

Water/Wastewater Operational inefficiencies cost rate payers and need to be addressed

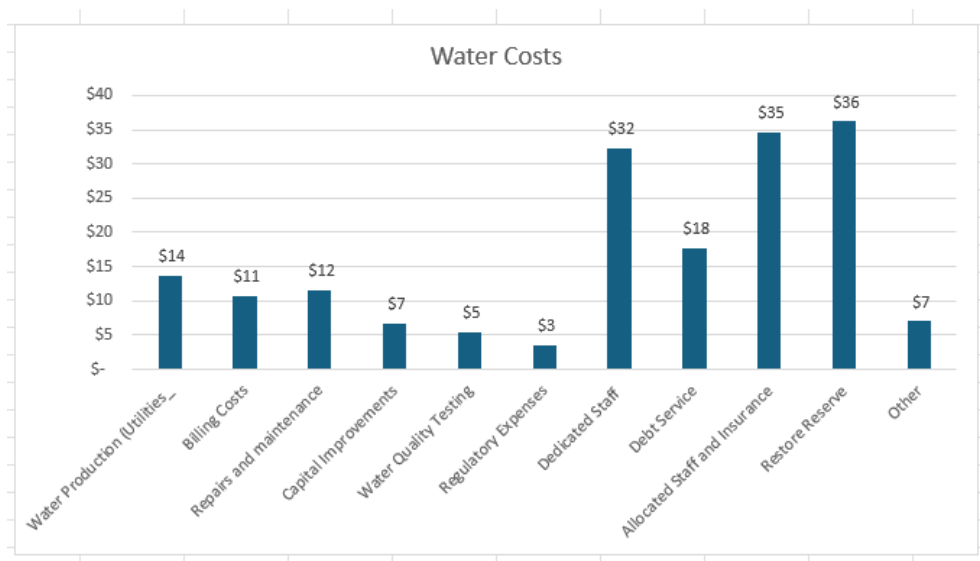
As the city council considers the quarterly water and wastewater enterprise financial reports you will be relieved that revenues and expenses are coming in as expected. There is nothing in the presentation about any initiatives underway to address the high cost of water and wastewater services in Sebastopol. At one point Phil Carter wanted to cut the high rates. First the city needs to cut the high costs.

The last rate study showed that with the approved rate increases Sebastopol residents would be paying more for services than most other cities in the county.

Agency	Water (2)	Wastewater (2)	Total Monthly Bill (FY 2024-2025)
Rohnert Park	\$55.28	\$51.62	\$106.90
Windsor	\$29.93	\$78.91	\$108.84
Sebastopol (Current)	\$45.01	\$69.24	\$114.24
Santa Rosa	\$46.62	\$75.77	\$122.39
Petaluma	\$51.05	\$79.26	\$130.31
Cloverdale	\$79.18	\$57.06	\$136.24
Cotati	\$50.10	\$90.54	\$140.64
Sebastopol (Proposed Option 2)	\$57.77	\$94.04	\$151.81
Healdsburg	\$82.28	\$110.33	\$192.61
St. Helena	\$115.27	\$134.49	\$249.76
Calistoga	\$161.08	\$132.80	\$293.88

Why do Sebastopol residents pay such high water costs? What can be done?

The city council should be asking what is driving the higher costs in Sebastopol. We have our own aquifer; we pump our own water and use the same wastewater treatment facilities as other nearby cities. Why are our costs so much higher?



The table above shows the cost of related business activities associated with delivering water. The chart shows how much the average rate payer is paying every other month when they pay the bill. The numbers are taken from the FY 24-25 budget and reassigned from the department to activities.

As expected, the actual cost of producing and delivering water is only \$14 every other month. The water comes from our own aquifer and the cost is really the energy to run the pumps. There are small additional costs for repairs and maintenance, testing and regulatory expenses.

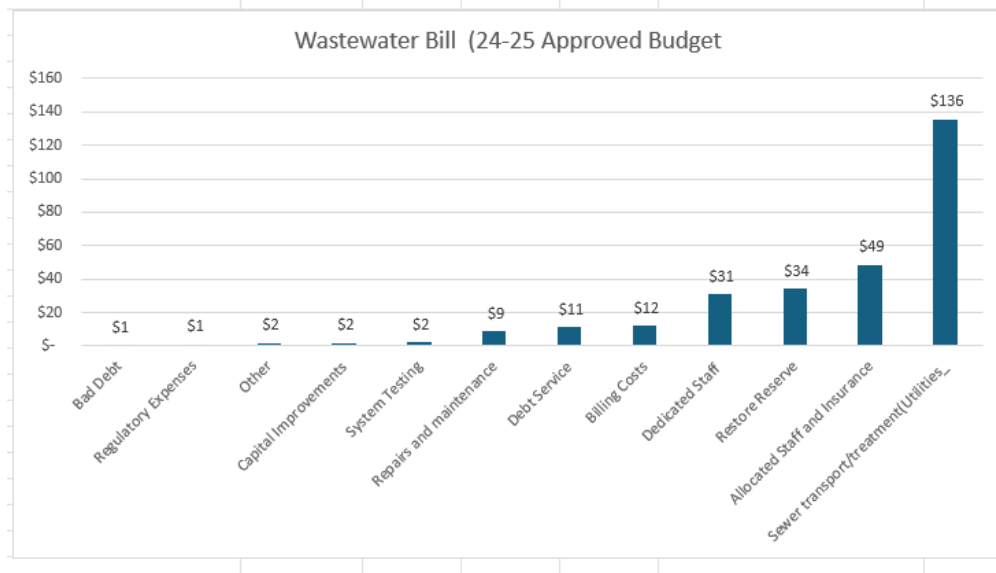
The cost to bill customers is actually almost as much as pumping water. The debt to repay the loan for water meters is costing payers almost \$18 of every bill. (Note the bills for water and sewer are combined – this is the proportion assigned to water)

The biggest contributors to cost are city staff. The 4 dedicated PW staff cost \$32 every other month. These are in theory working full time on water and wastewater. The allocation of additional city staff times not permanently assigned is higher at \$36.

Wastewater costs are even higher?

The bimonthly cost of wastewater services is largely driven by the cost to have waste treated in Santa Rosa. Dedicated PW staff appear equally divided between the two services. Allocation of other city staff is \$49 every other month. It is uncertain why more city staff cost is allocated to wastewater than water. Most times we see them addressed

they are addressed together?



Billing Costs Seem Very High

The Cost Allocation study shows the water and wastewater rate payers being charged \$320, 741 for utility billing services annually.

Rate payers pay \$23 every other month just receiving a bill and having their payment processed. At best this reflects a very inefficient manual process. Systems were supposed to be automated with the expense of purchasing wireless water meters and related software. This is an expense that the city needs to address. Either the Finance/Administration allocation is overcharging rate payers, or the operation is inefficient. Can technology cut these costs?

Rate Payers Burdened to Restore Depleted Reserve fund.

Lower rates paid by other cities may not include restoring depleted reserves. Other cities may act responsibly to prevent this from occurring. The city and several city councils ignored the fact the enterprises were operating at a deficit and depleting reserves. Sebastopol residents were not responsible for the neglect but they are paying the price.

The average rate payer is paying \$70 on every bimonthly bill to restore the reserve funds.

Public Works moved 4 people to being fully dedicated to Water and Wastewater. The rationale was the required workload. Their salaries and benefits are paid by rate payers.

- PW/Engineering staff time is a major expense. What do rate payers get for their investment?

- Public Works dedicated 4 people full time. Rate payers are charged by the city \$664,870 salary and benefits for this dedicated staff.
- PW/Engineering also allocate an additional \$306,199 or 59% to their department budget to rate payers for work supplemented by other staff and equipment use. This amount includes more salary and benefit costs.
- Yet rarely do significant water and wastewater activities appear in the monthly department reports submitted to the council and the public.
- The accomplishments noted below in the monthly reports do not appear to justify 4 full-time workers and an additional 59% of the PW/Engineering budget which is allocated to rate payers.

Reported Water and Wastewater Public Works/Engineering activities

- **Dec 2024** Coordinated with electrical contractor to repair power supply issue on Well 6, Investigated sewer concerns and worked with residents to resolve them.
- Engineering sent an RFP for water master plan; reviewed proposals and preparing a presentation to council for approval.
 - **Feb 2025** Engineering reviewed scope of master plan and finalized scope and fee with the Consultant – contract to go to council 3/4/2025.
 - **March 2025** Water master plan kickoff 3/26, data collection underway; Well 7 media replacement PO approved staff coordinating with vendor to start media replacement work.

The same reports showed PW/Engineering was very busy with other priorities during this period. Activities included:

- Inspecting all storm water drains
- Cleaning up downtown and installing holiday lighting/decorations on the tree and all poles,
- Window cleaning and repairs on the library,
- A sign structure for the museum,
- Americorp Trail approvals,
- ADA paths, and multiple pedestrian crossings,
- New guardrails on Bodega Avenue.

It appears most of the \$221,000 in PW labor and 58% of the PW/Engineering budget was spent on selecting and coordinating 2 outside contractors and preparing RFP for a water infrastructure study.

- Based on the cost of those contracts, the city is spending at least \$1 on labor for every \$1 spent on outside contractors. If this is true, there are significant efficiencies to be gained, and reduced costs to rate payers.
- If the dedicated staff being charged to rate payers are working on “all hands projects” like holiday preparations, then the costs are inappropriately being charged to rate payers.

Action Requested:

Direct the new Public Works Director to take a hard look at the costs being allocated to rate payers.

- If the dedicated staff are being used for other tasks when workload demands “all hands-on deck”, then their salaries and benefits need to be removed from the water and wastewater budget
- Examine allocated costs estimates in light of the new structure combining engineering and public works into one department as a cost saving measure. This occurred after the Allocation Study was completed. Cost savings need to be passed to rate payers
- Direct city staff to develop a method to rebate any savings from efficiencies back to customers and propose reductions in rates going forward supported by savings.