CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: November 4, 2025

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To:	Honorable Mayor and City Councilmembers
From:	Councilmember Carter
Responsible Department:	Public Works / Administrative Services
Subject:	Approval of amended resolution revising the composition and membership qualifications of the Standing Enterprise Fund Oversight Committee

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RECOMMENDATION:

That the City Council approve an amended resolution revising the composition and membership qualifications of the Standing Enterprise Fund Oversight Committee to broaden eligibility and encourage community participation.

EXECUTIVE SUMMARY:

The item before the Council is a recommendation to amend the previously adopted resolution establishing the Standing Enterprise Fund Oversight Committee. The proposed revision would modify the committee's membership composition to improve flexibility in appointments and increase opportunities for qualified participation.

The proposed changes would:

- Remove the requirement that one member be a Sebastopol resident with professional expertise in accounting, auditing, or a related financial field;
- Broaden the eligibility criteria to include individuals with relevant experience or demonstrated interest in financial oversight, utilities management, or community engagement, regardless of residency within city limits;
- Ensure the committee can be fully staffed and begin its important oversight work

It is also recommended that due to the extended length of the recruitment process, that the City Council appoint interested members directly, rather than conducting a formal interview process, consistent with the recent approach used for appointments to the Building the Commons Standing Committee.

PROCESS OF AGENDA ITEM:

1. If item remains on consent, no presentation of item is required. Item would be approved as a consent calendar item.
2. If item is removed from the consent calendar; item would be placed at the end of the regular agenda items or as otherwise determined the Mayor for discussion following the process below:
   a. Presentation of agenda item by the Responsible Department
   b. Questions and discussion from Councilmembers
   c. Public comment period
   d. Council deliberation and motion

BACKGROUND:

Enterprise Funds are used by the City of Sebastopol to account for operations that are financed and operated in a manner similar to private businesses. The primary objective of these funds is to be self-supported by recovering the costs of providing goods and services to the general public through user charges. The City currently manages several Enterprise Funds, including, but not limited to, the Water Fund and the Wastewater Fund.

With the recent adoption of the water and sewer rate study, and the planned repayment of a $1.1 million loan from the General Fund, the City Council has received multiple communications expressing concern regarding the governance and oversight of these funds. Given the critical role these funds play in the City's operations and the importance of effective oversight, it is essential to ensure their financial sustainability and accountability.

To enhance public trust and transparency regarding stewardship of these funds, and in response to community concerns, the City Council established a Standing Enterprise Fund Oversight Committee to provide greater transparency and oversight of the City's Water and Wastewater Enterprise Funds.

<u>DISCUSSION:</u>
The current composition of the Enterprise Fund Oversight Committee is as follows:

Composition and Qualifications. The Committee shall be composed of no more than six (6) members who are at least 18 years of age, reside or have a business in Sebastopol, and have one of the following qualifications:

- a) One member of the City Council
- b) At least one person who owns or is a representative of a business in the City of Sebastopol City limits
- c) At least two people who are residents of the City of Sebastopol and actively engaged in City governance (such as active engagement with the Council)
- d) At least one person who is a resident of the City of Sebastopol and who has expertise in accounting, auditing, or another financial field

During recruitment for committee members, the application deadline was extended twice due to limited response. The City has received three applications that meet most of the qualifications; however, no applications were received from individuals meeting the specific requirement for expertise in accounting, auditing, or another financial field.

To enable the committee to be fully seated and begin its oversight work, the proposed amendment broadens eligibility requirements. This change allows participation by qualified and interested individuals who may bring valuable community, administrative, or operational perspectives to the committee, even if they do not meet the previous professional credential requirement.

The recommended changes are as follows:

Composition and Qualifications. The Committee shall be composed of no more than five (5) members who are at least 18 years of age, reside or have a business in Sebastopol, and have one of the following qualifications:

- a) One member of the City Council
- b) At least one person who owns or is a representative of a business in the City of Sebastopol City limits
- c) At least two people who are residents of the City of Sebastopol and actively engaged in City governance (such as active engagement with the Council)
- d) At least one person who has expertise in accounting, auditing, or another financial field regardless of residency within city limits.

<u>The City has received applications from the following meeting the following categories:</u>

- a) Councilmember Carter
- b) Greg Dabel
- c) Mary Meihaus and Oliver Dick

<u>Staff has also received interest from one member of the community:</u>

- c) Kate Haug

Staff has not receive any applications for category d) above.

STAFF (RESPONSIBLE DEPARTMENT) ANALYSIS:
The City is committed to full and complete financial disclosure to all members of the community and is committed to sharing openly with full transparency clear, comprehensible, and accurate financial information.

CITY COUNCIL GOALS/PRIORITIES; AND/OR GENERAL PLAN CONSISTENCY:
This agenda item represents the City Council goals/priorities as follows:
Goal 4 HIGH PERFORMANCE ORGANIZATION

- Restoring public trust
- Improve Public Communications

FISCAL IMPACT:
There is no fiscal impact with the creation of this item other than staff time to recruit for applicants and staff time to staff the oversight committee meetings.

COMMUNITY OUTREACH:
This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date. The City has also used social media to promote and advertise the City Council Meeting Agenda Items.

As of the writing of this agenda item report, the City has not received public comment. If staff receives public comments following the publication and distribution of this agenda item report, such comments will be provided to the City Council as supplemental materials before or at the meeting and will be posted to the city website.

RESTATED RECOMMENDATION:

1. That the City Council approve an amended resolution revising the composition and membership qualifications of the Standing Enterprise Fund Oversight Committee to broaden eligibility and encourage community participation;

Composition and Qualifications. The Committee shall be composed of no more than five (5) members who are at least 18 years of age, reside or have a business in Sebastopol, and have one of the following qualifications:
a) One member of the City Council
b) At least one person who owns or is a representative of a business in the City of Sebastopol City limits
c) At least two people who are residents of the City of Sebastopol and actively engaged in City governance (such as active engagement with the Council)
d) At least one person who has expertise in accounting, auditing, or another financial field regardless of residency within city limits.

and

2. That due to the extended length of the recruitment process, that the City Council appoint interested members as noted above directly, rather than conducting a formal interview process, consistent with the recent approach used for appointments to the Building the Commons Standing Committee with the understanding that position d) would not be filled.

Appointments:
Councilmember Carter
Greg Dable
Mary Meihaus
Oliver Marks
Kate Haug

OPTIONS:

1. The Council can deny the recommended changes to the Enterprise Oversight Committee and provide additional direction to staff

ATTACHMENTS:

Resolution

APPROVALS:

Department Head Approval: Approval Date: 10/27/2025
CEQA Determination (Planning): Approval Date: N/A
The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA)
Administrative Services (Financial): Approval Date: N/A
Costs authorized in City Approved Budget: ☐ Yes ☐ No X N/A
Account Code (f applicable) ______________________________
City Attorney Approval: Approval Date: N/A
City Manager Approval: Approval Date: 10-29-2025

RESOLUTION NUMBER <u>XXXX-2025</u>

A Resolution of the City Council of the City of Sebastopol Establishing a Standing Enterprise Fund Oversight Committee

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WHEREAS, the City of Sebastopol City Council operates several Enterprise Funds, including but to limited to the Water Fund and the Wastewater Fund, which are financed and operated in a manner similar to private businesses, with the objective of recovering the costs of providing goods of services to the public primarily through user charges; and

WHEREAS, the City Council has recognized the importance of effective oversight of these Enterprise Funds to ensure financial sustainability, accountability, and transparency in their management; and

WHEREAS, the City Council has received multiple communications from community members expressing concerns regarding the governance of these funds and the need for greater financial oversight; and

WHEREAS, the City Council desires to create a standing Enterprise Fund Oversight Committee to provide ongoing, structured oversight and to offer recommendations to the City Council regarding the financial health and long-term planning of the City's Enterprise Funds; and

WHEREAS, the establishment of such a committee aligns with the City Council's adopted goal of ensuring transparency in the management of public funds and improving governance practices.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sebastopol that the Enterprise Fund Oversight Committee is hereby established as a standing committee, with the following structure and responsibilities:

1. **Establishment.** There is hereby established the City of Sebastopol Enterprise Fund Oversight Committee.

2. **Composition and Qualifications.** The Committee shall be composed of no more than five (5) members who are at least 18 years of age, reside or have a business in Sebastopol, and have one of the following qualifications:

    a) One member of the City Council
    b) At least one person who owns or is a representative of a business in the City of Sebastopol City limits
    c) At least two people who are residents of the City of Sebastopol and actively engaged in City governance (such as active engagement with the Council)
    d) At least one person who has expertise in accounting, auditing, or another financial field regardless of residency within city limits.

3. **Application/Recruitment Process**: Whenever there are vacancies on the Oversight Committee, the Lead Staff Department shall advertise an invitation for individuals to apply to serve on the committee. Notice of any vacancies will be advertised in the Press Democrat and on the City's website and social media outlets. The applications received shall be reviewed to meet selection criteria and shall be submitted to the full City Council for appointment.

4. **Duties.** The Committee shall act in an advisory capacity to the City Council and no express authority or power to act on behalf of the City is hereby delegated. To carry out its stated purpose, the Committee shall perform the following duties:

   a) Reviewing Annual Budgets and Financial Reports: The Committee will analyze the financial health of the Enterprise Funds, ensuring that budgets and financial statements reflect accurate and sustainable practices.
   b) Analyzing Rate Studies and Rate Adjustment Proposals: The Committee will evaluate proposed rate changes, including providing recommendations on cost allocation methods to ensure fairness and financial viability.
   c) Evaluating Long-Term Financial Planning and Capital Improvement Needs: The Committee will assess capital improvement plans (CIP), master plans, and long-term financial forecasts related to Enterprise Fund operations, ensuring that projects are properly prioritized and funded and that master planning efforts align with Enterprise Fund financial sustainability.
   d) Engage with the public and other stakeholders to ensure that the community's interest and concerns are reflected in the Committee's recommendations.
   e) Such other duties as assigned by the City Council.
   f) Shall submit an annual report to the Council in early June before the next fiscal year budget is adopted.

5. **Staff Liaison:** Engineering/Public Works Director will be the lead staff department and will provide staffing support for the committee. Administrative Services Director will also provide support to the committee. Documents shall be provided by staff to the Committee a minimum of two weeks prior to the Committee meeting.
6. The Committee meetings shall be in compliance with the Ralph M. Brown Act. All members may be required to complete financial disclosure forms (Form 700) Statements of Economic Interest.
7. The Terms shall be two years; expiring on January 31st with the ability to renew for an additional two years. Notwithstanding the foregoing, the City Council may designate half of the initial members of the Committee to serve an initial one-year term to enable staggering of the terms. Members shall serve at the pleasure of the City Council. (This can also be a four-year term).
8. Vacancies other than by the expiration of a term shall be filled by appointment for the unexpired portion of said term, in the same manner as original appointments are made.
9. Regular meetings shall be held semi-annually in March and September. Additional meetings may be held as necessary.

10. A quorum of the Committee shall consist of a minimum of three (3) members. A quorum must be present in order for the Oversight Committee to hold a meeting.
11. The Officers of the Committee shall be a Chairperson and Vice-Chairperson, who shall be selected by the membership for a one (1) year term. The Chairperson shall preside at all meetings.

The above and foregoing Resolution was duly passed, approved and adopted at a meeting by the City Council on the 4th day of November, 2025.

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by the City of Sebastopol City Council by the following vote:

VOTE:
Ayes:
Noes:
Absent:
Abstain:

APPROVED:____________________________
Mayor Stephen Zollman

ATTEST: ____
Mary Gourley, Interim City Manager/City Clerk, MMC

Approved as to Form: ____
Alex Mog, City Attorney