

TOWN OF WINDSOR AGENDA REPORT

Joint Windsor Town Council, Windsor Redevelopment Successor Agency and Windsor Water District Meeting Date: June 3, 2026

To: Mayor and Town Council
From: Tim Ricard, Economic Development Manager
Lauren Berges, Senior Management Analyst
Subject: Review of Fiscal Analysis and Draft Materials for a Potential November 2026 Transactions and Use Tax Measure

Recommendation to Council:

Receive the fiscal analysis, background materials, and draft ballot language related to a potential November 2026 one cent Transactions and Use Tax measure and provide direction to staff.

Strategic Plan Element:

The recommended action supports the goal of Fiscal Health. Goal Statement: Ensure the economic health and long-term financial viability of the Town.

Background:

For over 33 years, the Windsor community has prided itself on having safe neighborhoods, well maintained streets, beautiful parks, and gathering places that bring people together.

However, the cost of providing these essential services like public safety, basic maintenance, and day to day operations has been increasing faster than the Town's revenues. In the current FY 2025-27 biennial budget, the Town implemented over \$6 million in cuts including eliminating three police officer positions, holding staff positions vacant, and applying across the board operating reductions while deferring over \$5 million in major maintenance projects.

Even after these reductions, nearly \$8 million in reserves was needed just to maintain existing service levels. This reliance on reserves is not sustainable. Without a more stable source of funding, Windsor will continue to face budget deficits, putting core services such as public safety, road repair, park maintenance, and other essential community services at risk.

History of the Structural Deficit and Council Action

Beginning with the FY 2025-27 biennial budget process, the Town Council and staff began the explicit transition from short term-mitigation to long-term solution. The following actions document that transition:

Fall 2024 - As post-pandemic economics stabilized into a new normal, the previously identified long-term structural General Fund deficit remained and was clearly going to require a more permanent resolution other than continued reliance on reserves and one-time funds. Staff began technical preparation for the FY 2025-27 biennial budget against this backdrop.

Spring 2024 - FY 2025-27 budget development and Council study sessions. The Town's ten-year

forecast projected recurring annual General Fund shortfalls of approximately \$4 to \$5 million, absent corrective action. Continued research and preparation of a potential 2026 sales tax measure was identified as a specific FY 2025-27 Council budget priority.

June 18, 2025 - Town Council adopted the FY 2025-27 Biennial Budget. The adopted two-year budget acknowledged the structural imbalance and authorized the use of approximately \$7.9 million in General Fund reserves above the 25 % reserve policy minimum across the biennium to maintain core service levels. The budget also incorporated approximately \$6 million in operating reduction across the biennium, including three Sheriff's contract position reductions, an across the board 10% operating cut, and policy to hold all vacant positions open.

November 19, 2025 - Town Council received the "Windsor Financial Forecast and Analysis of Revenue Options" agenda report (Ricard/Walker), which evaluated every realistic local revenue mechanism available to a California general law city: Transient Occupancy Tax, Business License Tax, property tax, parcel tax, Utility Users Tax, property assessments, and Transactions and Use Tax. The report concluded that only a one cent local Transactions and Use Tax could generate the revenue scale needed to close the projected General Fund gap at a majority vote approval threshold. Council directed staff to engage the community to better understand residents' priorities and assess community sentiment regarding a possible sales tax measure for future consideration.

December 2025 - March 2026 - Staff conducted a Council-authorized community engagement campaign, presenting "Windsor's Budget Challenges and Revenue Options" at seventeen community meetings (detailed below), supplemented by four related Council presentations on Measure M, Human Resources, and Business License Tax analysis, and an anonymous online community feedback form.

February 18, 2026 - Town Council received the Measure M update.

March 4, 2026 - Town Council received the Human Resources Presentation, providing Council and community context on the Town's governance structure and workforce, along with a Business License Tax (BLT) Analysis presentation. The BLT analysis concluded that a modernized voter-approved gross receipts BLT would generate \$350,000 to \$1.5 million annually; a useful supplement but inadequate by itself to address a \$4 to \$5 million structural deficit.

April 1, 2026 - Town Council received the Community Feedback Summary report and, by a unanimous 5-0 vote, directed staff to move forward with drafting the ballot language and supporting documents for a one cent (1%) local Transactions and Use Tax measure for the November 2026 General Election. Council additionally directed development of an accountability framework, General Fund spending priorities, and a Citizens' Oversight Committee tied to sales tax revenues, to accompany the measure.

Discussion:

A. Why a Sales Tax Measure Is Needed

To address these challenges and protect the services residents rely on, the Town Council is considering a possible local sales tax measure for the November 2026 General Election. Revenue from a local sales tax, funds that stay in Windsor and cannot be taken by the state, could help maintain and protect services such as police, streets, parks, and community programs.

Over the past fifteen years, local sales tax measures have become the predominant municipal revenue tool used by California cities to protect General Fund services in the face of slow-growing property tax revenues (due in part to Proposition 13) and the cumulative impact of unfunded State mandates. Cal

Cities and other municipal advocacy organizations have worked extensively to preserve cities' authority to enact these measures as one of the few local revenue tools that remains under genuine local control.

Across California, 321 of the State's 482 incorporated cities (approximately 67%) have adopted a local Transactions and Use Tax. A map of the cities with and without a local sales tax (Attachment #1) shows that the "no local tax" cities cluster in two distinct patterns. The first cluster is the wealthy residential enclaves such as Atherton, Hillsborough, Portola Valley, Woodside, Hidden Hills, Rolling Hills, Indian Wells, which generally have negligible retail and large property tax bases that fund services without a local sales tax. The second is the master-planned and newer incorporated Orange County cities like Irvine, Lake Forest, Mission Viejo, Laguna Niguel, Aliso Viejo, Rancho Santa Margarita, built largely as residential master plans and supported by property tax wealth that has historically kept them off the local tax path.

Windsor fits neither pattern, and is the only city in Sonoma County that has not adopted a local sales tax. As a result, Windsor residents already pay the local sales taxes adopted by their neighbors every time they shop in Santa Rosa, Petaluma, Healdsburg, or Sonoma - but no portion of those receipts returns to Windsor.

The consequence shows up directly in the Town's General Fund. Based on research completed by James Leon, Human Resources Director, Windsor's per capita General Fund revenue is the lowest among comparable cities in the region - approximately \$910 per resident, compared with \$1,305 in Petaluma, \$1,644 in Healdsburg, and \$1,616 in Napa. The principal driver of the gap is that every other comparable city has a local sales tax, and Windsor does not.

A local one-cent measure would distribute the burden well beyond Windsor residents. HdL Companies (HdL, the Town's sales and use tax consultant) analyzed the Town's sales tax base in its 2Q 2025 geographic-area report. The Shiloh business park and Highway 101 commercial corridor generates 32.9% of the Town's point-of-sale sales tax receipts, drawing customers from across Northern Sonoma County and pass-through traffic on Highway 101. The Town's top sales tax producers: Home Depot, Walmart, Windsor Chevron, Shell Station, and Coast Counties Peterbilt serve a regional rather than purely local customer base.

Restaurants and Hotels account for an additional 16% of receipts, reflecting Windsor's position as a gateway to Northern Sonoma County wine country and the northern terminus of the SMART train corridor. The Town's lodging properties, tasting rooms, and Town Green-adjacent restaurants draw a substantial share of their patrons from visitors, tourists, and weekend day-trippers from the broader Bay Area.

HdL projects that a one-cent local Transactions and Use Tax would generate approximately \$5.7 million annually in new General Fund revenue at current taxable sales volumes. The recurring nature of the General Fund shortfall, driven by slow-growing revenues set against contractually obligated salary, benefit, and operating cost escalators, means one-time solutions cannot close the gap. The \$7.9 million reserve drawdown in the current biennial budget is sustainable only in the short term; absent new recurring revenue, the Town would breach its 25% reserve floor and face progressively deeper service reductions beginning in FY 2027-28.

The Town has carefully considered alternatives to a local sales tax. The November 19, 2025 "Financial Forecast and Analysis of Revenue Options" report systematically evaluated every other tool available: a Transient Occupancy Tax increase (\$200,000-\$300,000 per percentage point; Windsor's combined lodging rate is already at the upper end of comparable jurisdictions; a Business License Tax (\$350,000-

\$1.5 million annually under a modernized gross-receipts model; significant administrative cost; would fall entirely on local businesses); a Utility Users Tax (\$1-\$2.5 million; falls directly on residents and employers); property-tax mechanisms (capped at 1% under Proposition 13, supermajority required for any general obligation bond, and not usable for operations); and parcel taxes and property assessments (supermajority required, restricted-purpose only). Only a local Transactions and Use Tax provides both the revenue scale and the legal flexibility needed to close the deficit at a majority-vote approval threshold and is the same tool every other Sonoma County city has used.

B. Reductions and Cuts Already Implemented

In advance of and as part of the FY 2025-27 Adopted Budget, the Town implemented coordinated reductions totaling approximately \$6 million across the FY 2025-27 biennium, reflected across substantially every General Fund department:

Sheriff's contract reductions - One deputy position left vacant; Administrative Sergeant and K-9 Deputy reassigned to the County main facility (\$1.17M/ \$1.23M).

10% operating reduction - Applied to requested departmental operating budgets across the organization.

Policy to freeze vacant positions - As part of the FY 2025-27 Adopted Budget, the Town enacted a policy to freeze current vacancies and any positions that become vacant during the biennium, with the goal of capturing salary and benefit savings as turnover occurs. The specific positions held vacant under the policy to date are listed in Section C below.

Cuts to operating accounts including - Professional services, computer software, training, legal fees, and LLAD contribution.

These reductions have exhausted the Town's near-term capacity to reduce expenses without affecting public facing service delivery. The next round of reductions, required in FY 2027-28 absent new revenue, would extend to filled positions, public facing programs, deferred maintenance, and capital reinvestment.

C. Ongoing Operational Efficiencies

In parallel with the expense reductions, the Town has continued to advance a portfolio of operational efficiency initiatives:

Enterprise Resource Planning (ERP) implementation - Replacing legacy financial, payroll, utility billing, and procurement systems.

Implementation of the vacant-position policy - Since adoption of the FY 2025-27 budget, nine General Fund supported positions have been held vacant under the policy: Associate Civil Engineer, Parks Maintenance Worker II, Senior Administrative Assistant (Town Clerk's Office), Recreation Program Supervisor, Accounting Manager, Building Permit Supervisor, Senior Building Inspector, and Permit Technician I (plus one additional position added since adoption). The cumulative salary and benefit savings are reflected in the operating reductions described above.

Technology-driven automation - AMI water metering, short-term rental compliance, records management, online public records requests.

Consultant cost reduction - Review and in-sourcing of work where it can be done effectively in-house.

Grant and intergovernmental revenue pursuit - To offset General Fund pressure on capital and program costs.

Service delivery model review - Across major service lines to confirm the most cost-effective long-term delivery model.

Even with full execution of the efficiency portfolio, the projected General Fund shortfall remains in the \$4 to \$5 million range. Operational efficiencies and new revenue are complementary strategies, not substitutes.

D. Community Engagement and Outreach

Following Council's November 19, 2025 direction, staff conducted what is believed to be the most extensive community engagement campaign in the Town's history on a single fiscal policy question. The campaign was designed, developed, and implemented internally by Town staff, consistent with Council direction regarding the use of outside consultants, and emphasized open dialogue with consistent core information presented at every venue. The full schedule of community presentations is as follows:

December 9, 2025 - Windsor Rotary
December 10, 2025 - Windsor Chamber of Commerce
January 20, 2026 - Senior Citizen Advisory Commission
January 22, 2026 - Windsor Youth Sports Boards
January 27, 2026 - Community Town Hall
January 28, 2026 - Public Art Advisory Commission
January 29, 2026 - Windsor Senior Recreation Center Staff Meeting
February 10, 2026 - Planning Commission
February 17, 2026 - Windsor Democratic Club
February 19, 2026 - Windsor Mobile Country Club
February 23, 2026 - Windsor High School Leadership Classes
February 23, 2026 - Joint Town Council / Windsor Unified School District Meeting
February 24, 2026 - Windsor High School Leadership Classes
March 3, 2026 - Windsor Senior Recreation Center Town Hall
March 9, 2026 - Windsor Business Community Meeting
March 11, 2026 - Parks and Recreation Commission
March 11, 2026 - Community Town Hall in Spanish with Nuestra Comunidad
March 18, 2026 - SIRS Group
May 7, 2026 - Lions Club

Related Council Presentations:

February 18, 2026 - Measure M Update to Town Council
March 4, 2026 - Human Resources Presentation to Council
March 4, 2026 - Business License Tax Presentation to Council

Ongoing Education - Dedicated sales tax measure web page (townofwindsor.ca.gov/future), FAQ expansion, video content, downloadable fact sheets, and Windsor Insider newsletter coverage.

Community Feedback

Across these venues, three community themes emerged consistently: (1) residents value Town services and want them protected, particularly public safety, roads, and parks; (2) residents engaged with the idea of a revenue measure with an open and inquisitive mindset; and (3) if a revenue measure moves forward, residents emphasized that it must be paired with strong oversight, transparency, and safeguards. The accountability framework described in Section E below directly reflects this third theme.

E. The Proposed November 2026 Ballot Measure

The proposed ordinance would add Chapter 2-6 to the Windsor Municipal Code to establish a general Transactions and Use Tax within the Town, administered by the California Department of Tax and Fee Administration (CDTFA). The ordinance sets the tax rate, operative date, and standard provisions governing the application of transactions and use taxes under state law; incorporates applicable sections of the California Revenue and Taxation Code; outlines exemptions and exclusions; and includes accountability requirements such as an independent annual audit and a Citizens' Oversight Committee. If the Council continues to move forward, CDTFA will conduct its required review and must provide final approval of the ordinance format and administrative provisions before implementation.

Following Council's April 1, 2026 direction, staff and the Town Attorney have advanced the drafting and analytical work necessary to bring forward a complete ballot measure package for Council action on July 15, 2026. The principal elements are summarized below.

Rate - Staff has prepared the measure at the rate of one cent (1.0%), consistent with Council's April 1, 2026 direction. Adoption of a one cent local Transactions and Use Tax would bring Windsor's combined sales and use tax rate to 10.25%, equal to Cotati, Petaluma, and Sonoma, and below Sebastopol (10.50%). HdL projects approximately \$5.7 million in annual recurring General Fund revenue at the one cent rate, sufficient to close the projected \$4 to \$5 million structural shortfall and to begin restoring service levels and addressing deferred maintenance.

Revenue Estimate - The HdL revenue estimates have been refined to reflect the most recent CDTFA allocations and 2Q 2025 sales data, presented on current-year, three-year, and five-year bases (attached). The \$5.7 million figure used in the ballot question reflects HdL's good-faith estimate for the first full year of collection.

Term - Until Ended by Voters. California Elections Code and Revenue and Taxation Code Section 7285.9 require that any local Transactions and Use Tax measure submitted to voters specify a term. The ballot question must state either a fixed expiration date (a "sunset") or that the tax will remain in effect until ended by voters. There is no option to submit a measure silent on duration.

Staff recommends that the measure be placed on the ballot with a term of "until ended by voters," for the reasons developed in the analysis below. A measure adopted "until ended by voters" remains in effect indefinitely unless a future ballot measure repeals it. The phrase is the standard formulation used in California ballot questions of this type. This structure preserves voter authority over the tax: voters retain the ability to terminate the tax through a future ballot measure at any time and on a timeline of their choosing, rather than one fixed at the original enactment. The structure empowers voters with ongoing oversight rather than locking them into a predetermined set term.

By contrast, a measure with a fixed sunset expires automatically on a stated date - commonly 5, 10, 15, or 20 years from enactment - unless voters approve an extension or renewal beforehand. While a fixed sunset can be used deliberately as a trust-building strategy (adopting a shorter initial term, deploying revenue transparently, and returning to voters before expiration), the practical considerations weigh meaningfully against that approach for Windsor: the cost of placing a renewal measure on a future ballot, the fiscal uncertainty introduced in the years immediately preceding expiration (which complicates multi-year budgeting, capital planning, and labor-relations planning), and the obligation it places on future Councils to manage the renewal process.

Sonoma County's recent experience reflects this dynamic: several cities that originally adopted local sales taxes with a fixed sunset have subsequently returned to voters to extend, increase, or convert those taxes to longer-term structures as the initial expiration approached.

To support this recommendation, staff reviewed passage data from recent California elections, the Sonoma County Registrar of Voters certified results, the project's compiled Sonoma County Sales Tax Measures dataset (1990-present), and published guidance from California-based public opinion research firms. Statewide passage data is drawn primarily from CaliforniaCityFinance.com, which has tracked every local tax and bond measure placed before California voters since the 1980s.

The most recent California general election offers a clear illustration of this pattern. In November 2024, voters across California considered 95 general-purpose majority-vote add-on sales tax measures placed on the ballot by cities and counties - the same category as the measure Windsor is considering - and 81 passed, an 85% overall passage rate (CaliforniaCityFinance.com, "Local Revenue Measure Results November 2024," December 6, 2024). Disaggregating those results by term shows a meaningful gap: of the approximately 62 measures structured as "until ended by voters," roughly 57 passed (a 92% passage rate), while of the approximately 33 measures with a fixed sunset, roughly 23 passed (a 70% passage rate).

Sonoma County results follow a similar pattern. The three countywide tax measures placed on the November 2024 ballot - Measure W (Library renewal, 0.125%), Measure I (Child Care and Children's Health, 0.25%), and Measure H (Fire and Emergency Services, 0.50%) - were each structured as "until ended by voters" and each passed countywide. Of the 12 currently active city-level sales taxes in Sonoma County, 9 are structured as "until ended by voters" and 3 carry a fixed sunset (all in Santa Rosa and Sebastopol). Windsor is the only Sonoma County city without a local sales tax.

Sonoma County City-Level Local Sales Tax Measures

Currently active municipal Transactions and Use Tax measures

City	Year	Measure	Rate	Term as Adopted
Cloverdale	2024	DD	0.75%	Until Ended by Voters
Cotati	2020	S	1.00%	Until Ended by Voters
Healdsburg	2020	T	0.50%	Until Ended by Voters
Petaluma	2020	U	1.00%	Until Ended by Voters
Rohnert Park	2013	A	0.50%	Until Ended by Voters
Santa Rosa	2020	Q	0.50%	10 Years (Sunset 2031)
Santa Rosa	2022	H	0.25% (Public Safety)	20 Years (Sunset 2045)
Sebastopol	2004	T	0.25%	Until Ended by Voters
Sebastopol	2018	Q	0.50%	Until Ended by Voters
Sebastopol	2024	U	0.50%	12 Years (sunset 2037)
Sonoma	2020	V	0.50%	Until Ended by Voters
Sonoma	2024	T	0.50% (Additional)	Until Ended by Voters
Windsor	---	---	---	No Local Sales Tax

Sources: Sonoma County Registrar of Voters certified results; Ballotpedia; individual city ordinances. Measure letters for Sebastopol 2004 and 2012 to be confirmed with the Sonoma County Registrar of Voters prior to publication.

Among first-time adoptions in the past five years, Petaluma's 2020 Measure U and Cloverdale's 2024 Measure DD were both structured as "until ended by voters." The most directly comparable first-time city adoption is Petaluma's Measure U, a one-cent general-purpose transactions and use tax projected to generate approximately \$13.5 million annually, with citizen oversight and annual audit requirements which voters approved with approximately 60.8% support (Sonoma County Registrar of Voters, November 2020 certified results). Petaluma's measure responded to a structural General Fund deficit similar in character to Windsor's, and its accountability framework closely parallels the framework staff is preparing for Windsor.

Guidance from California-based public opinion research firms indicates that the length of the stated term has little effect on voter support across the range typically used in ballot measures. Measures structured as "until ended by voters" tend to poll similarly to those with fixed sunsets of 10, 15, or 20 years. Support may rise modestly when the term drops to four or five years, but that horizon does not provide a stable enough revenue stream to address an ongoing structural deficit. Longer fixed terms in the nine to ten year range can perform somewhat worse than "until ended by voters," as voters at that horizon tend to prefer retaining the option to revisit the tax later. Focus group research consistently finds that voters understand "until ended by voters" and recognize it preserves their ability to terminate the tax.

Considered together, the structural nature of the General Fund shortfall, the favorable statewide and Sonoma County passage record for "until ended by voters" measures, the regional pattern of cities returning to voters to convert sunset measures to longer-term structures, and guidance indicating no meaningful voter preference for fixed sunsets over "until ended by voters" - the recommended term aligns the legal structure of the measure with the underlying fiscal need it is designed to address, while fully preserving voters' ongoing authority to terminate the tax.

Accountability Framework

Throughout the community engagement campaign, residents consistently emphasized that any revenue measure must be paired with strong oversight, transparency, and local control. In response, staff has worked with the Town Attorney to develop an accountability framework that includes a transparent public budgeting process, regular independent annual audits, and review by a Citizens' Oversight Committee all of which are reflected in the draft ordinance language. Staff will return to Council on June 17, 2026 with the full accountability framework, including the draft resolution and supporting analysis, for review and direction.

Ballot Question

California Elections Code Section 13119 requires that the ballot question be presented to voters in a clear, impartial, and unbiased manner, and is statutorily limited to 75 words. The question must identify the rate, the duration, the approximate annual revenue, the purpose (general government use), and the principal accountability features of the measure. The following ballot question incorporates the rate, term, revenue estimate, services, and accountability provisions described in this report and is presented for Council's review and direction:

To provide funding for Town of Windsor to maintain essential local services, such as repairing potholes and maintaining streets; neighborhood police patrols/emergency response/traffic enforcement; preserving parks/community events; disaster preparedness and fire prevention—including removing brush/other flammable fuels; for general government use; shall the measure establishing a 1¢ sales tax, providing approximately \$5,700,000 annually until ended by voters, requiring independent audits, citizen oversight, and all funds remaining in Windsor under local

control, be adopted?

The draft ballot question identifies essential local services prioritized by residents during community outreach, including street repair, neighborhood police patrols, emergency response, traffic enforcement, parks and community events, disaster preparedness, and fire-prevention activities such as brush and fuel removal. Following Council direction, staff and the Town Attorney will prepare the final ballot question, impartial analysis, and implementing ordinance for Council consideration and adoption on July 15, 2026.

Next Steps

Upon Council direction at the June 3, 2026 meeting, staff will return on July 15, 2026 with the following items for Council action:

1. The finalized ordinance enacting the Transactions and Use Tax, contingent on voter approval;
2. The resolution calling the November 2026 General Election and submitting the measure to the Sonoma County Registrar of Voters
3. The finalized 75-word ballot question; and
4. The Council's authorization to prepare arguments and rebuttals in favor of the measure.

Continued community outreach and education will run through the summer and fall, with a focus on services protected, accountability and oversight provisions, and the broader fiscal context.

Fiscal Impact:

The Town is scheduled to hold the November 2026 General Election for the three open seats on Council. The incremental cost of adding a Town ballot measure to the consolidated November 2026 election would be paid from the existing General Fund election account, budgeted at \$27,500 (FY 2026–27).

If approved by voters, the proposed Transactions and Use Tax would generate approximately \$5.7 million annually in new General Fund revenue beginning with the first CDTFA allocation in FY 2027–28 (April 1, 2027 collection start), substantially closing the projected \$4 to \$5 million annual structural shortfall and providing capacity to begin restoring service levels and addressing deferred maintenance.

If the measure is not placed on the ballot, or is not approved by voters, the Town would need to identify approximately \$4 to \$5 million in additional annual recurring expenditure reductions beginning in FY 2027–28 — equivalent to an approximately 15% additional General Fund reduction on top of the 10% operating reduction already implemented in the current biennium, for a combined reduction approaching 25% to remain within the Council's adopted 25% reserve policy.

Environmental Review:

This action does not constitute a “project” within the meaning of California Environmental Quality Act (CEQA) Guidelines Section 15378 and requires no environmental review.

Attachment(s):

1. [Sales Tax Map](#)
2. [Proposed Ordinance - 2026 Transactions and Use Tax](#)
[Exhibit A - 2026 Transactions and Use Tax Ordinance](#)
- 13.2 [PowerPoint \(Distributed 2026.06.01\)](#)
- 13.2 [Correspondence \(Distributed 2026.06.02\)](#)
- 13.2 [Correspondence \(Distributed 2026.06.03\)](#)

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