

## **We heard Consultants tell us we will have to more than double rates for Water in Sebastopol. Is anyone listening?**

Following three years of double digit increases in operating expenses and significant new debt payments, the Water and Wastewater Utilities are operating at a severe deficit and likely to run out of cash before the end of the year.

The budget deficits began to grow in 2021-22 with a 17% increase in General City Expenses shifted from the city budget to the Water and Sewer Rate payers. That was followed by a further 10% increase in 21-22. The city chooses to allocate a portion of the expenses from most departments to water and sewer based on their work on Water and Sewer. The allocations were determined by a study done more than 20 years ago and are applied to both Salaries and Benefits and nearly all other activities performed by these departments. In this manner expenses with no obvious relationship to water and sewer appear to be passed to rate payers based on this allocation scheme.

Examples of city expenses subsidized by Water and Wastewater rate payers:

- 75% of Costs to initiate ballot measures to raise sale and property taxes unrelated to the Water or Sewer operation.
- 50% of Police and Fire Generator maintenance, holiday décor, maintenance of city building not housing water and sewer operations
- 26% of Community Grants for Peacetown summer concerts, Fireworks, Apple Blossom Parade, Support for World Friends, electric shuttle fare subsidies & homeless outreach
- 18% of non-departmental expenses that cannot be assigned to any department are assigned to Water and Sewer rate payers including the Park Village Management Contract
- 8% of City Legal costs to defend ACLU lawsuit – homeless.
- 8% of Election book, City Arborist, Community outreach tech meeting support costs for Climate action committee, Design review board, public art committee meetings,
- 7% of the Fire Department Operating Expense

The California Constitution and relevant case law direct that water rates do not exceed the cost of providing service. **It is unclear what costs like Peacetown concerts, fireworks, ACLU legal defense, (and many others) have to do with delivering clean water to households.**

Direct operating expenses have also increased at double digit rates, without much attention. Last year 2 new pickup trucks were purchased. Recently, City Council approved the purchase of a \$94,000 “critical” flat bed dump truck even as deficits grow. The approval was slipped into the Consent Calendar.

In addition, Water and Sewer Rate payers are facing a substantial increase in dept payments associated with a \$5,000,000 commitment to Syserco for several “energy savings” initiatives including replacing all water meters with electric.

- The proposal from Syserco, included in the city staff document, promised savings from the initiative beginning in year 1 would totally offset the new debt expense.
- The FY 23\_24 approved budget does not appear to reflect any cost savings.
- Best case the budget process overlooked \$300,000 in savings.
- Worst case there are no savings, and the City Council was misled.

It is critical that customers of the Sebastopol Water and Wastewater operation pay attention to the rate setting process. The City Council has full power to set rates and rate payers do not get a choice to vote on a future tax increase. Citizens should be asking hard questions.

Crucial questions include:

- What is the rationale for double digit increases in Water and Sewer expenses over the last three years, given no significant increases in demand for services and several expensive projects such as Syserco that were supposed to reduce costs?
- What is the rationale for allocating expenses completely unrelated to water and sewer operations to the rate payers? How does staff account for the time allocated to rate payers? Is the allocation scheme even legal?
- Why are Water and Sewer rate payers paying most of the debt cost of SYSERCO and gaining none of the promised cost savings.
- How do other cities manage cash flow issues created by large capital improvement projects?
- We have our own aqueduct, pump our own water and thus control how expensive the water should be, yet our water costs are substantially higher than other cities around us that purchase water. Is our model the most efficient for the size of our city?
- Who is in charge of our Water and Wastewater Operation? What oversight is being provided? Why are we suddenly being surprised by a crisis that has been obvious for nearly three years?

If there continue to be very few citizens participating in the meetings and providing public comment, Sebastopol will likely pay the highest cost in the County for Water and Wastewater services.