finance public capital facilities and other projects of communitywide significance (e.g., infrastructure, parks, libraries, affordable housing, flood control, climate adaptation).

Importantly, formation of an EIFD does not increase property taxes or any other taxes for landowners within or outside the district boundaries. EIFDs are financed through tax increment generated from the growth in property taxes collected from within a designated district boundary. There are no new taxes or impacts to the property owner within an established EIFD. Only a portion of future growth in property tax revenues (tax increment) is redirected to the EIFD on a voluntary basis from participating taxing entities.

EIFD tax increment may be used to pay for a variety of public facilities and other projects authorized by the EIFD Law within the established EIFD boundaries or outside of the established EIFD boundaries if there is a tangible connection to the work of the EIFD, including but not limited to infrastructure such as roads, utilities, streetscapes, parks and public recreation, or other community facilities. Funding may also be used to facilitate public-private activities by enticing development with infrastructure development and expansion, including new industrial manufacturing facility construction and repair, and brownfields remediation. Affordable housing, including affordable senior housing, is also an eligible activity.

The City has had extensive discussions regarding a potential EIFD, including:

- November 7, 2023: City Council voiced support for exploring an EIFD.
- December 5, 2023: Council formed the EIFD Ad Hoc Committee.
- January 16, 2024: County Supervisor Hopkins secured $50,000 in funding for initial feasibility evaluation, conditioned on including a West County evaluation.
- July 2024: Kosmont Companies retained via competitive process (County-funded) for initial feasibility work.
- September 3, 2024 and November 19, 2024: Council received feasibility updates and directed preparation of a General Fund fiscal impact analysis.
- February 18, 2025: Council approved a $15,000 contract amendment (split 50/50 City/County) for the fiscal impact analysis.

- June 3 and October 14, 2025: County Board of Supervisors received updates and approved a separate Unincorporated West County EIFD Resolution of Intention, leaving the City's own EIFD option open.
- December 2, 2025: City Council adopted a Resolution of Intention to form the Sebastopol EIFD, subject to funding identification and County partnership confirmation.
- June 10, 2026: Kosmont submitted the current Financing District Formation Advisory proposal to complete the formation process now that the ROI has been adopted and the fiscal analysis has confirmed a positive General Fund impact.

DISCUSSION:
Kosmont's proposed scope of services for Financing District Formation Advisory is structured in three tasks:

Task 1: Stakeholder Outreach and Direction on Partnership
Kosmont will assist the City with updated outreach to potential public and private sector stakeholders, including County staff and elected officials. This includes preparation and presentation of financing district analysis materials. Based on feedback, Kosmont will refine tax increment projections. The goal is to receive direction/confirmation on partnership with other taxing entities (primarily the County). If partnership is confirmed, Kosmont will assist with preparation of requisite documentation for the partner agency's Resolution of Intention and appointments to the governing Public Financing Authority (PFA) board.

As part of the action in December 2025, the City Council established the “Public Financing Authority of the Sebastopol Enhanced Infrastructure Financing District” to serve as the governing board of the EIFD as follows:

A. The PFA membership shall be comprised initially of three members of the City Council appointed by the City Council and two public members selected by the City Council. Members shall serve at the pleasure of the City Council, as the case may be, and shall serve until their successor assumes office.

B. The City Council further declares that, pursuant to Government Code Section 53398.51.1, should another taxing entity agree to participate as a taxing entity, then the PFA membership shall be modified in accordance with Government Code Section 53398.51.1. For example, if the County of Sonoma (“County”) agrees to participate as a taxing entity and the participating taxing entities consist of the City and the County, then the PFA membership shall be modified to be two members of the City Council, one member of the County Board of Supervisors (“Board of Supervisors”), one member of the public appointed by the City Council, and one member of the public appointed by the Board of Supervisors.

C. Members shall serve at the pleasure of their respective appointing legislative bodies and shall serve until their successor assumes office.

D. The legislative body of each participating taxing entity may appoint one of its members to be an alternate member of the PFA board who may serve and vote in place of a member who is absent or disqualifies themselves from participating in a meeting of the PFA.

E. The members are subject to compliance with the EIFD Law and all applicable ethics laws, including Article 2.4 (commencing with Section 53234) of Chapter 2 of the Government Code.

F. The City Council, and the governing bodies of any other participating entities shall comply with Government Code Section 54974.

Task 2: Infrastructure Financing Plan (IFP) Preparation
Kosmont will collaborate with City staff and third-party consultants (e.g., special counsel, engineering/surveying) on preparation of the required IFP and appendices. The IFP must include: legal description of boundaries, public improvements to be implemented, location/timing/costs of development and financial assistance, finalized tax

increment projections, intention to incur debt (e.g., bonds), district termination date (up to 45 years after first bond issuance), taxing entity fiscal impact analysis, and replacement housing obligations. Kosmont will assist with required distribution of the IFP to property owners and affected taxing entities.

Task 3: IFP Approval and Financing District Formation Hearings

Kosmont will assist in coordination, preparation, and presentation of required materials at City Council (and potentially County Board of Supervisors) meetings and PFA meetings/hearings to approve the IFP and form the district. Kosmont will provide draft content for resolutions for review by legal counsel and assist with required noticing (website, mailing, newspaper). Anticipated meetings: up to two PFA public meetings, two PFA public hearings, and two City Council meetings. Once formed, Kosmont will assist with State Board of Equalization filings.

Note: *Any evaluation or implementation of EIFD-related public financings (e.g., tax increment allocation bonds) will involve a separate engagement with Kosmont Financial Services as the City's Municipal Advisor on a to-be-determined compensated basis.*

Optional Task 4: Boundary Evaluation and Map Revision

The boundary drawn at formation is the boundary the district lives with. Under EIFD Law, adding territory after formation requires amending the Infrastructure Financing Plan and repeating the noticing and public hearing sequence — effectively restarting a multi-year process. Any boundary change the City may want is therefore materially cheaper and faster to make now, before the IFP is finalized, than at any later point in the district's life.

The corridor boundary currently proposed was drawn from 2024 parcel data and reflects development activity known at that time. Optional Task 4 would fund Kosmont to re-examine growth areas along and adjacent to the existing corridor line within City limits — parcels where development is now planned, proposed, or reasonably foreseeable but which fall outside the current boundary — and to revise the boundary map if the analysis supports it. This optional task is limited to areas within City limits; it does not include or evaluate unincorporated County territory. The cost is estimated at $10,000 - $15,000 for within City limits area only.

Expanding beyond City limits such as unincorporated County territory (example: area toward Bloomfield Road or the Flea Market area location) would require a substantially larger scope (estimated closer to $20,000).

Because tax increment is calculated on assessed value growth inside the boundary, every parcel added at formation expands the base on which all future increment is calculated, for the full life of the district. The magnitude of any capacity gain depends entirely on which areas are evaluated and what development actually occurs there; a specific dollar figure should come from Kosmont's own analysis under this task rather than be estimated in advance.

<u>This task is presented as optional and severable.</u> Council may approve the base agreement without it. Staff notes only that the window for making this decision inexpensively closes when the IFP is finalized. Estimated cost: $10,000–$15,000.

Scope of the County ask

- Boundary is not in question. The EIFD stays within City limits, along the existing corridor (Gravenstein Highway, Healdsburg Avenue, Bodega Avenue, Sebastopol Avenue). The County closed the door on a joint boundary itself by adopting its own separate Resolution of Intention for the West Sonoma County EIFD on October 14, 2025.
- The County's only role is the funding match. Task 1 of the Kosmont engagement is scoped narrowly to confirm whether the County will match the City's contribution dollar-for-dollar — not to renegotiate boundary, project selection, or City control.
- Governance is already set if the County joins. Per the December 2025 resolution, County participation converts the Public Financing Authority to two City Council members, one County Supervisor, and one public member appointed by each body — a City-majority board, not equal footing.

- The match is a precondition, not a preference. Kosmont's own feasibility finding states the City should only proceed under a scenario where the County matches the City's contribution dollar-for-dollar. County confirmation is the single gating question for the fiscal case, not one input among several.
- The match is the source of additional funds. County property tax growth inside the district would otherwise flow to the County General Fund and be budgeted county-wide. Under the match those dollars would be directed to projects within Sebastopol — modeled at $28,184,897 in total dollars and $10,702,005 in present value over 50 years. It recovers nothing already collected and does not reduce the County's baseline revenue. Relative to total County property tax revenue from Sebastopol, the match is a modest share — approximately 4 percent at Year 10 by derived estimate — but it is the only component of the arrangement that brings funds into the city that would not otherwise be spent here.
- Santa Rosa comparison. In the only other city-county district in Sonoma County, the City committed 50 percent of its share (approximately $52.7 million) and the County 25 percent (approximately $30.0 million), or roughly $0.57 of County funds per City dollar. The dollar-for-dollar structure proposed here is more favorable to the City on a per-dollar basis, and has not yet been agreed to by the County.

Comparison with conventional debt

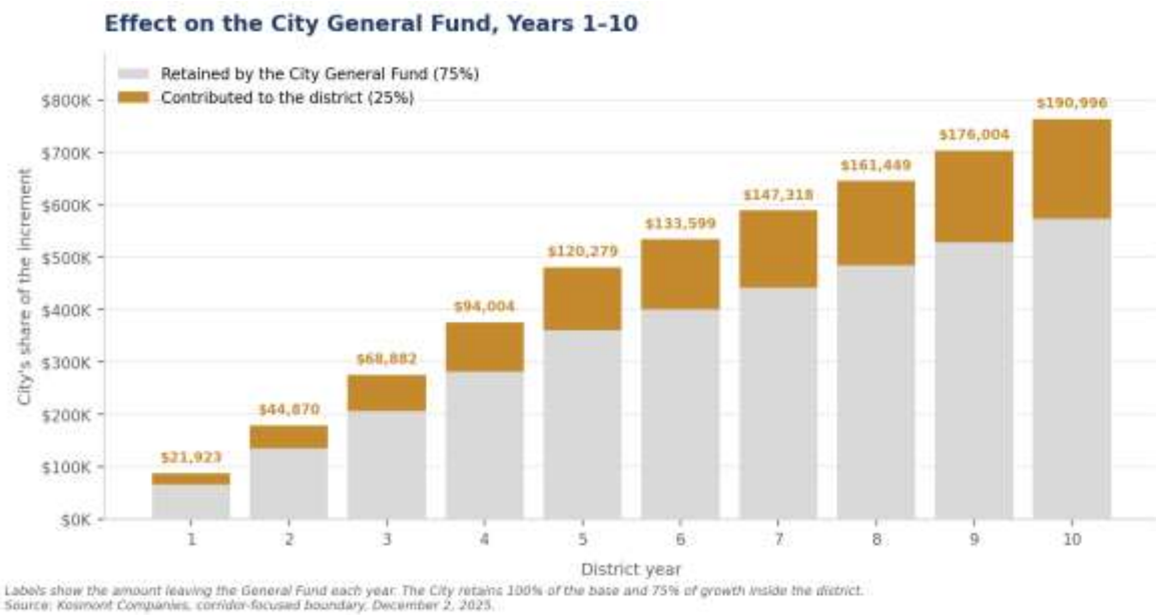
The City could fund comparable improvements through general obligation or lease-revenue bonds. The two approaches are not strict substitutes and differ in the following respects:

	EIFD	Conventional bond
Voter approval	Not required — Council resolution and public hearings, with majority-protest termination	GO bonds generally require two-thirds voter approval
Effect on tax rates	None — redirects a share of future growth only	GO bonds are typically repaid through an added levy
Repayment source	District increment only, inside the boundary	General Fund or a dedicated tax levy
Effect on City credit	Outside the City's general credit profile	Counts against practical debt capacity
If growth underperforms	The City's contribution falls with revenue	Debt service remains fixed
County participation	Possible via dollar-for-dollar match	No mechanism for County co-investment
State grant scoring	Joint City/County districts score higher	No effect
Speed to capital	Slow — revenue accrues over years; first issuance modeled at Year 5	Fast — proceeds available at issuance
Amount available	Limited in early years — roughly $2.0M by Year 5	Sized to project need at issuance
Reversibility	Once pledged to district debt, funds are locked and unavailable to the General Fund	Same — debt service is a fixed obligation

A bond delivers capital immediately and in an amount sized to the project. A financing district delivers less, more slowly, but without a public vote, without raising tax rates, without consuming City borrowing capacity, and with the possibility of County participation. For projects that can be phased or that require matching funds rather than full funding, the district is the better-suited instrument. For a single large capital need requiring immediate full funding, it is not.

Effect on the City General Fund

The City's contribution is foregone revenue rather than an expenditure. It does not appear as a budget cost, but it is revenue the General Fund would otherwise receive. The City retains 100 percent of the base and 75 percent of growth inside the boundary.



The City's share of the increment, divided between the General Fund and the district.

The amount leaving the General Fund rises from $21,923 in Year 1 to $190,996 in Year 10. For scale, the adopted General Fund revenue budget for FY 2025-26 was $15.69 million; the Year 10 contribution equals approximately 1.2 percent of that figure. Both amounts would grow over the intervening period, so this is a scale reference rather than a forecast.

Council should weigh this against current budget conditions. The City adopted a $16.5 million budget for FY 2026-27 with a deficit of approximately $850,000, and the five-year forecast projects a continuing structural imbalance. Foregone revenue warrants scrutiny in that environment. The offsetting consideration is that contributions are smallest in the early years, when budget pressure is most acute, and grow only as the tax base grows.

What the City receives in exchange

Cumulative General Fund revenue forgone, against capital assembled by the district.

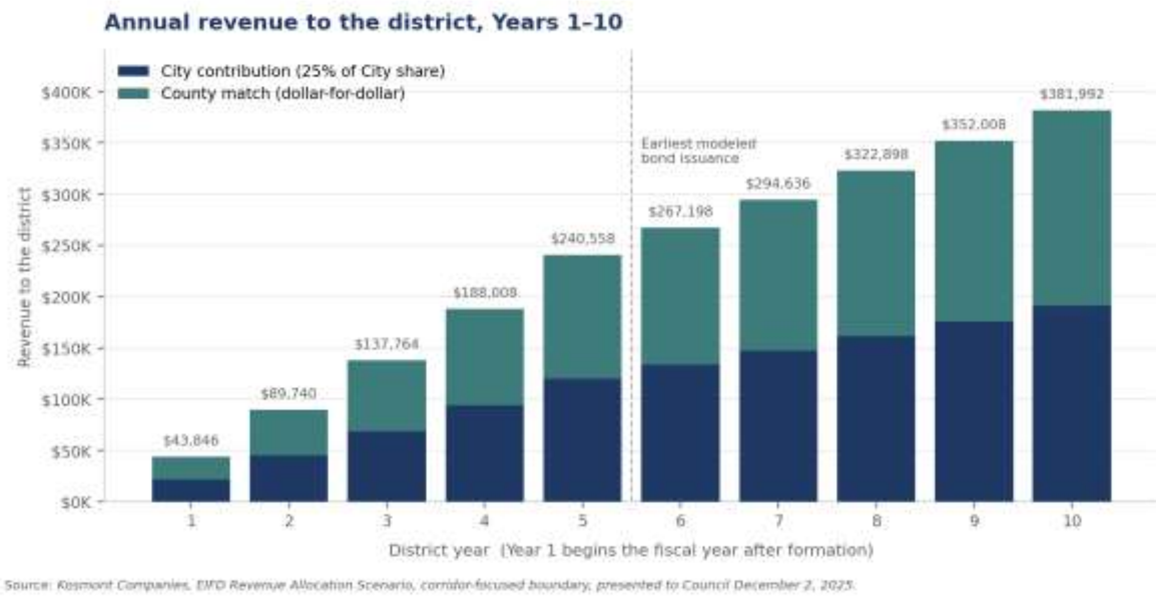
Through Year 5 the City would forgo approximately $349,958 in cumulative General Fund revenue, against district capacity of approximately $2,041,000 — roughly 5.8 times the amount forgone. Through Year 10 the figures are approximately $1,159,324 forgone against $4,837,000 in capacity, roughly 4.2 times. The multiplier comes from the County match and from the ability to borrow against the combined revenue stream.

The comparison is not like-for-like. General Fund revenue is unrestricted and may be used for any lawful municipal purpose, including salaries and public safety. District revenue is restricted to eligible capital projects with a useful life of at least fifteen years. The exchange is unrestricted operating dollars for a larger quantity of restricted capital dollars. Whether that is favorable depends on whether the City has capital needs it cannot otherwise fund.

Kosmont's analysis concludes a positive net fiscal impact to the City General Fund — $561,404 at Year 10 and $19,066,900 in present value over 50 years, net of the contribution. That conclusion rests on an assumption stated in Kosmont's own materials: that the district accelerates development which would otherwise occur later. Kosmont's comparison describes the no-district case as slightly delayed investment rather than absent investment. If development timing is unaffected, the General Fund effect is the contribution itself. The contribution is certain; the acceleration benefit is an assumption.

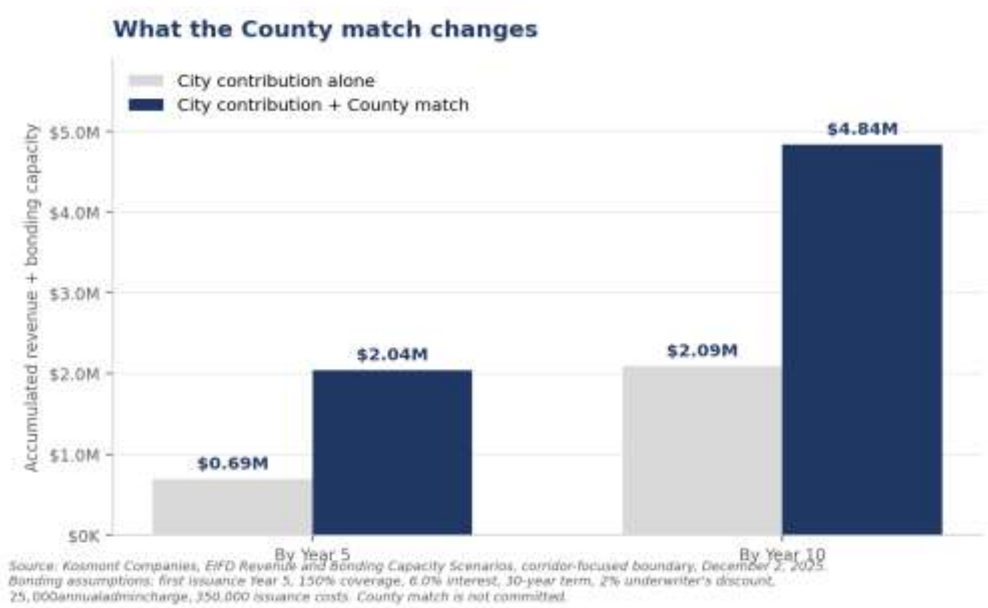
Scale of the instrument

Under the scenario evaluated — 25 percent City participation with a County dollar match, corridor boundary — Kosmont projects combined accumulated revenue and bonding capacity of approximately $2,041,000 by Year 5 and $4,837,000 by Year 10, reaching $21,404,000 in present value and $56,369,794 in total dollars over 50 years.



Annual revenue to the district, Years 1–10. Kosmont published annual detail only through Year 10.

Revenue in the first three years is negligible — under $140,000 combined per year. Growth flattens after Year 5, once the assumed new development has been absorbed and increases revert to ordinary assessed value appreciation.



Available capacity with and without the County match, per Kosmont Scenarios A and C.

Without the County match, capacity is approximately $689,000 by Year 5 and $2,087,000 by Year 10. The match is what moves the instrument from marginal to useful within the first decade, which is the basis for Kosmont's position that the City should not proceed without it.

In its first decade this is a two to five million dollar instrument. It is suited to supplementing, matching, or filling gaps in project funding rather than serving as a primary funding source for a major facility. Capacity grows substantially over the full district life.

Kosmont's published bonding assumptions: first issuance in Year 5, $25,000 annual administrative charge, 150 percent debt service coverage, 6.0 percent interest, 30-year term, proceeds net of a 2 percent underwriter's discount, reserve fund, and issuance costs estimated at $350,000.

Limitations and risks

- Revenue depends on development occurring. Projections assume approximately $113.7 million in new development absorbed over five to ten years. Lower or slower development produces proportionally lower revenue.
- Pledged funds become unavailable. As stated in the December 2025 staff report, once dollars are pledged to an EIFD obligation such as a bond issuance, they are locked in and no longer available to the General Fund.
- County participation is not committed. No County agreement exists at this time. Securing one is the first task of the proposed engagement and the principal variable in the fiscal case.
- Formation carries upfront cost with conditional recovery. The December 2025 report estimated $55,000 to $75,000 for formation activities, reimbursable from future district revenue only if the district forms and generates revenue.
- Delay raises the baseline. Growth occurring before formation is captured in the baseline and is unavailable to the district thereafter. Each year of delay reduces total lifetime capture.
- Early-year revenue is minimal. Year 1 combined revenue is projected at $43,846. Meaningful capacity does not exist until approximately Year 5.
- Santa Rosa adopted its Resolution of Intention in April 2023 and its financing plan was still being revised in early 2026. Comparable processes have taken multiple years.

Formation schedule

Timeline	Key actions
Aug 2026	Council approves Kosmont agreement (this item). Begin Task 1: County and stakeholder outreach for partnership confirmation.
Sep – Nov 2026	Complete Task 1: secure County participation commitment. Confirm/adjust Public Financing Authority membership if County joins. Begin preliminary Infrastructure Financing Plan (IFP) work.
Nov 2026 – Jan 2027	Task 2: draft the IFP — legal description, project list, tax increment projections, fiscal impact analysis. Distribute draft IFP to property owners and affected taxing entities.
Feb – Apr 2027	Task 3: PFA and City Council meetings and hearings. First PFA public meeting (at least 40 days after distribution), public hearings, protest proceedings, formal adoption of the IFP and formation of the EIFD.
May – Jun 2027	Final filings with the State Board of Equalization. EIFD becomes operational.

STAFF ANALYSIS:
Staff has reviewed the Kosmont proposal and finds the scope, schedule, and compensation appropriate and consistent with the previously estimated one-time formation costs of $55,000 – $75,000 (this $40,000 engagement covers the core Kosmont advisory services; additional costs for legal counsel, surveying estimated at $30,000–$35,000, noticing, etc., may be required and could be funded from the same or future budget adjustments, potentially reimbursable from EIFD revenues post-formation).

Additional Options if approved would expand the contract to a not to exceed amount of $70,000 - $75,000. (This is separate from the Surveying Agreement and includes request to add areas outside of the City); without add on of areas outside of City limits; Not to Exceed contract would be $50,000 - $55,000.

Surveying Cost Estimates: $30,000 - $35,000 (This is separate from the Kosmont Agreement)

Staff time through formation is estimated at approximately 8–10 hours per week on average of project-manager-level effort, with natural ebbs and flows around key milestones (outreach, IFP drafting, and hearings).

CITY COUNCIL GOALS/PRIORITIES/ AND OR GENERAL PLAN CONSISTENCY:
This agenda item represents the City Council goals/priorities as follows:

Goal 4: HIGH PERFORMANCE ORGANIZATION; Restore public trust, improve public communications, and strengthen collaborative partnerships with outside agencies and service providers.

Financial Transparency & Community Engagement

PUBLIC COMMENT:
As of the preparation of this staff report, no public comments have been received on this item. Any comments received after distribution of the report will be provided to the City Council as supplemental materials. Public comment will also be accepted during the meeting.

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 the scheduled meeting date.

FISCAL IMPACT:
The cost of the proposed Agreement is $40,000 Not to Exceed for professional services (hourly) at Kosmont's standard billing rates, plus reimbursement for approved out-of-pocket expenses and a 4% administrative services fee. Invoices will be submitted monthly. These one-time formation costs are expected to be reimbursable from future EIFD tax increment revenues once the district is formed and begins generating increment (typically within the first few years).

Additional Options (Task 4) for boundary evaluation and map revision (within City limits only) if approved would expand the contract to a not to exceed amount of $50,000 - $55,000. (This is separate from the Surveying Agreement)

An additional option to add areas outside of the City) would be an additional $20,000. The County Board of Supervisors would need to vote on an expanded area. It is anticipated that the Board of Supervisors would request detailed information prior to responding/approving unincorporated areas, including financial analysis of the new area, which will take time. This would require an agreement with Kosmont experienced in this area to conduct a financial analysis of the recommended area/boundary of requested unincorporated areas. This information would be returned to the City Council at a future meeting.

Separate surveying/mapping work is estimated at approximately $30,000–$35,000 and is not included in the Kosmont Agreement. Because surveying has not yet commenced, Optional Task 4 boundary revisions (if approved) are not expected to require additional surveying cost beyond that estimate.

If the EIFD is ultimately formed, there is no decrease in the property tax revenue the General Fund receives; rather, a portion of future City property tax increment growth within the approved boundary is directed to fund targeted infrastructure investments, consistent with the positive net fiscal impact confirmed by the 2025 analysis. Formation costs may be reimbursable from future EIFD revenues once the district is generating increment.

If all optional services are approved, including boundary revisions, evaluation of areas outside City limits, and surveying/mapping services, the total estimated project cost is listed below. This estimate includes the Kosmont professional services agreement, optional analysis work, and separate surveying/mapping services. Surveying and mapping services would require a separate agreement and funding authorization.

EIFD Formation Cost Summary

Component	Estimated Cost
Base Kosmont Agreement	$40,000
Optional Task 4 (Re-examine Growth Area - Within City Limits)	$10,000 - $15,000
Surveying/Mapping Services (Separate Agreement)	$30,000-$35,000
Subtotal EIFD Formation Costs	**$80,000 - $90,000**
Optional Evaluation of Areas Outside City Limits	$20,000
Total Potential EIFD Formation Cost	**$100,000-$110,000**

Total Potential Project Cost

Component	Estimated Cost
EIFD Formation Costs (from table above)	$80,000 - $90,000
Optional Evaluation of Areas Outside City Limits	$20,000
Total Potential Project Cost	**$100,000 - $110,000**

RESTATED RECOMMENDATION: The EIFD Ad Hoc Committee recommends that the City Council:

1. Approve the Agreement with Kosmont Companies for Financing District Formation Advisory Services in an amount not to exceed $40,000; and
2. Authorize the City Manager to execute the Agreement with Kosmont Companies; and
3. **Optional/Add On 1** — Authorize an additional $10,000 - $15,000 Budget Amendment Increase for Optional Task 4: Boundary Evaluation and Map Revision, to evaluate growth areas within City limits currently outside the proposed corridor boundary before the boundary is fixed at formation. This would increase the Not to Exceed amount to $50,000 - $55,000 for Kosmont. (This optional task does not expand the EIFD beyond City limits.)
4. **Optional/Add On 2** - Authorize an additional $20,000 Budget Amendment Increase to add areas outside of the City. This was not originally included but is a recommendation from this committee. This would not assume additional costs for the surveying work, since surveying work has not started and a surveyor would be starting fresh only once a final boundary is agreed upon.

Total Item Costs of all Options above is $80,000 - $90,000 (This is separate from the Surveying Agreement and includes request to add areas outside of the City)

Surveying Cost Estimates: $30,000 - $35,000 (This is separate from the Kosmont Agreement)

The FY 26 27 City Budget has approved $75,000 for EIFD.

CITY COUNCIL OPTIONS:
1. Approve with modifications (e.g., different funding source, reduced scope, or conditions regarding County partnership).
2. Defer action pending additional information, further County discussions
3. Do not proceed with EIFD formation at this time.

ATTACHMENTS:

1. Resolution of Intention to Form the Sebastopol EIFD, adopted December 2, 2025 (with Exhibits A and B)
2. Kosmont Companies proposal for Financing District Formation Advisory Services, dated June 10, 2026 /City Contract
3. EIFD Feasibility Analysis and General Fund Fiscal Impact Analysis, presented December 2, 2025
4. Addendum: "The Proposed Sebastopol EIFD — Figures, Arithmetic, and Limitations" (public information supplement)
5. Resolution of potential budget amendments if all options are considered.

APPROVALS:

Department Head Approval: Approval Date: 7/29/26
CEQA Determination (Planning): Approval Date: NA
The proposed action is not a project under the California Environmental Quality Act (CEQA). Pursuant to CEQA Guidelines Section 15378, the recommended action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the recommended action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the recommended action may have a significant effect on the environment.
General Plan Goal (Planning): Approval Date: N/A
Administrative Services (Financial) Approval Date: 7/30/26
Costs authorized in City Approved Budget: ☐ Yes ☐ No ☐ N/A
Account Code (f applicable) ______________________________
City Attorney Approval: Approval Date:
City Manager Approval: Approval Date: 7/30/26

RESOLUTION NO. 6722-2025

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL DECLARING ITS INTENTION TO ESTABLISH THE SEBASTOPOL ENHANCED INFRASTRUCTURE FINANCING DISTRICT TO FINANCE THE CONSTRUCTION, REPAIR, ACQUISITION, AND/OR MAINTENANCE OF CAPITAL IMPROVEMENTS AND FACILITIES, INCLUDING THE ACQUISITION AND/OR REMEDIATION OF LAND FOR SUCH IMPROVEMENTS AND FACILITIES; ESTABLISHING A PUBLIC FINANCING AUTHORITY; AND AUTHORIZING CERTAIN OTHER ACTIONS RELATED THERETO

WHEREAS, SB 628, effective as of January 1, 2015, allows a city or county to create a separate government entity known as an “Enhanced Infrastructure Financing District” (EIFD) within a defined area to finance certain infrastructure projects with community-wide benefits; and

WHEREAS, pursuant to Chapter 2.99 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53398.50) (the "EIFD Law"), the City Council of the City of Sebastopol ("Council") is authorized to initiate the process to establish an EIFD; and,

WHEREAS, EIFDs are financed through tax increment generated from the growth in property taxes collected from within a designated district boundary. There are no new taxes or impacts to the property owner within an established EIFD; and,

WHEREAS, EIFD tax increment may be used to pay for a variety of public facilities and other projects authorized by the EIFD Law within the established EIFD boundaries or outside of the established EIFD boundaries if there is a tangible connection to the work of the EIFD, including but not limited to infrastructure such as roads, utilities, streetscapes, parks and public recreation, or other community facilities. Funding may also be used to facilitate public-private activities by enticing development with infrastructure development and expansion, including new industrial-manufacturing facility construction and repair, and brownfields remediation. Affordable housing, including affordable senior housing, is also an eligible activity; and,

WHEREAS, the City retained Kosmont & Associates, Inc. DBA Kosmont Companies through a competitive procurement process as a consultant to prepare an evaluation of EIFD implementation feasibility, paid for with County of Sonoma funding procured by Fifth District Supervisor Lynda Hopkins; and,

WHEREAS, the prerequisites set forth in Government Code Section 53398.54 have been complied with prior to the City initiating the creation of or participating in the governance of the EIFD, and the City will provide the required certification to the California Department of Finance (“DOF”) in accordance with the EIFD Law; and,

WHEREAS, the proposed boundaries of the Sebastopol EIFD are identified on Exhibit A entitled "Proposed Sebastopol EIFD Boundary", a copy which is on file in the office of the City Clerk; and,

WHEREAS, the EIFD will be governed by a Public Financing Authority ("PFA") board which will be responsible for implementing the Infrastructure Financing Plan for the EIFD ("IFP"), and the PFA is required to be established by the City Council at the same time that the Council adopts its intention to form the proposed EIFD; and,

WHEREAS, this action is exempt from the California Environmental Quality Act ("CEQA") as an action solely related to financing and is not in-and-of itself a "project" (pursuant to CEQA Guidelines Section 15378) since it does not result in a physical change in the environment because the City has not committed itself to fund any specific projects through the EIFD. However, future actions (such as the funding and/or approval of infrastructure improvements using funding from the EIFD) will be subject to environmental review in accordance with CEQA.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SEBASTOPOL HEREBY RESOLVES AS FOLLOWS:

Section 1. The City Council of the City of Sebastopol proposes and intends to cause the establishment of an EIFD under the provisions of the EIFD Law.

Section 2. The name proposed for the EIFD shall be the "Sebastopol Enhanced Infrastructure Financing District."

Section 3. The proposed boundaries of the EIFD are as shown on Exhibit A attached hereto, which are preliminarily approved and on file in the office of the City Clerk and incorporated herein by reference.

Section 4. The types of public facilities and development proposed to be financed or assisted by the EIFD pursuant to the EIFD Law are those listed on Exhibit B, attached hereto and incorporated herein by reference.

Section 5. The City Council hereby finds that the EIFD is necessary for the area within the boundaries of the EIFD and the City. The City Council's stated goals for the EIFD are to create a means by which to assist in the provision of public facilities or other specified projects of communitywide significance that provide significant benefits to, promote economic development of, and enhance quality of life within, the boundaries of the EIFD or the surrounding community.

Section 6. The City Council hereby declares that, pursuant to the EIFD Law and if approved by resolution pursuant to Government Code Section 53398.68, incremental property tax revenue from the City of Sebastopol and some or all other affected taxing entities within the EIFD may be used to finance the activities described in Section 4 and listed on Exhibit B. The incremental property tax financing will be described in an IFP to be prepared for approval by the PFA, the City Council, and the legislative bodies of all participating taxing entities under EIFD Law.

Section 7. The City or County of Sonoma may allocate tax revenues derived from local sales and use taxes imposed pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code) or transactions and use taxes imposed in accordance with the

Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code) to the EIFD pursuant to Government Code Section 53398.75.5, if applicable. The City Council does not intend to contribute sales and use taxes or transactions and use taxes to the EIFD.

Section 8. The City Council hereby establishes the "Public Financing Authority of the Sebastopol Enhanced Infrastructure Financing District" to serve as the governing board of the EIFD:

A. The PFA membership shall be comprised initially of three members of the City Council appointed by the City Council and two public members selected by the City Council. Members shall serve at the pleasure of the City Council, as the case may be, and shall serve until their successor assumes office.

B. The City Council further declares that, pursuant to Government Code Section 53398.51.1, should another taxing entity agree to participate as a taxing entity, then the PFA membership shall be modified in accordance with Government Code Section 53398.51.1. For example, if the County of Sonoma ("County") agrees to participate as a taxing entity and the participating taxing entities consist of the City and the County, then the PFA membership shall be modified to be two members of the City Council, one member of the County Board of Supervisors ("Board of Supervisors"), one member of the public appointed by the City Council, and one member of the public appointed by the Board of Supervisors. Members shall serve at the pleasure of their respective appointing legislative bodies and shall serve until their successor assumes office.

C. The legislative body of each participating taxing entity may appoint one of its members to be an alternate member of the PFA board who may serve and vote in place of a member who is absent or disqualifies themselves from participating in a meeting of the PFA.

D. The members are subject to compliance with the EIFD Law and all applicable ethics laws, including Article 2.4 (commencing with Section 53234) of Chapter 2 of the Government Code.

E. The City Council, and the governing bodies of any other participating entities shall comply with Government Code Section 54974.

Section 8. The City Council hereby sets the time and place for a public hearing of the PFA, the proposed EIFD and IFP, to be held on July 7, 2026, at 5:00 p.m., or as soon thereafter as the matter may be heard, at City Hall Council Chambers, 7120 Bodega Ave, Sebastopol, CA 95472.

Section 9. Pursuant to Government Code Section 53398.60, the City Clerk is hereby directed to mail a copy of this Resolution to the PFA and each owner of land (as defined in the EIFD Law), or alternatively with respect to the owners of land may mail a single-page notice of intention identified in Government Code Section

53398.60(b), within the EIFD and to each affected taxing entity (as defined in the EIFD Law). In addition, the City Clerk is hereby directed to cause notice of the public hearing to be published not less than once a week for four successive weeks in a newspaper of general circulation published in the City. The notice shall state that the EIFD will be used to finance public works, briefly describe the facilities, briefly describe the proposed financial arrangements, including the proposed commitment of incremental tax revenue, describe the boundaries of the proposed EIFD and state the day, hour, and place, when and where any persons having any objections to the proposed IFP, or the regularity of any of the prior proceedings, may appear before the PFA and object to the adoption of the proposed IFP.

Section 10. As it pertains to EIFD formation prerequisites as stated in Government Code Section 53398.54, it is noted that the former Redevelopment Agency of the City of Sebastopol, designated as the Community Development Agency of the City of Sebastopol, was dissolved in accordance with Assembly Bill 26 (ABX1 26), and that the Successor Agency to the Redevelopment Agency is no longer in existence as of the effective date of this Resolution, after having received a finding of completion, as specified in California Health and Safety Code Section 34179.7.

Section 11. In accordance with Government Code Section 53398.54, the City certifies to the DOF and to the PFA that no former Redevelopment Agency of the City of Sebastopol (Former RDA) assets that are the subject of litigation involving the State of California, where the City or the Successor Agency are a named plaintiff, have been or will be used to benefit any efforts of the EIFD unless the litigation and all possible appeals have been resolved in a court of law. The City Clerk is authorized and directed on behalf of the City to provide or make this certification to the DOF within 10 days after the City Council’s action to participate in the EIFD pursuant to Government Code Section 53398.68 or the City Council’s action to form the EIFD pursuant to Government Code Section 53398.69, by delivery of a copy of the appropriate Resolution or signing a separate certification, if and as required by the DOF.

Section 12. The State Controller has completed its review as specified in California Health and Safety Code Section 34167.5 of asset transfers between the Former RDA, the City or any other public agency. The Successor Agency and the City complied with all of the State Controller's findings and orders stemming from such review.

Section 13. This Resolution in no way obligates the PFA to establish any EIFD.

Section 14. lf any section, subsection, phrase or clause of this Resolution is for any reason found to be invalid, such section, subsection, phrase or clause shall be severed from, and shall not affect the validity of, all remaining portions of this Resolution that can be given effect without the severed portion.

Section 15. This Resolution shall take effect immediately upon its adoption.

Section 16. The City Manager, or designee, are hereby authorized and directed to take all actions necessary or advisable to give effect to the transactions contemplated by this Resolution.

Section 17. The City Clerk of the City of Sebastopol shall certify as to the adoption of this Resolution.

ADOPTED AND APPROVED THIS 2nd DAY OF DECEMBER 2025.

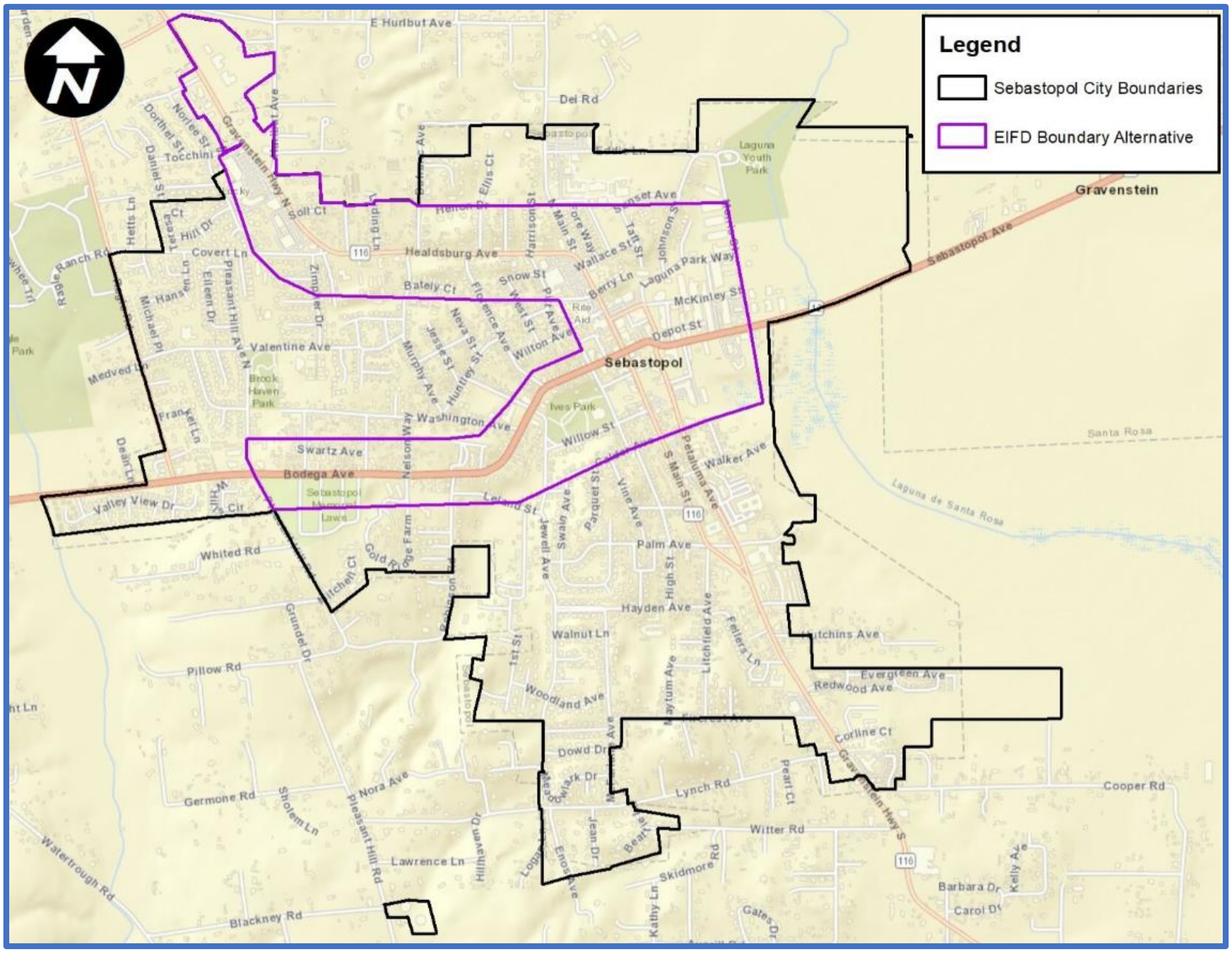
VOTE:
Ayes: Councilmembers Carter, Hinton, Maurer, Vice Mayor McLewis and Mayor Zollman
Noes: None
Absent: None
Abstain: None

Signed by:
APPROVED: ______________________
AA58527C58C4493...
Mayor Stephen Zollman

Signed by:
ATTEST: ______________________
44C0774260FE430...
Mary Gourley, Interim City Manager/City Clerk, MMC

Signed by:
APPROVED AS TO FORM: ______________________
66BDB79D572A4EB...
Alex Mog, City Attorney

EXHIBIT A
Proposed Sebastopol EIFD Boundaries



Proposed EIFD boundary designated in purple (approx. 290 acres).
Sebastopol City boundaries designated in black.

EXHIBIT B

CITY OF SEBASTOPOL
ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD)
LIST OF AUTHORIZED PUBLIC FACILITIES

The Sebastopol Enhanced Infrastructure Financing District (EIFD) may finance the purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real tangible property with an estimated useful life of 15 years or longer which are public capital facilities or other projects of community-wide significance that provide significant benefits to the EIFD or the surrounding community. The EIFD may also finance the ongoing or capitalized costs to maintain public capital facilities financed in whole or in part by the EIFD. Facilities funded may be located outside the boundaries of the EIFD, as long as they have a tangible connection to the work of the EIFD as detailed in the infrastructure financing plan. The EIFD may also finance the planning and design work that is directly related to the purchase, construction, expansion, or rehabilitation of property. The EIFD may finance costs described in Government Code Sections [53398.52 [list of eligible improvements]] 53398.56 [replacement housing and relocation obligations if required by actions of EIFD] and 53398.57. Projects financed by the EIFD may include, but not be limited to, all of the following:

- Highways, interchanges, and ramps;
- Bridges;
- Arterial streets;
- Parking facilities;
- Transit facilities;
- Parks, recreational facilities, and open space;
- Sewage treatment and water reclamation plants and interceptor pipes;
- Facilities for the collection and treatment of water for urban uses;
- Facilities for the transfer and disposal of solid waste, including transfer stations and vehicles;
- Storm water conveyance and collection facilities;
- Flood control levees and dams, retention basins, and drainage channels;
- Child care facilities;
- Libraries;
- Broadband and telecommunications infrastructure;
- Sidewalks and streetscape improvements;
- Bicycle lanes and paths;
- Public art;
- Corporation yards;
- Police facilities;
- Brownfield restoration and other environmental mitigation;
- Affordable housing as authorized under the EIFD Law;
- Projects that implement a sustainable communities strategy and transit priority projects;
- Acquisition, construction, or repair of industrial structures for private use;
- Acquisition, construction, or repair of commercial structures by the small business occupant of such structures, if such acquisition, construction, or repair is for purposes of fostering economic recovery from the COVID-19 pandemic and of ensuring the long-term economic sustainability of small businesses;
- Projects that enable communities to adapt to the impacts of climate change, including, but not limited to, higher average temperatures, decreased air and water quality, the spread of infectious and vector-borne diseases, other public health impacts, extreme weather events, sea level rise, flooding, heat waves, wildfires, and drought;

EXHIBIT B

CITY OF SEBASTOPOL
ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD)
LIST OF AUTHORIZED PUBLIC FACILITIES

- Facilities in which nonprofit community organizations provide health, youth, homeless, and social services.

Other Expenses

In addition to the direct costs of the above facilities, other incidental expenses as authorized by the EIFD Law, including, but not limited to, the cost of environmental evaluation and environmental remediation; engineering and surveying; construction staking; utility relocation and demolition costs incidental to the construction of the facilities; costs of project/construction management; costs (including the costs of legal services) associated with the creation of the EIFD; costs of issuance of bonds or other debt of the EIFD, of a community facilities district of the City, or of any other public agency for authorized facilities and payment of debt service thereon; financing costs of improvements incurred by developers until reimbursement from the EIFD; costs incurred by the County or the EIFD in connection with the division of taxes pursuant to Government Code Section 53398.75; or costs otherwise incurred in order to carry out the authorized purposes of the EIFD; reimbursements to other areas for facilities serving the EIFD; and any other expenses incidental to the formation and implementation of the EIFD and to the construction, completion, inspection, and acquisition of the authorized facilities.

June 10, 2026

Mary Gourley
City Manager
City of Sebastopol
7120 Bodega Avenue
Sebastopol, CA 95472

Re: Proposal for Financing District Formation Advisory

Dear Ms. Gourley:

Kosmont & Associates, Inc. doing business as Kosmont Companies ("Consultant" or "Kosmont") is pleased to present this proposal to the City of Sebastopol ("City" or "Client") for Financing District Formation Advisory. This proposal serves as an Agreement when executed and returned by Client to Kosmont.

I. BACKGROUND AND OBJECTIVE

Kosmont was retained by the City in 2024 through a competitive procurement process to evaluate the feasibility of utilizing an Enhanced Infrastructure Financing District ("EIFD") to assist with funding critical infrastructure improvements within the City. Kosmont prepared analysis of different EIFD boundary alternatives, tax increment revenue allocation scenarios, eligible projects for funding by the EIFD, and potential General Fund fiscal impacts from EIFD implementation for both the City and the County of Sonoma ("County").

On December 2, 2025, the City Council adopted a Resolution of Intention to form an EIFD, subject to identification of City funding capacity to complete the EIFD formation process, and subject to confirmation of potential County participation in the EIFD as a partner to the City. More recently in 2026, the City has expressed interest in moving forward with EIFD formation with assistance from Kosmont. Kosmont proposes the following Scope of Services accordingly.

II. SCOPE OF SERVICES

Approach to Tasks: The prospective assignment and consulting services that Kosmont will provide will be of a relatively limited scope and duration, and advisory in nature. Kosmont will be making recommendations only, which advise the Client and jurisdictions, including their elected officials, appointed officials, and staff, which they can accept or reject. None of Kosmont's staff will act in a capacity as an elected official, nor appointed official, nor as staff, nor as serving in a "designated" position.

Task 1: Stakeholder Outreach and Direction on Partnership
Kosmont will assist the City with updated outreach to potential public and private sector entity stakeholders, such as County staff and elected officials. Kosmont will accordingly assist with preparation and presentation of financing district analysis materials as appropriate for such outreach. Based on continued feedback, Kosmont will refine previous tax increment projections and related analysis.

The goal of this Task is to receive direction/confirmation on partnership with other taxing entities. If partnership with another taxing entity such as the County is confirmed, Kosmont will assist staff and legal counsel of that agency (e.g., County staff and County Counsel) with the preparation of requisite documentation for that agency's Resolution of Intention.

Kosmont will assist the City and partner agencies with appointments to the governing Public Financing Authority ("PFA") board and will assist with required noticing of the Resolution of Intention following the legislative body action(s).

Task 2: Infrastructure Financing Plan Preparation
Kosmont will collaborate with City staff and appropriate third-party consultants (e.g., special counsel, engineering / surveying consultants) on the preparation of the required Infrastructure Financing Plan ("IFP") and related appendices. The IFP must include a legal description of district boundaries, public improvements to be implemented, location, timing, and costs of development and financial assistance, finalized tax increment projections, intention to incur debt (e.g., bonds), district termination date, taxing entity fiscal impact analysis, and replacement housing obligations. Kosmont will assist City staff (e.g., Clerk's office) in the required distribution of the IFP to property owners within the financing district and to affected taxing entities.

Task 3: IFP Approval and Financing District Formation Hearings
Kosmont will assist in coordination, preparation, and presentation of required materials at the required City Council (and potentially County Board of Supervisors) meeting(s) and PFA meetings and hearings to approve the IFP and form the financing district. While Kosmont is not an attorney, we will provide draft content for required resolutions for review by City Attorney and/or special counsel. Kosmont will additionally assist in drafting and coordinating the required noticing (e.g., website, mailing, newspaper notices) of the PFA meeting and hearings.

Kosmont anticipates up to two PFA public meetings, two PFA public hearings, and two City Council meetings as part of this task (in-person or virtual as deemed mutually appropriate by the City and Kosmont).

Once the financing district is successfully formed, Kosmont will assist City staff in completing the required filings with the State Board of Equalization.

Potential Future Services (Not a Part of Current Scope of Work)
- Annual report preparation, related presentation(s) at PFA public hearing(s) in future years

- Continuing Disclosure as related to EIFD debt transactions.

TIF-Related Municipal Advisory Services
City and Kosmont agree that evaluation or implementation of any EIFD-related public financings (e.g., tax increment allocation bonds, and/or City lease revenue financing to be repaid or guaranteed/committed in whole or in part with EIFD tax increment and other revenues, and/or financing utilizing engagement of the PFA) will involve Kosmont Financial Services as the City's Municipal Advisor or co-Municipal Advisor on a to-be-determined compensated basis.

III. SCHEDULE

Consultant is prepared to commence work upon receipt of executed Agreement. The EIFD formation process typically varies in duration from approximately 6 months to 12 months.

IV. COMPENSATION

Compensation for Tasks 1 through 3 is estimated at $40,000 for professional services (hourly) fees at Consultant's billing rates as shown on Attachment A. Future increases in budget will require approval by Client in advance. Budget may be increased by Client at any time.

Consultant anticipates a single consolidated round of Client comments and revisions on draft work product before Kosmont provides a final version of work product. If necessary, additional rounds of comments and revisions can be accommodated on an hourly basis.

Consultant's attendance or participation at any ***publicly noticed*** meeting beyond the meetings identified in Tasks 1-3, whether such participation is in person, digital, video and/or telephonic *(e.g., City Council, Planning Commission, Public Agency Board, other),* as requested by Client is in addition to compensation for Tasks 1 through 3 and will be billed at the professional services (hourly) fees as shown on Attachment A.

Services will be invoiced monthly at Consultant's standard billing rates, as shown on Attachment A. In addition to professional services (hourly) fees, invoices will include reimbursement for out-of-pocket expenses such as travel and mileage (provided that there shall be no overnight travel without the Client's prior approval and that mileage shall be reimbursed at the current IRS mileage reimbursement rate), professional printing, conference calls, and delivery charges for messenger and overnight packages at actual cost. Unless otherwise agreed to in advance, out-of-area travel, if any, requires advance funding of flights and hotel accommodations.

Consultant will also include in each invoice an administrative services fee to cover in-house copy, fax, telephone and postage costs equal to four percent (4.0%) of Consultant's monthly professional service fees incurred. Any unpaid invoices after 30 days shall accrue interest at the rate of 10% per annum.

For the convenience of Kosmont's clients, we offer a secure credit card payment service. The credit card payment link is: https://kosmont.paidyet.com and there are two ways to make a secure credit card payment:

1. Fill in the "***Make a Payment***" form when you go to the link (https://kosmont.paidyet.com), or
2. Call Kosmont Companies' accounting desk (424) 297-1072 to make a credit card payment

Consultant is prepared to commence work upon receipt of executed Agreement.

DISCLOSURE: Compensation for possible future transaction-based services or brokerage services.

The following is being provided solely as an advance disclosure of possible real estate brokerage and finance services and potential compensation for such services. This disclosure is not intended to commit the Client.

When assignments involve real estate/property brokerage services, such transaction-based services are typically provided by Kosmont Real Estate Services, Inc. dba Kosmont Realty ("KR") is licensed by the State of California Department of Real Estate (License# 02058445). Compensation to KR is typically paid through commissions for property sale transactions, lease transactions and success/broker fees. KR also provides Broker Opinions of Value ("BOV") services on a fixed fee basis.

When assignments involve public finance services on behalf of a public agency, such municipal advisory services are provided by Kosmont Financial Services (KFS). KFS is an independent Registered Municipal Advisor with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

SEC registration does not constitute an endorsement of the firm by the Commission or state securities regulators.

V. OTHER PROVISIONS

A. Termination. Client or Consultant shall have the right to terminate this Agreement at any time upon written notification to the other party. Payment for fees accrued through the date of termination shall be remitted in full.

B. Arbitration. Any controversy or claim arising out of or in relation to this Agreement, or the making, performance, interpretation or breach thereof, shall be settled by arbitration at JAMS in Los Angeles, California. Each of the parties to such arbitration proceeding shall be entitled to take up to five depositions with document requests. The provisions of Section 1283.05 (except subdivision (e) thereof) of the California Code of Civil Procedure are incorporated by reference herein, except to the extent they conflict with this Agreement, in which case this Agreement is controlling. If the matter is heard by only one arbitrator, such arbitrator shall be a member of the State Bar of California or a retired judge. If the matter is heard by an arbitration panel, at least one member of such panel shall be a member of the State Bar of California or a retired judge. The arbitrator or arbitrators shall decide all questions of law, and all mixed questions of law and fact, in accordance with the substantive law of the State of California to the end that all rights and defenses which either party may have asserted in a court of competent jurisdiction shall be fully available to such party in the arbitration proceeding contemplated hereby. The arbitrator and arbitrators shall set forth and deliver their findings of fact and conclusions of law with the delivery of the arbitration award. Judgment upon the award rendered shall be final and non-appealable and may be entered in any court having jurisdiction.

C. Attorneys' Fees. In the event of any legal action, arbitration, or proceeding arising out of an alleged breach of this Agreement, the party prevailing in such legal action, arbitration, or proceeding shall be entitled to recover reasonable attorneys' fees, expenses and costs, as well as all actual attorneys' fees, expenses and cost incurred in enforcing any judgment entered.

D. Authority. Each of the parties executing this Agreement warrants that persons duly authorized to bind each such party to its terms execute this Agreement.

E. Further Actions. The parties agree to execute such additional documents and take such further actions as may be necessary to carry out the provisions and intent of this Agreement.

F. Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by either party without the prior written consent of the other party.

G. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

H. Entire Agreement; Amendments and Waivers. This Agreement contains the final, complete and exclusive agreement between the parties relating to the transactions contemplated hereby and any and all prior discussions, negotiations, commitments and understanding, whether written or oral, related hereto are superseded hereby. No addition or modification of any term or provision of this Agreement shall be effective unless set forth in writing signed by both parties. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver of such provisions unless otherwise expressly provided. Each party to this Agreement has participated in its drafting and, therefore, ambiguities in this Agreement will not be construed against any party to this Agreement.

I. Severability. If any term or provision of this Agreement shall be deemed invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each remaining term and provision of this Agreement shall be valid and in force to the fullest extent permitted by law.

J. Notices. All notices, requests, demands and other communications which may be required under this Agreement shall be in writing and shall be deemed to have been received when transmitted; if personally delivered, if transmitted by telecopier, electronic or digital transmission method, upon transmission; if sent by next day delivery to a domestic address by a recognized overnight delivery service (e.g., Federal Express), the day after it is sent; and if sent by certified or registered mail, return receipt requested, upon receipt. In each case, notice shall be sent to the principal place of business of the respective party. Either party may change its address by giving written notice thereof to the other in accordance with the provisions of this paragraph.

K. Titles and Captions. Titles and captions contained in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision herein**.**

L. Governing Law. The statutory, administrative and judicial law of the State of California (without reference to choice of law provisions of California law) shall govern the execution and performance of this Agreement.

M. Confidentiality. Each of the parties agrees not to disclose this Agreement or any information concerning this Agreement to any persons or entities, other than to their attorneys and accountants, or as otherwise may be required by law.

N. Counterparts. This Agreement may be executed in one or more counterparts, each of which constitutes an original, and all of which together constitute one and the same instrument. The signature of any person on a telecopy of this Agreement, or any notice, action or consent taken pursuant to this Agreement shall have the same full force and effect as such person's original signature.

O. Disclaimer. Consultant's financial analysis activities and work product, which may include but is not limited to pro forma analysis and tax projections, are projections only. Actual results may differ materially from those expressed in the analysis performed by Consultant due to the integrity of data received, market conditions, economic events and conditions, and a variety of factors that could materially affect the data and conclusions. Client's reliance on Consultant's analysis must consider the foregoing.

Consultant services outlined and described herein are advisory services only. Any decisions or actions taken or not taken by Client and affiliates, are deemed to be based on Client's understanding and by execution of this Agreement, acknowledgement that Consultant's services are advisory only and as such, cannot be relied on as to the results, performance and conclusions of any investment or project that Client may or may not undertake as related to the services provided including any verbal or written communications by and between the Client and Consultant.

Client acknowledges that Consultant's use of work product is limited to the purposes contemplated within this Agreement. Consultant makes no representation of the work product's application to, or suitability for use in, circumstances not contemplated by the scope of work under this Agreement.

P. Limitation of Damages. In the event Consultant is found liable for any violation of duty, whether in tort or in contract, damages shall be limited to the amount Consultant has received from Client.

Q. Force Majeure. Consultant shall not be liable for failure or delay in performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by significant circumstances beyond its reasonable control, including, without limitation: epidemic; acts of God; earthquakes; fires; floods; wars; civil or military disturbances; acts of terrorism; sabotage; strikes; riots; wide-spread power failures and wide-spread internet failure. Contractual performance and deadline(s) shall be extended for a period equal to the time lost by reason of the delay.

R. Expiration of Proposal for Services. If this Agreement is not fully executed by the parties within thirty (30) days from the date of this letter, this proposal shall expire.

S. Not an agreement for Legal Services or Legal Advice. This Agreement does not constitute an agreement for the performance of legal services or the provision of legal advice, or legal opinion. Client should seek independent legal counsel on matters for which Client is seeking legal advice.

[signature page follows]

VI. ACCEPTANCE AND AUTHORIZATION

If this Agreement is acceptable to Client, please execute two copies of the Agreement and return both originals to Kosmont Companies. Upon receipt of both signed contracts, we will return one fully executed original for your files. Kosmont will commence work upon receipt of executed Agreement.

Read, understood, and agreed to this

____ Day of _______________ 2026

City of Sebastopol	**Kosmont & Associates, Inc.** doing business as "Kosmont Companies"
By: ___________________________ (Signature)	By: ___________________________ (Signature)
Name:__________________________ (Print Name)	Name: Ken K. Hira
Its: ___________________________ (Title)	Its: President

ATTACHMENT A

Kosmont Companies
2026 Public Agency Fee Schedule

Professional Services

President	$435.00/hour
Senior Vice President / Senior Advisor	$405.00/hour
Vice President	$295.00/hour
Senior Project Analyst	$210.00/hour
Project Analyst	$195.00/hour
Administrative Support	$ 90.00/hour

Additional Expenses

In addition to professional services (labor fees):

1) An administrative fee for in-house copy, fax, phone, postage costs, digital/technological support and related administrative expenses will be charged, which will be computed at four percent (4.0 %) of monthly Kosmont Companies professional service fees incurred; plus
2) Out-of-pocket expenditures, such as travel and mileage, professional printing, and delivery charges for messenger and overnight packages will be charged at cost.
3) Project/Market data sources for support of evaluation and analysis e.g., ESRI, Placer.ai, CoStar/STR, IMPLAN, ParcelQuest and other based on quoted project cost.
4) If Kosmont retains Third Party Vendor(s) for Client (with Client's advance approval), fees and cost will be billed to Client at 1.1X (times) fees and costs.
5) Consultant's attendance or participation at any public meeting, whether such participation is in person, digital, video and/or telephonic *(e.g., City Council, Planning Commission, Public Agency Board, other)* requested by Client and are beyond those specifically identified in the Scope of Work will be billed at the professional services (hourly) fees as shown on this Attachment A.

- **Charges for Court/Deposition/Expert Witness-Related Appearances**

  Court-related (non-preparation) activities, such as court appearances, depositions, mediation, arbitration, dispute resolution and other expert witness activities, will be charged at a court rate of 1.5 times scheduled rates, with a 4-hour minimum.

Rates Effective until December 31, 2026. For and during the term of the subject Agreement, the above referenced rates in each category will be increased, effective January 1, 2027, and annually thereafter, to reflect the adjustment in the CPI (U.S. Dept. of Labor, Bureau of Labor Statistics) All Cities Average Consumer Price Index for the prior year. As an example, the US City Average Consumer Price Index (CPI-U) for December 2025 was 0.3, representing a change of 2.7 **percent** over the index of the previous 12 months. *(K2.26)*

City of Sebastopol and County of Sonoma Enhanced Infrastructure Financing District (EIFD) Feasibility and Fiscal Impact Analysis Summary

December 2, 2025

Kosmont Companies
El Segundo, CA
www.kosmont.com | @KosmontTweets

EIFD Feasibility Analysis Background

- City Council expressed interest in forming an EIFD in Nov 2023 and formed EIFD Ad Hoc Committee
- County Fifth District Supervisor Hopkins procured funding for EIFD evaluation for City and West County
- Kosmont Companies selected as consultant through competitive procurement process
- **EIFD boundary alternatives** – Multiple scenarios of EIFD boundary evaluated within the City and in unincorporated West County jurisdiction
- **Revenue allocation scenarios ($$$)** – Multiple scenarios of City and County property tax increment allocation evaluated for each boundary alternative, along with corresponding funding and bonding capacity
- **Targeted infrastructure projects eligible for funding** – Input solicited on potential projects to be considered for EIFD funding from EIFD Ad Hoc Committee, Sept 3rd City Council meeting, and Sept 25th West County joint Municipal Advisory Committee (MAC) meeting

Real Estate
Finance/Economics
Development
Entitlements
kosmont companies

Findings from Previously Completed Feasibility Analysis

a) **EIFD boundaries** – Ultimately suggesting <u>two different EIFDs</u> for City and County consideration to support equitable representation in the governing board composition:

1. Focused Corridor within the City (City and County participation for projects within City)
2. Larger unincorporated West County area (only County participation for projects outside of City)

b) **Revenue allocation ($$$)** – Suggesting City only considers a scenario with a <u>County dollar match</u>, and at a <u>fiscally sustainable</u> level for the City General Fund (e.g., 25% City allocation + County dollar match); County can independently choose its revenue allocation outside of City limits for County projects

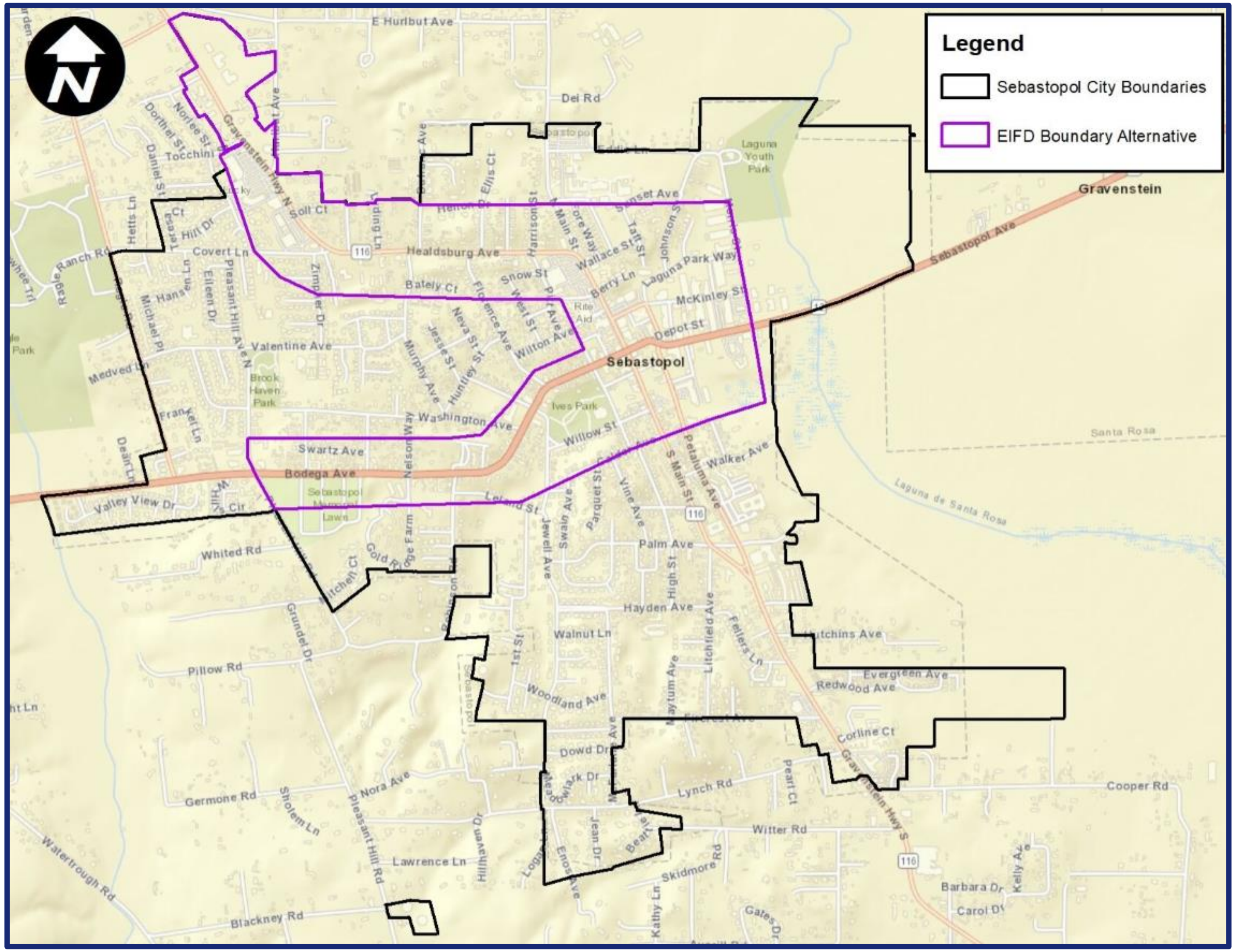
c) **Targeted infrastructure projects eligible for funding** – Suggesting to keep the list inclusive, encompassing outreach and feedback thus far, and potential future additional outreach, but contemplate a framework for prioritization in the future, such as projects that catalyze private sector investment and/or deliver significant public benefit

Desire and Scope of Fiscal Impact Analysis

- At the November 2024 meeting of the City Council, Council directed staff and Kosmont to further evaluate the potential impacts of EIFD implementation on the General Fund, prior to proceeding with a Resolution of Intention (ROI) to form an EIFD
- County EIFD Participation Policy also calls for a [County] General Fund fiscal impact analysis, prior to EIFD implementation
- Kosmont draft fiscal impact analysis shows that the currently proposed boundary (focused corridor within the City) and tax increment allocation levels (25% City / 23% County) support a **positive** net fiscal impact to both the City and County General Funds
- If the City wished to proceed with EIFD formation, next steps would include consideration of Resolution(s) of Intention by City Council and County Board of Supervisors

Corridor-Focused EIFD Boundary Alternative

- Focus on development opportunity sites
- Approx. 290 acres (~24% of City)
- Approx. $615M in existing assessed property value (~39% of City)



Source: Parcel Quest, ArcGIS, Kosmont Companies (2024)

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Suggested EIFD Revenue Allocation Scenario

Corridor-Focused Boundary

EIFD Year	City 25% Allocation	County Match	Total Allocation
Year 1	$21,923	$21,923	$43,846
Year 2	$44,870	$44,870	$89,739
Year 3	$68,882	$68,882	$137,764
Year 4	$94,004	$94,004	$188,007
Year 5	$120,279	$120,279	$240,558
Year 6	$133,599	$133,599	$267,198
Year 7	$147,318	$147,318	$294,637
Year 8	$161,449	$161,449	$322,899
Year 9	$176,004	$176,004	$352,009
Year 10	$190,996	$190,996	$381,992
Year 1-50 Total	**$28,184,897**	**$28,184,897**	**$56,369,794**
Year 1-50 Present Value	**$10,702,005**	**$10,702,005**	**$21,404,011**

Present value at 3% discount rate

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Future Development Assumptions

Absorption Assumed over 5-10 Years

Area	# SF or Units	Estimated AV Factor	Estimated Total AV at Buildout
Residential (Rental)	12 units	$325K per unit	$3.9 million
Residential (For Sale)	106 units	$550K per unit	$58.3 million
Residential (Affordable)	134 units	*property tax-exempt*	$0
Hotel	147 rooms	$350K per room	$51.5 million
Total New Development Assumed within EIFD Study Area			**$113.7 million**

Note: AV at buildout values in current 2024 dollars
Sources: City of Sebastopol Building and Development Projects, CoStar (2024)

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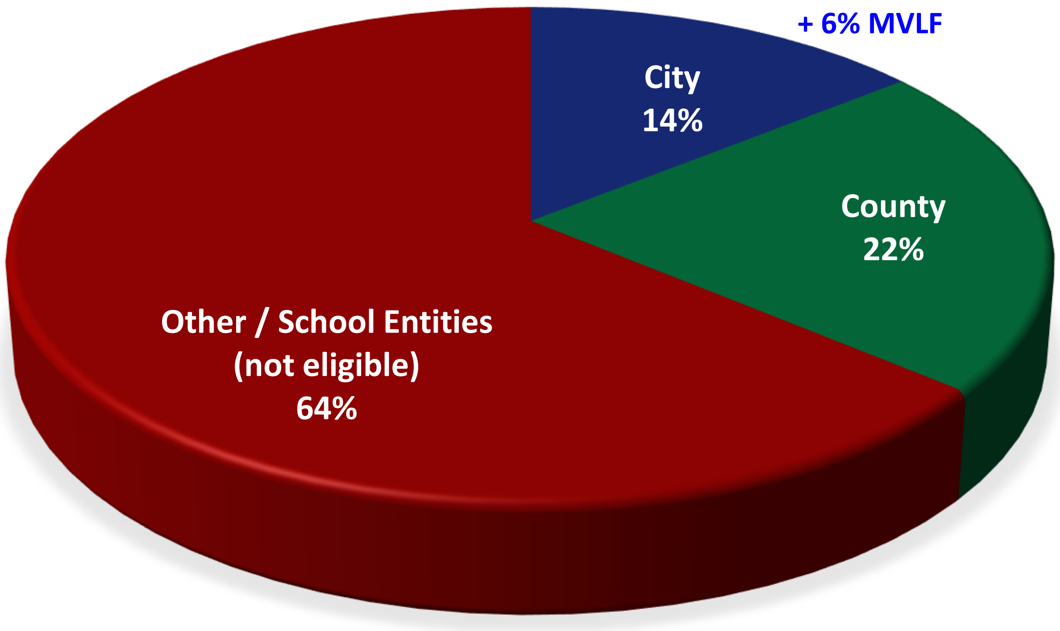
Property Tax Revenues Available to EIFD

- Primary non-school recipients and potential contributors of property tax are **City of Sebastopol** and **County of Sonoma**
- City share varies by area and averages ~**14%** of every $1 collected in property taxes within the EIFD Study Area
  - City additionally receives equivalent of ~**6.0%** of property tax in lieu of motor vehicle license fees (MVLF), also available to EIFD
- County General Fund share varies by area and averages ~**22%**
  - County additionally receives property tax in lieu of MVLF, also available to EIFD, but not incorporated into this analysis to be conservative
- School-related entities cannot participate

Weighted Average Property Tax Distribution within EIFD Study Area



As counties tend to rely more heavily on property tax revenue sources generated by new development within incorporated jurisdictions, it is Kosmont's experience that it is not reasonable to assume allocation of property tax in lieu of MVLF by the County. As cities benefit from additional non-property tax revenue sources (e.g., sales tax, transient occupancy tax) from new development, it is Kosmont's experience that it is reasonable for cities to consider contributing property tax in lieu of MVLF.
Tax Rate Area (TRA) weighted average distributions for EIFD Study Area shown. Post-ERAF (Education Revenue Augmentation Fund) distribution.
Source: Sonoma County Auditor Controller (2024), City of Sebastopol FY24-25 Budget

EIFD Revenue and Bonding Capacity Scenarios

Corridor-Focused Boundary

EIFD Revenue Allocation Scenario	Year 5 Accumulated Revenue + Bonding Capacity*	Year 10 Accumulated Revenue + Bonding Capacity*	50-Year Present-Value @ 3% Discount Rate	50-Year Nominal Total
A) City 25%	$689,000	$2,087,000	$10,702,000	$28,185,000
B) City 50%	$2,041,000	$4,837,000	$21,404,000	$56,370,000
C) City 25% + County Dollar Match (~23% of County Share)	$2,041,000	$4,837,000	$21,404,000	$56,370,000
D) City 50% + County Dollar Match (~46% of County Share)	$4,744,000	$10,336,000	$42,808,000	$112,740,000

City allocation includes allocation from both AB8 + MVLF in-lieu. County allocation does not include MVLF in-lieu.
** Bonding capacity assumes Year 5 is first bond issuance for EIFD. "Year 5 means fifth year of revenue following district formation. Net proceeds shown. Bondable revenue assumes $25,000 admin charge, 150% debt service coverage. 6.0% interest rate; 30-year term. Proceeds net of 2% underwriter's discount, estimated reserve fund (maximum annual debt service), costs of issuance estimated at $350,000.Source: Kosmont Financial Services (KFS), registered Municipal Advisor.*

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Public Agency "Return on Investment"

- Housing, including affordable housing
- Revitalized Downtown, public amenities, quality of life
- Estimated Job creation, wages:
  - **135 permanent jobs** in City and County and **$7.9M** in related wage income
  - **1,033 temporary construction-related jobs*** in City and County and **$87.5M** in related wage income
- Acceleration of development and related fiscal revenues:
  - **$19.1 million** in present value **fiscal benefit** for CITY general fund over 50 years, net of tax increment contribution to EIFD and net of estimated fiscal expenditures
  - **$1.3 million** in present value **fiscal benefit** for COUNTY general fund over 50 years, net of tax increment contribution to EIFD and net of estimated fiscal expenditures
- Attract other funding (e.g., grants)

* Construction job-years, where one job-year is defined as one year of employment for one individual; all figures approximated

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City and County General Fund Fiscal Impacts
Over Life of EIFD

	Year 10 Snapshot	Year 0-50 Nominal Total	Year 0-50 Present Value @ 3.0%
City of Sebastopol			
Estimated Fiscal Revenues (Net of EIFD Allocation)	$1,515,504	$127,514,700	$52,149,800
Estimated Fiscal Expenditures	$954,100	$80,970,400	$33,082,900
Estimated Net Fiscal Impact to City	**$561,404**	**$46,544,300**	**$19,066,900**
County of Sonoma			
Estimated Fiscal Revenues (Net of EIFD Allocation)	$303,900	$25,797,800	$10,540,600
Estimated Fiscal Expenditures	$243,400	$20,649,600	$8,437,500
Estimated Net Fiscal Impact to County	**$60,500**	**$5,148,200**	**$2,103,100**

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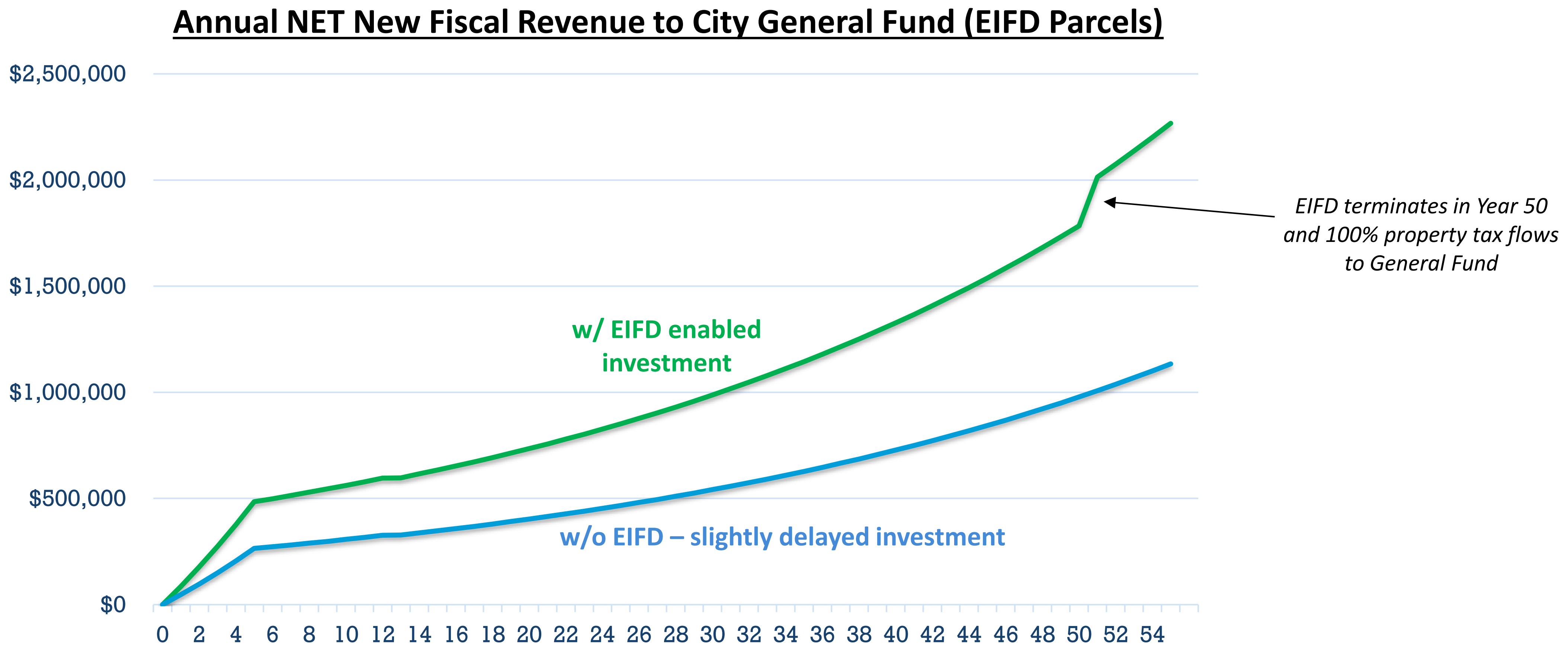
Fiscal Return on Investment for City

Net Fiscal Impact – EIFD vs. "Do-Nothing" Scenario



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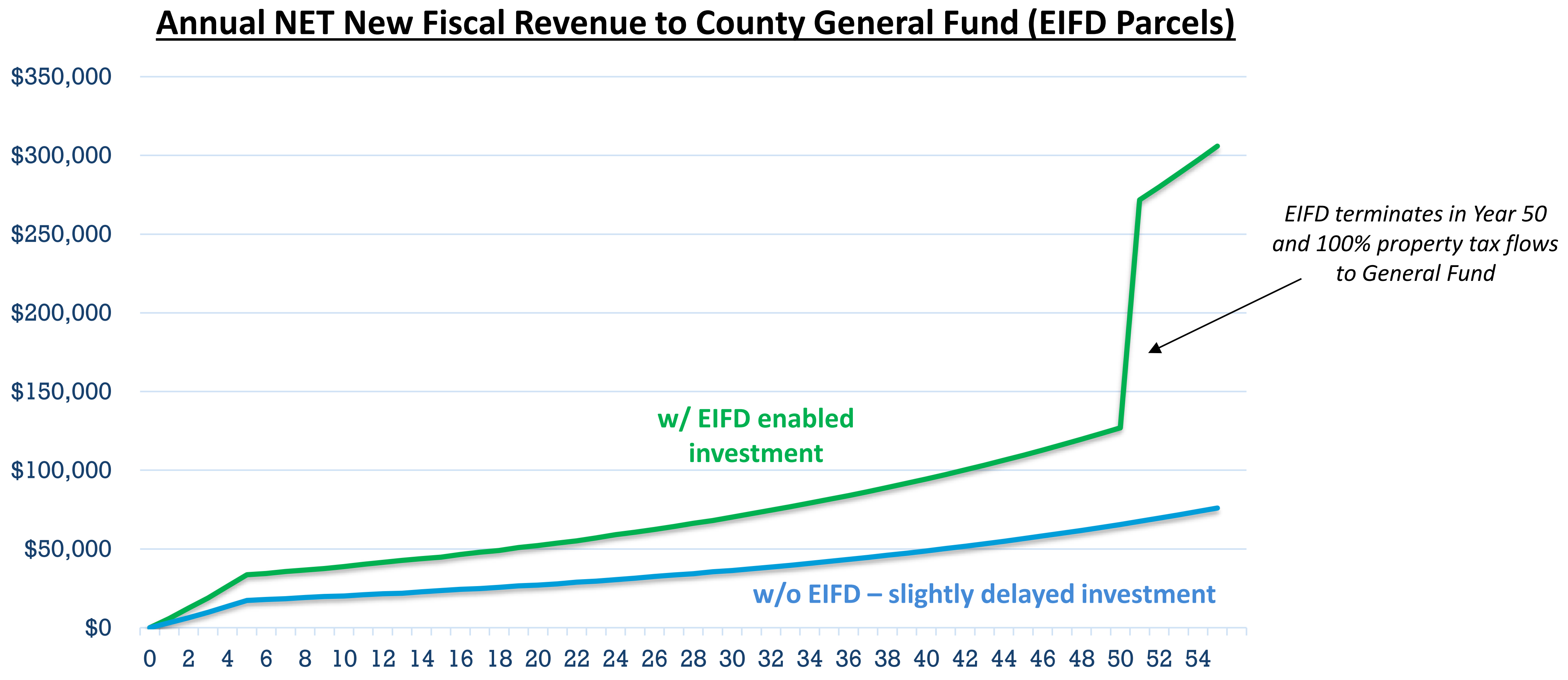
Fiscal Return on Investment for County
Net Fiscal Impact – EIFD vs. "Do-Nothing" Scenario



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Potential EIFD Infrastructure Projects within the City

(Informed by prior City Council discussion)

- City library expansion
- City Hall complex
- City Parks improvements
- Traffic / roadway improvements (e.g., roundabouts)
- Community pool
- Remodel / relocation of Community Center
- Improvements to support reimagining Downtown
- Downtown Corridor pedestrian connectivity enhancements
- Flood control improvements
- Various unfunded roadway, bicycle, traffic signalization improvements
- Various unfunded water and sewer improvements (e.g., new wells)
- Affordable housing
- Potential new power utility
- Fire house
- Improvements to support future development in Urban Growth Boundary

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Potential EIFD Formation Schedule

Target Date	Task
Sept 2024 – Feb 2025	a) Conduct outreach / discussion among City staff and Council, County staff and Board of Supervisors, other relevant stakeholders, reports out from the EIFD Ad Hoc Committee b) Determination of potential EIFD boundaries, eligible projects, possible range of tax increment allocation scenarios
March – August 2025	c) City and County General Fund Fiscal Impact Analysis and discussions to inform "go / no-go"
Dec 2025 –Feb 2026	d) City Council / County Board of Supervisors consider Resolution(s) of Intention (ROI) to form district and formally establish Public Financing Authority (PFA) Board
Mar / Apr 2026	e) PFA directs the drafting of the Infrastructure Financing Plan (IFP)
June 2026	f) Distribute draft IFP to property owners, affected taxing entities, City Council, County Board of Supervisors, planning commission
July 2026	g) PFA holds an initial public meeting to present the draft IFP to the public and property owners, hear written and oral comments, but take no action (at least 40 days after "f")
August 2026	h) City Council / County Board of Supervisors consider resolution(s) approving IFP
September 2026	i) PFA holds first public hearing to hear written and oral comments and take action to modify or reject IFP (e.g., based on City Council / County Board feedback), if appropriate (at least 30 days after "g")
October 2026	j) PFA holds second public hearing to conduct protest proceedings and consider action accordingly to terminate proceedings or adopt IFP and form the EIFD by resolution (at least 30 days after "i")
November 2026	k) Administrative filings with State Board of Equalization

Potential Next Steps

- Consider Resolution of Intention (ROI) to form the Sebastopol EIFD
- Delay consideration of ROI to a future date
- Abandon pursuit of EIFD

ADDENDUM TO AGENDA ITEM — CITY OF SEBASTOPOL

The Proposed Sebastopol EIFD

Figures, arithmetic, and limitations

Prepared for the City Council meeting of August 4, 2026

This document explains the proposed financing district and shows the arithmetic behind the figures presented. It is written to be read on its own, without reference to prior meetings or correspondence. Where a figure is a derived estimate rather than a published number, it is labeled as such. Limitations are stated alongside benefits.

1. What is being proposed

The City is considering a financing district covering about 290 acres along Gravenstein Highway, Healdsburg Avenue, Bodega Avenue, and Sebastopol Avenue. That area holds about $615 million in assessed property value, roughly 39 percent of the citywide total.

Inside that boundary, a share of future growth in property tax revenue would be set aside for public infrastructure rather than flowing to general budgets.

The mechanism does not change any property owner's tax rate and does not create a new tax. It does not require a public vote. What it changes is the destination of a portion of future revenue growth.

2. How the mechanism works

The baseline is fixed at formation

When the district forms, the assessed value of every property inside it is recorded. Property tax on that baseline continues flowing to the City, County, schools, and other agencies exactly as it does today, for the entire life of the district.

Growth above the baseline is divided

As assessed values rise and new construction is added, tax collections increase. That increase is the increment. Participating agencies agree in advance to direct a set percentage of their own share of the increment to the district. The remainder continues to their general budgets.

Funds are spent directly or pledged to debt

The district may spend revenue as it accrues, or pledge the revenue stream to repay bonds and build sooner. Bonds issued by the district are repaid only from district revenue. They are not obligations of the City General Fund unless the City separately chooses to pledge it.

> **Schools are excluded by statute**
>
> School districts cannot participate in an EIFD under California law. No school funding is redirected. This is a statutory restriction, not a local policy decision.

3. Where the money comes from — the arithmetic

Kosmont Companies presented the figures below to Council on December 2, 2025. The arithmetic connecting them is shown so it can be checked independently.

The property tax dollar inside the district

Of every dollar of general property tax collected inside the proposed boundary, the approximate distribution is:

Recipient	Share	Can it participate?
City of Sebastopol	~14%	Yes
City, vehicle license fee replacement	~6% equivalent	Yes
County of Sonoma	~22%	Yes
Schools and other agencies	~64%	No — prohibited by statute

The City's participating share is therefore about 20 percent of the levy, combining its direct share and the vehicle license fee replacement. Under the scenario evaluated, the City would contribute 25 percent of that share.

Working the numbers forward

For every $1,000,000 of new assessed value inside the district:

```
$1,000,000  x  1% levy                  =  $10,000
$10,000     x  20.26% City share        =   $2,026
$2,026      x  25% City participation   =     $507   per year to the district
```

With a dollar-for-dollar County match, the district receives approximately $1,013 per year for every $1,000,000 of new assessed value inside the boundary.

This is the most useful figure for judging scale. The district captures roughly one tenth of one percent of new assessed value per year. Substantial new development produces modest annual revenue, which accumulates over a long period.

Checking against the published table

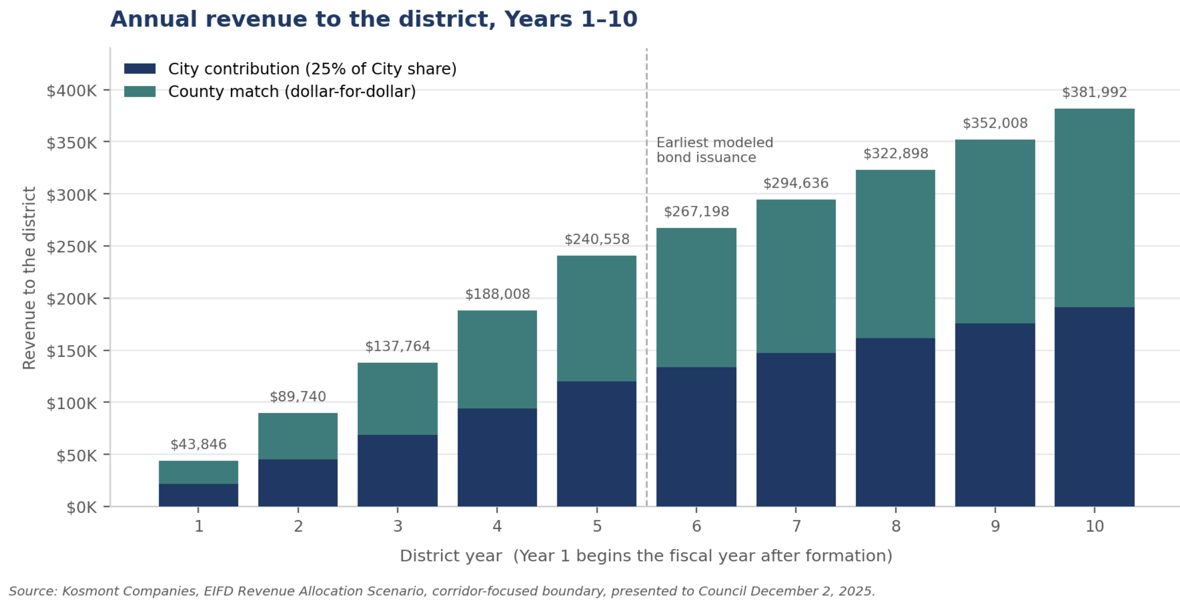
Kosmont's Year 1 figure is $21,923 from the City. Working backward:

```
$21,923   / 25% participation  =      $87,692   City's full share of Year 1 increment
$87,692   / 20.26% City share  =     $432,833   total 1% levy on Year 1 increment
$432,833  / 1%                 =  $43,283,317   implied new assessed value, Year 1
```

Applying the County's approximate 21.8 percent share to that same $432,833 levy gives $94,444 as the County's full share. A matching contribution of $21,923 equals 23.2 percent of it, consistent with the "approximately 23 percent of County share" noted on Kosmont's own scenario table. The published figures are internally consistent.

Revenue by year, as published

Kosmont published year-by-year figures for the first ten years of the district. They are charted below. Figures beyond Year 10 were published only as 50-year totals, so no annual detail is available past Year 10.



Combined City contribution and County match, District Years 1 through 10.

Two features of this schedule matter for planning. Revenue in the first three years is negligible — under $140,000 combined per year. And revenue growth flattens after Year 5, when the initial wave of assumed new development has been absorbed and growth reverts to ordinary assessed value appreciation.

4. What the County match is, and what it is not

Approximately 22 cents of every property tax dollar collected in Sebastopol goes to Sonoma County, where it is budgeted across the county as a whole.

Under the proposed arrangement, the County would direct a portion of the growth in its share, inside the district boundary only, to projects in Sebastopol. Kosmont models this at $28,184,897 over 50 years in total dollars, or $10,702,005 in present value.

Stated precisely:

- It recovers nothing already collected. No past revenue returns to the City.
- It does not reduce the County's baseline revenue. The County retains all revenue it collects today, plus approximately 77 percent of future growth inside the district.
- It directs future growth that would otherwise be budgeted county-wide to projects within Sebastopol instead.

Scale of the match relative to County revenue from Sebastopol

The following is a derived estimate, not a published figure. It is included because the size of the match relative to total County revenue from the city is a reasonable question to ask.

```
$615,000,000 corridor AV / 39%     =  $1,577,000,000   derived citywide assessed value
$1,577,000,000 x 1% x 22%          =      $3,469,000   County revenue from Sebastopol
```

`property, per year, approximate`

Kosmont projects the County match at $190,996 in Year 10. Assuming roughly 3 percent annual growth in the underlying base, County revenue from Sebastopol property in that year would be approximately $4,662,000. The match would represent about 4 percent of it.

The County match is a meaningful dedication of funds to local projects. It is not a large share of County revenue collected in Sebastopol and should not be described as one. Its significance is that it is the only component of the arrangement bringing dollars into the city that would not otherwise be spent here.

The 39 percent figure is approximate as published, so the derived citywide value carries corresponding uncertainty. Reasonable variation does not change the order of magnitude.

5. Which portions represent additional funding

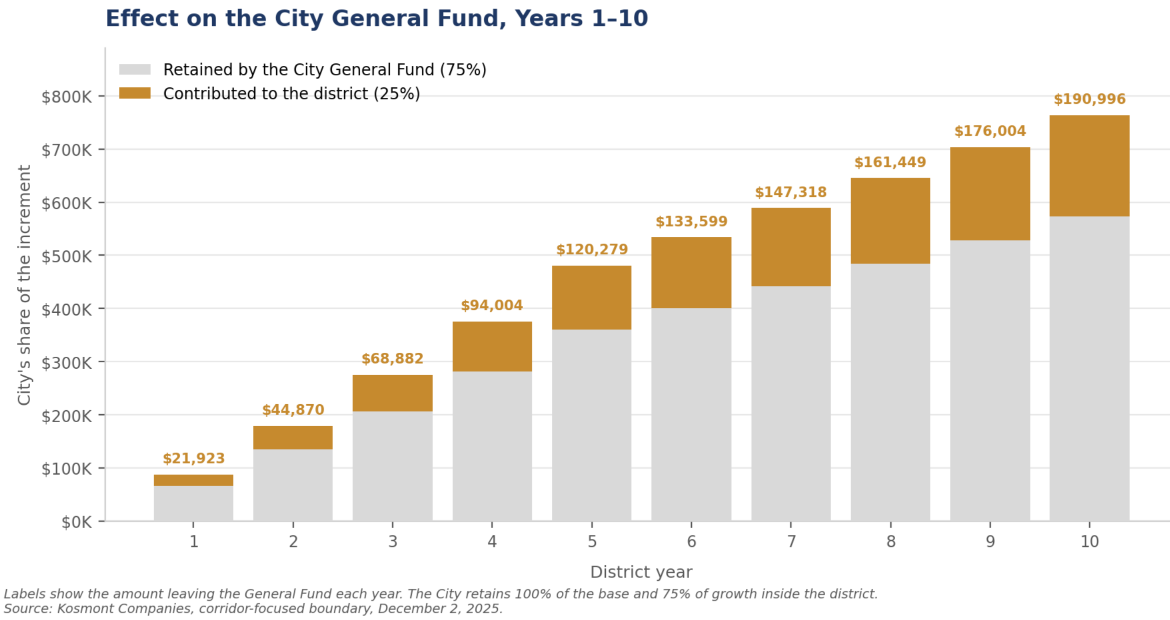
Not all district revenue represents new money to Sebastopol. The distinction matters for judging the proposal accurately.

Source	Additional?	Explanation
City contribution	No	City revenue redirected from future General Fund growth to infrastructure. A decision about priorities, not additional funds.
County match	Yes	Revenue that would otherwise be budgeted county-wide, directed to projects within Sebastopol.
Bond proceeds	Timing only	Borrowing converts future revenue into present capital. It changes when funds are available, not how much.
Grant competitiveness	Possibly	State programs score joint city-county districts higher. This may improve access to outside funding. It is not guaranteed.

The County match is the component that supports the proposal on additionality grounds. Kosmont's stated position is that the City should proceed only under a scenario that includes it.

6. Effect on the City General Fund

The City's contribution is foregone revenue. It does not appear in the budget as an expenditure, but it is revenue the General Fund would otherwise receive. The City retains 100 percent of the base and 75 percent of growth inside the boundary.



The City's share of the increment, divided between the General Fund and the district.

The amount leaving the General Fund rises from $21,923 in Year 1 to $190,996 in Year 10.

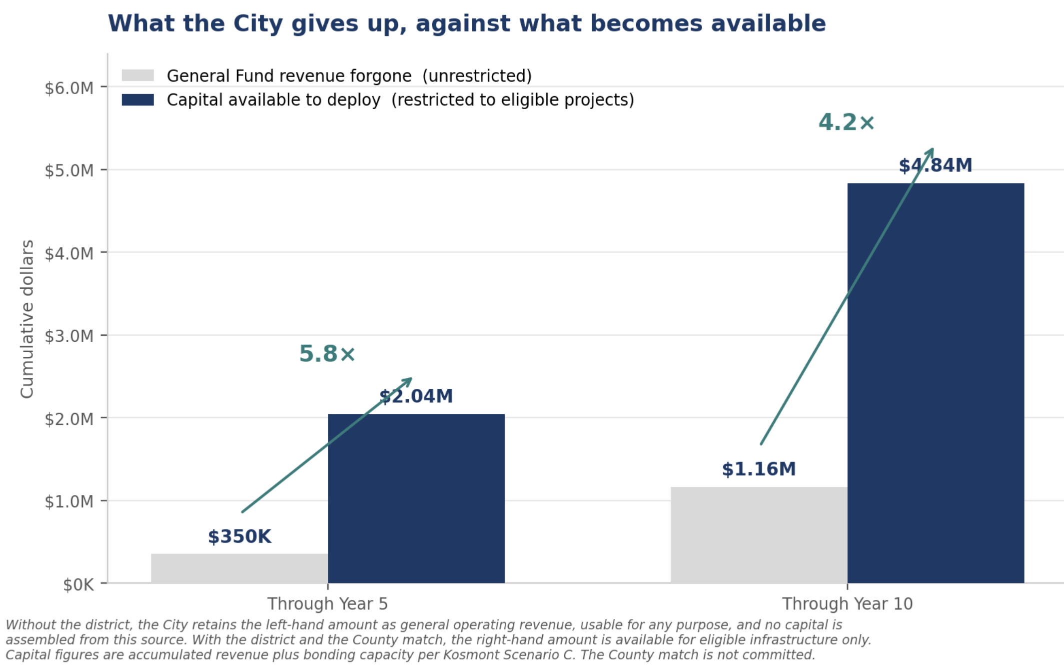
For scale: the City's adopted General Fund revenue budget for fiscal year 2025-26 was $15.69 million. The Year 10 contribution equals approximately 1.2 percent of that figure. Both amounts would grow over the intervening period, so this is a scale reference rather than a forecast.

Budget context bearing on this decision

The City adopted a $16.5 million budget for fiscal year 2026-27 with a deficit of approximately $850,000, and its five-year forecast projects a continuing structural imbalance in the General Fund.

Foregone revenue of any size warrants scrutiny in that environment. The offsetting consideration is that the amounts are smallest in the early years, when budget pressure is most acute, and grow only as the tax base grows.

What the City receives in exchange



Cumulative General Fund revenue forgone, against capital assembled by the district.

Through Year 5, the City would forgo approximately $349,958 in cumulative General Fund revenue. The district would hold approximately $2,041,000 in accumulated revenue and bonding capacity — roughly 5.8 times the amount forgone.

Through Year 10, the City would forgo approximately $1,159,324. District capacity would be approximately $4,837,000 — roughly 4.2 times the amount forgone.

The multiplier has two sources: the County match, which doubles each City dollar, and the ability to borrow against the combined revenue stream.

The constraint that accompanies it

The comparison is not like-for-like. General Fund revenue is unrestricted and may be used for any lawful municipal purpose, including salaries, public safety, and operations. District revenue is restricted to eligible capital projects with a useful life of at least fifteen years.

The exchange is unrestricted operating dollars for a larger quantity of restricted capital dollars. Whether that is favorable depends on whether the City has capital needs it cannot otherwise fund. If it does, the multiplier is real. If the more pressing need is operating funds, the exchange works against that need.

Kosmont's net fiscal impact finding

Kosmont's analysis concludes a positive net fiscal impact to the City General Fund: $561,404 at Year 10 and $19,066,900 in present value over 50 years, net of the district contribution.

That finding rests on an assumption stated in Kosmont's own materials — that the district accelerates development which would otherwise occur later. Kosmont's comparison chart describes the no-district case as slightly delayed investment, not absent investment. If development timing is unaffected by the district, the effect on the General Fund is the contribution itself, as charted above.

The direct contribution is certain. The acceleration benefit is an assumption. Both should be weighed on those terms.

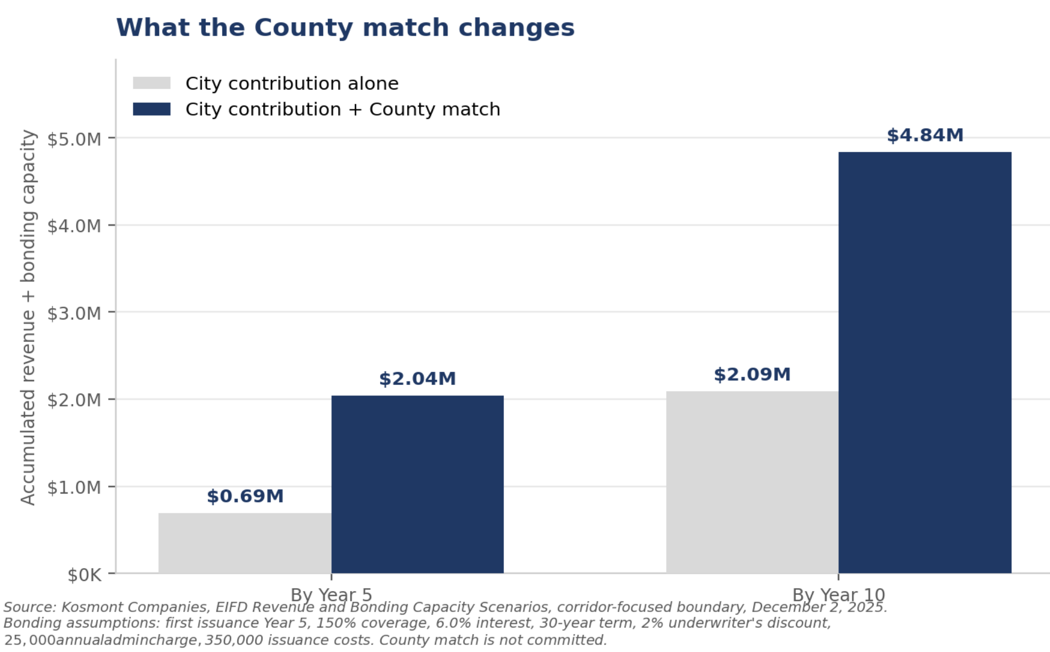
7. Scale — what this can and cannot fund

Under the scenario evaluated (25 percent City participation with a County dollar match, corridor boundary), Kosmont projects the following combined revenue and borrowing capacity:

Point in time	Accumulated revenue plus bonding capacity
Year 5	approximately $2,041,000
Year 10	approximately $4,837,000
50 years, present value	$21,404,000
50 years, total dollars	$56,369,794

Kosmont's published bonding assumptions: first bond issuance in Year 5, $25,000 annual administrative charge, 150 percent debt service coverage, 6.0 percent interest rate, 30-year term, proceeds net of a 2 percent underwriter's discount, a reserve fund, and issuance costs estimated at $350,000.

The chart below compares available capacity with and without the County match, using Kosmont's published scenarios.



Scenario A (City 25 percent alone) compared with Scenario C (City 25 percent plus County dollar match).

Without the match, the district holds approximately $689,000 by Year 5 and $2,087,000 by Year 10. With it, those figures are approximately $2,041,000 and $4,837,000. The match is what moves the instrument from marginal to useful in its first decade.

In its first decade this is a two to five million dollar instrument. It is suited to supplementing, matching, or filling gaps in project funding. It is not sufficient on its own to fund a major civic facility. Capacity grows substantially over the full district life.

8. Comparison with conventional debt

The City could instead borrow through general obligation or lease-revenue bonds. The approaches differ in several respects.

	EIFD	Conventional bond
Voter approval	Not required	GO bonds generally require two-thirds approval
Effect on tax rates	None	GO bonds typically repaid through an added levy
Repayment source	District increment only	General Fund or dedicated levy
Effect on City credit	Outside the City's general credit	Counts against practical debt capacity
If growth underperforms	Contribution falls with revenue	Debt service remains fixed
County participation	Possible via match	No mechanism
Speed to capital	Slow — revenue accrues over years	Fast — proceeds available at issuance
Amount available	Limited in early years	Sized to project need at issuance

The two are not strict substitutes. A bond delivers capital immediately in an amount sized to the project. A financing district delivers less, more slowly, but without a public vote, without raising tax rates, without consuming City borrowing capacity, and with the possibility of County participation.

9. Limitations and risks

- Revenue depends on development actually occurring. Projections assume roughly $113.7 million in new development absorbed over five to ten years. Lower or slower development produces lower revenue.
- Pledged funds become unavailable. The December 2025 staff report states that once dollars are pledged to an EIFD obligation such as a bond issuance, they are locked in and no longer available to the General Fund.
- County participation is not committed. No County agreement to match exists at this time. Securing one is the first task of the proposed engagement.
- Formation carries upfront cost. The December 2025 report estimated $55,000 to $75,000 for formation activities. These may be reimbursable from future district revenue, but only if the district forms and generates revenue.
- Delay raises the baseline. The baseline is set at formation. Growth occurring before formation is captured in the baseline and is unavailable to the district. Each year of delay reduces total capture.

- The commitment is long. Districts may operate up to 45 years from the first bond issuance.
- Early-year revenue is minimal. Year 1 combined revenue is projected at $43,846. Meaningful capacity does not exist until approximately Year 5.

10. Comparison with Santa Rosa

Santa Rosa formed the only other city-county financing district in Sonoma County. Publicly reported figures:

	Santa Rosa	Sebastopol (proposed)
City participation	50% of its share	25% of its share
County participation	25% of its share	Match, dollar for dollar
City contribution	approximately $52.7 million	$28,184,897 over 50 years
County contribution	approximately $30.0 million	$28,184,897 over 50 years
County per City dollar	approximately $0.57	$1.00, if agreed

On a per-dollar basis, the arrangement Sebastopol is seeking is more favorable to the City than the one Santa Rosa obtained. The County has not agreed to it. Santa Rosa adopted its resolution of intention in April 2023 and its financing plan was still being revised in early 2026, which indicates the timeline such processes typically require.

11. What the August 4 decision is

The action before Council is approval of an advisory services agreement. It is not formation of the district.

Work under that agreement would determine whether the County will participate, produce the required Infrastructure Financing Plan, and carry the proposal through the statutory public meetings and hearings. Formation would follow at the conclusion of that process, projected for 2027.

Property owners and residents within the boundary receive mailed notice and may comment or formally protest at the required hearings. A majority protest terminates the proceedings.

Sources: EIFD Feasibility Analysis and General Fund Fiscal Impact Analysis, Kosmont Companies, presented to the Sebastopol City Council December 2, 2025 (Agenda Item 10) and November 19, 2024 (Agenda Item 13). Resolution of Intention adopted December 2, 2025. Santa Rosa figures from public reporting on the Downtown Santa Rosa financing district. Derived estimates are identified in the text and reproducible from the arithmetic shown.

CITY OF SEBASTOPOL
RESOLUTION NUMBER XXXX-2026

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL APPROVING A BUDGET AMENDMENT TO INCREASE THE FISCAL YEAR 2026-27 APPROPRIATION FOR ENHANCED INFRASTRUCTURE FINANCING DISTRICT SERVICES

WHEREAS, the City Council adopted the Fiscal Year 2026-27 Budget, which included funding for Enhanced Infrastructure Financing District (EIFD) related services; and

WHEREAS, the adopted Fiscal Year 2026-27 Budget included $75,000 for EIFD services; and

WHEREAS, the City Council is considering additional EIFD-related work, including consultant services, technical assistance, and related formation activities; and

WHEREAS, the total cost of the EIFD-related work may exceed the amount currently appropriated in the adopted Fiscal Year 2026-27 Budget; and

WHEREAS, a budget amendment is necessary if the City Council authorizes EIFD-related services in excess of the currently budgeted $75,000 appropriation; and

WHEREAS, the additional appropriation would be funded from the General Fund.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sebastopol as follows:

Section 1. The City Council hereby approves a budget amendment to increase the Fiscal Year 2026-27 appropriation for EIFD-related services by $__________, from $75,000 to a total not-to-exceed amount of $__________

Section 2. The additional appropriation shall be funded from General Fund reserves.

Section 3. The City Manager is authorized to execute and administer the related professional services agreement, amendment, or task order for EIFD-related services, provided the total amount does not exceed the appropriation authorized by this resolution and the agreement complies with applicable purchasing policies and procurement requirements.

Section 4. The Administrative Services Director is authorized to make the necessary budget adjustments and accounting entries to implement this resolution.

The above and foregoing Resolution was duly passed, approved, and adopted at a regular meeting of the City Council of the City of Sebastopol held on the 4th day of August, 2026.

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by the City of Sebastopol City Council by the following vote:

VOTE:
AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVED: ________________________________
Mayor, Jill McLewis

ATTEST: ____
Mary Gourley, City Manager

APPROVED AS TO FORM: ____________________________________
Alex Mog, City Attorney