

Dear Council Members,

Before you vote in the water and wastewater rates, there are several questions that need to be answered.

- 1) The misallocated of funds from water and sewer Rate Payers to the general fund from 2010-2023 have not been addressed. Given that \$714,000 was identified as misallocated in the 2024 allocation study, it is obvious that the model and allocation ratios were not correct and had not been correct for many years. Is Council simply going to ignore the misallocation of funds and by doing so place a huge financial burden and high water and sewer rates on Rate Payers? Is Council choosing to ignore this significant breach of fiduciary duty by former Council?
- 2) How are the tiered rates justified? What is the financial breakdown for the rate tiers? I keep asking this as the tiers need to reflect the cost of service. Is it possible for the public to get a breakdown on why the third tier is 40% more than the first tier? In *Capistrano Taxpayers v. City of San Juan Capistrano*, the Court struck down their rate system as it did not reflect the cost to deliver service. See:

<https://eastvalley.org/328/Tiered-Rate-Court-Decision>

The City of San Juan Capistrano was in a similar position as Sebastopol as it had a lot of capital costs which it was trying to fund. To be Prop. 218 Compliant, they adjusted their tiered rates which so very nominal increases along the tiers. See:

<https://www.smwd.com/403/San-Juan-Capistrano>

In addition, they added a fixed cost for meter size and then a capital charge. See page 9 of this document:

<https://www.smwd.com/403/San-Juan-Capistrano>

- 3) How much does it cost to produce 1Kgal of water?
- 4) Which meters were used to calculate the tiers? Old, analog meters or new SmartMeters? If the tier system was based on the old, analog meters, the tiers need to increase by 10% minimum to reflect the fact that the old, analog meters did not 10-15% of water usage.
- 5) Who pays for the water used by the fire department? Who will pay for water if we merge with Gold Ridge?
- 6) What is the rate for commercial water sellers who purchase water from the City of Sebastopol and resell it for profit?
- 7) The water and wastewater bill will increase by over \$100,000 for the City of Sebastopol with the new rates. How does the City intend to pay for this increase this year and the following years? Can the Council guarantee that the new water rates will not diminish our public parks, public recreation facilities, urban canopy and green spaces?

In addition, I urge Council to look at alternative means to pay for water and sewer infrastructure, which is the most pressing issue, outside of water usage fees.

Parcel tax – **Cost less for consumers and provides consistent capital.**

- 1) A parcel tax of \$500 on 3000 parcels would raise \$1,500,000 per year. This amounts to \$42 per month and would be tax deductible. In 10 years, that would equal \$15,000,000. The parcel tax could be set to expire in 10 years. By charging a parcel tax, rate increases could be substantially lower, possibly 35-50% lower. In addition, the tax would be tax deductible for property owners. As rate increases would be significantly lower, people would not cut back on water usage so revenue from fees would be more stable. A parcel tax brings stability to the system, is cheaper for ratepayers, is tax deductible and provides a constant source of capital for infrastructure.
 - a. In many cases, this would be much less expensive for renters, businesses who rent, and multiunit buildings as the property owner would be responsible for the parcel tax.
 - b. This would lower the cost of water to businesses, hotels, multiunit buildings, nonprofits, the City and schools as they would pay the parcel tax and then have lower water rates.

Infrastructure fee – **Cost less for consumers and provides consistent capital**

- 1) An annual infrastructure fee \$500 on 3000 parcels would raise \$1,500,000 per year. In 10 years, that would equal \$15,000,000. A \$500 infrastructure fee would be less expensive than higher, tiered water rates for many consumers including the City of Sebastopol. By charging an annual infrastructure fee, rate increases could be substantially lower, possibly 35-50% lower. As rate increases would be significantly lower, people would not cut back on water usage so revenue from fees would be more stable.
 - a. This would lower the cost of water to businesses, hotels, multiunit buildings, nonprofits, the City and schools as they would pay the infrastructure fee and then have lower water rates.

I have asked these same questions many times, I am hoping to get some answers as they are relevant in terms of the City's legal obligation to rate payers and the City's moral obligation to citizens.

Sebastopol sits on a huge aquifer. There is no reason why our water should be expensive. Sebastopol has plenty of water, which is a critical community asset.

The City has old infrastructure and needs to raise money for infrastructure. Council needs to acknowledge the problem, which is that money collected for water and sewer was mismanaged for at least a decade, which is why we are in such a terrible position now.

I urge Council to fund infrastructure through a parcel tax, infrastructure fee or by making the ethical decision, which would be to acknowledge the City's debt to water and sewer rate payers and to set aside a portion of sales tax and TOT money to repay the debt.