

CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: July 1, 2025

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To: Honorable Mayor and City Councilmembers
From: Councilmember Carter /Vice Mayor McLewis
Subject: Consideration of Resolution Establishing a Standing Enterprise Fund Oversight Committee

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RECOMMENDATION(S):

That the City Council Consider approval of resolution establishing a standing Enterprise Fund Oversight Committee

EXECUTIVE SUMMARY:

The item tonight is to hear a recommendation from Councilmember Carter and Vice Mayor McLewis on the request to consider approval of a Resolution Establishing a Standing Enterprise Fund Oversight Committee; the Council will then ask questions of Councilmember Carter, Vice Mayor McLewis and or/staff; the Mayor will then open the public comment period; and then return the item for further discussion and/or a Motion on the Request.

PROCESS OF AGENDA ITEM:

1. Introduction of Agenda Item by Councilmember Carter and Vice Mayor McLewis
2. Questions and discussion from Councilmembers
3. Public comment period
4. 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 or 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 future repayment of a \$1.1 million loan from the General Fund, the City Council has received multiple communications expressing concerns 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 these concerns, Councilmember Carter and Vice Mayor McLewis are recommending the creation of a standing Enterprise Fund Oversight Committee to provide enhanced transparency and oversight of the City's Water and Wastewater Enterprise Funds.

DISCUSSION:

The establishment of an oversight committee creates a dedicated forum for detailed review of revenue allocation and expenditures, demonstrating the City's commitment to fiscal responsibility. As one of the recently adopted City Council goals, ensuring transparency in financial matters is a priority as well as reestablishing public trust. The creation of this Standing Committee directly advances those goals, providing a structured and transparent mechanism for the ongoing review and oversight of enterprise fund operations.

Several jurisdictions have implemented successful oversight models that we can learn from: An example of two are listed below:

- Santa Rosa's Measure O Committee demonstrates how effective oversight can be achieved through quarterly meetings and standardized reporting templates, reducing staff burden while maintaining transparency.
- City of San Diego has an Independent Rates Oversight Committee (IROC) that serves as an official advisory body to the Mayor and City Council on policy issues relating to the oversight of the City of San Diego's Public Utilities Department operations. This includes, but is not limited to, resource management, planned expenditures, service delivery methods, public awareness and outreach efforts, and high quality, affordable utility services. In addition, the IROC is established to assist the City in tracking and reviewing the use of rate proceeds to advance the capital improvements related to rate packages and work programs adopted by the City Council.

Committee Responsibilities:

The committee will serve in an advisory capacity, reviewing expenditure reports and providing recommendations without directing specific allocations, thus preserving the Council's legislative authority.

It is proposed that the standing Enterprise Fund Oversight Committee serve as a recommending body to the City Council, with the following primary responsibilities:

- 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 interests and concerns are reflected in the Committee's recommendations.

A well-structured oversight committee will enhance public confidence in the City's financial management while maintaining operational efficiency. By learning from regional best practices and establishing clear parameters, we can create a sustainable model that serves both the public interest and practical administrative needs.

Because the proposed committee is appointed by the City Council, it will be subject to the Brown Act. All of its meetings will be open to the public.

Staff 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 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:

That the City Council Consider approval of resolution establishing a Standing Enterprise Fund Oversight Committee

CITY COUNCIL OPTIONS:

1. That the Council deny the request for creation of a committee; or
2. The Council approve the committee with additional direction to staff

ATTACHMENTS:

Resolution

RESOLUTION # XXXX-2025

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 operates several Enterprise Funds, including but not 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 or 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 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

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 for selection criteria and shall be submitted to the full City Council for interviews and selection by the full City Council.
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 interests 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 shall complete financial disclosure forms (Form 700).
7. The Terms shall be two year terms, 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 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 1st day of July, 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:

Abstain:

Absent:

APPROVED: _____

Mayor Stephen Zollman

ATTEST: _____

Mary Gourley, Acting City Manager/City Clerk, MMC

APPROVED AS TO FORM: _____

Alex Mog, City Attorney