Date: May 12, 2026

To: Honorable Mayor and Councilmembers

From: Marti Brown, City Manager

Subject: **Willows Police Department & Community Facilities District Formation, Professional Services**

Recommendation:

Authorize the City Manager to execute professional services agreements with Wulff, Hansen & Co. (Municipal Advisor), Stradling Yocca Carlson & Rauth (Formation Counsel), and Webb Municipal Finance (Special Tax Consultant) for the formation of a Mello-Roos Community Facilities District (CFD) to fund the startup capital costs and ongoing operational costs of the Willows Police Department (WPD); and provide direction to staff regarding the engagement of an elections consultant.

Rationale for Recommendation:

At the April 28, 2026 Council meeting, the City Council directed staff to move forward with the formation of a Mello-Roos Community Facilities District as the primary financing mechanism for both the startup capital needs and the ongoing operational costs of a re-established Willows Police Department. Forming a CFD requires a specialized team of professionals with expertise in California municipal finance, special tax law, and community outreach. The attached contracts engage this team and initiate the formal formation process.

Background:

In 2017, the City of Willows dissolved its municipal police department and entered into a contract with the Glenn County Sheriff's Office for law enforcement services. The current contract, most recently extended through June 30, 2026, costs the City $2.355 million in Fiscal Year 2025-26. In November 2024, Willows voters approved Measure I, a 1.5 percent general sales tax effective April 1, 2025, projected to generate up to $2.3 million annually. In part, Measure I was intended to provide seed funding for the re-establishment of a City police department.

At the April 28, 2026 City Council meeting, the Council reviewed a comprehensive analysis of available financing tools for WPD formation (Attachment 1). Based on that analysis, the Council directed staff to pursue formation of a Mello-Roos CFD structured to authorize both a bond issuance for startup capital (e.g., facilities, vehicles, and equipment) and a perpetual or long-dated annual services special tax for ongoing eligible operations. The Council further indicated interest in exploring whether the CFD

structure could be expanded to include the Willows Fire Department, so as to address ongoing capital and equipment needs for Fire within the same financing framework.

Following the Council's direction, City staff and the Municipal Advisor contacted Formation Counsel (Stradling Yocca Carlson & Rauth) and Special Tax Consultant (Webb Municipal Finance) to discuss the scope of work and fee structures for CFD formation services. The proposed contracts are presented for Council approval at this meeting.

Discussion & Analysis:

Proposed Professional Services Team

Successful CFD formation requires a coordinated team of specialized professionals. The three contracts presented for approval tonight establish the core formation team:

- **Wulff, Hansen & Co. (Municipal Advisor).** As Municipal Advisor, Wulff, Hansen & Co. will oversee the overall financing strategy, coordinate the formation team, advise the City on CFD structure and sizing, assist in developing the cost estimates and revenue projections that underlie the special tax, and serve as the City's primary financial advisor through any bond issuance following a successful election. The Municipal Advisor also assists in preparing Council staff reports and public-facing materials throughout the process.
- **Stradling Yocca Carlson & Rauth (Formation Counsel).** Formation Counsel provides all legal services necessary to establish the CFD under the Mello-Roos Community Facilities Act of 1982 (Government Code §53311 et seq.). This includes drafting the Resolution of Intention, the Resolution of Formation, the special tax ordinance, election documents, and all associated legal notices and proceedings. Formation Counsel also advises on compliance with Proposition 218, the California Constitution, and applicable case law governing special taxes and CFD elections. Stradling is one of California's most experienced public finance law firms in California and has served as Formation Counsel on hundreds of CFD formations statewide. One of the lead attorneys on this project, Brian Quint (formerly of Quint & Thimmig), served as Bond Counsel to the City on its 2021 POB and Sewer COP financing.
- **Webb Municipal Finance (Special Tax Consultant).** The Special Tax Consultant is responsible for developing the Rate and Method of Apportionment (RMA), the technical document that defines how the special tax will be calculated, allocated among different land use categories, and escalated over time. The RMA must be structured to produce sufficient annual revenue to fund both debt service on the capital bonds and, separately, ongoing operational costs, while distributing the tax burden in a manner that is equitable, legally defensible, and comprehensible to voters. It is worth noting that the RMA will provide for a maximum annual special tax levy, but the City is not necessarily required to levy at the maximum special tax each year. Webb Municipal Finance specializes in public safety CFD formations and has extensive experience designing service tax structures for California cities and districts. Wulff, Hansen & Co. has recommended the selection of Webb as the City's Special Tax Consultant.

Elections Consultant

Staff strongly recommend that the City also retain an elections consultant, and requests Council direction to proceed with soliciting proposals for that engagement. An elections consultant plays a distinct and critical role in a CFD formation that is separate from the legal and financial functions of Formation Counsel, Special Tax Consultant, and Municipal Advisor. Their work is focused on community engagement, voter education, public opinion research, and ballot measure strategy.

For a CFD of the type proposed for the City, one that encompasses multiple financing components (e.g., capital bonds, ongoing services levy) and potentially multiple service areas (e.g., police, fire), the elections consultant's role while not required for formation is particularly beneficial for the following reasons:

- **Voter polling and tax threshold analysis.** Before the RMA is finalized and the ballot measure is drafted, the elections consultant conducts statistically valid polling of registered voters within the City to assess baseline support for the proposed CFD and to test voter sensitivity to specific tax amounts. This is one of the most valuable services the consultant provides, by presenting voters with different proposed special tax rates or structures during the polling phase, the consultant may identify the tax level at which support falls below the two-thirds threshold needed for approval. Sizing the tax above that level virtually guarantees failure; sizing it below that level while still meeting the City's revenue needs is the critical calibration that the polling process enables. For a measure that requires two-thirds approval, there is very little margin for error, and polling data provides the empirical basis for that calibration.

- **Multi-component measure complexity.** The proposed CFD will ask voters to approve two distinct financing components simultaneously: 1.) a bond authorization and the special tax to repay the bonds (for startup capital), and 2.) an ongoing services special tax (for annual operations). Ballot measures with multiple components are inherently more difficult to explain and more susceptible to voter confusion or skepticism. The elections consultant develops plain-language descriptions of each component, tests voter comprehension of the combined measure, and advises on how to present both elements in a way that is accurate, accessible, and persuasive. If the City also incorporates Fire Department funding into the same CFD, the communications challenge increases further, as the consultant will need to frame a measure that voters understand as a unified public safety investment rather than an opaque multi-part tax proposal.

- **Multi-service framing and coalition building.** A CFD that covers both the Police and Fire Departments requires a communications strategy that resonates across different constituencies within the community, including residents who prioritize law enforcement, those who prioritize fire protection, and those who are skeptical of any tax increase. The elections consultant develops the messaging framework, identifies community leaders and organizations who can serve as credible voices in support of the measure, and designs a coalition-building strategy to sustain organized support through the campaign period.

- **Voter education and outreach.** CFD special taxes are unfamiliar to many voters. The elections consultant designs and implements a voter education campaign - typically including town hall meetings, mailers, digital outreach, and earned media strategy that explains what the CFD is, why it is needed, what it will cost each property owner, and what services it will fund. In a

small, rural community like Willows, earned media and direct community engagement are particularly effective.

- **Campaign compliance.** The elections consultant advises the City and any supporting committees on compliance with the Political Reform Act, FPPC reporting requirements, and the prohibition on the use of public funds for campaign advocacy. This is a legally sensitive area, and experienced consultants are essential to ensuring that publicly funded voter education activities remain clearly distinguishable from campaign advocacy.

One-Year Lockout Following a Failed CFD Election

The Council should be aware of a significant statutory constraint that applies if the CFD election is unsuccessful. Under Government Code §53329, if a special tax measure submitted to the voters within a CFD is defeated, the City is prohibited from submitting the same or a substantially similar tax proposal to the voters of that CFD for a period of one year from the date of the failed election.

The practical consequence of this provision is that a failed CFD election is not simply a setback that can be quickly corrected and retried. The City would be required to wait a full year before returning to voters, during which time the WPD could not be funded through this mechanism. Given that the existing Sheriff's contract expires June 30, 2026, and that the City is planning for a transition to a City-operated department, a failed election followed by a one-year lockout would create a significant service and funding gap. This underscores the importance of thorough preparation, community engagement, and tax rate calibration through the work of the elections consultant and the polling process before the measure is placed on the ballot.

Election Timeline and the November 2026 Constraint

Staff, in consultation with the Municipal Advisor, has prepared a preliminary formation schedule. A detailed schedule will be developed collaboratively with Formation Counsel, the Special Tax Consultant, and the elections consultant following contract execution. However, a key preliminary conclusion is clear: it is not procedurally possible to complete all required CFD formation steps in time to place the measure on the November 4, 2026, general election ballot.

California law requires a specific sequence of statutory proceedings before a CFD special tax election can be called, including adoption of a Resolution of Intention, a legally required public hearing held not less than 30 days after adoption of the Resolution of Intention, adoption of a Resolution of Formation, and submission of election materials to the County Elections Office by the ballot measure submission deadline, which for Glenn County is in mid-July for the November 4, 2026 election. Given that the professional service contracts are being approved at the May 12, 2026, Council meeting, there is insufficient time to complete RMA development, community engagement, cost estimate refinement, and the required statutory proceedings before that deadline.

Accordingly, staff anticipates targeting either the March 2027 or June 2027 consolidated election as the formation election date. The March 2027 primary election provides an earlier opportunity but requires meeting a submission deadline that will likely fall in late November or December 2026, which is achievable if work proceeds expeditiously following contract execution. The June 2027 election provides additional time for community engagement and polling but delays the potential bond

issuance and WPD launch accordingly. The full team will advise on the preferred election date once engaged.

A preliminary milestone schedule is provided below. All dates are estimates pending team input:

Milestone	Timing (Estimate)	Responsible Party / Notes
Council approval of consultant contracts	May 12, 2026	City Council action
Kickoff meeting — full team	Late May 2026	MA, Formation Counsel, Special Tax Consultant, City Staff
Engage elections consultant	Late May / Early June 2026	Subject to Council approval
Refine WPD facility and equipment cost estimates	June – July 2026	City Staff / WPD feasibility team
Refine annual WPD operating cost projections	June – July 2026	City Staff / Municipal Advisor
Evaluate potential Fire Dept. CFD component	June – July 2026	City Staff / Municipal Advisor
Community engagement and polling	July – September 2026	Elections Consultant
Draft Rate and Method of Apportionment (RMA)	July – August 2026	Special Tax Consultant
Review and finalize RMA	August – September 2026	Full team / City Council review
Draft CFD boundary map and formation documents	August – September 2026	Formation Counsel
Resolution of Intention — City Council	October 2026 (est.)	Formation Counsel / City Staff
Public hearing and election order	November 2026 (est.)	City Council action

Milestone	Timing (Estimate)	Responsible Party / Notes
Voter outreach and campaign period	Early 2027 (est.)	Elections Consultant
CFD special tax and bond election	March or June 2027 (est.)	Consolidated election — Glenn County
Bond issuance (if election succeeds)	Summer / Fall 2027 (est.)	Full financing team

Next Steps

Following Council approval of the professional services contracts, the following key workstreams will proceed in parallel:

- **RMA Development.** Webb Municipal Finance will develop the Rate and Method of Apportionment defining how the special tax will be calculated and allocated. This work requires refined cost estimates for both the capital program (e.g., facilities, vehicles, equipment) and the ongoing operational budget of the WPD. The RMA must be sufficiently detailed to withstand legal scrutiny and sufficiently clear to be explained to voters.
- **Cost Estimate Refinement.** City staff, in coordination with the Municipal Advisor and the WPD feasibility team, will refine the capital cost estimates for police facilities, vehicles, and equipment, as well as the fully loaded annual operating budget projections for a reconstituted department. These estimates are the foundation of the CFD sizing and the RMA, and they must be as accurate as reasonably possible before the special tax rate is set.
- **Fire Department Evaluation.** Staff will evaluate whether to incorporate Fire Department capital and/or operational needs into the same CFD structure. A combined public safety CFD covering both police and fire would reduce formation and election costs and present voters with a unified public safety funding package. However, it also adds complexity to the RMA and the voter communications effort. The full formation team will advise on the optimal structure.
- **Elections Consultant Engagement.** Subject to Council direction, staff will solicit proposals from one or more qualified elections consultants and return to the Council for approval of that contract. The elections consultant should be engaged as early in the process as possible to allow adequate time for polling, community outreach, and voter education prior to the election.
- **Community Engagement.** Prior to and concurrent with the formal formation proceedings, the City should conduct public outreach to educate the community about the proposed CFD, explain the need for a dedicated public safety funding source, and gather community input on service priorities and tax structure. The elections consultant will lead this effort in coordination with City staff.

- **Formation Proceedings.** Once the RMA is finalized and the election strategy is in place, Formation Counsel will initiate the statutory formation proceedings, including adoption of the Resolution of Intention, the public hearing, and the Resolution of Formation, culminating in the submission of the ballot measure to Glenn County Elections.

Consistency with Council Priorities and Goals:

This agenda item is consistent with the Council's Priority 3: Public Safety, Goal #1: Invest in the Startup of the Willows Police Department (WPD).

Fiscal Impact:

Professional services fees for Municipal Advisor, Formation Counsel, and Special Tax Consultant will be funded from the General Fund on an interim basis. If the CFD election is successful, all formation-related professional services costs are customarily recovered from bond proceeds or the initial special tax levy, reimbursing the General Fund. If the CFD election is unsuccessful, formation costs paid to date would not be recoverable and would represent a General Fund expenditure, however much of the prepared work products may be used as a starting point for a future tax or ballot measure effort. Based on preliminary estimates, total at-risk General Fund exposure in the event of a failed election is estimated at approximately $125,000 to $150,000, depending on the level of professional services engaged prior to the election, the complexity of the RMA, and whether the measure is placed on a consolidated general election ballot (which significantly reduces election administration costs versus a standalone special election). Additionally, Municipal Advisor's fee is only payable if the Council passes a resolution that formalizes moving forward with an election. Costs specifically associated with placing the measure on the ballot (e.g., Glenn County election administration fees) would only be incurred by the General Fund after Council approval to move forward with an election and are not recoverable regardless of outcome. Staff will present a more detailed budget estimate for Council review at a future meeting once the full team has been engaged and scope of work agreements for all parties have been finalized, including an elections consultant, if applicable.

Attachment:

- Attachment 1: April 28, 2026, Staff Report: Finance Tools to Fund Willows Police Department

Attachment1

Date: April 28, 2026

To: Honorable Mayor and Councilmembers

From: Marti Brown, City Manager

Subject: Finance Tools to Fund Willows Police Department

Recommendation:

Review and discuss options for financing the startup and ongoing costs to establish a Willows Police Department and provide direction to staff.

Rationale for Recommendation:

The Willows City Council has expressed its intent to re-establish the City's Police Department. Accordingly, staff has been directed to identify and present potential financing mechanisms to support both the initial startup costs and the ongoing funding necessary to sustain long-term operations.

Background:

In 2017, the City of Willows dissolved its municipal police department and entered into a five-year agreement with the Glenn County Sheriff's Office to provide law enforcement and animal control services. As the agreement neared expiration in 2022, a newly elected Sheriff authorized a one-year extension to allow for a comprehensive evaluation of departmental budgets and service delivery costs. Upon completion of this review, the Sheriff's Office proposed a substantial increase in the cost of continuing law enforcement, dispatch, and animal control services. Following several months of negotiations, the City and the Sheriff's Office reached consensus on a new three-year agreement, effective July 1, 2023, through June 30, 2026.

Concurrently, the City of Willows was experiencing a significant structural deficit, estimated at approximately $1.4 million annually in Fiscal Year 2024–25. In response, the City Council approved the placement of a 1.5% local sales tax measure on the November 2024 ballot. The primary objectives of this measure were to address the ongoing fiscal imbalance, restore General Fund reserves, and provide a potential funding source for the future re-establishment of the Willows Police Department.

At present, with fewer than three months remaining on the existing agreement with the Glenn County Sheriff's Office and voter approval of the 1.5% sales tax measure secured, the City Council has directed staff to evaluate options for re-establishing a municipal police department and to identify sustainable funding strategies to support its long-term operations.

Discussion & Analysis:

Startup Costs

As outlined in Attachment 1, several financing mechanisms are available to fund the one-time startup costs associated with establishing a new Willows Police Department (WPD). These startup costs include items such as facility acquisition or renovation, patrol vehicles and fleet, technology systems (computer-aided dispatch, records management, body cameras), uniforms, weapons and duty equipment, and initial officer training and certification. The primary capital financing tools available to the City are a Mello-Roos Community Facilities District (CFD) bond, General Obligation (GO) bonds, and Certificates of Participation (COPs). Federal and state grants, developer impact fees, and General Fund reserves are supplemental sources discussed further below.

Mello-Roos Community Facilities District (CFD) — Bond Component. A Mello-Roos CFD is among the most flexible financing tools available to California cities. A CFD may issue bonds backed by a special tax levied on all parcels within specified district boundaries (which can be the boundaries of the City). Bond proceeds are then used to fund eligible capital improvements such as police facilities, equipment, and vehicles. The special tax is levied annually on each parcel's property tax bill and is used to repay the bonds over their term (typically 20–30 years). Formation of a CFD requires a two-thirds supermajority vote of the registered voters residing within the proposed district boundaries. For a citywide CFD encompassing all of Willows, this would be a citywide election. The 2023 fiscal emergency declaration and the strong performance of Measure I (approved by approximately 58% of voters) suggest meaningful community receptivity, though a two-thirds threshold is a materially higher bar. A key advantage of the CFD structure is that it can be designed to serve a dual purpose: bond proceeds fund startup capital, as well as an ongoing annual special tax levy for services to fund operations, providing long-term revenue certainty, which is further discussed in the Ongoing Operational Costs section.

General Obligation (GO) Bonds. GO bonds are backed by the full faith and credit of the City and repaid through a voter-approved ad valorem property tax override levied on all taxable property within the City. Because they are secured by the City's taxing authority, GO bonds typically achieve the lowest available interest rates of any tax-backed instrument, a meaningful advantage when financing multi-million dollar capital projects. Like a CFD bond, GO bonds require approval by a two-thirds supermajority vote. GO bonds are particularly well-suited to fund the acquisition or construction of a dedicated police facility, as they can be sized to match the full capital cost with repayment spread over 20–30 years. Unlike a CFD, however, GO bonds do not inherently carry a mechanism for ongoing operational funding, they are a capital financing tool only. A separate revenue source would need to be identified for ongoing department operations.

Certificates of Participation (COPs). COPs are a lease-revenue financing mechanism that does not require voter approval, making them procedurally simpler than either a CFD bond or GO bond. Under a COP structure, the City conveys a public asset, typically an essential use building such as a city hall or a future police facility, to a financing entity (typically a joint powers authority or a nonprofit public benefit corporation), which then leases the asset back to the City. The City's obligation to make lease payments is securitized and sold to investors as certificates. COPs can fund construction, major renovation, or significant equipment acquisition. The principal tradeoff COPs when compared to GO

bonds and CFD bonds is twofold. First, COPs carry a modestly higher interest rate because they are not backed by a voter-approved tax pledge and therefore carry slightly higher credit risk from an investor perspective. Second, and critically for a city in Willows' fiscal position, the annual lease payments must be appropriated by the City Council each year, they are not self-supporting from a dedicated revenue stream. This creates what is known as "non-appropriation risk". For this reason, COPs issued without an identified, dedicated revenue source to support the annual debt service would create new structural budget pressure and are not recommended in this instance as a standalone capital financing tool unless a new revenue stream can be simultaneously established to cover the annual lease payments.

Federal and State Grants. Grants are an important supplemental source for startup costs but are not a reliable primary funding mechanism due to their competitive and time-limited nature. The City should pursue all applicable grant programs concurrent with capital planning, but the City's startup budget should not be premised on grant funding that has not yet been secured.

General Fund Reserves, Impact Fees and Measure I Seed Funding. The City's 1.5% sales tax (Measure I) became effective April 1, 2025, and the City received its first quarterly advance from the State in April 2025. Early Measure I proceeds can serve as bridge funding for initial procurement such as vehicles, equipment, and uniforms before longer-term capital financing is in place. Developer impact fees and General Fund reserves are currently largely committed to maintaining the City's existing budget and addressing ongoing fiscal constraints.

Ongoing Operational Costs

With respect to ongoing operations, reallocating funds currently designated for the Sheriff's contract would provide a substantial and immediate funding base for a re-established police department. The existing contract totals approximately $2.0–$2.4 million per year, representing the City's current expenditure baseline for law enforcement services. However, the City's overall financial position does not currently include sufficient General Fund reserves or surplus revenues to absorb escalating costs over time. Additionally, certain expenditures were not fully accounted for in the City's 2025 WPD feasibility study, including increases in legal services, information technology infrastructure, and potential recruitment and hiring incentives. Long-term funding options for ongoing operations include the formation of a Mello-Roos CFD services levy or implementation of a special parcel tax.

Mello-Roos CFD — Ongoing Services Special Tax (No Bonds). A Mello-Roos CFD can be structured not only to issue bonds for capital purposes (startup costs), but also (independently or in combination) to levy an ongoing annual special tax for services without any bond component. In a services-only CFD, the City would form a citywide district and levy a special tax on all parcels each year, with revenues dedicated exclusively to funding police department operations. Unlike the CFD bond component, there is no debt service, no interest cost, and no obligation to repay principal. The levy is simply an annual charge on each parcel's property tax bill, calculated according to a Rate and Method of Apportionment (RMA) adopted at district formation. The special tax can be indexed to the Consumer Price Index (CPI) or a fixed annual escalator, ensuring that revenues keep pace with rising personnel and operational costs over time. Critically, the taxes can be structured to continue over a long period of time (up to 100 years) providing a permanent, dedicated, and budget-segregated funding stream for police services that cannot be reallocated to other general fund purposes. Formation requires a two-thirds

supermajority vote of registered voters. The services CFD is the most structurally sound long-term funding mechanism for ongoing operations and is the primary tool recommended for that purpose.

Special Parcel Tax. A special parcel tax is a flat or tiered per-parcel levy (for example, a fixed annual amount per residential unit, or a per-square-foot charge on commercial properties) dedicated to a specific public purpose such as police services. Unlike a CFD, a parcel tax does not require formation of a separate district; it is levied citywide through the City's own municipal authority. A special parcel tax requires a two-thirds supermajority vote and, if approved, provides a dedicated revenue stream insulated from general fund budget pressures. The parcel tax is functionally similar to a services CFD in its outcome: an annual, dedicated, inflation-adjustable levy for police operations. Furthermore, it is somewhat simpler to administer since no district formation proceedings are required. The key structural distinction is that a services CFD can more easily incorporate a dual-use structure (capital bonds for startup costs such as facilities as well as a services levy in a single formation), while a parcel tax is limited to the ongoing services function.

Conclusion

Staff recommends distinct financing strategies for startup capital and ongoing operations, as the two needs differ fundamentally in their fiscal structure, time horizon, and appropriate funding mechanisms.

Startup Capital: Facilities CFD or General Obligation Bond (Recommended); COPs (Conditional). For one-time startup costs (principally facility acquisition or renovation, vehicles, and major equipment) staff recommends either a Mello-Roos CFD bond or a General Obligation bond as the primary capital financing mechanism. Both require a two-thirds supermajority vote and provide long-term, fixed-cost debt service repaid over 20–30 years, avoiding a large one-time draw on the General Fund. The CFD bond is preferred if the City wishes to combine startup capital financing with an ongoing services levy in a single formation election, providing a unified structure for both phases. The GO bond is preferred if the City's primary capital need is a facility (police station) and the City wants the lowest possible borrowing cost. Certificates of Participation are conditionally viable as a capital tool, they avoid a ballot measure, which is a procedural advantage, but the annual lease payments must be supported by a dedicated, identified revenue stream. COPs issued without such a stream would create new structural budget pressure and are therefore not recommended unless a concurrent revenue measure is adopted to fund the annual debt service. In all scenarios, General Fund reserves and Measure I seed money can bridge early procurement costs while the primary financing mechanism is being structured and placed before voters.

Ongoing Operations: Mello-Roos CFD Services Special Tax (Recommended), Supplemented by Sheriff Contract Reallocation and Measure I. For annual operations, staff recommends a Mello-Roos CFD services special tax (structured without a bond component) as the primary long-term funding mechanism. A services CFD provides a dedicated, inflation indexed, long-term revenue stream levied on all parcels within the City, insulated from general fund budget pressure and unavailable for reallocation to other purposes. This structure directly addresses the fiscal vulnerability that led to the dissolution of the original police department in 2017: an operational cost that competed with other general fund obligations during periods of revenue stress. The services CFD levy, sized to cover fully-loaded annual WPD operating costs net of other identified revenues, creates the permanent funding foundation the department needs to remain sustainable. In the near term, prior to CFD formation,

annual operations would be funded through a combination of (1) reallocation of the existing Sheriff's contract budget (approximately $2.0–$2.4 million per year), and (2) Measure I general sales tax revenues. If the City proceeds with a Facilities CFD bond for startup capital, the formation election can be structured to simultaneously authorize both the bond issuance and the ongoing services levy, reducing election costs and consolidating the community vote.

Should the City Council direct staff to proceed with either a Facilities CFD or a Services CFD (or a combination of both), it may also be prudent to consider incorporating funding for the Fire Department within the same formation structure. The Fire Department is an essential public safety service with ongoing capital and equipment needs, and combining both departments within a single CFD election would reduce formation and election costs while presenting voters with a unified public safety funding package.

Consistency with Council Priorities and Goals:

This agenda item is consistent with the Council's Priority 3: Public Safety, Goal #1: Invest in the Startup of the Willows Police Department (WPD).

Fiscal Impact:

Should the City Council direct staff to proceed with CFD formation, staff notes that the professional costs associated with district formation (including municipal advisor, bond counsel, and special tax consultant fees) are customarily included in the CFD formation costs and recovered from bond proceeds or the initial levy (assuming a successful election), rather than from the General Fund. If the election is unsuccessful, the mentioned professional services associated with formation cost would need to be paid out of the General Fund. Costs associated with placing the measure on the ballot would also need to be funded from the General Fund in advance of the election. Staff estimates that CFD formation costs payable from the General Fund in the event that an election in unsuccessful would total an estimated $75,000 to $125,000, depending on the complexity of the CFD (services-only versus services plus facilities, as well as whether or not funding for fire services are included). If the Council directs staff to move forward with the Recommendation, staff will come back to the Council with fee proposals from the required consultants.

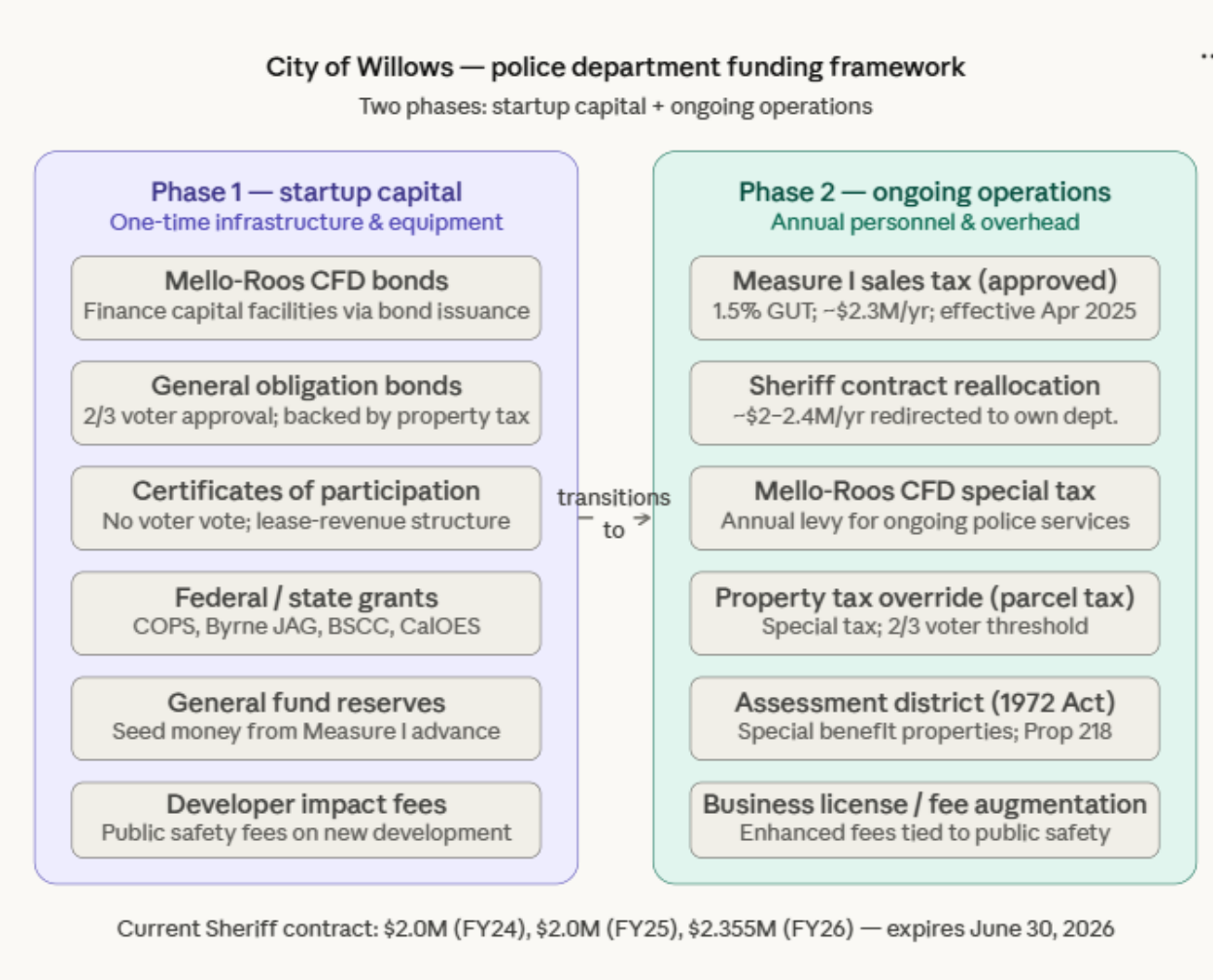
Attachment:

- Attachment 1: Police Department Formation Funding Tools

City of Willows
Police Department Formation Funding Tools
April 13, 2026

Summary of Available Financing Tools

Below is a summary of the available funding sources for the formation of a new Police Department in the City of Willows:



Fiscal Context and Baseline

First, the critical baseline: the current Sheriff contract totals $6,355,000 over 2.5 years: $2.0M in FY 2023-24, $2.0M in FY 2024-25, and $2.355M in FY 2025-26, expiring June 30, 2026. This contract cost is the single most important number in the analysis, it establishes both what Willows is already paying and the approximate ongoing cost floor for any police service model. Importantly, when the department was originally disbanded in 2017, it was costing over $1.6 million annually, meaning the Sheriff's contract has grown roughly 45% in cost over the intervening years.

Phase 1: Startup Capital Funding

The one-time costs of reconstituting a police department are substantial and distinct from ongoing operations. They include facility acquisition or renovation, vehicles and fleet, technology systems (CAD, RMS, body cameras), uniforms, weapons, and initial training.

Below are details on viable funding method for startup costs:

Mello-Roos Community Facilities District (CFD) — Bond Component

The Mello-Roos Community Facilities Act of 1982 (Gov. Code §53311 et seq.) is the most versatile tool available. The Act allows for the City to establish a CFD which may provide financing for a broad range of public improvements and services, including police protection, fire protection, ambulance services, schools, parks, libraries, museums, and other cultural facilities. Willows could form a citywide CFD, issue bonds backed by a special tax levy on all parcels, and use the bond proceeds to fund the capital build-out of the new department. Formation requires a 2/3 vote of registered voters. The 2023 fiscal emergency declaration and the strong showing of Measure I (58%+) suggest community receptivity.

General Obligation Bonds

GO bonds are backed by the full faith and credit of the City and repaid through an ad valorem property tax override. They require a 2/3 supermajority vote. Given the current community support trajectory, this is worth considering, particularly if the City needs to fund a new or renovated facility (e.g., a dedicated police station). GO bonds typically achieve the lowest interest rates of any tax-backed instrument.

Certificates of Participation (COPs)

COPs are a lease-revenue financing mechanism that does not require voter approval. The City would convey a public asset (e.g., city hall, a future police facility) to a financing entity, which leases it back to the City, with the lease payments securitized. COPs can fund construction or major equipment acquisition. The tradeoff is a slightly higher interest rate than GO bonds and the annual lease obligation must be appropriated by the City Council

(subject to non-appropriation risk). This is a viable path for facility financing without going to the ballot, pending budget availability.

Federal and State Grants

This is an important supplemental source for startup costs, but not necessarily a primary one. Some of the available programs include:

- *COPS Hiring Program* (U.S. DOJ): Provides funding for sworn officer positions for the first three years, then requires local assumption of costs. Highly competitive nationally but appropriate for Willows given its small size.
- *Edward Byrne Memorial Justice Assistance Grant (JAG)*: Flexible funding for equipment, technology, training, and personnel.
- *California Board of State and Community Corrections (BSCC)*: Various competitive grants for local law enforcement programs.
- *CalOES*: Homeland security and public safety infrastructure grants.

Developer Impact Fees (Public Safety)

Under the California Mitigation Fee Act (Gov. Code §66000 et seq.), Willows can adopt a public safety development impact fee applicable to new residential and commercial construction. The fee must be nexus-justified (i.e., tied to the increased demand for police services generated by new development). While Willows is a small, slow-growth city, any future residential or commercial development can be required to contribute to the capital cost of police facilities and equipment. This would not likely provide substantial new funding, but could be reviewed as a supplemental funding option.

General Fund Reserves / Measure I Seed Money

The City's 1.5% sales tax is effective April 1, 2025, and the city received its first advance of the new quarterly sales tax revenue from the State in April 2025 as well. The early proceeds can be used as seed funding for startup costs or bridge financing for procurement before longer-term mechanisms are in place.

Phase 2: Ongoing Operations Funding

The annual operating budget is the harder, more durable challenge. A realistic ongoing budget for a small city police department of 13 officers/staff in California today likely runs at least $2.5 million annually when fully loaded with benefits, dispatch, records management, and overhead. The key strategic insight here is that the Sheriff contract cost ($2.0–2.4M/year) is already being paid and will be redirected, the question is what gap, if any, remains.

Measure I Sales Tax (Already Approved)

This is the cornerstone of ongoing funding. The 1.5% sales tax increase is projected to generate up to $2.3 million in tax revenue per year. The ballot measure has a 15-year time sunset date, after which the tax would expire unless extended by another ballot measure. As a general (unrestricted) tax, spending is at Council discretion, which means the City should proactively build a police department line item into the annual budget to establish the spending pattern before the sunset question arises.

Sheriff Contract Cost Reallocation

This is arguably the most important element of any funding model. As the City transitions from the Sheriff contract to its own department, the $2.0-2.4M currently paid to Glenn County can be redirected to fund a Willows Police Department. The key modeling question is whether the City's own department can provide comparable or superior service at the same or lower cost. In 2017, the original department cost over $1.6M, inflation-adjusted to today, a comparable department would cost significantly more.

Mello-Roos CFD — Ongoing Services Tax

A citywide services CFD can be structured to levy an annual special tax specifically for police services, independent of the general fund. The CFD special tax rates are levied annually as part of each parcel's property tax bill and are subject to an annual inflation adjustment. The taxes do not expire but continue in perpetuity. This provides a dedicated, inflation-indexed, permanent revenue stream that is insulated from general fund budget pressures and cannot be raided for other purposes. Formation requires 2/3 voter approval, but the services CFD can be structured as a standalone mechanism layered on top of other revenues.

Parcel Tax (Special Tax)

A parcel tax is a flat or tiered tax per parcel (e.g., $X per residential unit, $Y per commercial square foot), placed on the ballot and requiring 2/3 voter approval. Unlike a CFD, a parcel tax does not require formation of a district, it's levied citywide through the City's own authority. It can be designated specifically for police services (making it a special tax), or structured as a general tax (simple majority required, but unrestricted in use). Given the community support shown in Measure I, a dedicated police parcel tax may be viable at 2/3 approval threshold.

Proposition 218 Assessment District (1972 Landscaping and Lighting Act / Other)

An assessment district levies charges based on special benefit to property owners. Public safety is notoriously difficult to structure as an assessment district because courts have held that general police protection benefits the public at large, not specific parcels in a quantifiable way, making it hard to satisfy Prop. 218's special benefit nexus requirement. This mechanism is not strongly recommended for police services, but may have limited applicability if a specific geographic area (e.g., a commercial corridor or new development area) can demonstrate a quantifiable, special benefit from enhanced police patrols.

Business License Tax Augmentation

The City can increase its business license tax and designate a portion of the increase for public safety. This requires only a majority Council vote if structured as a general tax, or 2/3 voter approval if structured as a special tax for police specifically. Willows' commercial base is modest, but the revenue contribution would be incrementally helpful.