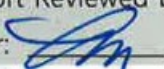


Agenda Report Reviewed by:  
City Manager: 

CITY OF SEBASTOPOL  
CITY COUNCIL  
AGENDA ITEM

**Meeting** July 18, 2023  
**To:** Honorable City Councilmembers  
**From:** Mayor Neysa Hinton  
Vice Mayor Diana Rich  
**Subject:** Consideration of Placement of Ballot Measure on a Special Election to be Held November 7, 2023 in the County of Sonoma, City of Sebastopol  
**Recommendation:** That the Council Receive the information, Discuss and Consider a Ballot Measure for the November 7, 2023 Special Election and Consider Approval of Consultant to Prepare Ballot Question and Ordinance as well as Public Outreach and Education, and Consider Appointment of an Ad Hoc Ballot Measure Committee

**Funding:** Currently Budgeted:  \* XX  Yes  \* XX  No   N/A  
Net General Fund Cost: \$

Account Code/Costs authorized in City Approved Budget (if applicable)  AK  (verified by Administrative Services Department)

\*\$10,000 allocated for one individual ballot Measure (total \$30,000)

\*\$10,000 allocated for Strategist per Measure (total \$30,000)

\*\$20,000 allocated for election costs per Measure (total \$40,000)

However the Council can choose to use the total funding of \$100,000 in the approved budget. See Financial Section for additional information

**INTRODUCTION:**

This item is to request that the City Council Review, Discuss and Consider a Ballot Measure for the November 7, 2023 Special Election and Consider Approval of Consultant to Prepare Ballot Question and Ordinance as well as Public Outreach and Education, and Consider Appointment of an Ad Hoc Ballot Measure Committee

**BACKGROUND:**

Fiscal Sustainability is important to ensure the City provides quality services while maintaining finances at a credible and serviceable level that is sustainable given projected long-term resources and obligations. There are multiple ways a City can collect revenue. Two primary mechanisms are charging fees for services and assessing taxes.

The City of Sebastopol has a comprehensive fee schedule that is reviewed annually. These fees help defray a portion of the costs of services provided by the City.

The City of Sebastopol also has the authority to impose taxes. Adoption of or changes to those taxes must be approved by the voters in accordance with Proposition 218. There are two types of taxes: a general tax and a special tax.

A general tax is used to raise general-purpose revenues, which may be used for any lawful general purpose. A general tax can only be put before the voters at a regular general election. A simple majority is required for approval of a general tax.

A special tax is used for a special purpose, such as for example protection services, libraries, hospitals, or schools. A special tax can be presented to the voters at either a regular general election, or at a stand-alone election. Passage of a special tax requires a 2/3 supermajority.

A sales tax may be general (requiring majority approval) or special (requiring supermajority approval), depending on the purpose of the measure. A parcel tax is a special tax and always requires supermajority approval.

The November 7, 2023 election is not a regular general election. It is a special stand-alone election. The only tax that could be presented to the voters at the November 7 2023 special election would be a special tax, meaning a sales tax for a special purpose, or a parcel tax.

Receipt of Revenue Time Line Estimate:

- Sales Tax: A Voter approved sales tax is typically applicable at the beginning of the first quarter following the election. Any tax increase approved in November of 2023 would produce revenue beginning January 1, 2024. The City would see the impact of a tax increase in April or May 2024, when the first quarter taxes would be distributed. The estimated receipt of revenue from a ¼ percent sales tax would be \$792,000, and from a ½ percent sales tax would be \$1,500,000
- Parcel Tax: A Voter approved parcel tax is typically levied in the tax year following the election. For a November 2023 election, the tax would be levied in tax year 2024-25 and would be due in two installments (December 2024 and April 2025). Parcel taxes are remitted to taxing agencies each December and April based on actual collections. The estimated receipt of revenue from a parcel tax estimated at \$200 would be \$578,800.

Any potential tax measure must coincide with an election with established dates. Upcoming established election dates are November 7, 2023, March 5, 2024, and November 5, 2024. As has been stated the November 7, 2023, election is a special stand-alone election. For the November 7, 2023 Election, the deadlines and a suggested timeline are listed below:

July 18 <sup>th</sup>	Council discussion whether to place a measure on the ballot, hiring of consultant, and creation of an ad hoc committee.
August 1 <sup>st</sup>	Council consideration and approval of voter ballot question and ordinance for the measure
August 11 <sup>th</sup>	Last Day to Submit Ballot Measure to County
August 16 <sup>th</sup>	Deadline for the City to amend/or withdraw the measure
August 18 <sup>th</sup>	Argument deadline: Argument: The governing body of the local jurisdiction or any member or members of that governing body, or any individual voter who is eligible to vote on the measure, or bona fide association of citizens, or any combination of these voters and associations may file a written argument for or against any measure.
August 18 <sup>th</sup>	Impartial analysis due: The City Attorney shall prepare an impartial analysis of the measure describing the measure and including a fiscal analysis of the measure showing the amount of any increase or decrease in revenue or cost to state or local government.
August 25 <sup>th</sup>	Rebuttal deadline (only if opposing arguments are filed). Rebuttal Arguments: When an argument in favor and an argument against a measure have been selected, the Election Official will notify the authors of those arguments in order for them to prepare and submit rebuttal arguments
November 7 <sup>th</sup>	Election Day

**DISCUSSION:**

As approved by the City Council at the Special Meeting of June 27, 2023, the City of Sebastopol operating budget includes the following funding for ballot measures and election costs. There was no specific discussion as to what type of measure would be pursued. That is before the City Council tonight.

Three ballot measures	\$30,000 allocated - \$10,000 for each of three measures. This allocation is for the costs for the consultant preparation of the ballot question as well as the preparation of the ordinance.
Strategist	\$30,000 allocated - \$10,000 for each of three measures. This allocation is for polling, outreach, survey, etc. for one ballot measure.
County filing fees	\$40,000 allocated - \$20,000 allocated for each of two ballot measures. For the stand alone election for November 2023, as of the writing of this report, County Elections has not received any ballot measures for a November 2023 special election. If Sebastopol is the only City to place a measure on the November 2023 ballot, the total cost would be borne by Sebastopol and could be up to \$10.00 per registered voter which is 5534 registered voters as of the writing of this report. The November 2023 special stand-alone election cost would be up to \$55,340.00.

In summary, the City Council has allocated \$100,000 total for ballot measure expenses in this fiscal year: \$20,000 each (\$60,000 total) for the preparation of each of three measures, plus \$20,000 each (\$40,000 total) for the County filing fees for each of two measures. The County filing fees for the third measure were not provided for in this fiscal year because the election for that third potential measure was expected in the next Fiscal Year Budget (FY 24-25).

If the Council decides to pursue a measure on the November 2023 ballot, the County filing fees for this measure will likely exceed the \$20,000 allocated in the current budget for filing fees for each of two measures, and may exceed the total \$40,000 allocated for all filing fee expenses this fiscal year. This is because the City's budget allocation for County filing fees (\$20,000 for each of two ballot measures) was an estimate of the filing fees for a ballot measure included in the March 2024 Statewide regular general election. As was stated above, the November 2023 election would be a special stand-alone election. The estimated cost for a stand-alone election would range from \$3.50 to \$10.00 per voter, or \$19,000-\$55,000 and would depend on the number of registered voters at the time of the election and the number of other jurisdictions filing ballot measures for that election date. The potential maximum filing cost of \$55,000 affects the budget for this measure and a budget amendment would be required for Election Costs for a November 2023 Election.

To the extent the County fees for placing this proposed measure on the November 2023 ballot exceeded the \$40,000 allocated in the City's budget for County fees for all ballot measures, any decision to pursue additional ballot measures (in March 2024 or later) would require a budget amendment at that time, to allocate funds for additional election costs.

The tax proposed in this agenda item is intended as one step in addressing the critical budget challenges faced by the City of Sebastopol. The budget approved by the City Council on June 27, 2023, included a shortfall of \$1.677 Million. Currently the deficit is covered by reserves. At the end of this fiscal year, the City's reserves are further projected to be reduced. As was reported to the City Council on May 16, 2023, by NHA Advisors, without action taken to address this structural deficit, projection of expenses outpacing revenues will lead to a structural deficit and the City of Sebastopol reserves would be depleted over the next five years.

City staff met with the City's consultant, MuniServices, who wrote the previous ballot measure and, although a short time line, have indicated that they would be able to prepare the documents for the November 2023 election. The total cost of their proposal is \$30,000. They have also included DRAFT Ballot questions below for consideration by the City Council for a ¼ cent sales tax and a ½ cent sales tax for Council consideration. If the Council chose to move forward with a sales tax, the consultant would prepare the ballot question and ordinance for the August 1<sup>st</sup>, 2023 City Council meeting for placement onto the November 2023 election.

DRAFT Ballot Question(s):

Shall the measure raising a 0.25% sales tax exclusively for fire protection and police services in the City of Sebastopol, generating \$800,000 annually until [*\*insert sunset date*], be adopted?

Shall the measure raising a 0.5% sales tax exclusively for fire protection and police services in the City of Sebastopol, generating \$1.6 million annually until [*\*insert sunset date*], be adopted?

\*Council should discuss the potential length of a sunset date if the measure moves forward.

**Discussion Item #1: Should the City Council Pursue a Measure in November?**

Option 1: November 7, 2023: The argument for placing a tax measure on the November 2023 ballot is based on the City of Sebastopol's critical and immediate need for a future funding solution. The City has a \$1.677 budget deficit this fiscal year, has added and funded a new staff position in the Fire Department, and has no sustainable future funding plan for this position or for other essential expenses that are driving the City's structural deficit. While waiting until 2024 offers more time to prepare, it delays receipt of necessary revenue. In addition, it is worth noting that a variety of County-wide tax measures will likely be presented to the voters in March and November of 2024. Attention given to those County-wide 2024 measures will likely dilute the attention given to a City-wide measure.

Option 2: March 5 or November 5, 2024: Waiting until 2024 would allow more time to prepare a strategy, and would reduce the amount of the County filing fee, but would delay receipt of funds and place the City tax in competition with a variety of County-wide tax measures expected to be presented to the voters.

**Recommendation:** Option 1, a special tax in November 2023, for the reasons outlined. In a normal general election cycle, the City Council would have a many months prior to the County election filing deadline to discuss possible revenue-generating measures. However, based on the City's budget deficit and lack of revenues, it is imperative that the City do all that it can to bring in revenue for services. The November 2023 election would be an opportune time to bring this forward. If the Council moves forward on this measure, there will be a media campaign to provide education to the public on this measure and its proposed uses.

The Fire Ad Hoc Committee's Work: The Fire Ad Hoc Committee is expected to present a report to the Council in September 2023. The Mayor is on the Fire Ad Hoc Committee. The Vice Mayor is not. The Mayor and Vice Mayor, submitting this proposal for a November 7 tax measure, have not discussed the work of the Ad Hoc Fire Committee and, due to Brown Act limitations, are not at liberty to do so.

The question arises as to whether this proposal for a November 7 tax measure hinders or limits the work of the Fire Ad Hoc Committee. Put another way, if the Council were to approve a tax measure intended to provide reliable future funding for public safety, would that measure in any way interfere with the work and future recommendations of the Fire Ad Hoc Committee? The answer is no, and is found in the January 3, 2023, fire department feasibility report from MATRIX Consulting, publicly available and presented to the City Council at a special meeting on January 31, 2023. That report stated that the City would continue to have a funding obligation to the Fire Department whether it remained as an independent fire station or was consolidated. At a minimum, that future funding obligation (according to the MATRIX report) would be the \$1.3 million in City funds allocated in 2022-23. Any future plan for the Sebastopol Fire Department would require the City to continue that level of

funding, or more, whether the future plan was for an independent fire department or for consolidation with another district. A sales tax anticipated at bringing in \$792,000 (for a ¼ percent tax) - \$1,500,000 (for a ½ percent tax) annually and intended to support public safety needs, could provide needed funding for the fire department to support whatever recommendations are made by the Fire Ad Hoc Committee. A November 2023 tax measure for public safety does not in any way limit or hinder the recommendations of the Fire Ad Hoc Committee.

**Discussion Item #2: Should the Tax Measure be a Sales Tax or a Parcel Tax?**

Option 1: A ¼ percent sales tax: The NHA Advisors report presented to the City Council on May 16, 2023 estimated that a ¼ percent sales tax would produce \$700,000 per year for the City. Upon further discussion with the City's consultant MuniServices, the consultant is optimistic that a ¼ percent sales tax could provide \$792,000 in revenues. The City of Sebastopol's current sales tax is 9.25%. An increase of ¼ percent would bring Sebastopol's sales tax to 9.50%, in line with the sales taxes in Cotati and Petaluma, but above the sales tax rates of other Sonoma County jurisdictions. The current state-wide cap on sales taxes is 10.25%.

Option 2: A ½ percent sales tax: The NHA Advisors report presented to the City Council on May 16, 2023 estimated that a ½ percent sales tax would produce \$1.4 million per year for the City. Upon further discussion with the City's consultant, MuniServices, the consultant is optimistic that a ½ percent provide \$1.5 million in revenues. An increase of ½ percent would bring Sebastopol's sales tax to 9.75%, above the sales tax rates of other Sonoma County jurisdictions, and ¾ percent below the current 10.25% state-wide cap on sales taxes.

Option 3: A \$200 per parcel tax: According to the Assessor's records, Sebastopol currently has 2,894 secured parcels and 663 unsecured in the City of Sebastopol. It is estimated that based upon a flat tax of \$200 per parcel, multiplied by the 2,894 secured parcels, the revenue to the City from a parcel tax would be \$578,800.

**Recommendation:** Option 1 or 2, a ¼ percent or ½ percent sales tax. A sales tax would spread the impact of the tax among a larger group (all who purchase goods in Sebastopol) and produce a higher revenue annually, while a parcel tax would place a greater per person burden on a smaller group (property owners) and produce a lower revenue. As to the question of whether a ¼ percent increase or a ½ percent increase is best, that's a question best left for discussion by the full City Council.

**Discussion Item #3: Should the Tax be for a General Purpose or Special Purpose?**

As stated above, the November 7 election is not a regular general election – it is a stand-alone election – and therefore only a special purpose tax would be allowed to be presented to voters.

Option 1: Public Safety: The City Council budget discussions this year focused particular concern on public safety. Specifically, Council comments and discussion at the June 27, 2023, City Council meeting highlighted this issue, with substantial attention given to the staffing needs of the fire department and the police department. Although all councilmembers were concerned about the City's critical budget deficit and long-term budget challenges, deep concern about public safety resulted in majority support for a new fire department engineer (\$140,000 allocated) and a decision to unfreeze a police department sergeant position (\$264,000). This allocation of \$404,000 for staffing in a budget that has a \$1.677 Million deficit creates a long-term budget obligation for which there is no reliable future funding plan.

Option 2: Another Special Purpose? To the extent the full City Council is not supportive of a public safety purpose, another special purpose could be considered.

**Recommendation:** Option 1, a public safety purpose, for the reasons described above.

**Discussion Item #4: Is this Tax to Fund Current Obligations or Also to Provide New Services?**

Option 1: Given the current deficit and projected depletion of reserves, combined with the Council's decision to fund a new position for the Fire Department out of those reserves, there is a strong argument for a tax to provide

reliable future funding for these existing obligations, rather than a tax intended to produce revenue for new projects or additional services. This option would argue for a tax intended to make the services already being provided to Sebastopol sustainable and reliable.

Option 2: This year's budget process resulted in all departments cutting expenses below what staff believed was needed to serve the City's population. This left many unfunded needs that would have benefited the City's residents. The realities of this situation would support an argument for revenue from the proposed tax being considered to fund these future needs in addition to existing obligations.

**Recommendation:** A blend of Options 1 and 2: A tax to provide reliable future funding for existing ongoing expenses and possible future needs. This is not a tax intended to produce revenue for new projects but is instead a tax intended to make the public safety services already being provided to Sebastopol sustainable and reliable.

**Discussion Item #5: Include a Sunset Clause?**

Option 1: Include a Sunset Clause of (10-20-30?) Years. A sunset clause in a tax measure establishes a date certain when the measure will expire. A sunset clause provides some reassurance to taxpayers regarding the fiscal impact of the tax on their personal finances. The City's goal in pursuing this tax is to achieve a reliable sustainable future funding plan. A sunset clause of any length balances both concerns.

Option 2: Do Not Include a Sunset Clause: There is a move underway to challenge all tax measures that do not include sunset clauses. It is expected that the proposal, if successful with the voters, will be retroactive. Although a tax measure without a sunset clause would provide the City with greater future financial stability, it would run the risk of having less voter support and being disqualified by the initiative just described.

**Recommendation:** Option 1, a sunset clause of (XXX amount of years ) for the reasons described.

**Discussion Item #6: Selection of Consultant:**

Two consultants will be needed for this ballot measure to be finalized and reach the voters. One is required for drafting the question and the ordinance. The second is for education and outreach as well as strategy.

City staff reached out to available consultants to identify an appropriate choice to draft the question and the ordinance. As MuniServices is the City's current sales tax consultant, as well as was responsible for the successful passage of our most recent Utility Users Tax Measure, staff believes with their expertise and knowledge of the City's finances, they would be the best consultant for this measure. They have also indicated they can meet the short deadline.

Mayor Hinton and Vice-Mayor Rich held an initial meeting with Dennis Rosatti, Rosatti Consulting prior to the drafting of this Staff Report, to determine the likely cost for a consultant to oversee and manage education and outreach and provide strategy direction. After discussions with Mr. Rosatti and additional inquiries, it is estimated that these consultant services (including design, printing, and postage, as well as other expenses), would cost from \$15,500 to \$20,000, depending on the scope of work and consultant selected.

Option 1: Approve the selection of MuniServices for drafting of the question and ordinance (\$30,000) and an allocation of no more than \$20,000 for a consultant to provide education and outreach as well as strategy advice for this ballot measure. Assign the Ad Hoc Ballot Measure Committee (if appointed) to select the appropriate consultant to provide education and outreach as well as strategy advice.

Option 2: Seek an alternate consultant for drafting of the question and ordinance, and make a different decision regarding the consultant to provide education and outreach as well as strategy advice. If the Council is not

comfortable with the selection of MuniServices, the success of the ballot measure effort will be seriously threatened, given the limited number of qualified consultants available and the very short time frame involved.

**Discussion Item #7: Budget for November 7 Ballot Measure:**

The proposed budget for this ballot measure is as follows:

\$30,000	Ballot Measure Question and Ordinance (Consultant Fees) As noted above, City staff met with the City’s consultant who wrote the previous ballot measure and indicated that they would be able to prepare the documents for the November 2023 election. The total cost of their proposal is \$30,000.
\$20,000	Strategist for Marketing, Education and Outreach/Materials for Education and Outreach
\$55,000 (Estimate)	County Election Costs for Conducting Election
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\$105,000	= Total Estimated Budget for a November 7, 2023 Ballot Measure

The above proposed budget is substantially more than is allocated in this fiscal year’s budget for one measure. The budgeted per measure amount, as noted above, is \$40,000 (\$10,000 for the measure, \$10,000 for a strategist, and \$20,000 for County filing fees).

Given the potential revenue that this measure would likely bring to the City, and the City’s immediate need for a reliable future funding plan, the Mayor and Vice-Mayor feel strongly that approving this expense is a fiscally sound decision and would recommend a budget amendment for the potential costs as follows:

- Utilization of the Approved Funding of \$30,000 for Three Measures to Run this Measure of the November 2023 Special Election
- Utilization of the Approved Funding of \$30,000 for the Strategists for Marketing and Education
- Utilization of the Approved Funding of \$40,000 for Election Costs of Two Proposed Measures

Total approved funding in FY 23 24 City Budget: \$100,000.

If these funds were to be utilized there would be a need for a budget amendment of \$5000 in additional funding needed for this ballot measure in this FY 23 24 budget.

**Discussion Item #8: Appoint an Ad Hoc Ballot Measure Committee?**

If the Council decides to support the proposal to pursue a ballot measure in November 2023, it is proposed that an Ad Hoc Ballot Measure Committee be created and that two councilmembers be appointed to that Committee, with instructions to provide the Council with all required additional information at the August 1, 2023 City Council meeting, and to regularly report to the Council on relevant developments.

**CITY COUNCIL AND/OR GENERAL PLAN GOALS:**

- Goal 5 - Provide Open and Responsive Municipal Government Leadership
- Goal 1 - Maintain the long term financial stability and sustainability of the City of Sebastopol and Operate City government in a fiscally responsible and responsive manner
  - 1.1 Develop and Implement Sound Financial Management Policies and Procedures
- Goal EV 7: Maintain a Stable and Self-Sustaining Fiscal Base in Order to Generate the Resources Necessary to Provide Desired City Services and Support New Growth that is Consistent with the City’s Values and Goals

**PUBLIC COMMENT:**

As of the writing of this staff report, the city has not received any public comment. 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. In addition, public comments may be offered during the public comment portion of the agenda item.

**PUBLIC NOTICE:**

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

**FISCAL IMPACT:**

As noted above, funding has been allocated in the approved FY 23-24 City Operating Budget. The proposed fiscal impact as proposed is as follows:

\$30,000	Ballot Measure (Ballot Question and Ordinance)
\$20,000	Strategist /Marketing, Education and Outreach
\$55,000 (Estimate)	County Election Costs

As proposed contracts fall under the City Manager approval authority, the City Manager (if this item is approved to include budget amendment) would have the authority to execute the contracts based on the budgeted amounts.

**RECOMMENDATION:**

That the City Council Discuss and Consider a Ballot Measure for the November 7, 2023 Special Election and Consider Approval of Consultant to Prepare Ballot Question and Ordinance as well as Public Outreach and Education, and Consider Appointment of an Ad Hoc Ballot Measure Committee.

**ATTACHMENT(S):**

None

Note: A Budget Amendment Resolution would be returned to the August 1, 2023 Council Meeting if Measure is to be placed on November 2023 Election