

The Financial Incentive For a Special Enterprise District Water and Sewer Ratepayers Save Millions

The current system of the City running and managing the Water and Sewer Enterprise Funds has become inefficient, ineffective and extremely expensive for Water and Sewer consumers in Sebastopol.

DRAMATIC INCREASES IN CONSUMER CHARGES

Water and Sewer Rates have risen dramatically over the last 15 years. Water prices have risen 240% even though the cost of water – ZERO COST – has remained the same. Sebastopol does not pay for water. The cost to deliver free water through existing pipes has risen 240% in the last 15 years. Why?

Using historical data, rates for water, wastewater and meter charges have risen between 123% and 240%, significantly outpacing inflation.

In most instances, Sebastopol rate payers are paying 70% over normal rates of inflation, which are typically 4-6% per year.

These increases come with no significant change in Water or Sewer connections and consistent decreases in water and likely wastewater discharge.

The City of Sebastopol pays ZERO for water as the City sits on a huge aquifer yet water prices have increased by 240% over the last 15 years.

100 cubic feet of water = 748.052 gallons

Water Cost Increases

From 2009 – 2012

Residents paid .00195174 per gallon for the first 22,441.56 gallons (3,000 cubic feet) of water or \$43.80. This equals \$1.95 per KGAL

In FY 2025

Residents pay .00522 per gallon of water (\$5.22 per KGal) for the first 7000 gallons of water. They pay \$36.54 for the first 7,000 of water

Residents pay .00665 per gallon for the second 8000 gallons of water. They pay \$53.20 for the second 7,000 gallons of water.

Residents pay .00923 per gallon for any use above 16,000 gallons of water. \$59.46 for an additional 6441.56 to reach 22,441.56.

In 2025, residents pay \$149.20 for 22,441.56 gallons of water. **This represents an increase of \$105.40 or a 240% increase in water prices in a 16 year period. If you**

calculate a rate increase using inflation as the benchmark, this amount of water should be \$65.38

Waste Water Cost Increases

In 2009-2012

Residents paid .00561 per gallon for wastewater or \$5.61 per KGal

In 2025

Residents pay .01718 per gallon of wastewater or \$17.18 per KGal, a 206% increase over a 16 year period. **At 4% inflation, the rate would be billed at \$10.30.**

Meter Cost Increases

From 2009 to 2012

Residential Water Meter was \$23.73

Residential Sewer Meter was \$47.35

Total Meter Cost in 2009 \$71.08 – Using inflation Calculator, this would equal \$106.87 in 2025

In FY 2025

Residential Water Meter is \$70.39 an increase of 196%

Residential Sewer Meter is \$105.73 an increase of 123%

Total Meter Cost in 2025 \$176.12

RATEPAYERS PAY EXOBINATE FEES FOR SERVICES

- 1) Legal Fees – in FY 2024/25 ratepayers were charged \$51,618 in legal fees. Billing records show that only \$4926.50 were actually billed by attorneys. Ratepayers were overcharged by \$46,691.50. Records show that no significant legal action has occurred between 2015 and 2025 except for a suit by River Watched, which was not billed to the Sewer Enterprise Fund. Well 4 is in an on-going lawsuit but 2012 Rate Study shows there was a separate Well 4 litigation fund of \$117,586 in 2012. Legal fees have been consistently charged to ratepayers; no backup documentation exists for fiscal years 2015-2024.
- 2) Billing – in FY 2023 Water and Sewer Ratepayers were charged \$911,809 for billing fees. In comparison Sweetwater Springs send out approximately 3600 bills. They employ two accounting clerks to deal with the finances.

Account Clerk I Salary and Benefits in 2023 \$34,356

Account Clerk II Salary and Benefits in 2023 \$68,764

Total Billing Salaries \$103,120

Sebastopol Rate Payers are being charged \$911,980 to send less bills to less customers. This is an overcharge by \$808,860.

Billing fees in 2015 was \$306,989 for Water and Sewer. Billing fees in 2024 were \$944,971 - rising over 3 times in a 9 year period without any discernable increase of service.

Source: <https://www.sweetwatersprings.com/district-compensation>
<https://publicpay.ca.gov/Reports/SpecialDistricts/SpecialDistrict.aspx?entityid=2504&year=2023>

- 3) Double Salaries – Ratepayers pay for salaries in Public Works 2.85 FTE in Water and 2.3 FTE as a separate line item. In addition, Public Works and Engineering are included in the Cost Allocation Plan. For FY 2024/2025, Water had \$280,890 in salaries, Sewer had \$253,365 in salaries. Water had \$309,277 in Public Works fees via the Cost Allocation Plan and Sewer had \$217,364 fees via the Cost Allocation plan. Water had \$157,961 and Sewer had \$130,086 in Engineering fees via the Cost allocation Plan. This totals \$1,348,943 in salaries for FY 2024.
- 4) Total Costs for Salaries, Finance and Legal is \$2,312,541 for Sebastopol ratepayers. Total Costs for Salaries, Finance and Legal at Sweetwater Springs is \$1,806,018. Sweetwater Springs is a much bigger water district consisting of "68 miles of distribution pipes and 3500 service laterals of varying lengths and stored in 26 tanks and reservoirs. This system is managed, and its operation administered by the District staff of 11 full-time employees and 1 part-time employee. Sebastopol is less than 2 square miles, has less customers and has less than 6 dedicated employees to its Water and Sewer Systems. The difference in expenses is \$506,523.

RATEPAYERS CHARGED FOR UNNECESSARY SERVICES

- 1) Ratepayers must pay for many services associated with the Cost Allocation Plan that other Enterprise Districts do not have to pay such as City Manager, Assistant City Manager, City Council, City Clerk, Planning, Building, Fire, Public Works Yard, Government Buildings and Non-Departmental.
- 2) Ratepayers pay double for unneeded services as both Water and Sewer Funds are charged for City Manager, Assistant City Manager, City Council, City Clerk, Planning, Building, Fire, Public Works Yard, Government Buildings and Non-Departmental.
- 3) For FY 2024/2025, Cost Allocation cost ratepayers \$852,863 for water and \$908,934 for Sewer. Ratepayers paid \$1,761,797 in Cost Allocation payments for Water and Sewer in FY 2024/2025.
- 4) In the past, Ratepayers have paid for vehicles that are used by Public Works for other purposes. It is unclear how many vehicles are necessary for the Water and Sewer Department. For instance, the 2014/2015 Enterprise Budget includes "Fund 2/3 cost for two pick up trucks" and the major Budget Changes for 2015-2016 for the Enterprise Funds includes "Purchase new backhoe \$98,000" and "Purchase

new truck \$36,200". Goals and Objects for Water and Wastewater in 2021-2022 include "Purchase one Public Works replacement pick up truck."

SIGNIFICANT SAVINGS WITH A SEWER AND WATER ENTERPRISE DISTRICT

- 1) Through LAFCO, Ratepayers can establish a Special Enterprise District whereby they receive the revenue from ratepayers and run the district, controlling expenses, capital improvements, management and all aspects of providing safe and quality drinking water and effective sewer service.
- 2) A Special Enterprise District could eliminate much of the expense associated with the Cost Allocation method. This would immediately reduce attorneys, billing and administrative fees.
- 3) **Revenue for Water and Sewer Enterprise Funds for 2024/2025 was \$3,372,855 AND \$4,656,752 for Wastewater, which totals \$8,029,607.**
- 4) If the Enterprise District simply eliminated the Cost Allocation Fee from both Water and Sewer Enterprise Funds, the savings would be \$1,761,797 per year. The Enterprise Fund would need to add in costs for building rent and \$20,000 for attorney's fees. If building rent were \$15,000 per month or \$180,000 per year and attorney's fees were budgeted at \$20,000 per year, which is more than other districts, ratepayers would have a net savings of \$1,561,797 per year. In 10 years, rate payers would have saved \$15,617,970.
- 5) Water and Sewer Budgets show the costs associated with running the systems such as water testing and the Santa Rosa Sewer fees. These are the true cost to run the systems and are billed directly to the system. **The real costs to run the Water and Sewer System exist in addition to the extra fees associated with the Cost Allocation System.**

CAPITAL IMPROVEMENTS HAVE NOT BEEN COMPLETED YET EACH RATE INCREASE CITES CAPITAL IMPROVEMENT AS KEY FACTOR IN RATE HIKE

- 1) The 2012 Rate Study points to a flaw in the earlier 2002 rate study and also includes the following Appendices, which provide a roadmap to upgrades. These Appendices appear to be lost. It is clear that the City did not use any infrastructure plan or timeline to complete infrastructure upgrades despite raising rates by over 127%.
- 2) Missing 2012 APPENDICES include:
 - Water Fund Rate Scenarios
 - Water Capital Fund
 - Water Annexation Fund
 - Well 4 Litigation Fund
 - Water Fund Summaries
 - Water Capital Needs - System Replacement Schedule
 - Sewer Rate Scenarios
 - Sewer Capital Fund
 - Wastewater Impact Fee Fund
 - Sewer Annexation Fund

Techite Settlement Fund
Sewer Fund Summaries
Sewer Capital Needs - System Replacement Schedule
2002 - 2006 Rate Study

- 3) **The 2019 Rate Study included a Capital Improvement Plan which indicated \$3,473,000 in Capital Improvements.** Inflation CIP was based on 3%. "4.1.5 Capital Improvements Plan (CIP) The City provided Willdan with a forecast of capital requirements for the study period. The CIP provided by the City was provided in current day dollars and has been escalated for future years using an inflationary rate of 3.00%. The CIP items were identified as being non-growth-related, growth-related or a combination of both.

The water inflated CIP for FY 2018-19 through FY 2022-23 totals \$0.823 million. The sewer inflated CIP for FY 2018-19 through FY 2022-23 totals \$2.650 million. A summary table of the CIP (in inflated dollars) for the FY 2017-18 – FY 2022-23 forecast period is presented below in Table 4-4. The CIP is presented in Schedules A-5 and B-5, respectively, in the Appendices." Page 15 of Rate Study.

From a public records request, documents show that only 2 projects have been completed since 2019, which total \$986,551.42.

- 4) A September 2005 Master Plan report lists several areas of need. The 2005 water study listed \$5,000,000 in work needed to address low water pressure and 100's of old fire hydrants. It is impossible to tell if this work has been done. Most likely not as the 2002 rate study did not raise rates enough to include Capital Improvement. Both 2005 documents have been submitted with this letter.
- 5) My public records request concerning what Capital Improvements have been done to the water and Sewer System revealed that only 4 projects had been completed since 2012, totalling a little over \$3,000,000.

RATEPAYERS WOULD BE BETTER SERVED BY FOCUSED AND DEDICATED BOARD

- 1) The City has been a negligent and harmful manager of the Water and Sewer Enterprise Funds, consistently raising rates without any discernable capital improvements. It is clear from this data that Council simply does not have the time or interest to consistently follow Water and Sewer Capital Improvements, leaving the Water and Sewer system at great risk and potential danger to Ratepayers.
- 2) The City did not regularly produce Cost Allocation Reports. The most recent one found that the City had been over charging ratepayers by over \$714,000.
- 3) **A 2012 Rate Study shows that "In November of 2008, the City approved increases to both the water and sewer rates. These rates were increased without the benefit of required Proposition 218 majority protest vote process", which is illegal. The City did not refund ratepayers for overcharging in violation of Prop. 218 for a period of 4 years.**
- 4) The City has not kept track of the vital and critical infrastructure through record keeping of masterplans, replacement summaries, capital improvement and other

key documentation for the maintenance, repair and replacement of the Water and Sewer Infrastructure. I have asked for documents regarding capital upkeep and have not received any.

- 5) At this point, both the Water and Sewer Infrastructure will require major upkeep and need a dedicated board, familiar with the system to ensure that money is dedicated to capital improvements and replacement/upkeep is made in a timely manner.
- 6) Council and City Staff do not have the time to dedicate to Water and Sewer. The City has to manage everything from homeless housing to public spaces to housing elements to the direction of Main Street. The City's bureaucratic function has increased exponentially over the last 20 years. The City simply does not have the resources to steward the Water and Sewer System.
- 7) Ratepayers are charged for City Administration but do not receive any tangible benefit from it. In fact, City Administration adds significant expense, less transparency and little to no accountability to the Ratepayer.

RATEPAYERS WOULD BE BETTER SERVED BY FOCUSED AND DEDICATED EMPLOYEES

- 1) Public Works employees are spread thin. Water and Sewer Enterprise Budgets show that less than 6 Public Works employees are dedicated to Water and Sewer while Sweetwater Springs has 11 full time workers. Public Works employees are responsible for everything from cleaning bathrooms to setting up holiday light to paving roads. The Water and Sewer System require dedicated workers who will be able to oversee the maintenance, repair and replacement of the Water and Sewer Infrastructure over the next decade while the system undergoes critical infrastructure upgrades.

GOALS FOR A SPECIAL ENTERPRISE DISTRICT

- 1) To ensure timely and consistent Water and Sewer infrastructure upgrades, repairs and maintenance.
- 2) To reduce expenses to ensure there is funding for infrastructure.
- 3) To reduce price increases to ratepayers.
- 4) To have a body that is an advocate for ratepayers that is distinct and separate from the City.
- 5) To ensure fees collected for Water and Wastewater are used in compliance with Prop. 218.
- 6) To ensure that the aquifer is maintained to supply residents, businesses, schools and nonprofits with an adequate water supply.
- 7) To ensure that ratepayers receive timely water quality reports.
- 8) To ensure that ratepayers have access to safe drinking water.
- 9) To ensure public transparency with bi-monthly meetings dedicated to Water and Sewer, a separate website and a separate board dedicated to Water and Sewer. The City has removed the Cost Allocation Breakdown from the recent two budgets.
- 10) To ensure billing is done in accordance with ratesheets.

WHY A SEPARATE DISTRICT IS NECESSARY

- 1) To reduce any expenses associated with the City. Ratepayers will save between \$1,000,000 and \$1,500,000 by removing expenses associated with the Cost Allocation plan.
- 2) The Water and Sewer Board will be elected and not appointed by City Council ensuring it is a separate entity focused and dedicated completely to advocate for ratepayers and not politically indebted to any Council Member.
- 3) The Water and Sewer Board will have authority over employees, capital improvement priorities, timelines, equipment, and vendors. The Water Board's mission will be solely to provide the most economical and efficient management of the Water and Sewer system.
- 4) The Water and Sewer Board will be able to meet as necessary to ensure efficient and timely management of the Water and Sewer systems. They will not be limited by Council directive or City's budgetary concerns. The Water and Sewer Board will not be encumbered by the City's and City Council's administrative processes and will be able to function for maximum efficiency for the Ratepayer.
- 5) The foreseeable necessary Capital improvements to the Water and Sewer System will be significant given the lack of investment by the City when it was managing the Systems. This will require time intensive oversight by the Board and Dedicated Employees. The Council and City Staff does not have the time nor the resources to head up these projects.
- 6) The Water and Sewer Board will provide more public transparency with its own website, its own meetings, its own meeting agendas and minutes, its own budget where expenses are fully disclosed and easy for Ratepayers to understand.
- 7) The Water and Sewer Board will provide consumers a streamlined and direct way to see how their fees are being spent and what Capital Improvements are being completed on their behalf. The Water Board will be directly accountable to consumers.
- 8) The Water and Sewer Board would be able to work directly with the Gold Ridge Fire Department to ensure that hydrants are functioning properly and there is enough water on reserve in case of fire.
- 9) If, for any reason, the City becomes insolvent, the Water and Sewer System will exist autonomously in finances, governance, maintenance and delivery of services.
- 10) Research presented in this document shows that the City has not been Prop. 218 compliant, has not spent rate increase money on capital improvements and has over charged Ratepayers for services. These show a breach of fiduciary duty, possibly fraud, and illegal activity in regards to Prop. 218. Ratepayers need a separate board to ensure that fiduciary duty and legal standards are upheld.