

City Council

Mayor Neysa Hinton
Vice Mayor Diana Rich
Sandra Maurer
Jill McLewis
Stephen Zollman



Agenda Item Number: 6

City Manager

Larry McLaughlin

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City of Sebastopol

CITY COUNCIL MINUTES

MINUTES FOR Regular City Council Meeting of November 14, 2023

As Approved by the City Council at their regular meeting of December 5, 2023

Please note that minutes of meetings are not meant to be verbatim minutes and are meant to be the City's record of a summary of actions that took place at the meeting. The vote/action is the required information of the meeting actions that took place. Approved minutes are available on the City Council Meetings page.

<https://www.ci.sebastopol.ca.us/Meeting-Event.aspx>

Meeting was held in Person and Virtual /Remote Participation

Zoom Link used for providing public comment/Live Stream is utilized for viewing only of Meeting

The public is advised that pursuant to Government Code section 54957.5 all writings submitted to the City and City Council are public records and will be made available for review.

7:00 pm City Council Regular Meeting

Call to Order: Mayor Hinton called the Regular Meeting to Order at 7:06 p.m.

Roll Call:

Present: Mayor Neysa Hinton
Vice Mayor Diana Gardner Rich
Councilmember Sandra Maurer
Councilmember Jill McLewis
Councilmember Stephen Zollman

Absent: None

Staff: City Manager/City Attorney Larry McLaughlin
Assistant City Manager/City Clerk Mary Gourley
Administrative Services Director Ana Kwong

SALUTE TO THE FLAG : Mayor Hinton led the salute to the flag.

STATEMENTS OF CONFLICTS OF INTEREST: Conflicts of interest may arise in situations where a public official deliberating towards a decision, has an actual or potential financial interest in the matter before the Council. In accordance with state law, an actual conflict of interest is one that would be to the private financial benefit of a public official, a relative or a business with which the Councilmember is associated. A potential conflict of interest is one that could be to the private financial benefit of a Councilmember, a relative or a business with which the Councilmember is associated. A Councilmember must publicly announce potential and actual conflicts of interest, and, in the case of actual conflict of interest, must refrain from participating in debate on the issue or from voting on the issue and must remove themselves from the dais.

There were no stated conflicts of interest.

City Manager McLaughlin introduced the new Interim Fire Chief Bruce Martin.

PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA (FIRST COMMENT PERIOD):

Up to Twenty (20) Minute Time Limit (Two Minutes for up to ten speakers). Additional public comment will be held at the end of the discussion and action items for up to an additional twenty (20) minutes. Mayor has discretion to allow for additional time beyond the 20 minutes allocated for public comment dependent upon the subject matter or number of speakers.

Process for calling on Speakers: Mayor or designee shall ask for public comment as follows: Speakers to be called on in an alternate manner (One speaker in person to be called on first; then one speaker remote to be called on second with additional speakers to be called on in the same manner) based upon the time limit.

Paul commented as follows: So, I just want to express my sadness for the removal of the final parklet. I understand it's happening tomorrow. I think they've been such a benefit to downtown, it's been such a pleasure to see people active, hanging out downtown spending time in public places. And the parklets are really the only place in downtown where that was where people are able to do that. And I thought one of the silver linings for me for the pandemic was that we finally got parklets in downtown Sebastopol. And they've slowly gone away and, again, saddened that the last one is leaving tomorrow. I know there's been concern maybe from the city standpoint about the cost of it with all the budget issues. As I've said from the beginning, I don't think the city should have to spend a dime on the parklets. That's not the way it works in most communities. I think there's ways to get them built, maintained, that the city doesn't have to pay for, I don't really understand what's happened. I've been trying to stay involved in this process. And I feel to be quite honest that the city has actively kept me not involved. The only reason I found out that they were even being removed tomorrow was because a reporter from the Sebastopol Times asked me for a comment. I would love to see them come back at some point. Because I really do think there's such a great benefit for our downtown community, and business environment. But to be honest, I'm really not at all hopeful. But if there is ever an opportunity, I'm always here and happy to help. I've already spent a lot of time on this. And I would love to see something more permanent installed.

Kyle commented as follows: So just really quick to piggyback on Paul's comment. It was really unfortunate. We're looking at the Consent Calendar item about removing the parklets. It was just like I've mentioned before, lots of things just get slipped in the consent calendar, where there's not really any public discourse, any public information or public discussion. It appears that although this Council knew in July, when they chose not to fund parklets, and at that time they chose to wait. It was many months before they actually contacted the business owners that had expressed direct interest in helping to fund these things. So they waited until the 11th hour to even make contact with the business owners to find out if there was still an expressed interest in being able to do this, rather than giving them months of advance notice, like they could have back in July to help try to put together the money or do some fundraising to actually keep those parklets. So, again, just a recommendation to these Councilmembers. Watch that consent calendar because it's so easy, especially with the attempt to remove public access from agenda review, to be putting things in the consent calendar such as \$100,000 increase over budget due to a lack of good planning on a contractor for the Bodega Avenue Project. There's another \$100,000 slipped in on the consent calendar. But the real reason I'm speaking today is because we have now had over a month and a half with zero reporting out from our Councilmembers because of a result of ending meetings early. Because of that we still have no idea for months what the result of the search for a city manager is. And it's really unfortunate that we are choosing to continue to have this process of having no actual report outs from Councilmembers on subcommittees as a result of ending our meetings early which is also restricting access to public comment at the end of the meeting.

Kate commented as follows: I'm speaking in regard to a written public comment I submitted in regard to the budgets for water and wastewater services and prop 218 compliance. It appears that the city might not be in compliance with Prop 218, which states that fees related to property related services such as water and sewer shall not be used for any purpose other than that, for which the fee was imposed. In the 2023 24 allocated budget, I found some charges allocated toward water and sewer which should not be in there such as non-departmental budget expenditures. Another public comment also lists charges that might not meet prop 218

criteria. Currently, the finance department allocates over a million dollars of their \$\$1.4 million budgets 71% of their total budget to water and sewer. There seems to be zero justification for this percentage of allotment. For comparison, the City of Napa lists around \$600,000 for water and sewer billing. The City of Napa serves over 24,000 accounts, so Napa is at least three times larger than Sebastopol, yet Sebastopol is paying and with double for water and sewer billing, Sebastopol uses a combined water and sewer bills sent every two months so that six cycles per year. So basically, we're paying over a million dollars per year for six bills to be delivered probably to about 3500 or 4000 residents. This does not make sense. I suspect that the Council has not been informed over their fiduciary duties regarding prop 218. As your the elected body that sets the rates, the Council has to work with the City Manager to make sure all expenses are in compliance with Prop 218. Is there a state or county organization that can help Council review these budgets? It seems this has not been formally addressed in decades and urgently need urgently needs to be reviewed by an outside party to help educate Councilmembers on this.

Linda commented as follows: I fully support what Kyle and Kate says. Welcome the Interim Fire Chief and asked what kind of living arrangements were made and if he lives here in Sebastopol, or if you're commuting or how much time you're spending here. Our local current leadership doesn't know what they're doing. Discussed possible bankruptcy by taking out a \$5 million loan because they didn't even know what they were doing because the corporations control the narrative, and they don't know what they're voting on. And so that's how we got \$2.2 million worth of wireless water meters, of which \$\$1.25 million of that went to shysterco. The Mayor didn't even know until six months after she approved the \$2.2 million that these water meters then to compound it and Vie Mayor bullied our last police chief into quitting.

Mayor Hinton responded to public comment as follows: So just to address a couple comments within public comment tonight. I am also I guess, sad about the parklet. I originally, of course, voted for the parklet and we invested quite a sum of money to come up with a design that meets Caltrans specs. And I'm disappointed that somebody on our planning commission did not learn about it through that process. But it in this fiscal spot we're in it has come back around and the decision was made to unfortunately remove it without merchants support at this time. So secondly, I appreciate the speaker talking about water and sewer. My recollection of that agenda item is that this full Council in 100% support sent that back to staff to analyze what we could do about sewer and water. And we are awaiting that item to come back and be discussed at length. So, until we have a report from our staff on when that item is ready to come back, we will wait and see. So, I do think we all received letters from members of the public. So, I appreciate Of course, hearing from the public about items like this so we can look into them. But tonight, I think we will just let the city manager take note and punt that to our staff that's working on that to return to Council.

CONSENT CALENDAR: The consent agenda consists of items that are routine in nature and do not require additional discussion by the City Council or have been reviewed by the City Council previously. These items may be approved by one motion without discussion unless a member of the City Council requests that the item be taken off the consent calendar.

The Mayor will read the consent calendar items; ask if a Councilmember wishes to remove one or more items from the consent calendar; and then open public comment to the members of the public in attendance. At this time, a member of the public may speak for up to three minutes on the entire consent calendar and request at that time that an agenda item or items be removed for discussion.

If an item or items are removed from the consent calendar, the item shall be placed at the end of the regular agenda items unless otherwise determined by the Mayor or Mayor Pro Tern.

Councilmembers may comment on Consent Calendar items or ask for minor clarifications without the need for pulling the item for separate consideration. Items requiring deliberation should be pulled for separate consideration and shall be placed at the end of the regular agenda items unless otherwise determined by the Mayor or Mayor Pro Tern. **No Items.**

INFORMATIONAL ITEMS/PRESENTATIONS: None

PUBLIC HEARING(s): None

REGULAR CALENDAR AGENDA ITEMS (DISCUSSION AND/OR ACTION):

1. Discussion and Consideration of Measures for a March 2024 Special Election to Include Discussion of Fiscal Emergency (Responsible Department: City Administration/Administrative Services Director).

Director Kwong provided background information on financial status.

Vice Mayor Rich commented as follows: This may not make a difference to everyone. But I see the deficit from the staff report as not \$1.6 million if we're going to round about \$1.7 million. So, I'm saying one \$1,677,000 plus some amount. So that rounds to \$1.7 million, is that correct? I want to make sure I understand the numbers.

Director Kwong commented that is correct.

Councilmember Maurer commented as follows: I'm looking at the budget and the estimated actual for 22-23. I'm looking at the ending fund balance, and it says it's \$3,527,889. But that would not include the \$1.6 million COVID. Grant, is that correct? Because this was finished in June, this was June 30, that this budget was completed. I'm looking at the consolidated general fund, the financial schedule is page 42 in the 23-24 budget. I'm looking at the ending unassigned fund balance, which is \$3,000,000. I'm looking at the staff report that says estimated end of the year reserve, and it's \$3.4 million. So, I know that the COVID money isn't in this budget in the 23-24. It started there, but I don't see it here at the end of the year in the staff report either.

Director Kwong commented as follows: The adopted budget has the estimate actual of 22- 23. This is prior to the COVID money. The first half of the COVID money was put back into the year that it was audited.

Councilmember Maurer commented as follows: You're saying that \$1.6 million is in this 23-24 budget? Because I don't see it. Does this include the \$1.6 million for COVID. The balance is more in this budget than is reported in the staff report for 23-24. If that doesn't include the \$1.6 million that just doesn't make sense.

Director Kwong commented as follows: I don't have the budget in front of me. But if you're talking about the general fund page, where when we were developing the budget, the first half of the COVID money was not part of the estimate actual.

Mayor Hinton commented as follows: Could you pull the page up so we can take time because we need to solve this. What I'm hearing is that the page she's referring to does not have that money in it of the \$1.6 Million. So that would make sense that if we took that amount, and it didn't have it in it, we would add \$1.6. It's that amount is not reflected in the staff report.

Councilmember Maurer commented as follows: I'm looking at the 23-24 budget, the estimated actual ending unassigned fund balance, which is \$3.527869 page 42 of budget. I'm looking at the staff report that says the estimated end of the year reserve, which should lose the \$1.6 million, but it's actually less.

Mayor Hinton commented as follows: On the chart displayed, it is listed in yellow at the bottom. That's the ending unassigned fund balance. What Councilmember Maurer is saying is that we got another \$1.6M and why is that number in yellow not higher.

Director Kwong commented as follows: The number that we're looking at is the end of the year.

Councilmember Maurer commented what is the difference? What caused the difference between that number and the \$5.1 million. The new ending balance of 202-23 is now \$5.1 million, which is a beginning balance of 23-24. But the staff report says it's \$3.4 million and is reflecting the estimated end of your balance. You are not showing, and you just said it out loud the beginning balance. So, what is the beginning balance?

Director Kwong commented that the beginning balance is \$5.1 M and then subtract the deficit for 23-24 to get to \$3.4 M. The ending balance after we take away our deficit for this year.

Councilmember Maurer commented as follows: How are the revenue estimates projected. How do you decide what the estimate for the revenue is? For the budget? 'd like to understand how these are decided upon. Was that budget committee who did that?

Director Kwong commented as follows: The one big thing is that there has been a lot of one-time revenue that the city has received. So budgeted conservatively for day to day, property tax, sales tax, UUT, TOT, those are based on historical receipts. The city doesn't know when we will see one time revenue, and we have been receiving one time revenue for a couple years.

Mayor Hinton commented as follows: Is that make up that \$1.7 million difference that Councilmember Maurer's referring to? And last year, how much of that was one time revenue? I heard her say, referring to a year there was \$1.7 million more in revenue than was estimated. And you just said it's because of onetime cash influx, I'm asking how much of the \$1.7 was one time money?

Councilmember Maurer commented as follows: I'm looking at the adopted budget for 23-24 in comparison with the estimated actual of 22-23. The revenue predicted for 23-24 is \$10.7 and the estimated actual for the year before, it's about \$12.5.

Mayor Hinton commented of that \$12.5 What was one time money.

Director Kwong commented as follows: The \$12.5 In the inner government revenue, there's \$970,000.

Vice Mayor Rich commented as follows: How about the \$1.5 million COVID Money was that in there.

Director Kwong commented as follows: The \$970,000 is the second half of the COVID and was not included.

Mayor Hinton commented there is basically almost a million dollars of which it was one time money.

Vice Mayor Rich commented as follows: I believe is in that money, the grant amount to the police department.

Director Kwong commented as follows: I was going to say in the miscellaneous revenue that was \$991,000, almost \$400,000 plus was from the one-time donation to the police department that's shown a couple of lines below in a governmental revenue.

Vice Mayor Rich commented is an additional separate explanation on for the difference between for this difference that's being discussed.

Mayor Hinton commented as follows: The \$1.7 money that came in that we didn't anticipate of it. And the \$400,000 plus was a gift to the police department because of somebody's estate and the other was COVID

reimbursement. That leaves us with the difference of the balance. That means we had about \$300,000 if we don't take one time money.

Councilmember Maurer commented as follows: So that's about \$11 million. We're talking we're looking at the estimated actual. That one time money as a differential \$300,000, approximately, because she's quoted \$1.7. I'm strictly looking at page 42. Are we just talking about page 42? Or are we now talking about the new preliminary, the new page 42? With the preliminary? You're saying that inter-governmental revenues in the amount of \$970,850? Is the one-time grant money?

Director Kwong commented as follows: Yes, that is COVID changing it. However the difference between the revenue and the estimated actual is \$1.7.

Mayor Hinton commented as follows: Plus, you also would take the grant of \$465,000, which went to the police department on a one-time estate planning donation.

Councilmember Maurer commented as follows: I'm looking back further into the budget further than just last year. There is evidence of under-predicted revenue that goes back. I still don't understand who predicts the revenue. That's what I'd like to know.

City Manager/Attorney McLaughlin commented as follows: I can address that question. Up to the time of the pandemic, everything turned upside down during the pandemic or finances went really bad. And, of course, most Council and most staff members working remotely. However, prior to that, on a quarterly basis, the finance director and myself met with our Muni services, sales tax advisors. So, four times a year, we would get information on every single one of our businesses in the city. And we would examine their profitability, business by business, and what sales tax they had generated for the city. So, it was part of that process, the only two people in the city that are allowed to look at that information will be the city manager and the finance director. So, working with our consultants at that time, we observed trends, for instance, restaurants, food services, grocery stores, etc., might be going up, we observe that trend. We compare it to other cities in the county, you see how we do versus them. And then the consultant gives us two or three different scenarios for forecasting future revenues. Basically, they're divided between optimistic, straight line, conservative, oftentimes, city staff will choose the conservative model for revenue forecasting. That's the way city staff look at their budgets. But then, three months later, you're taking another look at the sales tax proceeds that have arrived since then, was that way that way of projecting your revenues. Was that accurate or not. So, you can fine tune it on a on a quarterly basis. So, what often happened was what we've seen historically here, continue to have conservative forecasting. So often, our revenue receipts would exceed what we had forecasted them to be, you do not want to be overly optimistic when you make those forecasts. However, we also had a means of checking it four times a year, business by business within the city since the pandemic occurred. We did not do that for a period of time. And I am recommending that going forward, we return to that way of doing our revenue forecasting. I would say again, though, historically, our forecasting has been conservative, that I have since direction from Council to be more optimistic. That will be the way finance staff always predicted the future revenues. You do not want to overpredict those and explain later that the revenues did not meet your projections. So, hope that's a little bit more education. We in the period that you're talking about, Councilmember Maurer, they those were scrutinized four times a year.

Councilmember McLewis commented as follows: Just in line with what you're talking about with the Muni is that similar to HDL, the HDL sales tax updates. Do we subscribe to that?

Director Kwong commented as follows: HDL is similar to Muni services.

Councilmember McLewis commented as follows: How do we decide which one we're utilizing?

City Manager/Attorney McLaughlin commented as follows: Ultimately, I would say that'd be a City Council decision. But I don't think we have looked at that with the Council in recent years.

Vice Mayor Rich commented as follows: I, having been a member of the Budget Committee, not currently, but until recently, I can just share that my experience was that the information regarding projections, Councilmember Maurer was provided by our Administrative Services Director. And my understanding was that she looked at these numbers, for instance, on the operating revenue, the property tax, real property, transfer, tax, sales, tax all of these numbers, she looked at them and projected them based on the quarterly reports that she had available for historically. So that was presented to us on the Budget Committee. And she based her projections on those numbers. And then on the one-time amounts, if they were one time, she showed zero. So that's that was my experience being on the budget committee that we were given the revenue projections, and we discussed them and question them if we thought there was an issue, but that was how they came to us.

City Manager/Attorney McLaughlin commented as follows: I should comment again to make sure it's clear the description I gave a few minutes ago for Muni services is that they are for sales axes only.

Councilmember McLewis commented as follows: I was talking with an economic development expert, and they alluded to the fact they thought that Muni was much more conservative than HDL. Do you have any experience with that?

City Manager/Attorney McLaughlin commented no. I don't know the comparison between the two. I've never seen information about that. What we receive from any services would be several scenarios. And the consultant explains it to finance staff, and myself, what each different approach assumes sometimes you assume an economic downturn, or there's some other factor that the consultant assumes. So, working through those scenarios with a consultant, you choose the one that you think is most realistic, without being overly optimistic.

City Manager/Attorney McLaughlin provided additional information on the agenda item as follows: So last time the Council discussed whether there was a grounds for an emergency declaration of a fiscal emergency. The City Council discussed various types of special taxes, and also the subject of parcel taxes. We are directed to come back tonight with additional information concerning a possible ballot measure specifically for the March 2024 Election. So, we did that this evening. That's the information you see in the rest of your staff report, which is primarily stating another way, the same information that we provided for you last time about the legal requirements, Council vote requirements, etc., to place various types of ballot measures on the March 2024 election. What we have tonight that is somewhat unique addition to that, however, we have brought our legal adviser from Myers Nave, who is the attorney that we've been working with, as an advisor to the city staff in terms of procedures and issues related to the March 2024 election. So, the person that's here this evening from Myers Nave law firm named Skye Woodruff, is part of the meeting and can join the meeting. He has advised dozens of public agencies all over the state on revenue measures. He's worked on a number of tax measures. He has also worked on over 60 initiatives and referendums that have been the clients that have worked on within the state. He is a past offer, author of The League of California Cities, prop 26, and prop 218 implementation guides, as you recall from the discussion last time, some of the strange aspects procedurally that relate to the March 2024 election specifically come from applying prop 218 constitutional amendments to the existing state of California constitution. So, they've made some very specific requirements of what types of votes and more Councils need to do, to either place a general tax on that, on that particular election ballot, or a special tax or parcel taxes, which are considered to be special taxes. So, the person that helped us work through those, those

procedures last time is actually going to be here and is here at the meeting tonight to address any questions that the Council may have, as you go through your analysis. The way the staff report is structured is basically to discuss whether there are grounds for the Council to determine a fiscal emergency and to provide direction to staff on whether to place a ballot measure on the March 2024 Election. So that's specifically what this special meeting has been agenzized for. Mr. Woodruff is present at the meeting to assist the Council with that. He assists many agencies in those very questions. He can provide you with information tonight on various types of parcel taxes and what the requirements are for those. He has already advised us previously and can address again, this evening as you if you wish, the legal requirements, were placing a general sales tax measure on that same ballot, that was a subject the Council did deal with at the last meeting, but could take another look at so that he is here to make sure those questions are addressed here and now this evening. So, we can the Council could take action to direct staff, if you choose to do so you would have the information here available from the person that's got the answers. I did tell him he may need to address the general subject of various types of parcel taxes, what their requirements are, what they might be used for all those kinds of issues as the Council may request. He's here to address those.

Mayor Hinton commented as follows: Have we already addressed, or do we want to start with the address meant of the fiscal emergency? And if that is related? That doesn't necessarily have to be related to a tax measure decision tonight, correct?

City Manager/Attorney McLaughlin commented as follows: That's right. The question of whether the Council want would declare a fiscal emergency. That question is totally separate from the question about whether you would send a measure of ballot measure to the March 24, or any other particular election. Those are separate actions, and they have separate voting requirements. It's just because of prop 218 being applied to our California constitution, if you were in this particular election, March 2024, if you were to do a general sales tax measure, you would have to jump through the hoops of first declaring we unanimously a fiscal or other type of emergency, following which then there would be a separate vote on whether to send a tax measure to that ballot. And that's only for general taxes, a general sales tax measure. Again, he's here also to discuss whatever questions you're you information, you might want a parcel tax.

Councilmember Maurer commented as follows: Last week, when we met, we talked about four possible different taxes, but only two were included in the staff report. We asked for more information on two other taxes. So I just curious why those other two taxes were not brought back to Council. We asked for more information on both of those. They're not included in the staff report.

Mayor Hinton commented as follows: I do feel like staff told us they would take more time and they couldn't pull that together in a week, because we had to post this, so I didn't expect it tonight. I do think they're an option for the future. But I didn't see how they could pull that together in seven days.

City staff commented they are not in tonight's staff report.

Councilmember Maurer commented as follows: I just want to express my disappointment because I was here at the meeting. And I rewatched the video, and it was my understanding that we asked for all four items to be brought back. So just as far as I'm concerned, I'm interested in those items.

Vice Mayor Rich commented as follows: I do agree that but out of respect for Councilmember Maurer, I don't know if there's an opportunity to answer this question. But I have to ask, in regard to cannabis tax. Do we have a ballpark? Total revenue collected or some sort of prediction in terms of cannabis sales within our jurisdiction? Is

there a way to give us that information? I don't know if it's tracked. But if so, we could simply apply a half percent amount to those total retail sales. Do we have an idea?

Director Kwong commented as follows: The consultant that I talked to many services. They said that if you're looking at cannabis tax for 1%, you're looking at about \$50,000.

Vice Mayor Rich commented as follows: \$50,000 would be the potential revenue stream to the city from cannabis sales if we collected 1% of them.

Director Kwong commented that is correct.

Mayor Hinton commented as follows: What is typical of the other communities? I think I've heard three or two tossed around.

Director Kwong commented as follows: There's more to cannabis, we have manufacture, cultivation, delivery and all that. So, other jurisdiction like Cotati, they have from one to 3% and it depends on the type of cannabis. So, there's a lot more involved. Right now, it's just like a really rough ballpark of a 1%. You're looking at \$50,000 and the cannabis business, is softening. It will require more research to really know how much the city will get if we are going out for cannabis tax.

Vice Mayor Rich commented as follows: At least that's a ballpark and I believe Kari Svanstrom gave us a ballpark on the vacancy last week, and it was about \$100,000. I didn't mean to suggest Councilmember Maurer that a deeper inquiry isn't appropriate, but it just thought it might be helpful to at least have those ballpark numbers out there. It sounds like \$50,000 would be a ballpark on cannabis annually and reach \$100,000 would be a ballpark on vacancy tax.

Councilmember Maurer commented as follows: That's not really in line with what Cotati and Healdsburg are predicting to get, which were half a million.

City Manager/Attorney McLaughlin commented as follows: I understand Healdsburg was very speculative. They just permitted cannabis.

Director Kwong commented as follows: Discussed Cotati. From what I know they have about five. And we only have two.

Councilmember Maurer commented as follows: Those figures are part of the revenue study. Last page revenue study. They have five locations, and we have five locations is my understanding.

Mayor Hinton commented as follows: There are three decisions to or at least are mean to make tonight, fiscal emergency and then ask questions about these different sales tax options.

City Manager/Attorney McLaughlin commented as follows: I did warn Mr. Woodruff that we don't as a staff have experience in various types of parcel taxes. We have not done parcel tax measures in the past; they've always been general sales tax measures. So, he's prepared to address questions you may have on the subject of parcel taxes. Remember the chart we looked at last week, parcel taxes are always special taxes. So, they will always require a two thirds voter approval in for passage. Other than that, they're easier to procedurally to place on the March 2024 ballot, because they only require a majority of the Council to do. General sales tax is the one with the hoops that you have to jump through an emergency declaration for the staff report is set up where the Council

could address that subject again, the subject of whether the grounds exist to declare a fiscal emergency. So, you can do that, again, if you wish to reexamine that question. We do not this evening have any model resolution for you to do that with for final action. This would be in the nature of direction to staff, if you wish to visit that subject again.

Councilmember Zollman commented as follows: Are we going to kind of follow the outline that you suggested of considering whether or discussing again, whether we could declare an emergency finances.

Mayor Hinton commented as follows: I'm trying to figure out right how to go through the steps. Because if we don't have support for one or the other, like, why waste time with so. And we also have to hear from the public. So, I'd like to take this step separately, that would be my straw vote.

Councilmember Maurer commented as follows: I don't want to vote on it without being able to fully have discussed it. Because at this point, we're still asking questions. So right, before we go to a vote for a fiscal emergency or not, I have a lot more to say.

Mayor Hinton commented as follows: I understand. So, what I'm suggesting is that we might take them in separate subtopics. Hear from the public and then come back. So, we ask all the questions on the fiscal emergency, go to the public, then come back. And then then we move on to the sales tax stuff, when go ask your questions of the attorney, go to the public come back. Because we're not going to if we don't have the votes on the fiscal emergency, as we know, we can't even consider one of the taxes. So why talk about it all night?

Vice Mayor Rich commented as follows: In terms of the numbers that we have out here in the fiscal emergency, I just want to make sure I understand these numbers. So, I look at the numbers that you've put out there. And I see deficits going on, but unrelenting going on for all of the years that you projected. So, I just want to make sure that that's accurate, that we're looking at \$1.7 million this year, rounded up. And then after that, I think it ranges \$1.5 Million and above for every year through 29-30 is, am I accurate in that?

Director Kwong commented as follows: Yes, that's what being forecasted and based on what we know now.

Vice Mayor Rich commented as follows: We have never seen and just to confirm, we have never seen those sorts of forecasts where we have seven Years of deficits, there's always a forecast in the budget, right, but of seven years of deficit moving forward. This is unusual. Historically, because we've had furloughs and employee cutbacks in the past when you were here, when I don't think any of us were here. Have we seen these numbers before?

City Manager/Attorney McLaughlin commented as follows: We very definitely saw that in the 2008 - 2012 time period, which you may recall was a severe nationwide economic turned down or slow down. Our reserves dipped right to zero. And we were having pessimistic forecasts at that time. Without being specific, we did employee furloughs, and we were able to pass through that crisis. And then the revenue projections brightened considerably. And bars and restaurants took off, the Barlow opened. I mean, you can pick an event there, but none of them are decisive. But all those things together created a situation where our revenues were expected to literally increase every year. And in fact, they were increasing every single quarterly review with Muni services, we saw them going up, and we were very favorably compared to other cities in the county. Then the pandemic reversed our turn around. We have those regular those regular deficits going forward.

Vice Mayor Rich commented as follows: What I'm trying to figure out is total losses, and then subtract out what our current reserve is. What are we left with?

Director Kwong commented \$13.3M in deficit by 29-30.

Vice Mayor Rich commented we have \$5.1 million in reserves. I was going to say any possibility of more reserves, but you've already answered it deficit every year. So, then what does that leave us in terms of the amount of money going through 29-30 that we need.

Director Kwong commented \$13 million is the deficit and you don't have any money by July of 2025.

Vice Mayor Rich commented as follows: I think what you're saying I think what you're saying is that the reserves that we have now will carry us through fiscal year 25-26. And then on July 1 of 2026, that's when you're saying we have drastic issues, and if nothing happened, you can go through like this for the next two years. Based on the information that we have now, you run out of money by the end of 2026. You have about \$400,000 and still getting property tax, sales tax and all that UUT but you have to do something with the expenses to live within the collection of what that revenue as a whole. So, you're talking about drastic service reductions. Do we have a \$1.7 million projected deficit that we're trying to cover with that \$400,000?

Director Kwong commented as follows: Yes, and then after that, it just continues deficits, deficits into the deficit.

Councilmember Zollman commented as follows: Could we use the other expert that we have on the line to just ask him based upon his experience of reviewing other cities and what knowledge he has here? Whether we're missing anything, I don't want him to weigh in on whether he thinks we should declare or not declare, and is wanting to see if he could just weigh in to just say, are we missing anything? Before we have an opportunity to reconsider whether we do? Do the declaration of fiscal emergency?

City Manager/Attorney McLaughlin commented as follows: I just wanted to caution; we have not provided nor asked Mr. Woodruff to review any of our financial statements.

Mr. Woodruff commented as follows: Good evening, Mayor, Vice Mayor, Councilmembers pleasure to be with you. You know, I am not a financial expert and have not reviewed your financial but I will say that what I can share is that my experience is that I have sat with a number of Councils who've been situation that is similar to yours, where city staff and financial experts are telling you that that you're facing, have a structural deficit. And that has very typically been a foundation that City Councils have relied upon to declare a fiscal emergency and then proceeded to place a general tax measure on the ballot for an election that's not consolidated with the City Council election. So what I can say, based on my experience is that I don't think you're missing anything in terms of the experience that a number of cities across the state face, where they've had where they've been facing the same dilemma that you have, have projected structural deficits and a potential need for additional revenue and opportunity to place a measure on the ballot for a general tax priority and City Council.

Mayor Hinton commented as follows: You seem to have a little bit of experience of this fiscal emergency, it was asked last week by a Councilmember, is there a backlash or something negative about declaring a fiscal emergency for our city? Whether we move forward or not with a ballot measure at this time? We've had other emergencies homeless emergencies COVID emergencies, is there any detriment to declaring a fiscal emergency? Even if it's not necessarily going to be related, because we might not be able to prepare to vote tonight, or get enough votes to place a ballot measure? Do you have any experience, or do you have any feedback on that issue?

Mr. Woodruff commented as follows: It hasn't been my experience that there have been direct negative consequences. Backlash does depend on each community. But I have not seen any specific negative side effects or consequences for a City Council making the declaration and then not proceeding to put a measure on the

ballot. If the City Council does each of those cases, there was a similar record of the structural deficit, as I said, and the City Council did feel that that standing alone was the basis for declaration of an emergency. Reflecting back on it, I think that some of those Councils probably felt that it was never that the declaration alone was useful to highlight to the community, the economic traits that the city was facing and that the City Councils potentially going to be having to make some difficult choices about balancing revenues and expenses, and that the declaration served that purpose, even in the absence of revenue measure, and I have not my experience has not been to see any negative consequences results.

City Manager/Attorney McLaughlin commented as follows: I might also add that I have researched that this afternoon to see what other cities have done with declarations of fiscal emergencies. Those are used for other purposes. So, it is not uncommon for cities to declare a fiscal emergency. It depends on what use you make of it. Sometimes they are used to renegotiate with unions renegotiating existing contracts, things like that. It depends what use you make of it. But the elements in these other cities' declarations seem to be similar to the financial information that we have presently, before you. So as Mr. Woodruff was talking about, I think we are similar to other cities, which have passed declarations of fiscal emergencies. And none of those articles that I read this afternoon. Did I see any negative consequences? Again, it depends on what you do with that declaration. Some of them do things that are opposed. We aren't proposing to do that with ours, we are relating it to a ballot measure only. However, I think the elements do exist.

Mayor Hinton commented as follows: But not it doesn't necessarily mean need to be attached to a ballot measure.

City Manager/Attorney McLaughlin commented as follows: For a stand-alone action, it is used for many different things, not just to call for an election. It depends on what you do with it. Calling for an election does not have negative consequences in and of itself, either.

Councilmember McLewis commented as follows: Since you alluded to that was my question last week, what could there be for unintended consequences? Could there be but also, what other loopholes? Does it open up loopholes? How specific do you need to be in something like this to ensure that you aren't opening up loopholes that maybe not everyone agrees with, but then we're surprised later.

City Manager/Attorney McLaughlin commented as follows: You have to be specific; you need to make findings. That's a legal term for putting into your resolution, the basis for you deciding to declare a fiscal emergency. So, the discussion that the Council has had prior meetings about the structural deficit, and the other issues with our budget, those details are what you use in a resolution to declare a fiscal emergency. And in examining what was the situation in other cities, which have declared fiscal emergencies? Ours seems similar; is the point I'm trying to make.

Councilmember McLewis commented as follows: If I may ask just with the expert on with other cities, have you seen other types of loopholes that we should be aware of? We're talking about a fiscal emergency, but I've just seen in the past where, some Councils opened up a declared an emergency for something and then later on you find out that we could do this, or we could do that without emergency and the have unintended consequences. And it requires all of us to agree to it, but yet, the concern is agreeing to a fiscal emergency.

Mr. Woodruff commented as follows: I have not seen situations in which non city parties were able to use a declaration of fiscal emergency as a means to accomplish something that had a negative consequence for the city. I think again, to the point that that I, I was speaking mostly about declarations of fiscal emergency related to ballot measures, but I am aware that cities have used them for other purposes, including renegotiating contracts.

But those are all outcomes related to the declaration that our city directed I have not seen again, this is only my experience, but I have not seen situations in which a non-City party was able to use the declaration in a way that had negative impacts for the city.

Councilmember McLewis commented as follows: Discussed concern with creditors. I just want to explore this and make sure that there aren't any unintended consequences. Not trying to belabor anything, but this is a serious decision. And I think it requires a lot of serious consideration. So that's why I was just curious if there are any impacts with creditors or anything like that when you're declaring such an emergency?

City Manager/Attorney McLaughlin commented as follows: I didn't see any negative consequences. And again, it's how you use your declaration. It can sit there as evidence that you have a fiscal emergency, you could use it to renegotiate try and renegotiate labor contracts, you can use it to send a ballot measure to the election.

Mayor Hinton commented as follows: I assume we can use it to ask for money from the county. Is that true?

City Manager/Attorney McLaughlin commented as follows: You can point to it for any number of reasons.

Vice Mayor Rich commented as follows: So, my follow up question, which is actually hinted at by Councilmember McLewis. If we declared a fiscal emergency, would I just want to make sure that any action taken using that fiscal emergency would require City Council consideration and approval?

City Manager/Attorney McLaughlin commented as follows: Yes, of course, every action I just alluded to generally require the City Council to direct it.

Vice Mayor Rich commented as follows: If there is a declaration of fiscal emergency supported by the City Council, that doesn't presuppose any other future action, it can sit there as a declaration of fiscal emergency, and it doesn't automatically cause any, any next steps. Is that Is that right?

City Manager/Attorney McLaughlin commented as follows: Yes, it can sit there. No, it doesn't cause any other steps in and of itself. To be real clear. Again, City Council would have to take a subsequent separate action to do something with its declaration of fiscal emergency.

Councilmember Zollman commented as follows: Given the fact that this has now been properly noticed, this whole meeting has been properly noticed, then can we take a motion.

Mayor Hinton commented as follows: What I'd like to do is hear from the public on this fiscal emergency, we're going to take these in separate items. And then I think we can come back for comments, deliberation and a possible motion.

Mayor Hinton opened for public comment.

Kyle commented as follows: In tonight's packet, as well as being presented multiple times over the last couple of weeks here, we've been presented with these doom and gloom numbers, and we've regularly been beaten down with this statement of the facts that numbers don't lie. But regularly upon questioning, we find out these numbers are not regularly accurate. We're here tonight that sales tax revenues are regularly conservatively based, we're finding out that we're hundreds of thousands of dollars off of what our projections are, and looking specifically at tonight's agenda packet and the numbers that are being presented, we have this consistent revenue projection increase of 2% per year throughout the projected numbers, but then when you look at the

expenditures, it's bouncing off all over the place, we're talking about growth. You want to go ahead and just think up little numbers and percentages, you're going to go as far into debt as you want, you can go ahead and argue for whatever emergency you want when all you're doing is producing percentage of as increases year after year with zero justification for what those expenditure increases are actually going to be meaning actual line items, actual revenues, actual showing where these things are,. We don't have years and years of projected revenue expense expenditures that are happening regularly through this Council through some quarterly process. It's just that when it comes time that we're looking for a revenue growth rate, or some sort of parcel tax, or some sort of sales tax measure, we dig out these numbers and throw them out as being justification for going into some sort of fiscal emergency. So, unless you're going to actually produce evidence of where line item by line item, these expenditure growths are going to happen, and these revenue, reductions and growth are going to happen. I'm not buying it. And I hope that my Councilmembers will not make the decision based on what we've just seen is these Excel spreadsheets very limited over the last couple of years.

Lee commented as follows: Around noon today I submitted a revenue analysis to the city. I wrote a response to the background for this meeting, which was issued last night and worked all night on it didn't get posted to public comment. Hopefully some of you have seen it or will see it soon. I can give you a little bit of a highlight here in the next minute and 47 seconds. My background includes leading the forecasting department for one of the largest corporations in America. I applied principles widely used to do a proper forecast. These are similar to the principles described by the city manager tonight examine trends and revenue going back 10 years the date is in the adopted budget talking. I looked at data on economic trends that Larry mentioned, they're actually published in our most recent audited financial report for 21-22. The historical trends for sales tax, for example, had been around 8% per year increase. The audited financial report shows that retail activity in the city has been growing at 12% rate over the last three years. Restaurants, auto dealers, parts, suppliers, grocery sales are all growing at double digits. We're actually experiencing a bit of an economic boon Sebastopol coming out of COVID sales and use taxes growing at a rate of 8% a year over the last 10 years, but we're using a 2% growth projection for the next five years in this forecast, that is a dramatic difference. User tax, which is paid on our utility bills, everybody knows our utility bills go up like crazy. We're for they've been averaging 10 Plus our revenue from that has been averaging a 10% growth a year, over 10 years. And we're forecasting \$1.5M going out. If you just take this is really important stuff because if you just take and move three things property tax, either tax and sales tax up to trend levels, you suddenly have very management deficits, you turn positive in your fund balances and reserves never go below 20%. So, this is important stuff. We need to understand it, study it and make good decisions before you rush off and declare a financial emergency and start raising taxes.

Craig commented as follows: I've been on the Council before, as most folks know, I got off in 2008, luckily, right as the crisis hit, and we had a reserve. I've spoken to the Council about that before the importance of having a reserve. To me, it's so crystal clear. Look at the numbers. We've been looking at the numbers and looking at the numbers and clearly, we're running out of money, and we have to do something. Department heads have cut what they can cut. We have really cut down to the bone. We're a small city, if we want the services that we've come to enjoy, then citizens need to step forward and vote for a tax to pay for that. But we can't make a decision. We can't see if the voters want it. Unless you guys decide first that there's a fiscal emergency. So, I'd really like to urge you to do that. Regardless of whether you want about the tax or not, regardless, if you're on the Council and you decide you're not going to put the sales tax on the ballot, it's still a fiscal emergency, like make the declaration, it's clear that we're running out. So, I wanted to address that. And the cannabis issue came up earlier. So, I'm going to just take my last 45 seconds on this \$50,000, even if it was a 2%, tax or 3%, tax \$150,000 is nothing. We're not on the 101 corridor. That's why the taxes are lower. There aren't as many manufacturers as Cotati, certainly as other cities, so it's just, it's not going to achieve what we needed to achieve. So, start with a fiscal emergency, find common ground where you can go to the county come up with the other creative solutions

look to cut what you can see if you can find consensus on putting something on the ballot. I recognize that your staff have done a great job at preparing the numbers. We have a fiscal emergency, please make the declaration. Kate commented as follows: I just want to say that it's clear that these numbers are not necessarily accurate. I don't think there's grounds for a fiscal emergency. We also had the head of the Firefighters Association ask you at the last meeting not to put on a competing tax measure onto the ballot. As everyone is well aware, our fire services are in great flux right now and there is no clear path that is going to be resolved. That means that we need to be in a very good position with the rest of Sonoma County for fire services. So I feel that if the head of the entire Sonoma County Fire Services Association, asks you not to put a competing tax measure on the ballot in March, that the Council should be respectful of that and be good team players in terms of making sure that our community has the best fire services that it can have. And it's my understanding that there's been several times when the Sonoma County Fire Services ask cancelled not to put any text measure on the ballot in March 2024. In addition, this will cost taxpayers over \$70,000. That money should be going back into our businesses. If we lose 20% of customers to the internet. We need to revive sales through things like events, making our town square nice making consumer experiences nice investing in density housing, neuro downtown, there's many avenues that canceled could take to be much more proactive with our local businesses and helping to drive customers to our existing businesses, which would yield if we did 20% increased volume in the current businesses that would yield I think, more than a personal tax would and it would yield close to a million dollars.

Jay commented as follows: Thank you for going through this again this week. I have a question about sales tax. And I've been reading the city budget just now want to understand how Sebastopol receives sales tax for Internet expenditures. So, all of the residents in town when they purchase, I believe that some of that sales tax gets transmitted to the city. So, of the sales tax numbers in the budget, how much of it is in the city versus how much is coming online? And how has that been trending? Hopefully, we can get a little bit of more data to get into the revenue forecasting numbers as Kyle was asking.

Linda commented as follows: Thank you Kyle for your astute observations. I would just like to let you and Kate know, do a little bit of your own digging, it's easier than you think to get a grand jury investigation. I've done it myself years ago, but it's easier than you think. So, you just gather some information and then then present them with a complaint about this city and they will look into it. Otherwise, Lee, I thank you so much for your analysis. I'd like to let you know that Lee is like a former vice president of Pfizer. He knows what he's talking about and what he's doing. And so, I encourage everybody to look to see what he has presented to the City Council.

City Council Discussion, Comments, Deliberations, and or Direction to Staff:

Mayor Hinton commented as follows: For me, in one reason why I think I wanted to take these issues separately, because I kind of believe they are separate. I'll just say I believe we have a terrible fiscal emergency. And having sat on the Budget Committee for the last five years looking at those numbers in detail, not just at a Council meeting, not in summaries. I've known that we've had a structural deficit budget for some time, and we've been being bailed out by one time money. It's not to say that, that we might not get a little bit more than we're projecting this year. But I don't think it's going to make a difference against the deficit amount that we're dragging along. In is only going to go deeper. So, I definitely feel like we are in a fiscal emergency. Based on the projections, and based on my history, sitting on the Budget Committee for the last five years. I wish we had declared it sooner. When one-time monies are bailing you out, then you just you take them right like you're not turning them away. When somebody decides to leave the police department and the fire department money from their estate, we take it and it made our budget look good. But it's not something we can count on. That makes me very nervous sitting in the seat. So, I am willing to support a fiscal emergency as a separate issue. I do think it could assist us and some of the ideas that came from the current budget committee like asking Linda Hopkins for support for some of our community services, like the pool and the senior center and other things that we fund that people in the county take advantage of. Because if we truly are in the position we're in, I think it could be an advantage. I

just don't see it as a disadvantage. So, I will be supporting this tonight. It's hard for me to believe that we're going to be able to turn this around without doing something and I don't know exactly what that something is at this point. But I do know that we are in a fiscal emergency.

Councilmember Maurer commented as follows: Yes, I'd like to ask staff for this specific definition of what a declaration of emergency exactly means. What's the definition for that? Am I missing it is in the report somewhere. There is no definition in the report. So can somebody define what that is, then.

Vice Mayor Rich commented as follows: We don't have a draft declaration of emergency in front of us. But do we have I'm asking staff here because it might help Councilmember Maurer and it would certainly help me. Do we have an opportunity to share some sort of draft language with the City Council? And the answer may be no, but I wanted to ask the question.

City Manager/Attorney McLaughlin commented as follows: Staff has prepared a draft resolution for a fiscal emergency that has nothing related to an election.

Vice Mayor Rich commented as follows: To the extent that it would be useful for this group. Is that something that it would be appropriate for staff to share with us and with the public at this point, or read to us or something? And actually, I should ask Councilmember Maurer, because now I'm going off on my own needs, whether it's she feels that would be useful for her.

Councilmember Maurer commented as follows: I just think if we're voting on making a declaration of fiscal emergency, we should know some of the benchmarks for what does it mean to be in a fiscal emergency.

City Manager/Attorney McLaughlin commented as follows: This came out of a court case that discussed declaration of a fiscal emergency, and case was all about the use that was made of that afterward. But in the court doing its analysis, it went through the elements of what needs to be in what facts need to exist, in order for a City Council to make a declaration of emergency. Number one, the Council needs to determine that there is an actual emergency. That is to say something that has a high level of urgency, that requires taking care of something to notify, in other words, an actual emergency. Secondly, you need to show that the city has taken reasonable steps to address the problem prior to invoking its emergency. So that part of the declaration that you might be voting on, for example, would show the efforts the budget committee did, to have department heads reduced their budgets considerably, so that there would be less expenses. There, if you're going to take action based on that, you need to have a linkage between the emergency that you're dealing with in the action you take. I won't give you a list of actions. Some of them are you heard earlier, was to try to renegotiate employee contracts and the like. That's one type of action that cities have done before when they declare a fiscal emergency. Another one would be a subsequent action to place the sales tax measure on the ballot. That's another action that you take that is connected to the elements that made up the emergency in your declaration. And you have to consider any alternatives to declaring an emergency. Meaning there's some other way to reverse the budget short of declaring an emergency.

Councilmember McLewis commented as follows: I just wish that the Council had that in writing ahead of time instead of me scrambling to take notes.

City Manager/Attorney McLaughlin as follows: I just researched it this afternoon.

Councilmember McLewis commented as follows: I understand we're considering something so seriously; we need all information in writing and not on the fly.

Vice Mayor Rich commented on what is the actual reserve level.

Director Kwong commented that is 44.4%.

Vice Mayor Rich commented as follows: Discussed the \$5.1M. For the moment that goes into, that means the beginning of this fiscal year, we have \$5.1 million at the beginning of the fiscal year. At the end of the fiscal year, we subtract out the \$1.7 million rounded up. I think what I'm hearing you say is that then, in the prior end of the year number would be 44%.

Director Kwong commented in 22-23 it's 44%.

Mayor Hinton commented as follows: Do we know what this number would be? Because we can clearly see at the end of this year, we're going to be at 27.4%. We're also on a hiring freeze. Have we done any math about if we add it back? The positions that were on hold with? Because this is a number was bare bones?

Director Kwong commented as follows: In this number, we froze of the police officer positions and it is included in this number in the 27.4%.

Mayor Hinton commented as follows: Confirming there is only one position that is being frozen in these figures.

Director Kwong commented that is correct.

Councilmember Maurer commented as follows: My first comment is that, I believe, based on research of the last six years of budgets, that the revenue projections are chronically conservative. I went through all the budgets online, and I looked at the adopted revenue budget, compared to the actual revenue budget. So, you have to look sort of back in order to find it for and in fact that you know, just looking at these numbers, it starts to get quite dizzying. But so, in 2018-19, the revenues were under predicted by \$1.5 million; in 2019 to 2020, the revenue was under predicted by \$2.2 million and this is before the one-time COVID grants. So, I'm looking at this I'm telling you this because the definition of fiscal emergency says that we have to look at the facts to determine that there is an actual emergency. So, in 2020-21, it was \$1.7 million under predicted revenue in 2021-22 is \$1.4 million and last year, it's thanks to the \$1.6 COVID Grant was under predicted by \$2.8 million, which is leaving us currently with 44% reserves. I cannot honestly look at that and say this is a fiscal emergency situation. I appreciate that these estimates are conservative, but I think they're ultra conservative. And I think it creates a certain narrative that the city has got this narrative going that we're in a dire fiscal crisis. When I looked at and I added up from 2016 to 2024, I added up, including the \$1.6 million COVID grant, I added up all the expenses and the losses for all those years. There's a little bit of discrepancy, because in 2017-18, one report said it was a negative \$20,000 and another report said it was a positive \$215,000. So that's a little confusing. That happened again in 20-21. I don't understand why there's differences. But ultimately, what I want to tell you is what I'm seeing in the last seven years, is that there's been a deficit of \$200,000, roughly, that's really different than all these millions of dollars that were projected to be in deficit. So, I respect that it's staff's job to do their job and that is to say, we need money. And this is what we need. I understand there's a structural deficit. I fully understand we've got a lot of capital improvement projects that are waiting, like our roads, and water and wastewater projects. But it's my job. And I see it's Council's job to protect the residents. And that's what I'm here to do is to represent the needs of the residents and I do not see a fiscal emergency, I do not think at the end of this year, we're going to have a \$1.7 or \$1.8 million deficit, I do not believe that will happen. I think the revenue has been greatly under predicted. And so, I cannot declare a fiscal emergency because I don't think that the facts exist there. I think we've got right now in 44%. Reserve. I also know that we are taking a lot of other steps to reduce reasonable steps to try to reduce the

budget. One of the things I learned in this research is that not only was the revenue under predicted, but the department expenses were over predicted, and kudos to our department heads for conserving some of their estimates because they weren't using as much money as they said they needed. So, I would like I said last week, I think it's important to wait. I would be willing to wait and willing to reevaluate this after we wait and see what the budget looks like, say at mid-year. Is it really what we think it's going to be predicted to be? I think we can afford to wait.

Mayor Hinton commented as follows: As the Mayor in 2019, I was responsible for getting \$1.5M from the State of California that year for flood relief. So just wanted to point out that in that year, I know for a fact \$1.5 million was one time money that was not budgeted that came to our coffers. Thank the Lord because we really needed it at the time. It came in I believe in a couple of different payments. So, it might have spread over two years on, but Ana was here and those were again not budgeted one-time monies that dropped in because we had a flood. So do you remember where they spread over 19 and that fiscal year and 21 Mark Levine got us the money for the flood.

Director Kwong commented as follows: The \$1.5 came in at one time.

Mayor Hinton commented as follows: Just another example of one-time money and just want to point that out in those years you were commenting on.

Councilmember Zollman commented as follows: I do respect prior Councilmembers, our current Councilmembers going back in history and finding what could be considered inconsistencies represented in some categories and not represented and others, and the mere fact that you can go back and do it individually is one thing. But we are sitting here I am sitting here and from a fiduciary point of view, I feel like we need to trust the experts, and you might not like the experts. I happen to find the fact that based upon their years of examining the data, presenting the different budget figures, to different budget committees, that I can rely in trying to fulfill my fiduciary duty to the citizens, on staff. Having gone through the budget process with them, we went line item by line item, and all their explanations of why they were suggesting this or not suggesting that that all made sense. So, I'm at a point where I definitely need to exercise my fiduciary duty. And my fiduciary duty, as I understand it, and appreciate it, is the fact that we cannot wait that we have to go in March, putting this off to a potential mid-year, which my understanding is we're not even having a mid-year is dangerous in the fact that that'll mean we consider something in the fall, which means we won't get anything until the next year, which is 2025, which is actually 18 months away from when we fall off the cliff. Seriously. So no, I am not about waiting. I'm not about hoping. Contrary to what we've heard from the public, while one speaker anyways, numbers do matter. If you're going to sit and spend all the time that we did, you had the opportunity to do it. The budget tapes are there and asking questions at that point could have been helpful. But nonetheless, we are where we are, we need at least I need to exercise the fiduciary duty of bringing in money. Plus, I also appreciated what Larry just said today, what we do with it matters. I think that if we cannot reach consensus tonight about declaring unanimously a declaration, then yes, I definitely think we should use that declaration with what we have to do, which will all be ugly. I don't really want to get into the specifics. Nor should I. But I think people can put together connect the dots that you either bring money in, or you cut. I think attending regional board meetings are very important, because you get perspectives. You could ask questions of other elected throughout this entire county. I just did that on Monday and the Mayor of Cotati was your analysis is absolutely correct. You either bring in the money, or prepare to do ugly things, meaning cutting your expenditures, and we can all fill in the dots. So yes, I am fully in support of declaring the emergency.

Councilmember McLewis commented as follows: I just wanted to say that, at this time, I also cannot support a declaration I appreciate nothing has changed for me from last week. I appreciate Councilmember Maurer's

analysis of that I'm not denying that we likely have financial issues, but I don't have faith in all these numbers. It's shifted so much. My own intuition tells me right now that it's just I can't vote on something that I don't feel solid in, and this is a huge decision. This is that we're declaring an emergency and when declaring an emergency, I think you need to do it on a factual basis. The data shifts too much for me, and at this point, I just can't support it. I just appreciate Councilmember Maurer's looking back at all of the different numbers.

Vice Mayor Rich commented as follows: I'm very aware of where we are fiscally. I am completely convinced that we are facing a fiscal emergency. I actually am. I appreciate Councilmember Maurer's deep dive. I've done that too. I've done it for years. I know these numbers and I actually have checked in with our administrative services director to double check my numbers and have conversations with her. I think that's a very important step for all of us in order to make sure that we coordinate with staff. The numbers completely persuade me, without any exception. Focusing on just changes in revenue doesn't help us in terms of projections, there have also been changes in expenses. Looking at the net is very important; we can see forecasts in the budgets that Councilmember Maurer has been referencing. There are substantial net losses, deficits, as we look at that historically, if we focus just on 18-19, through 20-21, or even to the present, the problem is, when we're looking at a very unique period of time, with one-time deposits. I am confident in the analysis that we have from our staff, and from the experts that we have paid valuable money to, to provide reports to us. I am not going to be persuaded by despite the fact that I'm impressed by an individual who speaks to us and after a long night of examining numbers, I'm not going to be persuaded by individuals. I don't think any of us should. I've done all sorts of analysis, but I would not expect my City Councilmembers here to rely on my analysis, I would ask the City Council here to rely on staff and to rely on what we have heard from them. So, my perspective is I've heard the numbers. I just I cannot fathom even if we look historically, maybe other monies that have come in at certain times, I cannot fathom us coming up with \$1.7 million this year, or \$1.5, next year, or \$1.7. the next year, and the cumulative impact is huge. Yes, we're in a fiscal emergency and we have very little time to stabilize ourselves. I also think, as I look at my City Councilmembers here, a fiscal emergency. This is something that I personally could bring to Mike McGuire, I personally, all of us could bring to Linda Hopkins, we could bring to other people and say to them in support of various efforts that we want to engage in consultants. We hear about consultants all the time, various other people who we want to engage in with our city to be partners with us. And we can say we are in a fiscal emergency, we all agree, we could then go ahead and say no, we're not going to do a sales tax. We're not going to, but we would have that declaration to bring benefits to our town. I think our experts said to message to the community, this is dire, please pay attention to us. Maybe that helps our business. Yes, I feel this is a and yes, I'm emotional about this. I am emotional about this because I completely respect these amazing people here, every single one of them. And, but I really respect our town, and my heart is for our town. And my brain that is very, very analytical tells me everything. My brain, my heart, my instinct, everything tells me my experience as a lawyer, my deep dive into the budget, my conversations with Ana Kwong my conversations with staff, everything, everything tells me this town is in a fiscal emergency. So, I am 100% fiscal emergency, and I and I wish I wish there were support for it.

Councilmember McLewis commented as follows: I just wanted to clarify me expressing support for Councilmember Maurer does not mean that I checked my brain cells at the door and I'm not using my own analysis to look at this and make a decision and I don't appreciate that insinuation, or the gaslighting. I've made this decision based on a lot of different things such as my own experience of decades of experience in doing budgeting. I just don't like that insinuation that somehow I'm just trusting one Councilmember, but I do appreciate the time that it takes in in checking on that. I just want to clarify that I'm not just making a decision based on someone else sitting here. I've done my own analysis. I've done a lot of reading this week. I also listened to our residents, our citizens who are also well educated and have a lot of experience with budgeting. I've spent a great deal of time doing that. So just to clarify here when I'm making this decision. It's based on a lot of experience, and I just appreciate the amount of time that was put into it to look back at the numbers.

Vice Mayor Rich commented as follows: Thank you Councilmember McLewis for making that statement, because I want to make it clear that I do not conclude that any one of us sitting here make decisions on anything other than our own experience in our own knowledge and our own hearts and brains. So, to the extent that I communicate that that in any way, Councilmember McLewis, honestly from my heart, I apologize sincerely, that was not my intent. I thank you. I mean, honestly, honestly, I really thank you for saying that. So that that could be out there. So, thank you. I have great respect for you. I apologize.

MOTION:

Mayor Hinton moved and Councilmember Zollman seconded the motion to direct staff to return with a Resolution for a Fiscal Declaration of Emergency.

Mayor Hinton called for a roll call vote. City staff conducted a roll call vote.

VOTE:

Ayes: Councilmembers Zollman, Vice Mayor Rich and Mayor Hinton

Noes: Councilmembers Maurer and McLewis

Absent: None

Abstain: None

City Council Action: Approved Direction to Staff to Return with a Resolution for a Fiscal Declaration of Emergency. Minute Order Number: 2023-254

City staff clarified that the motion was to return with a resolution for declaration, but the motion was not sufficient to call for a fiscal emergency of a unanimous vote to bring a sales tax measure (50 plus 1) to the electors.

Mr. Woodruff commented as follows: I would view that as a valid vote to bring back a declaration with the understanding that if the vote can continue to be three- two, it would not be sufficient to support a general tax measure at the March ballot. But if Council wanted to adopt the declaration for other purposes, that would be returned to the next meeting.

Mayor Hinton commented as follows: Based on the vote, and I believe the polls straw from before and where we sit tonight, then we also do not have the votes to put a sales tax measure on the ballot. So, the only item we would move on to talk about would be the parcel tax tonight.

Mr. Woodruff commented as follows: A parcel tax measure would only require a majority of Councilmembers (three of the five) to place a special parcel tax ballot measure on the March 2024 election.

Mayor Hinton called for a break at 9:12 pm and reconvened the meeting at 9:17 pm.

Mr. Woodruff commented as follows: A special tax of any variety does not have to be consolidated with the City Council elections. So, it can appear on the March ballot. Any type of special tax sales tax for parcel tax can appear on the March ballot and unanimous declaration of emergency is not required for either those. This is a provision of the Constitution that was originally added by Prop 218. It just says that a special tax it basically what it says is a general tax has to be consolidated with the City Council election. special tax does not. But just to expand on one point, there is also a quirk in the provisions of the revenue and taxation code that authorized cities to put local sales tax measures on the ballot. And that provision of the revenue and taxation code requires two thirds of the City Council to put a special sales tax on the ballot. It's just a statutory provision but a parcel tax only requires a simple majority of the City Council. To make that sufficiently clear to move on to the next two thirds requirement

means for this City Council four out of five okay. He also discussed types of special taxes: Difficult to keep track of but the constitution defines a special tax as one where the revenue from the tax goes to a specific purpose or purposes that that's defined in the tax. So, there are a lot of procedural requirements that are different between general taxes and special taxes. I know we'll be talking about them some more. But fundamentally, the only technical difference between a general tax and a special tax is that, legally, a general revenue from a general tax can be used for any legitimate government purpose, the revenue from a special tax has to go into a special fund. And it can only be used for the purposes that are defined in the measure that is approved by the voters, you can define the range of services to be extremely broad, so that it would essentially cover almost anything that a city would want to do. There is a city in Marin County, I cannot remember which one that has what is generally referred to as, as a general purposes parcel tax, which is a special tax. But that's really the only difference is that the legislation has to define specific purposes for the use of the revenue. So, these different types of taxes were what differs is what's being taxed. Many of them can either be a special tax or a general tax, what changes it from one category to the other is whether or not the uses of the revenue are restrained. The one that is not in that category is a parcel tax, because there's also a provision of the Constitution, that that effectively makes it such that a parcel tax has to be a special tax. But for but for some of the other taxes that have come up tonight, a tax on cannabis sales in the form of gross receipts, tax sale, a local sales tax, a business license tax, a transient occupancy or hotel tax, the utility users tax, all of these can be either a general tax or a special tax. What determines whether it's general or special, again, is only whether or not there are legal limits on the use of the revenue. So, for example, there are a number of local sales tax measures out there that are special taxes. And the revenue is dedicated to things like street repaving, public safety, capital, other capital projects, it's still a sale, a local sales tax measure. But it's not a general tax because the measure that was approved by voters restricts the uses of the revenue. Hopefully that helps, but I'm sure there are additional follow up questions

Vice Mayor Rich commented as follows: I just want to make sure I understand what the what the am I correct. And I don't know who I should ask this question of either staff or Asr consultant or expert who's on the line here. To pass a special sales tax tonight. Would we need a four? Would we need four of our five Councilmembers to support it? And then to pass a parcel tax? Would we need three of our five Councilmembers to support it?

Mr. Woodruff commented as follows: That is correct. For a special sales tax four out of five Councilmembers to put it on the ballot for a parcel tax, three out of five Councilmembers to put it on the ballot.

Mayor Hinton commented as follows: I think we should continue to follow our pace. And when we need a fourth fifth for sales tax, and a simple majority for a property tax, then I think we should talk about a sales tax first. And I want to call on any questions regarding further questions, because we have an expert on the line here. That we would want to ask about a sales tax measure and then I think we should go to the public and then we should come back for comments. So, watching time, let's ask any additional questions of our expert here about sales tax.

Vice Mayor Rich commented as follows: My question is for the particular sales taxes. Let's start with the half percent. Can you remind us I know it's kind of summarized in the staff report, but please remind us for a half percent sales tax, what the revenue stream would be for the town. And then same thing with a quarter percent sales tax.

Director Kwong commented as follows: A half cent would have been \$1.6 million.

Mayor Hinton commented as follows: What is the typical? And then what is maybe the shortest? What if we were to do a measure? What would be the recommendation if we were to do maybe a shorter term? I mean, we haven't talked about terms either, you know, in this. So, what's your typical recommendation or experience? Have you seen any short term tax measures done? And what was the shortest and what is typical?

Mr. Woodruff commented as follows: I'm happy to give you my experience with this. I have seen tax measures including a sales tax measure as short as five years. The I've also seen them with no with no automatic sunset date. So, then it's up to the Council and the voters to decide when to terminate it in between there. I don't know that there is a sort of a typical timeframe. If the tax is being tied to funding capital projects where there's expected to be borrowing, you'll often see the sunset tied to the repayment of the debt. So, 30 years, and then for other time periods, I'd say probably 10 to 15 years is pretty common seven to 15 years sometimes as well.

Director Kwong presented information on revenues from taxes as discussed at a previous meeting.
Quarter cent sales tax: Estimated that it's 806-830-1853, and so on and so forth.
Half cent sales tax: Estimated at \$1.6M

Did I see you have that projected as revenue coming in, in fiscal year 2425? Is that a one quarters amount? It's a smaller amount in that fiscal year. Is that one quarter and when is it effective.

Director Kwong commented that is correct; however, when this older staff report was written, it was to go for the ballot measure for November of 2024. If it's going to be on the March election, the consultant told me today that it will be effective July 1.

Vice Mayor Rich commented it would have a money of a full year in in that fiscal 2425. Director Kwong commented that is correct.

Vice Mayor Rich also discussed the escalator and also questioned can someone give us some perspective on whether looking at the numbers accepting the numbers, whether a shortened sales tax measure would be a good idea, any advice from staff to go? And actually, let me complicate the question by saying, keeping in mind the Business Roundtable provision that may require a sunset clause, any input on a sunset clause or not.

City Manager/Attorney McLaughlin commented as follows: I believe if you don't have a sunset clause in the Business Roundtable passes, we need to do it with a sunset clause. So, we would recommend you have a sunset clause.

Vice Mayor Rich commented as follows: Do you have any recommendation for the period of time, given what we heard from our expert here?

City Manager/Attorney McLaughlin commented as follows: I don't think we have a recommendation, but I've never been in favor of Sunset clauses.

Mayor Hinton opened for public comment:

Kyle commented as follows: So here we are, again, week later, again, discussing an unpopular sales tax that this Council has repeatedly indicated is not something that they will be in agreement on. And in we're continuing to spend massive amounts of time discussing the potential for sales tax that this Council has repeatedly said they will not agree on. I think that it would be great if we are going to explore it something like a sales tax, leveraging and using some ingenuity and creativity as to what types of ways that you can generate revenue through some form of taxation, that is indirect is directly connected to the services in which you are planning on providing. So in my mind, General Sales does not directly connect to specific CIP projects that you're working on. What does gasoline taxes like charging for some sort of taxation on electric Evie charging, right who are using our roadways but are

not contributing to gasoline taxes, making changes to your waste management system that is putting damage to our roads with these massive vehicles that are driving around? There's no indication that any of that has been considered into the cost of waste management to our city, how our roads being paid, paid for by the damage by waste management and other operations. So, if you want to continue talking about sales tax, by all means, but as we continue to hear it is not something that this Council is interested in doing. And yet week after week, we keep on getting pushed into the direction of a sales tax measure that does not have the support of this Council.

Lee counted as follows: I'd like to take exception Councilmember rich dismissing my work to help the Council understand the issues with revenue forecast. I think you should be more welcoming to public comment. You should value expertise that exists all over the city. I frequently talk to experience of other experienced people that, and wonder why they don't participate in the city why they don't offer their services in their help. It's all over the city. And many of them just say, and I think I'm learning now what their rationale for that is. It's really probably not worth the effort. As far as sales tax. You don't have the votes. This is the fourth or fifth time. I think that we've had a meeting time spent on this. One of the challenges this Council has is using the precious time that they have to focus on the problems that we have in the city, where the water and sewer are in a crisis. It's actually beyond a deficit. It's approaching if the predictions are right, at the end of this year, you're going to be borrowing money from funds or from the bank to keep the water and sewer operation solvent that needs to be addressed. And it's going to probably, I mean, taxes could be an option there to help fix the problem. I've submitted a public comment to that regard that isn't appropriate for this meeting tonight. But the fact is, you probably only get one shot at it at a tax initiative. I don't know how often citizens will step up and, and, and approve successive taxes. So, you really should be approaching this with an overall strategy. What do we need for infrastructure for water and sewer? What do we need for infrastructure for the city? What do we need for the general fund in terms of revenues? And what are the options? There should be an overarching strategy to this and not just this, let's rush and get something onto the March ballot?

Kate commented as follows: I just want to say that this sales tax measure is wildly unpopular, there's no way it's going to pass by two thirds vote. There's no support for it within the business community. And this is yet again, Council just wasting time because some members of Council don't want to listen to their colleagues on this issue. And they also are not listening to members of the general public. And I've been watching Council meetings for several years, and I've seen counsel make terrible financial decisions over and over again. And this keep pushing and bullying towards the sales tax is not it's once again another waste of money. And it's a waste of everyone's time. So, would appreciate it if Council would use the time that they have more efficiently, listen to their colleagues and also listen to the public. But at this point, we're back into another November crisis right before Thanksgiving, which is the third time I've watched this happen. And it's unfortunate that the attorney on the call has been privy to watching all these quote unquote, emergencies that seemed to happen the weekend before Thanksgiving or the week before Thanksgiving. But they've happened consistently for the last four years. This is not an emergency; we do not need a sales tax. No one supports it, except for Craig Litwin, who has been a paid consultant before and I think might even be paid to consult on educating quote unquote, this the community on a sales tax.

Linda commented as follows: I said at the beginning of this meeting that the current Council leadership doesn't know what they're doing and so that they've spent the entire meeting tonight demonstrating you know that I'm right. So, I am in total agreement with hate, and we leave you need to be listening to Lee and the rest of us. We have managed, you know with profits, probably a multibillion-dollar corporation. He knows what he's doing. You need to listen to the rest of us to this, any kind of taxes are not going to pass. And so, I'd like to know how much money just flowed away tonight, so to speak, you know, like with the hundreds, possibly 1000s of dollars Where's Mr. Woodruff? Consultation for all this, this is more wasted time how much it would cost for the special election, which is not going to happen. People are not going to be voting for more taxes. The way you need to increase

revenue is it is just so simple. And it's been done before. Our well-loved fire department and our well-loved police department, have been happy recipients of six-figure donations from the public, which loves this town and loves our safety departments. Make it easy for people to donate to fire departments or whatever the needs are in our police department and people be more than happy, I'm sure help support this town that everybody loves.

Craig commented as follows: I guess I'll start by saying I'm not a paid consultant on this. So, I'm here as a citizen. But it's I appreciate the name ID. So, the big thing I want to mention is on the taxes, I mean, we're not going to get enough votes for March. Okay, that's kind of clear. But it's important that you say where you stand. Because this is a moment in history where you're going; what you are deciding, are you going to take appropriate action at the appropriate time, and now is the appropriate time, I do support that I think you should move on the tax as soon as you possibly can. I do respect what the other speakers are saying. And I get it, you know, like, let's look to cut costs, let's look to be as fiscally prudent as we can. But factually speaking, running government takes a lot of time and money. Just look at the bike lanes, for example. You know, I was working on the studies, when I started in 2000. They didn't get put in until a few years ago, or a couple of years ago. I mean, it was study after study, you know, we would apply for grants, we would pay consultants, we would have had to go to Caltrans these things take time. Well, if we don't act on the tax now, if we don't act on the tax for in 2024, then the next bite at that Apple is June 2026. And that's too late. I mean, that is literally too late. So, we're looking at a 2024 solution, if we're earnest in our efforts to raise more funds. Now, again, we I agree, we do need to always look at where can we cut funds, where can we be more efficient, but I don't think we can cut our way out of this. It seems that, you know, I like the services we have I want to see the roads get improved. And it's true water is an issue and looking at this globally and thinking okay, how do we raise more general fund money. So, we have flexibility to step in where we need to as a city to look at the whole, I think is a critical first step.

Phil commented as follows: I just want to support the fact that it's not mutually exclusive to both; cuts are difficult; and may be a need to raise taxes as well as seek other forms of revenue. So, I think it's prudent to certainly go after a small sales tax that most people living in Sebastopol will see because people passing through will also participate in that tax.

Mary commented as follows: I think that this is a waste of time. Secondly, I would like to see a little bit more respect from some of the Councilmembers. And third, I would like to know how much money the taxpayers have spent on consultants for this sales tax or the parcel tax.

Michael commented as follows: I started from on City Council from 2016 to 2020. We all went to the new mayors and Councilmembers association there, the seminar that they had one of the seminars was a half day seminar on city finances. They clearly stated that the moment that a city even mentions their reserves, that it is time to tighten up the budget and really come up with a plan to cut back to spending. Well, that happened in 2017. And I brought it up at the Council meeting. And I said, look, this is what they taught us. And lo and behold, they're right, because City Council, and staff just continued spending on consultants and every which way without any plan to, to curtail that spending. And so now here we are in a fiscal emergency. And I honestly think that the next step is we should file for chapter nine bankruptcy, because then you will be forced by the court to come up with a plan on how you're going to come out of this. Because absent the plan, you know, we're just going to keep going, and then you know, we're going to have a, a, when the tax is over, then you're going to just going to have to redo it again. And you're going to have to find more ways of revenue. So, I think that the best option, honestly, is we need to do the fiscal emergency and file chapter nine bankruptcy and come up with a plan of adjustment that's required by the court.

City Council Discussion, Comments, Deliberations, and or Direction to Staff: Sales Tax

Mayor Hinton commented as follows: I am going to address a couple things that the public mentioned. And I'm going to roll it into my comments on this part of the discussion. And then hear from we'll hear from everybody and then appropriate will, somebody might make a motion? Why are we still talking about this? We've heard about this. It's funny, because at the last meeting, I heard we didn't post in time. And we were advised by our city manager that we couldn't take action, which was part of why we set this meeting up. So, I just it did come before and I helped co-author of the agenda item in the summer. It's come back from our budget subcommittee. And we were advised we could not take action because of the lack of posting time last time. And that's where we are today. So, I think we are really taking this seriously and being very responsible. It's obviously a very hot issue. And it's a serious issue. super serious issue. I'm going to roll into my comments. I supported this in the summer, and I continue to support a quarter cent sales tax. It would not put us above Petaluma, and I believe one other jurisdiction although I can't recall it. And last I checked Petaluma as merchants are doing pretty well. I don't think, as I've stated before, that the average person is going to notice a 25 cent in their \$100 purchase sales tax. And in fact, although we've heard from a lot of the public tonight, I did host lunch with the seniors as mayor on Thursday, and I spoke to every single table about this measure. And those people urged me to support the sales tax measure. They said they didn't mind paying it. Their seniors. So, they say they don't shop a lot because they own a lot of stuff up ready, and that that would not hurt as much as other things we could consider. So, while we do hear from some members of the public and I'm not meaning to disrespect those members that come out to the meetings, we do talk to our friends and neighbors and a lot of other people in town. And I have not heard I've talked to merchants as well restaurants new restaurant on Main Street where I had breakfast, and the owner was very supportive of this. Basically, said the town needs it. He has businesses and other cities like Santa Rosa, and he understands he loves this town. So, I'm going to support this tonight. And it is also true and may not have the votes, but I'm going to support it because I believe in it. And I believe, as I've stated before, it would spread the load amongst the people that come in and shop and use our city services. And I don't think they would notice, it would not put us as the highest tax, which has been a concern in the county as far as the sales tax goes. And it would help us raise maybe not everything we need. But as is pointed out tonight, I mean, we may be budgeting too, conservatively, but I feel like we need to do something. So, I'm going to go ahead and put that out there.

Councilmember Zollman commented as follows: Yes, when we went through this exercise before, and we actually had polling done of the community members, the numbers actually did pan out that they would accept, and apparently, they would be happy with paying the half percent, I think the half percent given where we are is something that as we've heard from a member of the public, you need to state what you need to state now about where you're at, I'm still at the half percent, in the fact that it would be, as the mayor said, 50 cents, 50 cents on every \$100 spent, I feel like that would definitely be the quickest way to bring us to hopefully a balanced budget sooner rather than later, which I think we can all appreciate, especially those of us that have property here, I think that we understand it can connect the dots. So, I'm definitely in favor of the half percent. But if we could even get consensus or the numbers that we need, I'd be happy to go down to the quarter percent. But yes, I do think as the mayor said to it as an equitable way, so that we don't have to result in a parcel tax, because if this goes the way it went, last time we met, we won't have the numbers, and we'll end up with a parcel tax, and the parcel tax only takes three of us. So I'd rather not have to get us there. But that's the reason why I'm making the pitch now to not have to do parcel tax, which would land on the property owners and have it be more equitably distributed through the sales tax.

Mayor Hinton commented as follows: I would just add that I would support five years also. So just a heads up on that. I think, I think that would help us really see whether, you know, whether we really need it or not. But we could reallocate the money to things like roads and water, which we know we need.

Vice Mayor Rich commented as follows: Number one, we, I have been approached by many, many people. I respect the, the, the voices, and I especially respect those, the fact that people are coming to the meeting that come in, people are coming. So, I respect the voices that we've heard that express concerns and hesitation about any sort of attacks, but we're talking to sales tax right now, whether from other Councilmembers, or from the public, or from anyone who approaches me in the grocery store anything. I'm here to tell you. There's a lot of people in support of a sales tax. So I have been approached by a group of citizens that are we ready and willing to step up and do a Citizens Campaign Committee in order to bring a sales tax to our voters and make sure that they're educated and informed. And they include at the moment, Craig Litwin, who has agreed to be part of that, and does have expertise. I actually think that's quite an advantage. Sarah Gurney, former City Councilmember Una Glass, former City Councilmember, Kenyon Webster, former city employee and very knowledgeable about numbers, Craig Boblitt, established business member in our community. And I will tell you also that others in the business community have approached me and are very supportive of a sales tax and argue that the distribution of the amount that needs the distribution of 50 cents per 100, and I would be in favor of a half percent 50 cents per \$100 to support and provide a really effective solution to are you look at the numbers \$1.6 million to our fiscal situation. They're in support of it. They see it as a solution. So, these are real people who have stepped up and said yes, and I do have other people who have emailed me, so I just want to balance that out. This is not a waste of time. This is not you know, bullying I heard at that word, this is not about dismissing the comments of the public. This is about listening to the public. We don't want to be here unless there's a purpose to it. So that's my first point. And my second point is that in terms of why, in principle, deep in my heart, why would want to see this come to the voters? I am. I will support a parcel tax if I have to, but I don't like it. I don't like the idea of our property owners carrying this on their backs when it could be distributed amongst people who come through our, to our retail outlets, not grocery stores wouldn't cover that. But retail outlets and restaurants could be distributed evenly. I think that's fair, don't like the parcel tax, where it's going to be, you know, every person who owns property and it will be spun off to renters. Let's recognize that. I see it as a full solution. And the reason that I think that we should allow the voters to decide is because I think we need to let them speak. I don't think we sitting here should determine predetermine what our voters are going to feel about a sales tax. We have a talk about lack of apathy, we have a very engaged public here. We have a balanced look, we've got three people who like it, and two people who don't we've been approached by an equal number of people who, who feel one way or the other. We have a fiscal, we have a fiscal emergency. So why not bring it to our voters? Why do we prevent them from having the opportunity to say yes, or no, I think it's a let the Speak people speak sort of moment for us here. And I don't think that we should prevent them from expressing their opinions. And I don't think we should dismiss the opportunity to do everything we can to educate them, to inform them, to make sure that when they vote, they are fully informed. And if they vote no, then we respect that. So that's my reason for supporting this, I would go for the half percent, because I think we need to, in my final point, we need to partner this with the fire tax, a half percent sales tax, that that covers our issues, plus a fire tax that infuses money into our fire services. It is amazing for me, personally, just me. Amazing wraparound solution.

Councilmember McLewis commented as follows: My stance has not changed since last week, nothing's changed in a week. The reason I don't think we need to bring it to the voters is because we haven't properly put together a plan for how we're going to spend this money. And not just that we don't even know how much money in hole that we need in order to take care of all of the infrastructure issues. And I mean, I could do a laundry list. I've said it last week, we don't have all of that together. And the absence of that. I'm just not comfortable asking taxpayers to pay more money without a true plan for what we're going to do. I mean, the absence of a plan is confusion. And I've seen in the past, having watched the Council for so many years, and I understand, you know, there's three of us that are new, I've just, I've seen pet projects, money spent on things that, you know, we're in this position, because money was not spent on the things that they needed to be spent on in order to take care of our city and our infrastructure and, and all of the laundry list of things. This didn't just happen overnight. I've watched this for eight years. So I just I am not comfortable bringing it to the citizens until we as a Council have done the

proper work that we need to do to actually come up with a plan and, and some type of messaging for this, the citizens for how we would spend this money, otherwise, it's just collecting money. And honestly, this money isn't even going to make that a huge dent in the issues that you know, the lack that we have right now. I'm not opposed to taxes, but I am opposed to collecting taxes without a plan and without true discussion and communication to the citizens of how the money is going to be spent in the future. You know, I'm okay with looking at it for November. Next year. I do believe I know it was said in public comment that that wasn't that that was till 2025 An election but we I mean November 2024 is something a date, correct? Yes. Okay. So, I just want to clarify that because that was sent in public comment. So, I'm not opposed to looking at it then we'll have the fire to the county fire tax will have passed or not. We'll have a better idea. I mean, we have a lot of ain't happening. And I think that we as a Council, again, as I've said in the past, have a lot of work to do to actually come up with a real plan. And then I can support it. But right now, I just can't ask the citizens nor myself as a business owner to support this and, and tax people. So that's where I'm at.

Councilmember Maurer commented as follows: Agrees with comments from Councilmember McLewis.

MOTION:

Councilmember Zollman moved and Vice Mayor Rich seconded the motion to place a half cent sales tax/special sales tax on the March 2024 ballot.

Councilmember Maurer commented as follows: I would agree to go and reconsider it after the March election, we see what happens with the fire tax, I wouldn't be willing, absolutely willing to go back and look to see if that motion that you're making is right. But I think it's too soon to say that because it may be that next year, it might be something different. Maybe we you know, I just think it's premature to put that on the ballot, and I couldn't support it. And I have, you know, I support what you're thinking in terms of five years, you know, with a five-year sunset and a quarter percent I would support that, but it's just too soon. I just can't do that for November.

City staff commented it would not be appropriate for that motion as the November 2024 election is not a part of this agenda item.

Councilmember Maurer rescinded her motion.

Mayor Hinton called for a roll call vote. City staff conducted a roll call vote.

VOTE:

Ayes: Councilmember Zollman, Vice Mayor Rich and Mayor Hinton

Noes: Councilmembers Maurer and McLewis

Absent: None

Abstain: None

The motion would require four out of five Councilmembers to vote in support. The motion fails as it did not have four of five Councilmembers voting in support of the motion.

City Council Action: The motion would require four out of five Councilmembers to vote in support. The motion fails as it did not have four of five Councilmembers voting in support of the motion.

Minute Order Number: 2023-255

Councilmember Zollman commented as follows: I'm interested in equity. So, I'm assuming counsel that you've reviewed our staff report and it says a tax on where footage is more equitable than a flat tax because the increase in value from better public services will be roughly proportional to the parcel size. Do you do agree with that? Given your experience and working with other municipalities.

Mr. Woodruff commented as follows: I do think that, that when I've seen those numbers played out that a gyped, setting a rate that's based on the size of the parcel, does tend to equate with use of public services when, when that analysis has been performed.

Councilmember Zollman commented as follows: Discussed equity. That's the reason why I started my questions with that, and then stability, and then economic benefits. Given your experience again, is that are those the questions that we should focus on?

Mr. Woodruff commented as follows: I will unfortunately do a slight lawyer dodge and say, I think those are those are those are considerations that are, I often see woven into the conversation when City Councils are discussing personal taxes. Some Councils will also look at look at other issues. But I do think that those are considerations that are pretty common.

Councilmember Zollman commented as follows: Do you have any model language? Because in addition to equity, I would like equity to be first, then administrator ability? Do you have examples that you could circulate? Because the whole idea is to bring in money and not to put more wear and tear on our staff to have to actually administer it? So, do you have suggested language about that, that you've seen that actually has worked well for municipalities who are concerned about staff being belabored?

Mr. Woodruff commented as follows: I have not experienced the text of the measure of having an effect on the workload that has to be done for implementation of a parcel tax. That's what that's because either staff or a consultant basically has to do the same work for a parcel tax, regardless of how it's written, because the bulk of the work is, each year, determining what all the taxable parcels are, under the terms of the tax, and then preparing documentation of the tax of the amount of the tax for each taxable parcel and submitting that to the county. What could potentially decrease the amount of work is, is less calculation having to be done. Square footage per parcel is a number that's in most cities, GIS or county GIS databases, relatively easy to take that run the calculation, submit the numbers to the county to be placed on the tax roll, more complicated calculations. Just as an example, off the top of my head, I have seen a parcel tax that was to fund stormwater facilities, they base the tax on the amount of impermeable surface on each parcel. That was a more complicated calculation that had to be done every year. So those kinds of factors in how the tax is actually calculated can affect the amount of work that has to be done, but other aspects of the taxes are pretty much the same regardless because the same work has to be done no matter what because there is an element of it. That's consistent across all types of parcel taxes.

Councilmember Zollman commented as follows: To the members of the staff in you prepared the staff report, so as far as advice for us, or at least for me, who want to consider equity first, and then administrative ability, what language would you have? Or what suggestions would you have to have less wear and tear on staff which ultimately comes to the expenditure part or trying to reduce expenditures and bring in revenue? So, any thoughts on that?

City Manager/Attorney McLaughlin commented as follows: I hate to dodge the question as well. But the problem is that staff has no experience with a parcel tax. That's one of the reasons we have Mr. Woodruff here, because he has had such experience. We really don't have a solid recommendation for you this evening. Again, we have not experienced parcel taxes in our city before.

Councilmember Zollman commented as follows: Ss far as what I understood our counsel was as far as what he thought was going to be easier and what also falls in line with equitability thing is to base it upon square footage. Would you disagree with that?

City Manager/Attorney McLaughlin commented as follows: That is our understanding.

Councilmember McLewis commented as follows: I'm just asking Mr. Woodruff, how specific does the funding need to be such as specific project specific amounts, timelines? What is the process for documentation? As far as how long what's the typical timeline, how long does it take to get that ready? Since we don't have any experience with that the level of specificity is not set, legally. So, it really is something that the City Council has a fair amount of discretion in deciding.

Mr. Woodruff commented as follows: I have prepared ordinances that had a few sentences to say, it was, for example, for police, certain police services and facilities or public safety services and facilities, with maybe a little bit more explanation. I have also worked on measures that had a very detailed explanation of the services and an expenditure plan that that provided a fair level of detail about how to record the expense. In terms of turning around an ordinance, we're assuming that's what you were asking about, to put together the measure package. I could probably do that, by the end of the month, with direction from Council about filling in some of the details or leaving some blanks for Council to make my own decisions about.

City Manager/Attorney McLaughlin commented as follows: We did talk with Mr. Woodruff today about the potential after agenda setting with a potential November 30 deadline for his firm to prepare an ordinance if the Council wanted to go special part of parcel tax.

Councilmember McLewis commented as follows: I had one other question. In passing this parcel tax and it went to an amount decided, is it possible to adjust that amount down? I've heard different things that we could take it down to \$1, we could adjust those amounts based on need is that is that something that is possible and is done.

Mr. Woodruff commented as follows: If that was a feature of the tax, that Council wanted to be included then I would take care to be clear in the ordinance and in all other materials that the tax rate is a ceiling and that the City Council has discretion on a year to year basis to set the rate below the ceiling. Under the relevant constitutional provisions that is allowable is only at the point at which Council wanted to exceed the ceiling that you'd have to go back to the voters. But as long as you're operating under the ceiling, that's not considered an increase that requires voter approval. We just make sure to craft all of the materials to be clear that Council could do that on a regular basis.

Councilmember McLewis commented as follows: Just to clarify. As we explore what we're doing with our fire department, one question that came up last week was if we had if we pass the parcel tax now and then we consolidated with an outside agency who already had a parcel tax, would that just be a double tax on everyone? Or is there one that supersedes another or is there anything you can clarify as far as that?

Mr. Woodruff commented as follows: I will say that that would depend in part on, if you're talking about a true consolidation that went through LAFCO where there was a reorganization of the delivery of services. It could depend in part on the terms of the reorganization. Sometimes the reorganization will actually say that part of the vote is a vote to extend one of the two parcel taxes, or both to all properties within the consolidated jurisdiction. Others of them will say that property owners will just continue to pay the same tax. That is if the revenue is dedicated to fire, then it all goes to the consolidated fire service.

Vice Mayor Rich commented as follows: I understand that a parcel tax is a special tax. But do we have to specify a purpose? Or could it simply be a parcel tax that benefits the general fund of the City of Sebastopol?

Mr. Woodruff commented as follows: That is a question that the courts have not answered. To be cautious, I would recommend preparing a list of eligible services that comprehends a wide array of municipal services such that it would capture almost everything that the city does, but it would spell out specific purposes rather than just say anything funded by the general fund.

Vice Mayor Rich commented as follows: My next question is a follow up to Councilmember McLewis question and asked with a with a parcel tax is there an obligation by the City Council to set the parcel rate tax each year? Is there some sort of requirement that a City's Council make that decision annually.

Mr. Woodruff commented as follows: There is not if the if the rate is such that it either is does not never adjust for inflation, for example, or if it includes an inflation adjustment, but that is stated in the ordinance is being handled administratively, then the City Council does not have to set the reach rate each year. Staff or consultants will simply take the rate, apply it to the properties, transmit the information to the County and it'll go on the tax roll. But there but there is often room within that for the Council to consider whether it wants to adjust the rate.

Vice Mayor Rich commented as follows: So, could a Council if we if we made sure that this was included in the ordinance would we be free to actually zero out a parcel tax? If we decided to do that once it's passed? Could we simply say okay, we're not going to charge property owners anything more under this parcel tax or nothing more under for the year? Could we do that?

Mr. Woodruff stated yes.

Vice Mayor Rich commented is that a difficult process? Is this just it goes on the City Council agenda, and we decide?

Mr. Woodruff commented as follows: I would say typically, just for documentation purposes, I recommend a resolution so that so that there's a record that the City Council's made that choice, but otherwise, it's just, you know, typical Brown Act 72 hours notice and, and a simple majority of Council to make that decision.

Mayor Hiton commented as follows: Taking into consideration what the staff report and Councilmembers brought up about equity, and adjusting the personal tax to size of property. If we were to take a vote tonight and come up with an average, I'm just going to say something like \$285 a parcel on average, and then we applied that to if you had a bigger parcel or a smaller average parcel you would pay less or more. Is that good enough for the vote tonight? And our discussion, looking to both our legal counsel and legal counsel on screen, would that work for the action we need to take tonight to come up with an average and then that gets worse.

Mr. Woodruff commented as follows: If Council gave that direction, the approach that I would talk about with staff is tell me about what your average single lot size is, I take the \$285 and basically figure out what the dollar per square foot would be based on that average lot size. And then if you wanted to use a square foot per parcel rate, I then take that that dollar per square foot rate, and that would basically be what I would put into the woods. But ultimately, what it would mean is it would turn out to \$285 per parcel for an average parcel in Sebastopol. If you just said \$285 per parcel, that would be a different type of rate.

Mayor Hinton commented as follows: Then that's the same thing that the Citizens Committee that might want to back something like this, then they could market it that way, because that's the language that's in the in the ballot.

Mr. Woodruff commented as follows: Yes, they would be able to say factually, that for an average homeowner, it would be \$285 a year.

Mayor Hinton opened for public comment.

Lee commented as follows: I think we're all probably headed for the same question, which is how much this is going to cost to administer this? Do we have to hire a full-time person for \$150,000 a year to validate the square footage answer citizens questions and challenges prepare the documentation each year to submit to the county for an FTE is \$150,000 on \$500,000. A good portion of this tax goes to administration. If we're not hiring, then we're going to a consultant for a lot of this work. Again, I think there's a cost associated with that. That probably needs to be factored in the calculation, which I think everybody's probably thinking right now.

Jay commented as follows: We've been talking about single family housing, parcel taxes, just like to understand what the concept is for rental properties or multifamily multi-unit housing. Because you might have six or seven residential units in the space of one residential home. So, it seems inequitable to be having if a commercial property owner is based on the lot size and splitting it between six homes, that seems to be overly onerous on single family properties.

Phil commented as follows: I'm going to reiterate the fact that I feel like this is inequitable and hard to administer. Just some quick math. You know, if you had \$250 years on maybe 5000 parcels, that's \$1.2, one and a quarter million dollars. That's not a whole lot. I'm pretty sure 25% of that will go into fees. So, it doesn't sound like a super great way to raise money.

Kyle commented as follows: I fully embracing this idea about making decisions like this and considering the administration costs. So, for example, we heard tonight, and I'm sure we need to go over these numbers that it's costing us over a million dollars per year in issuing six bills per 3000 residents, that comes out to about \$55 to \$60 per bill, per billing six times per year. So, if it's costing us \$55 to issue out water bills, let's actually think about what that cost is going to be. Now, my understanding is that you put on a parcel tax, and it's managed primarily through the county, because it's coming through the same billing system that the property tax billing would happen. So, my hope is that, unlike our current city water billing, costing us \$55 per bill, maybe that the county has a much more streamlined and less expensive cost to this billing now. Also, looking at equity, I think that what was mentioned by another previous speaker about single family homes bearing an unfair burden by this, and instead, I would expect that maybe we look at the same type of calculations that are being done by the county, which is based on property value. And then if we are going to go property value, where does that property value tend to lie. The property value generally tends to lie not in the property itself, but in the actual structure value of the structures on those properties. So if you're going to be making some sort of calculation, you might be want to be looking at the value of the property rather than looking at the square footage of a lot in terms of especially if what you're trying to do is making some sort of correlation between use of service and lot size, it might be actually better to be looking at use of service and value of the property.

Kate commented as follows: I'm just going to say that the parcel tax needs to be very specific, because we have over \$43 million of infrastructure needs. I think when I read the report on this, a parcel tax would generate about \$870,000. To tackle our infrastructure need, I think it would take something like 45 years to even do that. And that's not with inflationary price increases built into it. So, I believe that Council is using this as a workaround to keep the general fund going, which does not include any road infrastructure at all, from any budgets I've seen. It does not include any water infrastructure, because that comes out of our water and sewer fees. So basically, this parcel tax is just to keep the status quo of funding staff salaries and staff expenses, which I'm not necessarily opposed to. But I believe it takes so much effort to get a parcel tax through that the amount it actually needs to

be larger, closer to \$500 per parcel. That could fund our water infrastructure debt. But it has to only go towards water and sewer infrastructure, which I believe could be managed within a 30-year timeframe, if you build in inflation to that. Second, I think it would be very duplicitous, not to let taxpayers know if it is based on a per square foot calculation that the average is x, but the low is this and the high would be this, that way people can look at their own situation and know what they're paying that they would be potentially obligated to pay. So, if you do a per square footage of cost, then it needs to give a high low and an average so people know what it would mean for their own finances.

Robert commented as follows: I wanted to echo what others have said about the need to keep the administrative cost down in terms of administering the tax and calculating what it should be per parcel to keep that as low as possible. If the if the county does maintain or the city does maintain the database is square footage, then it seems like that would be simple enough. But if not, then doesn't seem the city wants to take that on. Also, I think it's worth considering some other revenue sources or taxes. It looks like some cities have a real estate transaction tax. I don't know what our total real estate transactions are in a given year. But it could be worth looking at that as a potential tax or alternative or additional tax. Then also certain fees. Also, I think the consultant mentioned, fees related to stormwater I think that's a one that's worth looking into. Because that's actually the first for a service, it'd be a fee instead of a tax and then it takes a Council approval instead of voter approval.

Linda commented as follows: Regarding personal tax, I'd like to share with you, I kind of feel sorry, but I feel like we're being raped fiscally and sickened to by current leadership. But as an example of the parcel tax what does it go for it if was \$300 parcel tax. It's put on all the properties. Discussed the Mosquito and Vector Control District. I got this information because I've filed a grand jury complaint and information on what they do with this money. They are supposed to be protecting us from sectors, like ticks, for instance, often you do not hear anything about Lyme disease, which we have an epidemic of, but with all this money, millions and millions of dollars, they're flush with they buy brand new vehicles every year, whether they need them or not. The employees as they retire the retirement funds, I found out were in excess of their salaries. Eleven or twelve years ago, the Director retired with a \$155,000 pension. These things need a lot of oversight, and they need to be looked at before they're implemented.

Craig commented as follows: This is a tough one, I think the city needs to act and move fast. I lean more towards the sales tax, frankly, to spread the love and to create more of a regional support network for these expenses. It's a real tough one, because you do need to act before November of next year. That's our last bite before 2026 without some sort of special election if that is even possible between 24 and 26. So I lean towards delaying on the parcel going for November at this point. I'm a little hesitant if you were to wait and see I think it's you've already waited and seen. When you look at the polling that's been done that the city commissioned, there's a lot of support or funding the services. Generally speaking, you all want to play I keep hearing talk about a plan and I agree we all like having a goal setting session. Really looking ahead is important. But every year when you create a budget you plan. That's what the budget is. It's the next annual plan. So that's a tough one. I don't kind of know what to say other than I think a sales tax is going to have more general support than a parcel tax is my instinct. But I haven't seen the polling on any parcel tax either. So, I'm just not certain.

Mary commented as follows: I'm just getting really scared and depressed because I'm with this, I am going to end up paying a lot of money, in addition to what I already pay in taxes. That's my comment.

Due to Council protocols, there was not unanimous decision to move beyond the 10:30 pm ending time. Therefore, the meeting was adjourned, and no further items were discussed.

ADDITIONAL PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA: Three minutes per speaker for up to twenty (20) minutes total for public comments but can be reduced at Mayor's discretion depending upon the number of speakers or Mayor has discretion to allow for additional time beyond the 20 minutes allocated for public comment dependent upon the subject matter or number of speakers.

CITY COUNCIL/CITY STAFF REPORTS/COMMUNICATIONS/ANNOUNCEMENTS/FUTURE MEETINGS: _____

- ~~2. City Manager Attorney/City Clerk Reports: (This will be either verbal or written reports provided at or prior to the meeting).~~
- ~~3. City Council Reports/Committee/Sub-Committee Meeting Reports: (Reports by Mayor/City Councilmembers Regarding Various Agency Meetings/Committee Meetings/Sub-Committee Meeting /Conferences Attended and Possible Direction to its Representatives (If Needed) on Pending issues before such Boards. (This will be either verbal or written reports provided at the meeting)~~
- ~~4. Council Communications Received (Information/Meetings/Correspondence Received from the General Public to Councilmembers)~~
- ~~5. Future City Meeting Dates/Events (Informational Only): (See City Web Site for Up to Date Meeting Dates/Times)~~

CLOSED SESSION: NONE

ADJOURNMENT OF CITY COUNCIL MEETING

November 14, 2023, Meeting will be adjourned to the City Council Meeting of November 21, 2023, at 6:00 pm. (In Person and Remote/Zoom Virtual Meeting Format)

Mayor Hinton adjourned the Special City Council meeting of November 14, 2023, at 10:34 pm.

Respectfully Submitted:

Mary Gourley
Assistant City Manager/City Clerk