

Dear Council and City Staff,

I request that a formal committee be formed to start the process of transferring the revenue and assets of Sebastopol's Water and Waste Water system into an Enterprise Special District in order to streamline expenses and increase money for capital improvements for the Water and Sewer system.

The current system of Cost Allocation and sharing of resources and expenses with the City of Sebastopol is extremely disadvantageous to water and sewer ratepayers and needs to transition in order to serve the ratepayers more effectively and efficiently. In addition, a Special Enterprise District would ensure Prop. 218 compliance. At the moment, Prop. 218 compliance seems dubious.

In order to honor, Prop. 218 and to create more money for Capital Improvements in the Water and Sewer Infrastructure, I request that the City move to make the Water and Sewer enterprise funds and the associated physical assets into a Special District.

There are many examples of Special Water Districts:

Russian River: <https://rrcwater.org>

Graton: <https://www.graton.org>

Forestville: <https://www.forestvillewd.com>

Sweetwater Springs: <https://www.sweetwatersprings.com>

Total revenue for 2024/2025 for the Water and Sewer Enterprise Funds is \$8,025,723.

Currently the Water Fund pays a total of \$1,408,603 for salaries and wages, benefits and cost allocation. The Waste Water Funds pays a total of \$1,377,724 for salaries and wages, benefits, cost allocation. \$2,786,327 is transferred from rate payers to the City of Sebastopol for services that are not needed to run a Water and Sewer Utility.

None of the special districts pay for the following: City Manager, City Clerk, City Council. These costs are not present within any other local special districts and are not required to run the utility.

In addition, there are extraordinarily high costs associated with Finance, Legal and Utilities. Allocated finance costs are \$1,466,539. Other districts have accounting costs that range from \$15,400 to \$23,100 annually, which makes sense as the Water and Sewer Bill are only sent out 6x per year. Why would it cost \$1,466,539 to mail out and receive payments for 6 bills?

Sebastopol rate payers are being charged \$643,750 for legal fees. Why? Other districts show legal fees of \$19,260 to \$25,000.

In addition, utilities are incredibly high. Sebastopol water and sewer ratepayers are being charged \$360,000 for utilities (Gas and Electric) while other districts charge \$50,000 and \$154,000. Why are the utilities so high?

The move to a Special Utility District would be a huge improvement for ratepayers.

First and foremost, there would be transparency regarding costs and only costs relevant to Water and Sewer functions would be present. Ratepayers would be able to see where money is being spent and if it is applicable to water and sewer service and infrastructure.

Second, the work force would be dedicated to Water and Sewer. Currently, Public Works is in charge of Water and Sewer. This means that one single department, Public Works, is in charge of everything from road repair to homeless clean-up to park maintenance to hanging holiday lights downtown to water testing and sewer line repair. The Public Works Department is spread thin. An Enterprise Special District would focus a team of people on the Water and Sewer system, which would be beneficial to ratepayers and to the City.

Third, there would finally be clarity on how many workers are needed for the Water and Sewer system versus how many workers are needed for the other Public Works responsibilities. It is unclear how many workers the City needs for general city wide capital improvements and maintenance of roads, sidewalks, public spaces and community events versus how many workers are needed for the maintenance of the Water and Sewer system, water testing and monitoring, and Capital Improvements specific to Water and Sewer. The inability of Public Works to focus on Water and Sewer has led to the degradation of the Water and Sewer Infrastructure and the lack of consistent water testing.

Sebastopol has done a terrible job of maintaining its infrastructure such as Roads, which are rated as poor, the lowest rating. Ives Park has crumbling infrastructure. Many trails are not maintained. Downtown suffers from ongoing blight, graffiti, stickers and unkempt trash areas. It appears that Public Works is understaffed and unable to maintain the City's parks and infrastructure. A devoted team to Water and Sewer would concentrate and focus priorities on Water and Sewer while leaving Public Works to its other critical tasks.

Fourth, the Board of Directors would be solely focused on Water and Sewer issues such as regular water testing, water and sewer infrastructure and capital improvements, and water and sewer finances.

They could be advocates for ratepayers and ensure ratepayers were receiving competitive pricing for services like sending out bills. Currently, the City Council oversees the Water and Sewer services, finances and infrastructure. This structure has failed as the Council has many other significant and important tasks like City Finances, Public Safety and Business Development. Very little time has been spent on critical Water and Sewer issues. In addition, a Board of Directors would be able to follow Water and Sewer issues in a concentrated manner, which has not been possible for Council. Council and City Staff failed to perform regular Cost Allocation studies and ratepayers were over charged for at least a decade due to being over charged in a Cost Allocation that was over 20 years old. Council and Staff simply do not have the bandwidth or time to devote to the Water and Sewer System.

Fifth, there would be a dedicated website with water quality information, budgets and other pertinent information. Expenses would be clearly visible instead of obscured by the Cost

Allocation Plan, which does not have any details regarding legal fees, accounting fees or when public works employees are working on water and sewer.

The process for creating an Enterprise Special District goes through LAFCO. It is possible that the City could get this on ballot for the next normal election in 2026.

Sebastopol's water system consists approximately 2 square miles of pipes and 2700 service connections. Sebastopol's waste water is processed in the Santa Rosa facility.

In comparison, Sweetwater Springs, a local water district that covers the Russian River from Rio Nido to Villa Grande has 68 miles of pipe, 3500 service laterals and 26 tanks and reservoirs. The district employees 11 full-time people and 1 part-time person. Sweetwater Springs had Revenue \$3,623,360 in revenue and \$2,634,268 in operating expenses.

It appears that Sebastopol has 15 public works employees who do an incredible variety of work from pot hole filling to cleaning public restrooms to clearing encampments to community event support. If Sweetwater Springs has 11 Full-time employees for its water system, which is substantially larger than Sebastopol's, how many FTE are needed in Sebastopol?

The first part of this inquiry would be to see how many FTE would be needed to operate the Sebastopol Water and Sewer facility, what type of finance administration is used by other districts, and what other resources would be necessary such as – would the Water and Sewer Enterprise District need to rent space from the Public Works Yard or purchase some of the fleet from Public Works?

I urge Council to form a committee of citizens and possibly some Council Members to look into what staffing, equipment and buildings would be needed to run a Water and Sewer Enterprise District. It is possible that there could be resource sharing with a nearby district like Graton. The process could be very simple by simply interviewing staff at other districts and reviewing Board material. There are many existing examples from which to create models.

References:

Sweetwater Spring 11 Full Time and 1 Part Time Employee

Sweetwater Springs Budget

<https://www.sweetwatersprings.com/files/5d0e5ecb5/FY+2024-25+Budget+Report+FINAL.pdf>

Accounting: \$15,400 Billing System

Gas and Electric: \$154,000

Legal: \$25,000

Forestville 5 Full Time Employees/ Purchase Water

Forestville Budget:

<https://www.forestvillegwd.com/files/27c2902dc/Approved+FY+2024-2025+Final+Budget+%28Detailed%29.pdf>

Gas and Electric: \$128,979

Legal Fees: \$24,140

Russian River County District: Contracts with Various Professionals

Russian River County District Budget:

<https://rrcwater.org/wp-content/uploads/2024/07/RRCWD2024-25FinalBudget.pdf>

Accounting: \$23,110

Gas and Electric: \$50,000

Legal Fees: \$19,260

INFORMATION on FORMING AN ENTERPRISE SPECIAL DISTRICT FROM GOOGLE

To form an enterprise special district in California, you must follow a process overseen by the Local Agency Formation Commission (LAFCO) in the relevant county. The process generally involves petitioning, review by LAFCO, and ultimately voter approval. Enterprise districts are distinguished by their ability to charge fees for services, like a business, and may also receive other funding sources like property taxes.

Here's a more detailed breakdown:

1. Understanding Enterprise Special Districts:

- **Definition:** Enterprise special districts are a type of special district that provides services, like water or sewer, and charges fees to users for those services.
- **Distinction:** They are considered "enterprise" because they operate similarly to a business, generating revenue from user fees.
- **Funding:** While primarily funded by user fees, they can also receive other revenue sources, such as property taxes, which can lower the fees for users.

2. The Formation Process:

- **Initiation:** Formation can be initiated by a petition from registered voters or landowners, or by a resolution from an existing board (city council, county supervisors, etc.).
- **LAFCO Review:** The application is then submitted to the LAFCO for review.
- **Public Hearing:** LAFCO will conduct a public hearing to assess the proposal.
- **Approval or Denial:** LAFCO can approve or deny the proposal based on the assessment and public input.
- **Voter Approval:** If LAFCO approves, the proposal must then be put to a vote of the registered voters or landowners within the proposed district's boundaries.
- **Proposition 218:** New or increased special taxes require a two-thirds voter approval.

3. Key Considerations:

- **Governing Body:** Special districts can be governed by an independently elected board or by a city council or county board of supervisors.
- **Enabling Acts:** Special districts are formed under the authority of state statutes, often referred to as "enabling acts".
- **Multi-Functionality:** While some districts provide a single service, others, like community service districts, can provide multiple services.

Transparency: Special districts are subject to sunshine laws and must conduct audits, ensuring transparency and accountability.