



CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: June 16, 2026

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To: Honorable Mayor and City Councilmembers
From: Ana Kwong, Administrative Services Director
Responsible Department: Administrative Services & All Other Departments
Subject: Continued Budget Hearing – FY 2026–27 Budget Direction and Considerations

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RECOMMENDATION:

It is recommended that the City Council:

- Continue the public hearing and discussion; and
- Provide direction to staff on the proposed FY 2026–27 budget, including the following key items:
 - Consideration of an additional contribution to the Section 115 Trust
 - Selection of either Scenario 2 or Scenario 3 for use of the Trust to offset pension liability costs
- Budget Adoption Options: The City Council has the following options:
 - Option A: Adopt a resolution to extend the use of Fiscal Year 2026-26 operating funds into Fiscal Year 2026-27 for a period of 60 days, through August 31, 2026. This ensures continuity of municipal services and extends several contracts set to expire on June 30, 2026. Once the new budget is approved, these contracts will return to the Council for approval as consent items.
 - Option B: Adopt the FY26–27 budget this evening and the following related resolutions:
 1. Adopt a resolution of the Council of the City of Sebastopol adopting the budget for fiscal year 2026-27 and making appropriations for amounts budgeted.
 2. Adopt a resolution of the Council of the City of Sebastopol determining and establishing the City’s Appropriations Limit for the fiscal year 2026-27.
 3. Adopt a resolution of the Council of the City of Sebastopol for the expenditure plan for Supplemental Law Enforcement Services (SLESF) funding for the fiscal year 2026-27.

PROCESS OF AGENDA ITEM:

- a. Brief introduction of the agenda item by department
- b. Questions and Discussion from Councilmembers
- c. Continue with Public Hearing/Public Comment
- d. Council Deliberation and Motion; or
- e. Continuation of Item to the July 7th City Council Meeting for Consideration if budget adoption is not feasible

EXECUTIVE SUMMARY:

On June 2, 2026, the City Council began its review of the proposed FY 2026–27 budget, including the overall financial forecast, budget scenarios, and an update on the Section 115 Trust and pension liabilities. Due to time constraints, the review was not completed, and the public hearing was continued to June 16, 2026.

The continued hearing is intended to provide the Council with additional time to review the proposed budget, consider updated information, and provide direction on key policy and funding priorities, including discretionary spending, and infrastructure investment.

As the City faces a projected structural deficit, Council direction will be critical to aligning service levels and budget priorities with available resources. Staff will incorporate this direction into the final proposed budget for adoption.

Given the scope and complexity of the budget review process, it may not be completed in tonight meeting. If additional time is needed, the City Council may schedule a subsequent meeting to ensure the budget is fully reviewed and adopted prior to the end of the fiscal year on June 30, 2026. This approach allows for thorough deliberation and supports a balanced and well-informed budget.



As a contingency, if the budget is not adopted by June 30, 2026, the City Council may adopt a resolution to carry forward the FY 2025–26 operating budget for a limited period (not to exceed 60 days) to ensure continuity of municipal services. There is no anticipated fiscal impact associated with continuing the existing appropriations on a temporary basis.

To avoid any disruption to operations, staff may also recommend extending select existing contracts scheduled to expire on June 30, 2026, for up to 60 days. Once the FY 2026–27 budget is adopted, any necessary contract approvals will return to the Council for consideration.

BACKGROUND:

At the June 2, 2026 budget hearing, the City Council provided initial feedback on several policy and funding priorities but did not complete a full review of the proposed budget. The hearing was continued to June 16, 2026 to allow for additional discussion, follow-up questions, and direction to staff.

DISCUSSION:

During the Council's June 2 public hearing to consider the budget, individual councilmembers raised a few proposed items for inclusion in the budget.

1. **Public Art – Mural Funding (\$10,000)** – A request was made for to allocate \$10,000 toward a public art mural project as a discretionary enhancement item.
2. **EIFD Placeholder Funding (\$75,000)** – A request was made to allocate \$75,000 placeholder for potential EIFD-related efforts, such as feasibility analysis or consulting support.
3. **Road Repair Priorities** -A request was made to dedicate as much funding as possible for addressing road maintenance needs.(This is a City Council Goal and road maintenance projects will be discussed during the Capital Improvement Plan hearing following this item)

STAFF ANALYSIS:

The continued FY 2026–27 budget hearing provides an opportunity for the City Council to refine policy direction and align budget priorities with the City's projected financial outlook.

Discretionary Spending:

Council identified potential discretionary expenditures, including the public art mural and EIFD placeholder. The public art mural is anticipated to be funded from the Art in Lieu Fund, while the EIFD placeholder represents a potential General Fund commitment. As such, only the EIFD funding would increase General Fund expenditures and should be carefully weighed against the City's projected structural deficit.

Infrastructure Needs:

Road repair remains a key priority. Addressing deferred maintenance will require prioritization and potentially reallocation of existing resources or identification of new revenue sources. A broader discussion of the Capital Improvement Program (CIP) would provide additional context on long-term needs.

Long-Term Financial Obligations:

The Council should also consider long-term obligations, including pension-related costs and funding strategies. The Section 115 Trust remains an important tool to manage pension liabilities and reduce future rate volatility. However, contributions to the Trust must be balanced against near-term service needs and budget constraints.



City of Sebastopol

City management has reviewed the proposed Fiscal Year 2026-27 budget and, in light of the City's current fiscal condition, the City Manager is recommending the following actions for City Council consideration.

Following the appointment of the City Manager and based on recommendations contained in the 2025 Staffing Assessment Study, it was recommended that the combined Assistant City Manager/City Clerk position be separated into two distinct positions to better support organizational needs and operational efficiency.

However, given the City's current financial circumstances, the City Manager is recommending the following at this time:

1. Suspend recruitment for the Assistant City Manager position. Deferring recruitment for this position is projected to result in estimated savings of estimated \$240,000 full time benefited annually.
2. Proceed with recruitment for the City Clerk position at an entry-level appointment. Staff will return to the City Council on July 7, 2026, with a proposed City Clerk job description and salary range for Council consideration. The anticipated salary range is estimated at \$115,000 to \$140,275 annually. Recruitment at an entry-level salary range is projected to result in estimated savings of \$189,375 full time benefited annually.

In addition, City management has continued to implement cross-training among personnel to enhance operational flexibility, improve continuity of services, and streamline administrative processes within existing capacity. The goal of cross-training will allow staff to provide support across functional areas when needed, resulting in greater organizational efficiency and reducing reliance on additional staffing resources.

The combined impact of these recommendations is projected to provide total annual personnel cost savings for this year of approximately \$278,400.

Staff will continue to evaluate organizational staffing needs and operational need and will provide additional assessments and recommendations to the City Council as appropriate to support efficient delivery of municipal services while maintaining fiscal responsibility. Staff has also reached out to the City's financial software provider, Springbrook to obtain information for adding an employee time-tracking module. This functionality would enable more accurate tracking of staff labor hours, improve transparency in workload allocation, and support more precise cost accounting across departments and funds. Staff is awaiting cost details and implementation information for this add-on option.

Staff will also continue to work collaboratively with the City's bargaining units to identify opportunities for revenue opportunities, how the City and unions can work together to research best rates to help keep costs down, cost savings, operational efficiencies, workforce flexibility, and cross-training initiatives that maintain service levels while supporting the City's long-term fiscal sustainability.

Overall, Council direction at this meeting will play a critical role in shaping a balanced and fiscally sustainable budget.

BUDGET COMMITTEE REVIEW:

The Budget Committee met on June 8, 2026, to review and discuss several proposed items for inclusion in the FY 2026–27 budget. The discussion and support provided are summarized below:

- **Public Art Mural (Estimated Cost: \$10,000)**
Both Vice Mayor Maurer and Councilmember Carter expressed support for adding this item to the proposed FY 2026–27 budget. The project is proposed to be funded through the Art in Lieu Fund, consistent with its intended purpose for supporting public art initiatives.
- **EIFD Formation (Estimated Cost: \$75,000)**



City of Sebastopol

There was mixed feedback from the Committee regarding the proposed funding for Enhanced Infrastructure Financing District (EIFD) formation. Councilmember Carter supported including the item in the proposed budget, recognizing its potential as a long-term economic development and financing tool. However, Vice Mayor Maurer indicated that she is not prepared to support the item at this time, citing the need for additional information and a clearer understanding of EIFDs, including their structure, benefits, risks, and applicability to the City’s specific circumstances. City staff reached out to the City’s former EIFD consultant to confirm costs. The proposed estimate provided is \$75,000.

Overall, the Committee provided general direction to move forward with the Public Art Mural, while further outreach, education, and analysis may be needed before reaching consensus on the EIFD formation funding.

CITY COUNCIL GOALS/PRIORITIES/ AND OR GENERAL PLAN CONSISTENCY:

This agenda item represents the City Council goals/priorities as follows:

Goal 5: Achieving Greater Fiscal Resilience and Long Term Fiscal Sustainability

This agenda item represents the City Council General Plan Consistency (if applicable): Not Applicable

FISCAL IMPACT:

The fiscal impacts associated with the Proposed FY 2026–27 Budget are detailed within the budget document. A summary All Funds overview is provided below.

Categories	General Fund	General Fund Reserves	Non Governmental Funds	Water Fund	Wastewater Fund	Special Revenue Funds	Assessment District	Total
Estimated Beginning Balance	5,238,097	4,845,115	1,481,444	2,359,173	2,124,177	1,920,159	34,915	18,003,080
Total Proposed Revenue	15,622,473	170,000	58,900	4,476,583	6,992,336	4,040,702	94,970	31,455,964
Total Proposed Expenditures	16,582,911	373,300	940,126	4,543,433	6,368,812	2,199,667	106,365	31,114,614
Net Budgetary Surplus/(Deficit)	(960,438)	(203,300)	(881,226)	(66,850)	623,524	1,841,035	(11,395)	341,350
Addition/(Uses) of Reserves	(960,438)	(203,300)	(881,226)	(66,850)	623,524	1,841,035	(11,395)	341,350
Estimated Ending Balance	4,277,659	4,641,815	600,218	2,292,323	2,747,701	3,761,194	23,520	18,344,430

The items below represent potential additions or policy changes that may increase General Fund expenditures:

Item	Estimated Impact
Public Art Mural	\$10,000
EIFD Placeholder	\$75,000
Road Repairs	To be determined

Given the projected deficit, any additional expenditures will require offsetting reductions, increased revenues, or deferrals in other areas or use of reserves.

COMMUNITY OUTREACH:

This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date. The City has also used social media to promote and advertise the City Council Meeting Agenda Items.



City of Sebastopol

As of the writing of this agenda item report, the City has not received any public comment. If staff receives public comment from interested parties following the publication and distribution of this agenda item report, such comments will be provided to the City Council as supplemental materials before or at the meeting and will be posted to the city website.

RESTATED RECOMMENDATION(S):

It is recommended that the City Council:

- Continue the public hearing and discussion; and
- Provide direction to staff on the proposed FY 2026–27 budget, including the following key items:
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OPTIONS:

As listed in the recommendations

ATTACHMENTS:

Where Your General Fund Dollar Goes Illustration – Previously Distributed
 General Fund Two-Year Financial Position – Previously Distributed
 Measure U Overview – Previously Distributed
 Receipt and Approval of Business Improvement District Use of Funds from BID Assessments – Previously Distributed
 FY26-27 Proposed Budget Book – Previously Distributed
 Resolutions: Budget Continuation | Budget Adoption | Appropriation GANN Limits | Supplement Law Enforcement Services Funding

APPROVALS:

Department Head Approval: Approval Date: 6/2/26
 CEQA Determination (Planning): Approval Date: N/A
The proposed action is not a project under the California Environmental Quality Act (CEQA).
 Administrative Services (Financial) Approval Date:
 Costs authorized in City Approved Budget: Yes No N/A
 Account Code (f applicable) N/A
 City Attorney Approval: Approval Date: 6/4/26
 City Manager Approval: Approval Date: 6/10/26

RESOLUTION NO _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL
APPROVING INTERIM EXPENDITURES PRIOR TO ADOPTION OF THE BUDGET FOR FISCAL YEAR 2026-27

WHEREAS, the City currently does not have an annual budget for Fiscal Year 2026-27; and

WHEREAS, the City is required to make routine and monthly payment for goods, services and miscellaneous maintenance as necessary to continue day to day operations of the City government; and

WHEREAS, it is anticipated that the Fiscal Year 2026-27 Budget will be adopted on July 7, 2026; and

NOW, THEREFORE, the City Council of the City of Sebastopol does hereby resolve as follows:

Section 1. City Council of the City of Sebastopol hereby approves interim expenditures of the City of Sebastopol for a period of 60 days prior to the approval of the adoption of the Annual Budget for Fiscal Year 2026-27. Such expenditures shall be based upon the allocation of fiscal year 2025-26 operating funds.

Section 2. The City Manager is authorized to continue City operations, including payroll and purchase of necessity in order to keep the City in operation, in the amount of \$4,884,911.

Section 3. That any capital project expenditures be brought before the City Council for approval, excluding annual maintenance projects.

IN COUNCIL DULY PASSED this 16th day of June, 2026.

- Ayes:
- Noes:
- Absent:
- Abstain:

APPROVED: _____
Mayor Jill McLewis

ATTEST: _____
Mary Gourley, City Manager

Approved as to Form: _____
Alex Mog, City Attorney

RESOLUTION NO _____

RESOLUTION OF THE COUNCIL OF THE CITY OF SEBASTOPOL APPROVING AND ADOPTING THE OPERATING BUDGET FOR THE CITY OF SEBASTOPOL FOR FISCAL YEAR 2026-27

WHEREAS, the Budget Committee has reviewed and the City Manager has recommended and submitted to the City Council a proposed operating budget for the City of Sebastopol for the fiscal year 2026-27; and

WHEREAS, the City Council held a public hearing to consider the operating budget on June 2, 2026; and

WHEREAS, the Council has extensively considered the expenditures provided in the proposed Budget, together with any revisions;

NOW, THEREFORE, BE IT RESOLVED, by the Council of the City of Sebastopol that the proposed operating budget for Fiscal Year 2026-27, is hereby approved and adopted as the operating budget for the City of Sebastopol for fiscal year 2026-27.

IN COUNCIL DULY ADOPTED this 16th day of June, 2026.

- Ayes:
- Noes:
- Absent:
- Abstain:

APPROVED: _____
Mayor Jill McLewis

ATTEST: _____
Mary Gourley, City Manager

Approved as to Form: _____
Alex Mog, City Attorney

RESOLUTION NO _____

RESOLUTION OF THE COUNCIL OF THE CITY OF SEBASTOPOL
ESTABLISHING THE APPROPRIATIONS LIMIT FOR THE
CITY OF SEBASTOPOL FOR THE 2026-27 FISCAL YEAR
PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

WHEREAS, Article XIII B of the California Constitution (Proposition 4) provides for an annual appropriations limit for state and local governments beginning with the 1980-81 fiscal year, based on the 1978-79 appropriations, as adjusted for the changes in the cost of living or per capita personal income, population, and other specified factors; and

WHEREAS, implementing legislation, which became effective January 1, 1981, provides that each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the year pursuant to Article III B at a regularly scheduled meeting or noticed special meeting; and

WHEREAS, local jurisdictions may select either the percentage change in California per capita personal income as reported by the California Department of Finance or the percentage change in the local assessment roll due to the addition of local nonresidential new construction.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Sebastopol:

1. For fiscal year 2026-27, the City of Sebastopol hereby (a) elects the change in the California Per Capita Personal Income for calculating the inflation factor, and (b) elects the change in the County’s population for calculating the population factor, necessary to determine the City’s appropriation limit.
2. For the fiscal year 2026-27, the total annual appropriations subject to limitation as specified by Article XIII B of the Constitution of the State of California for the City of Sebastopol Budget shall be: \$22,699,194.

IN COUNCIL DULY PASSED this 16th day of June, 2026.

Ayes:
Noes:
Absent:
Abstain:

APPROVED: _____
Mayor Jill McLewis

ATTEST: _____
Mary Gourley, City Manager

Approved as to Form: _____
Alex Mog, City Attorney

RESOLUTION NO. _____

RESOLUTION ADOPTING THE EXPENDITURE PLAN FOR SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUNDING (SLESF) OR CITIZENS OPTIONS FOR PUBLIC SAFETY (COPS) FOR THE CITY OF SEBASTOPOL FISCAL YEAR BUDGET OF 2026-27

WHEREAS, AB1584, originally enacted as part of the state budget in Fiscal Year 1996-97, established the Citizens’ Options for Public Safety (COPS) Program, which is anticipated to be funded by the State for Fiscal Year 2026-27; and

WHEREAS, the Council conducted a public hearing to consider recommendations for use of these funds as required by law; and

WHEREAS, estimated funds available under this program total \$100,000 and are required to be placed in a special revenue fund; and shall be allocated for expenditures listed in the 2026-27 budget; and

WHEREAS, the 2026-27 budget is included the anticipation of using the COPS funds as part of the Police Department’s budget.

NOW, THEREFORE, BE IT RESOLVED that the Council approves the recommendation of the Chief of Police for use of the Supplemental Law Enforcement Services Funding or Citizens’ Options for Public Safety Funds to continue to supplement one sworn officer position.

IN COUNCIL DULY APPROVED AND ADOPTED this 16th day of June, 2026.

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

City of Sebastopol Council:

VOTE:

Ayes:

Noes:

Absent:

Abstain:

Approved: _____
Mayor Jill McLewis

ATTEST: _____
Mary Gourley, City Manager

Approved as to Form: _____
Alex Mog, City Attorney