

Thank you, Mayor and Council, for holding the second priorities workshop. The FY 2025–26 priorities that were adopted resulted in progress on completing a long list of activities that appear productive but do not consistently address the city’s most important, interconnected challenges.

My hope this year is that the council focuses on fewer, clearer priorities with measurable outcomes, realistic staffing assumptions, and identified funding sources. Rather than assembling a broad list of projects that can be checked off, **the Council should concentrate on initiatives that materially improve the city’s core services.**

These priorities consistently appear in community surveys: streets, fire protection, policing, parks, and a financially sustainable city budget.

Priority 1: Financial Security (Structural Budget Balance)

There are multiple financial issues facing the city.

- The most critical short-term issue is the imbalance between recurring revenue (sales and property taxes) and recurring operating expenses. For FY25-26 operating expenses are \$3.2MM more than recurring (tax) revenues. The funding used to fill the deficit is always uncertain and leads to delaying investments in areas of growing need like Public Safety and Infrastructure.
- Longer term operating expenses, particularly salaries and benefits (60% of budget), are growing faster than recurring revenue. This makes the long-term financial issues look even worse than they are now. Each new union contract has to be paid for. Historically it is paid for by not investing in infrastructure like streets or areas of increased needs like public safety to deal with increased homeless populations.
- Operating expenses do not include costs for infrastructure maintenance and repair. Currently, ½ of the streets have gone 15 years or more with no maintenance and have deteriorated to the point they have no further useful life. Cost to repair is now 10X what the cost to just maintain them had been. The streets study says it will require \$1.4MM/year to do enough work to improve our PCI score marginally.
- Including streets the structural deficit grows to \$4.6MM annually that needs to be funded from other sources.
- Revenue from water rate payers has been a primary source to plug structural deficits but may not be sustainable given that they are likely well in excess of what is allowed by law.
- More recently, renewed development activity has generated impact fees that provide short-term financial relief. However, those fees are intended to support infrastructure required by new development. Using them to support ongoing operations is inappropriate and will only further delay needed capital investment and increase long-term risk. Reliance on development fees, grants, or enterprise-fund transfers is not a stable financial strategy.

Accepting the simple reality that recurring (tax) revenues exceeding required expenses by \$4.6 MM per year is the first step. The city still has a Financial Emergency. Missing is the reaction

from the Finance Department, the budget committee and the City Council to address the problems before it is too late.

Structural reform should therefore be a top priority, including evaluation of governance and financing models that could both stabilize the General Fund and provide dedicated funding for long-neglected infrastructure.

In a separate comment I provide more detail on options:

Making Sebastopol financially stable for future years requires significant change.

Form a Finance Oversight group to replace the budget committee with a focus on addressing the long-term financial health of the city. Alternatives include:

- Allocation of resources (finance/admin vs public safety and infrastructure)
- Increase in share of property tax from county/state
- Annexation options to increase revenues to the city
- Form separate districts for parks and Recreation/Water, Wastewater and Streets
- Long term financing for Streets maintenance and repair

Priority 2: Streets (From Potholes Repairs to a Real Plan to Improve Streets)

Street conditions have become one of the most visible quality-of-life issues in Sebastopol.

While debates about circulation and traffic patterns may be important, they should not distract from the city's core responsibility to maintain the **20+ miles of streets** it owns.

Public comments consistently highlight the same reality: roughly **half of these streets are now in poor or very poor condition**. Streets in poor condition deteriorate rapidly, moving quickly from maintainable to costly reconstruction. Streets still in fair condition can often be preserved with relatively inexpensive treatments—but only if timely maintenance occurs.

More than ½ of the city-maintained streets have already passed the critical point where low-cost maintenance is no longer possible.

If repairs are delayed further:

- Streets currently rated **fair** will drop into **poor (As little as five years)**
- Currently poor and very poor streets will require **full reconstruction**
- The total infrastructure liability increases rapidly

Currently the city is planning to spend **\$500,000 on temporary pothole repairs**, which addresses symptoms rather than the underlying asset condition. There has not been a publicly discussed plan or CIP projects that ensure that streets that are currently fair stay in that condition and do not become poor.

The 2025 streets study states a minimum of \$1.4million dollars per year is needed to arrest the decline and begin to marginally improve streets. This is over and above pothole repairs.

A properly financed plan to maintain fair streets while prioritizing the poor and very poor streets based on a public process is a strategy.

Sebastopol needs a Council-adopted **multi-year streets program** that includes:

1. A target pavement condition level
2. A prioritized list of preservation versus reconstruction projects
3. A multi-year implementation schedule
4. A financing strategy (Not hoped for grants)
5. A dedicated repayment source

When Measure U was adopted, voters were told it would help fund street repairs. The city should clearly report how much Measure U revenue is being set aside for that purpose and how it supports a defined capital program. So far, the report is pothole repairs.

Priority 3: Enterprise Funds (Integrity, Compliance, and Capital Planning)

The work of the Enterprise Oversight Committee is beginning to identify important issues related to deferred infrastructure needs and the proper use of ratepayer funds.

For example, recent disclosures that leaky clay sewer pipes take in rainwater which must be pumped to Santa Rosa and processed as waste. Rate payers are paying increased energy costs to pump and process waste at the treatment center. Year after year these costs add up and help to explain why Sebastopol pays more per customer for services than other cities.

There are issues with critical water infrastructure. Water tanks have not been properly inspected and are not secured in case of an earthquake. This is a pretty big decision to save costs that should be subject to public review.

New development is accelerating but the Planning Commission does not appear to have consulted PW about the infrastructure. It seems like the State does not require these assessments. Nevertheless, the city should have a firm hand on capacity at peak times to deliver additional services.

Actual department costs to provide water and wastewater services have been disclosed and are well above that being charged to rate payers. A plan to correct this needs to be developed.

Council should prioritize staff resources so that these issues are fully evaluated, and policy decisions can be made promptly and transparently.

Ratepayers and residents both benefit when enterprise funds are managed with strict compliance, transparent cost allocation, and credible long-term capital plans.

Priority 4: Homelessness (Regional Partnerships and Neighborhood Impacts)

Sebastopol has recently experienced a growing population of homelessness relative to its size. Regardless of how the situation developed, the impacts are real for neighborhoods, downtown businesses, schools and city facilities (City Hall & Library).

New supportive housing developments make proactive planning even more important. The city's consultants have noted the potential for increased homeless activity near supportive housing sites. With Gravenstein Commons only a few months from opening, it is essential to plan ahead for services, enforcement, and public space management.

As calls for service increase, police resources can become stretched. If staffing levels remain flat while workload rises, response times and investigative capacity may suffer. Council should evaluate whether current police staffing levels and support resources match current conditions and the increased demand for police calls as Gravenstein Commons opens. As Paul Tibbets promised the first six months will be where all the problems occur. You can plan now and allocate necessary resources or wait and react.

Programs such as HEART are a positive start. Homelessness is a regional issue, and Sonoma County must remain an active funding and operational partner in solutions.

Closing

I encourage the Council to use this workshop to focus on priorities and to identify measurable outcomes:

1. A structurally balanced city budget (recurring revenue = operating expenses)
2. A fully funded multi-year streets and infrastructure plan
3. Transparent enterprise fund management and capital planning
4. Reduced impact of homelessness on the community
5. Evaluation of longer-term structural governance options—including a community-governed Parks and Recreation District and/or a separate Utilities/Streets District.