



City of Sebastopol

CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: February 3, 2026

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To: Honorable Mayor and City Councilmembers
From: Ana Kwong – Administrative Services Director
Subject: FY25-26 Quarter 2 (October - December 2025) Financial Update – General Fund

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RECOMMENDATION:

Staff recommends the Sebastopol City Council receive year-to-date financial information for the General Fund.

EXECUTIVE SUMMARY:

As of December 31, 2025, the city's general fund revenue stands at approximately 40.4% of the annual budget. The variance is primarily due to timing: sales tax receipts and transient occupancy tax are historically reported two months in arrears, and other revenue streams do not follow a uniform monthly pattern. Consequently, the 10% gap from the 50% benchmark reflects timing differences rather than a shortfall.

BACKGROUND:

Revenues are collected on a cash basis for the purpose of this update. The City has received the first installment of property tax payments, which represent our second-largest source of revenue. This initial installment accounts for approximately 56% of the annual property tax budget, primarily because some property owners have paid their full obligation upfront rather than in two installments.

In addition to property taxes, other revenue streams—such as sales tax and transient occupancy tax—do not follow a uniform monthly pattern. These non-linear collection schedules often create temporary variances in the general fund, making certain categories appear under budget at this point in the fiscal year. However, these variances are timing-related indication.

On the expenditure side, some costs are not incurred on a recurring monthly basis. As a result, individual budget accounts may appear over budget during certain periods, even though overall spending aligns with annual projections.

DISCUSSION:

This report provides a comprehensive overview of the City's General Fund performance at the mid-point of fiscal year 2025–26, using the most current financial data available as of December 31, 2025. It offers a detailed accounting of revenues and expenditures recorded during the first six months, presenting a clear snapshot of the City's financial position as we reach the halfway mark of the fiscal year.

This update also shows trends and explains why some revenues and expenses don't line up perfectly with the budget right now. For example, certain taxes come in later in the year, so some categories look low even though they're on track. The report also compares this year's progress to the same time last year, showing where we're seeing growth and where we might need to keep an eye out for challenges.



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As part of this mid-year review, staff has evaluated projected collections and spending patterns and is recommending minor budgetary adjustments to ensure alignment with actual performance and anticipated year-end outcomes.

STAFF ANALYSIS:**General Fund Revenues:**

The financial report for the second quarter of fiscal year 2025–26, reflecting transactions through December 31, indicates that general fund revenue totals \$6.33 million—just 40.4% of the adopted annual budget of \$15.69 million. Given these timing dynamics, the current revenue picture reflects a predictable seasonal lag. Some revenue categories have already exceeded the 50% benchmark for the quarter, while others remain below target due to collection schedules. As part of the mid-year review, staff is recommending minor budgetary adjustments to reflect the actual projected collections.

The quarter-to-quarter comparison—this quarter versus the same quarter of the prior year—provides insight into revenue performance and timing variances. As of December 31, 2025, total operating revenues stand at \$6.33 million, which represents 40.4% of the adopted budget of \$15.69 million. This is slightly ahead of the prior year's mid-year actual of \$5.54 million, indicating an overall improvement in revenue collection compared to the same point last year.

Key Revenue Highlights

- **Property Tax:** The City received the first semiannual property tax installment, our second-largest revenue source. Year-to-date collections total \$1.99 million, or 54.8% of the adopted budget, slightly higher than last year's \$1.91 million. This percentage is higher due to some property owners chose to pay their full yearly obligation upfront.
- **Sales Tax:** Collections are at \$1.97 million, or 32.1% of budget, compared to \$1.50 million at the same time last year. While this reflects growth and primarily because of new Measure U, sales tax receipts typically lag by two months, so the current figure does not yet represent full activity for the quarter.
- **Transient Occupancy Tax (TOT):** Year-to-date revenue is \$190,807, consistent with last year's \$190,505, and represents 35.7% of budget. TOT remains subject to seasonal fluctuations and reporting delays.
- **Licenses & Permits:** Collections have increased significantly to \$392,490, compared to \$197,014 last year, though still only 31.6% of budget. This growth indicates increased permitting activity but still falls short of linear projections due to timing factors. Building activity is also seasonal, with most occurring in the spring, and the building department is closely monitoring these trends.
- **Other Categories:** Franchise fees, user taxes, and miscellaneous revenues are trending below 50% of budget, consistent with historical collection patterns and timing differences.



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Description	2024-25 Actual	2025-26 Adopted Budget	Y-T-D Actual 12/31/24	Y-T-D Actual 12/31/25	% of Adopted Budget
OPERATING REVENUE					
Property Tax	3,642,556	3,639,105	1,906,707	1,995,758	54.8%
Real Property Transfer Tax	62,203	50,000	35,688	30,797	61.6%
Sales Taxes	5,015,508	6,130,700	1,501,145	1,970,565	32.1%
User Taxes	925,705	962,050	354,369	332,358	34.5%
Transient Occupancy Tax	480,263	534,500	190,505	190,807	35.7%
Franchise Fees	490,118	530,000	143,123	144,329	27.2%
Licenses & Permits	676,253	1,244,000	197,014	392,490	31.6%
Fines & Special Assessments	70,935	77,300	38,479	42,040	54.4%
Intergovernmental Revenues	27,724	20,200	5,048	5,112	25.3%
Interest & Rents	166,399	157,450	62,644	81,384	51.7%
Charges for Services	182,375	162,300	77,276	78,511	48.4%
Miscellaneous Revenue	393,335	110,790	42,359	39,350	35.5%
Cost Allocation Plan	1,761,797	1,796,323	880,899	898,161	50.0%
Transfers In	209,622	275,000	101,364	129,500	47.1%
TOTAL REVENUES	14,104,793	15,689,718	5,536,621	6,331,161	40.4%

General Fund Expenditures:

At the halfway point of fiscal year 2025–26, total General Fund expenditures are \$7.32 million, which is 46.7% of the adopted annual budget of \$15.69 million. This is higher than last year's mid-year total of \$6.37 million and reflects planned expenditures spending along with some costs that occur early in the year.

- Overall spending is on track, with most departments close to the mid-year benchmark.
- Differences between departments are mostly due to timing. For example, Fire & Prevention and Debt Service show higher percentages because major costs were paid early such as annual fire contribution, and debt service is fully paid for the year at mid-year.
- Other areas, such as City Manager and Senior Center, are well below 50%. For the Senior Center, spending is expected to pick up in the second half of the year, while the City Manager budget reflects savings due to a vacancy.



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Description	2024-25 Actual	2025-26 Adopted Budget	Y-T-D Actual 12/31/24	Y-T-D Actual 12/31/25	% of Adopted Budget
OPERATING EXPENDITURE - By Department					
City Council	176,804	183,214	69,884	73,673	40.2%
City Manager	827,312	581,282	326,610	118,514	20.4%
City Attorney	646,785	643,750	275,501	162,752	25.3%
Assistant City Manager City Clerk	457,159	470,818	212,149	256,510	54.5%
Administrative Services (Finance)	1,385,796	1,466,539	656,006	751,730	51.3%
Planning	657,815	701,666	302,356	298,633	42.6%
Building	303,081	437,909	110,428	125,562	28.7%
Fire & Prevention	1,492,276	1,247,640	520,973	1,208,384	96.9%
Police	5,123,538	5,767,329	2,390,391	2,854,100	49.5%
Senior Center	2,298,834	47,650	12,785	9,514	20.0%
Public Works	42,620	2,650,318	1,072,541	1,128,133	42.6%
Community Center	172,309	164,202	82,378	62,419	38.0%
Ives Pool	212,031	225,761	103,702	56,860	25.2%
Non Departmental	97,126	146,940	53,802	62,274	42.4%
Debt Service Payments	269,979	150,755	179,391	150,754	100.0%
Transfers Out	300,000	800,000	-	-	0.0%
TOTAL EXPENDITURES	14,463,465	15,685,773	6,368,897	7,319,812	46.7%

Transfer-out: The \$800,000 transfer from the General Fund is primarily allocated to capital improvement projects, consistent with the City Council's adopted Measure U policy. This policy emphasizes investments in critical infrastructure—such as roads, streets, drainage systems, and parks—which are central to Sebastopol's long-term priorities. These projects are scheduled for implementation during the second half of the fiscal year.

These projects reflect the City's commitment to responsibly managing voter-approved Measure U funds while addressing high-priority infrastructure needs.

Planned Measure U Projects Include:

1. Various Street Paving Projects - \$500,000
2. Emergency Operations Center (EOC) Generator - \$500,000
3. Fueling Station Upgrade – \$85,000
4. Unallocated Reserve – \$15,000

BUDGET COMMITTEE REVIEW

This item is scheduled to be reviewed by the Budget Committee at its meeting on January 12, 2026.

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

Goal 5 – Long Term Financial Sustainability

Achieving Greater Fiscal Resilience and Long Term Fiscal Sustainability

Action Plan 2 – Quarterly Financial Report

General Fund: A quarterly update is an essential tool for monitoring and managing the financial health of an organization. It provides a snapshot of the financial performance over the past three months, allowing City Council to assess progress, identify trends, and make informed decisions.



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FISCAL IMPACT:

There is no fiscal impact in receiving this informational financial update.

PUBLIC COMMENT:

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

RESTATED RECOMMENDATION:

That the City Council receive year-to-date financial information.

CITY COUNCIL OPTION(S):

There are no options to consider.

ATTACHMENTS:

Second Quarter Financial Reports

APPROVALS:

Department Head Approval: Approval Date: 1/5/2026

CEQA Determination (Planning): Approval Date: N/A

The proposed action is / is not exempt from the requirements of the California Environmental Quality Act (CEQA)

Administrative Services/Financial Approval: Approval Date: 1/5/2026

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

Account Code (f applicable) _____

City Attorney Approval: Approval Date: pending

City Manager Approval: Approval Date: pending

GENERAL FUND
OCTOBER - DECEMBER 2025
QUARTER 2 REPORTING



Description	2024-25 Actual	2025-26 Adopted Budget	Y-T-D Actual 12/31/24	Y-T-D Actual 12/31/25	% of Adopted Budget
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Planning	657,815	701,666	302,356	298,633	42.6%
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Ives Pool	212,031	225,761	103,702	56,860	25.2%
Non Departmental	97,126	146,940	53,802	62,274	42.4%
Debt Service Payments	269,979	150,755	179,391	150,754	100.0%
Transfers Out	300,000	800,000	-	-	0.0%
TOTAL EXPENDITURES	14,463,465	15,685,773	6,368,897	7,319,812	46.7%
Net Surplus/(Deficit)	(358,672)	3,945	(832,276)	(988,651)	

GENERAL FUND REVENUES DETAILED OCTOBER - DECEMBER 2025 QUARTER 2 REPORTING					
Revenue Categories	2024-25 Actual	2025-26 Adopted Budget	Y-T-D Actual 12/31/24	Y-T-D Actual 12/31/25	% of Adopted Budget
3000 - Property Tax Secured / Unsecured	2,650,054	2,626,755	1,410,456	1,468,166	55.9%
3002 - Real Property Transfer Tax	62,203	50,000	35,688	30,797	61.6%
3004 - Property Tax in Lieu of VLF	992,502	1,012,350	496,251	527,592	52.1%
Property Tax	3,704,759	3,689,105	1,942,395	2,026,555	54.9%
3010 - Sales Tax-Bradley Burn	2,248,299	2,212,000	707,862	715,323	32.3%
3011 - Sales Tax-1/4 cent (T)	763,260	772,000	250,957	256,776	33.3%
3012 - Sales Tax-1/2 cent (Q)	1,529,446	1,544,000	498,151	499,001	32.3%
3018 - Sales Tax-1/2 cent (U)	370,737	1,500,000	-0	455,096	30.3%
3014 - Sales Tax-Prop 172	103,766	102,700	44,175	44,369	43.2%
Sales Taxes	5,015,508	6,130,700	1,501,145	1,970,565	32.1%
3020 - Transient Occupancy Tax	480,263	534,500	190,505	190,807	35.7%
3050 - Garbage Franchise	302,261	330,000	126,498	129,371	39.2%
3051 - PG&E Franchise	121,902	125,000	-0	-0	0.0%
3052 - Cable TV Franchise	65,955	75,000	16,625	14,958	19.9%
Franchise Fees	490,118	530,000	143,123	144,329	27.2%
3055 - Vehicle in lieu Tax	11,862	12,500	-0	11,502	92.0%
3056 - UUT PG&E	488,518	494,100	173,817	142,137	28.8%
3057 - UUT Sonoma Clean Power	122,164	129,150	55,385	54,028	41.8%
3058 - UUT Garbage	98,326	108,200	41,150	42,085	38.9%
3059 - UUT Cable	71,201	77,000	29,213	28,640	37.2%
3060 - UUT Misc	132,562	140,600	54,433	53,767	38.2%
3061 - UUT (AB-1717)	1,072	500	372	199	39.8%
User Taxes	925,705	962,050	354,369	332,358	34.5%
3101 - Business License	139,028	140,000	68,413	71,447	51.0%
3102 - Business License-Late Fees	4,399	4,000	180	90	2.3%
3103 - Building Permits	532,826	1,100,000	128,421	320,953	29.2%
Licenses & Permits	676,253	1,244,000	197,014	392,490	31.6%
3105 - Vehicle/ Criminal Code Fines	14,643	12,500	6,950	9,041	72.3%
3106 - Parking Fines	14,278	18,000	5,522	6,919	38.4%
3107 - RBS Training Fees	14,200	14,800	1,000	-0	0.0%
3110 - Business License - DSA 70% \$1	5,213	5,500	2,423	2,851	51.8%
3202 - State Mandated Cost Reimb	22,602	26,500	22,584	23,229	87.7%
Fines & Special Assessments	70,935	77,300	38,479	42,040	54.4%

GENERAL FUND REVENUES DETAILED OCTOBER - DECEMBER 2025 QUARTER 2 REPORTING					
Revenue Categories	2024-25 Actual	2025-26 Adopted Budget	Y-T-D Actual 12/31/24	Y-T-D Actual 12/31/25	% of Adopted Budget
3203 - POST Reimb	32	-0	-0	-0	0.0%
3204 - Casino Mitigation	20,192	20,200	5,048	5,112	25.3%
3206 - County Grant	7,500	-0	-0	-0	0.0%
3207 - State Grant	-0	-0	-0	-0	0.0%
3209 - Federal Grant	-0	-0	-0	-0	0.0%
Intergovernmental Revenues	27,724	20,200	5,048	5,112	25.3%
3300 - Interest Income	118,282	100,000	37,391	36,927	36.9%
3308 - Interest Income- FMV	-18,421		-0	18,420	0.0%
3301 - Cell Tower Lease Rental	37,540	44,300	19,470	20,054	45.3%
3302 - City Property Rental - Little League	4,396	3,150	2,473	2,341	74.3%
3304 - City Property Rental - Parking Space	430	500	60	165	33.0%
3305 - City Property Rental - Palm Ave	3,500	2,500	2,250	1,500	60.0%
3390 - Lease Interest Income	9,422		-0	-0	0.0%
3401 - Plaza and Special Event Fees	11,250	7,000	1,000	1,977	28.2%
Interest & Rents	166,399	157,450	62,644	81,384	51.7%
3404 - Credit Card Transaction Fee	1,934	2,000	697	826	41.3%
3405 - Finance Fee	6,486	7,000	2,515	3,224	46.1%
3425 - Fire Dept Fees	68,125	40,000	25,796	22,493	56.2%
3426 - Planning Fees	35,721	38,000	11,000	18,479	48.6%
3441 - Encroachment Permits Fee	26,540	30,000	15,030	11,898	39.7%
3442 - Grading Permit Fee	1,130	2,000	1,090	71	3.6%
3445 - Public Works Services	2,053	7,500	1,002	748	10.0%
3502 - Police Services	25,494	18,000	11,773	13,215	73.4%
3504 - Impounded Vehicle Release Fee	2,003	1,800	826	1,471	81.7%
3505 - Police Reports Copy Fee	1,545	2,000	480	560	28.0%
3506 - Police False Alarms Fee	60	-0	-0	-0	0.0%
3507 - Police OT Reimbursement	2,964	6,000	2,964	1,563	26.1%
3615 - Solar Payback	8,320	8,000	4,104	3,963	49.5%
Charges for Services	182,375	162,300	77,276	78,511	48.4%
3801 - Sales of Surplus Equipment	870	-0	870	-0	0.0%
3804 - Insurance Claims	39,973	500	8,258	98	19.5%
3805 - Miscellaneous Income	830	500	590	2,879	575.8%
3806 - Donations & Contributions	253,000	500	-0	1,500	300.0%
3807 - Rebates	17,332	15,300	6,963	8,630	56.4%
3810 - Pool Expense Reimbursement	81,331	93,990	25,678	26,243	27.9%
Miscellaneous Revenue	393,335	110,790	42,359	39,350	35.5%
3998 - Cost Allocation Plan	1,761,797	1,796,323	880,899	898,161	50.0%
3999 - Transfers In	209,622	275,000	101,364	129,500	47.1%
Total Revenue	14,104,793	15,689,718	5,536,621	6,331,161	40.4%