

Dear Don Schwartz and Council Members,

It is imperative that the Water and Sewer fund be kept separate from the General Fund.

California Prop. 218 explicitly states that fees related to a property related service such as water and sewer “shall not be used for any purpose other than that for which the fee was imposed.” (See CalCities Prop. 218 Implementation Guide, page 71. <https://www.cacities.org/uploadedfiles/leagueinternet/c2/c2f1ce7c-2b14-45fe-9aaa-d3dd2e0ffecc.pdf>)

As your new Cost Allocation Study shows, the General Fund has been misappropriating monies from Water and Sewer Rate payers for over a decade.

The 2024 study shows that \$714,000 had been misallocated from the Water and Sewer Enterprise Funds to pay for salaries and costs that are associated with the General Fund. <https://www.cityofsebastopol.gov/wp-content/uploads/2024/01/Agenda-Item-Number-5-Cost-Allocation-Study.pdf>

As the last allocation study was done in 2001, this would indicate that this has been going on for at least a decade. It would appear that best practices would require a reallocation study every 5 years. The existing study was over 20 years old.

It is clear that the City of Sebastopol owes Water and Sewer rate payers money for the misappropriation of funds that has occurred over the last decade, if not longer. This is in clear violation of Prop. 218. The City officials had a fiscal duty and obligation to make sure fees that water and sewer rate payers made to the City for water and sewer service were accurately and honestly applied. The City breached this fiscal duty.

I ask that the Council to:

1) Determine how much money the City of Sebastopol owes the Sewer and Water rate payers due to the misappropriation of funds for the last 10-15 years. If it is \$714,000 this year, it is safe to assume that it would be 10% less for the previous year (2022 - \$642,600) and 10% less the year prior (2021 - \$578,340) and so on

\$714,000 - 2023

\$642,600 - 2022

\$578,340 - 2021

\$520,506 - 2020

\$468,455 - 2019

\$429,609 - 2018

\$379,448 - 2017

\$341,503 - 2016

\$307,353 - 2015

\$276,618 - 2014

\$248,956 – 2013

**Total: \$4,908,388**

2) Set an amount that the City of Sebastopol owes to the Water and Sewer rate payers, which will be used to support rebuilding the water and sewer infrastructure and keep water rates stable;

3) Require the City of Sebastopol to establish an independent Water and Sewer Board that advocates for ratepayers and oversees the regular upkeep, maintenance and replacement of infrastructure.

It is crucial that the City repay these funds otherwise Water and Sewer users will face step increases in service fees and an underfunded Water and Sewer infrastructure.

Any money from the General Fund used toward the Water and Sewer Enterprise Funds should be seen as paying back the aforementioned debt that the General Fund owes to the Water and Sewer Fund.

In addition, fees collected from Water and Sewer should not be co-mingled with the revenues from the General Fund. This would not be in the rate payers' best interests. There needs to be clear delineation of money collected from water and sewer fees from those collected through taxes.

It is clear that rate payers need advocates to represent their interests that are separate from Council. Council is in an obvious conflict as they are also trying to advocate for the General Fund, which is extremely limited in its means of revenue.

I ask that Council and City Staff follow best practices and establish how much money is owed to Water and Sewer rate payers, establish an advocate body for Water and Sewer rate payers, and start to repay the debt to water and sewer ratepayers. It is crucial for the people who have been honorably paying their water and sewer bills for the last decade that their monies are correctly applied per Prop. 218.

Thank you,

Kate Haug

Sebastopol Resident and Water and Sewer Rate Payer