

Dear Don Schwartz and Council Members,

You are the advocates for Sebastopol's citizen Water/Sewer ratepayers; you must act accordingly.

As advocates, you must see that 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 at least 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 – in their positions as advocates for Water/Sewer Ratepayers - 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. This independent body would make sure that rate payer funds are used appropriately, create an infrastructure timeline and milestone metric to ensure that infrastructure is replaced and upgraded in a timely manner, report to Council and report to ratepayer citizens during the budget process.

5) Given the misallocation of funds and the infrastructure crisis, it is clear that previous Council and City Manager were negligent and broke their fiduciary duty. I am a firm believer that we would not be in this crisis if the City had engaged a separate Water and Sewer Board whose mission it was to advocate for ratepayers, track income and expense, advocate for capital improvements and track infrastructure needs.

6) 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. We are in this position because there were no advocates for Water and Sewer Ratepayers and the previous Council used water and sewer fees as revenue stream for the General Fund.

It 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.

7) Half of the monies raised by a new sales tax need to be devoted to Water and Sewer infrastructure until the infrastructure needs stabilize. If money from a sales tax is earmarked toward infrastructure, it might be easier for the City to get a loan or other financing as it would have a revenue stream for debt repayment. It seems clear that the City does not have the reserves to complete the \$13,000,000 of needed repairs as outlined in previous studies.

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.

Please advocate for Water/Sewer ratepayers who have diligently paid their bill for the last decade naively assuming that the money was going toward water and sewer expenses and toward keeping the infrastructure in good, functional condition.

I am sure that before you became Council Members you paid your Water and Sewer bill and thought that you were ensuring the long term quality of your water and the long term functionality of your sewer system. These are the most basic, fundamental services in any City in the United States. The fact that the previous Council let them languish to a point of collapse is unethical and immoral.

You can do the right thing – acknowledge the debt, create a separate oversight body so future Council's don't have the option to inadvertently divert funds and let the system fall into disrepair, and dedicate a part of any new sales tax to Water and Sewer infrastructure to ensure that this vital part of our City remains functional and safe.

Thank you,  
Kate Haug  
Sebastopol Resident and Water and Sewer Rate Payer