

From: Funding Subcommittee of Sebastopol Climate Action Committee

Date: 11/30/2021

Subject: Update On Climate Action Funding Research and Community Need for a City Funded Contract for Grant Writing Services

Dear Mayor Glass, City Council Members, City Manager McLaughlin, and Assistant City Manager Gourley,

For the past few months, the Funding Subcommittee of the City Climate Action Committee has been researching possible funding sources for local climate action. We recognize that the city is pressed for funds in both the General Fund and future spending obligations that impact the Reserve Fund.

The following is a brief review of two of the prospective sources we assessed:

- Sebastopol currently has a utility user tax (UUT) that is set to expire in November of 2024. The 2021 city budget estimates that the tax will raise about \$650,000. We are examining a reauthorization of the UUT beyond 2024 that marginally increases the tax to help pay for climate action. An increase from the current 3.75% tax to 4.75% for just the PG&E portion of the UUT raises approximately \$79,000 per year. The UUT has an automatic exemption for the tax for low-income customers enrolled in CARE/FERA programs. We will continue to explore the UUT as a possible funding source and plan to work with a consultant that the city will hire for researching revenue enhancement strategies.
- We also examined a more equitable funding source with an increase in the Real Estate Transfer Tax. To increase the tax, Sebastopol would need to become a Charter City. If Sebastopol enacted a City Charter and the tax were increased from the current rate of \$1.10 per \$1000 valuation to match the Santa Rosa and Petaluma rate of \$2.00 per \$1000, then we estimate that the city could collect an additional \$62,000 per year based on 2020 residential property valuation and transfers.

While the UUT and Real Estate Transfer Tax increases may help the city raise modest recurring revenue sources, the increase in revenue falls far short in terms of the needs of the city and the community at large.

We propose looking to the state and federal governments for the resources needed to move the needle on climate action. That is where the money is. In 2021 California enjoyed a \$15 billion surplus. The state is now projecting a \$31 billion surplus for 2022. The federal government just enacted the infrastructure bill with an additional \$45 billion for the state.

As state and federal government grants become more available for climate action, resiliency, housing, infrastructure and supportive services for the houseless, we need the city to be able to react quickly and pursue these funding sources. We respectfully suggest that the City of Sebastopol consider making a mid-year budget adjustment to fund grant writing contract services. Because multiple City departments don't have the time available to write grant proposals, our community is losing out on the potential benefits from the programs and services

that grants can fund. If the city decides to pursue this funding source, we may want to look to the City of San Bruno which recently issued an RFP for grant writing services for \$60,000 for one year that could help our staff draft our own RFP.

Thank you for your consideration of funding grant writing services for the City. Please contact us if you have any questions regarding this request or research that we have done.

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