



City of Sebastopol

CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: October 7, 2025

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To: Honorable Mayor and City Councilmembers

From: Erik Billing – Public Works Operations Supervisor
Toni Bertolero – Public Works Engineering
Ana Kwong – Administrative Services Director

Subject: FY24-25 Quarter 4 Financial Update for Enterprise Funds

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RECOMMENDATION:

Staff recommends the Sebastopol City Council receive this preliminary FY24-25 financial information for the enterprise funds.

EXECUTIVE SUMMARY:

Attached are the preliminary year end of fiscal year 24-25 financial results for the Enterprise Funds (Water and Wastewater). This report on the utility financial positions is released when the City closes its accounting books for the year end prior to the final audit. As of June 30, 2025, preliminary financial data indicates that both the Water Fund and Wastewater Fund have completed their revenue billing for the fiscal year.

- The Water Fund has finalized its revenue collection, while expenditures have reached 93% of the annual total.
- The Wastewater Fund has also completed its revenue billing, with expenses currently at 96% of the yearly total.

Overall, these figures point to financial performance across both utility funds, with revenue targets exceeded the budgeted amount and expenditures progressing under with expected year-end levels. This positions the city's utility operations on solid footing as the fiscal year concludes.

BACKGROUND:

The attached materials provide a comprehensive summary of the financial performance of the City's Water and Wastewater enterprise funds as of the FY24-25 year end.

These enterprise funds have historically faced significant financial strain due to years of underinvestment. However, the implementation of new utility rates effective July 1, 2024 has begun to reverse this trend, contributing to a more stable financial outlook. These funds are responsible for sustaining all aspects of utility service delivery, including operations, maintenance, customer billing and collections, administrative support, financing activities, and debt service obligations.

Revenue generation for both the Water and Wastewater funds has been completed for the fiscal year. The "Preliminary Actual" columns in the financial reports reflect usage-based billing through June 2025. Notably, the City has observed a marked increase in revenue compared to the prior fiscal year, largely attributable to the new rate structure and consumption patterns.

As of the fourth quarter, both the Water and Wastewater Funds are trending slightly below full-year expenditure levels:



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- Water Fund expenditures are at 93%, reflecting a measured pace of spending. This may be attributed to departmental transitions that temporarily slowed activity in certain categories.
- Wastewater Fund expenditures are at 96%, showing a similar pattern, likely influenced by ongoing adjustments within the department as it acclimates to new leadership and operational priorities.

While both funds are below the 100% threshold, this trend suggests that some planned spending has been deferred or delayed, potentially due to staffing changes or timing shifts in project execution within the Public Works Department.

Importantly, a solid revenue performance paired with moderated expenditures aligns with the City's broader strategy to restore fiscal health to its utility operations. As outlined in recent council communications and staff reports, the rate adjustments implemented in July 2024 were designed to stabilize operating budgets, address deferred infrastructure needs, and begin rebuilding reserve levels for future capital projects needs.

With these improvements, the enterprise funds are now better positioned to support long-term sustainability where planned projects can be implemented. The current financial development reflects a positive shift from prior years marked by underfunding and operational constraints.

STAFF ANALYSIS:

Water:

The Water Fund concluded the fiscal year with stable financial performance, marked by full revenue realization and moderated expenditure management. Total revenues reached \$3,376,273, slightly exceeding the adjusted budget and achieving 100.1% of the projected target. On the expenditure side, actual spending totaled \$2,598,677, coming in at 94.9% of the adjusted budget—indicating cost control and operational efficiency.

On the revenue side, total operating income reached \$3,385,395, slightly exceeding projections and achieving 100.4% of the adjusted target. This reflects a positive impact from the July 2024 rate adjustments. Residential usage charges led the way at \$1,782,411, surpassing expectations by 5.4%, while commercial usage charges came in just below target at \$1,429,003. Additional revenue was supported by penalties (\$22,067, 147.1%) and miscellaneous income (\$45,965, 106.9%), both of which exceeded estimates. Although some smaller categories underperformed, the overall revenue picture is solid and positions the fund well for the next fiscal cycle.

On the expenditure side, total operating costs amounted to \$2,598,677, or 92.6% of the adjusted budget. Most categories aligned closely with expectations, including salaries, benefits, supplies, and utilities. Notable variances included underspending in contracted services (55.1%) and capital outlay (0%), suggesting deferred activities due to unexpected transition in the department. Debt service payments exceeded projections (144.8%), due to planned early debt retirement. Despite these variances, spending remained controlled and responsive to operational needs.

	2024-25 Adjusted Budget	Preliminary Actual 6/30/25	\$ Actual from Budget	Actual As % of Budget
Revenues	\$ 3,372,855	\$ 3,385,395	\$ 12,540	100.4%
Expenditures	\$ 2,805,712	\$ 2,598,677	\$ (207,035)	92.6%
Net Results	\$ 567,143	\$ 786,717		



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Wastewater:

The Wastewater Fund closed the fiscal year with solid revenue performance, achieving 101.0% of the adjusted budget with total operating revenue reaching \$4,706,698. Overall, the Wastewater Fund's revenue performance reflects a successful recovery following the rate adjustments implemented in July 2024. Core usage charges—particularly residential—exceeded expectations, and supplemental revenue from penalties and miscellaneous sources provided additional support. While some minor categories underperformed, the fund's total revenue outcome signals a stable financial position heading into the next fiscal year.

The Wastewater Fund concluded the fiscal year with total operating expenditures of \$4,014,912, representing 96.0% of the adjusted budget. While most core spending categories tracked close to expectations such as subregional cost, the overall expenditure level was slightly below budget, largely due to timing delays and transitional adjustments within the department. The slightly lower-than-budgeted expenditure level reflects a combination of delayed spending and operational adjustments as the department navigated leadership and staffing transitions. Despite some variances, the fund is steadily progressing toward financial recovery and met the essential obligations.

	2024-25 Adjusted Budget	Preliminary Actual 6/30/25	\$ Actual from Budget	Actual As % of Budget
Revenues	\$ 4,659,752	\$ 4,706,698	\$ 46,946	101.0%
Expenditures	\$ 4,183,689	\$ 4,014,912	\$ (168,777)	96.0%
Net Results	\$ 476,063	\$ 691,785		

Alignment of Billing Cycles with Rate Changes

Previously, when rate increases took effect in July, which falls mid-way through the bi-monthly billing cycle, bills included a prorated mix of old and new rates. This often led to confusion, as usage was split between months with different rates and calculated proportionally. For example, a 25,000-gallon usage might be divided between June and July and billed at two separate rates. While accurate, this method was difficult for customers to interpret.

To simplify billing and improve transparency, staff has recalibrated the cycle so that July billing covered only June, and September billing covers July and August, fully aligning with the new fiscal year and rate changes. This approach eliminates the need to display both old and new rates on the same statement moving forward.

Additionally, in response to community requests, the tiered water rate structure is now clearly displayed on billing statements. This enhancement supports transparency and helps residents better understand how their usage impacts charges.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment on this item. However, if staff receives public comment from interested parties following the publication and distribution of this staff report, such comments will be provided to the City Council as supplemental materials before or at the meeting.

COMMUNITY OUTREACH:



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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 the scheduled meeting date.

FISCAL IMPACT:

There is no fiscal impact in receiving this informational financial update.

RESTATED RECOMMENDATION:

Staff recommends the Sebastopol City Council receive this preliminary FY24-25 financial information for the enterprise funds.

OPTIONS:

There are no options to consider.

ATTACHMENTS:

Preliminary Financial Reports

APPROVALS:

Department Head Approval:

Approval Date: 9/8/25

CEQA Determination (Planning):

Approval Date: N/A

The proposed action is / is not exempt from the requirements of the California Environmental Quality Act (CEQA)

Administrative Services/Financial Approval: Approval Date: 9/8/25

Costs authorized in City Approved Budget: ☐ Yes ☐ No ☒ N/A

Account Code (if applicable) _____

City Attorney Approval:

Approval Date: Pending

City Manager Approval:

Approval Date: Pending



WATER OPERATING FUND FY24-25 QUARTER 4 REPORTING

Description	2023-24 Actual	2024-25 Adopted Budget	2024-25 Adjusted Budget	Estimated Year-end Projection	Preliminary Actual 6/30/25	% of Adjusted Budget
OPERATING REVENUE						
Usage Charges - Residential	1,343,048	3,189,700	1,690,541	1,690,500	1,782,411	105.4%
Usage Charges - Commerical	895,366	-0	1,446,659	1,446,700	1,429,003	98.8%
Usage Charges - Water Tower	-0	-0	52,500	52,000	45,047	85.8%
Interest Income	82,780	75,000	75,000	75,000	50,702	67.6%
Construction Hydrant	500	2,160	2,160	-0	-0	0.0%
Backflow Inspections	-0	650	650	-0	-0	0.0%
New Service Fee	8,700	36,600	36,600	10,000	10,200	27.9%
Water Meter Sales	190	8,600	8,600	-0	-0	0.0%
Penalties	21,591	15,000	15,000	20,000	22,067	147.1%
Other Charges	279	2,145	2,145	-0	-0	0.0%
Insurance Claims	515	-0	-0	-0	-0	0.0%
Miscellaneous Income	155,392	43,000	43,000	44,000	45,965	106.9%
TOTAL REVENUE	2,508,362	3,372,855	3,372,855	3,338,200	3,385,395	100.4%
OPERATING EXPENDITURE						
Salaries & Wages	319,666	357,977	374,777	354,870	350,341	93.5%
Benefits	158,712	223,277	223,966	200,870	206,787	92.3%
Contracted Services	338,990	255,820	255,820	261,320	159,241	62.2%
Services & Supplies	161,691	225,550	225,550	228,050	195,954	86.9%
Conference & Training Expense	2,865	5,000	5,000	5,000	4,439	88.8%
Utilities	203,566	254,600	254,600	312,000	235,947	92.7%
Allocated Insurance	90,730	79,530	79,530	79,530	81,510	102.5%
Capital Outlay	-	27,750	27,750	27,750	-	0.0%
Debt Service Payments	380,175	318,656	385,856	385,856	461,365	119.6%
Cost Allocation Plan	1,261,494	852,863	852,863	852,863	852,863	100.0%
Transfers Out	940,341	120,000	120,000	21,530	50,230	41.9%
TOTAL EXPENDITURES	3,858,230	2,721,023	2,805,712	2,729,639	2,598,677	92.6%
Net Surplus/(Deficit)	(1,349,868)	651,832	567,143	608,561	786,717	



Detail - Water Operation Fund - 500
FY24-25 Q4 Expenditures

Description	2023-24 Actual	2024-25 Adopted Budget	2024-25 Adjusted Budget	Estimated Year-end Projection	Preliminary Actual 6/30/25	% of Adjusted Budget
Salaries & Wages						
4010 - Salaries - Full Time	280,059	327,277	334,022	310,380	309,945	-7.2%
4012 - Overtime	21,691	21,000	21,000	23,340	21,733	3.5%
4013 - Standby/Shift	11,165	9,700	11,015	13,500	14,914	35.4%
4090 - Vacancy Savings	-	-	-	-	-	0.0%
4023 - One Time Payment	6,750	-	8,740	7,650	7,650	-12.5%
4990 - PW/Staff Time Project Reimb	-	-	-	-	(3,900)	0.0%
Total Salaries & Wages	319,666	357,977	374,777	354,870	350,341	-6.5%
Benefits						
4101 - Health in Lieu	1,588	-	-	-	-	0.0%
4102 - Uniform Allowance	2,750	3,500	3,500	2,550	2,550	-27.1%
4105 - Medicare & Fica	4,724	4,746	4,746	5,280	5,318	12.0%
4110 - CalPERS Employer Rate	62,681	32,099	32,789	29,000	30,679	-6.4%
4111 - CalPERS UAL Cost	-	60,770	60,770	60,825	60,746	0.0%
4130 - Health Insurance	75,118	106,027	106,027	91,000	94,970	-10.4%
4150 - Dental Insurance	9,258	10,840	10,840	9,375	9,740	-10.1%
4151 - Vision Insurance	980	1,136	1,136	1,050	1,026	-9.7%
4181 - Long Term Disability Insurance	918	2,684	2,684	1,025	999	-62.8%
4182 - Short Term Disability Insurance	364	431	431	395	414	-4.0%
4183 - EAP (Employee Asst Prog)	98	315	315	110	103	-67.2%
4184 - Life Insurance	233	729	729	260	242	-66.8%
Total Benefits	158,712	223,277	223,967	200,870	206,787	-7.7%
Contracted Services						
4210 - Professional Contract Services	326,001	243,320	243,320	243,320	140,875	-42.1%
4211 - Banking Fees	12,989	12,500	12,500	18,000	18,366	46.9%
Total Contracted Services	338,990	255,820	255,820	261,320	159,241	-37.8%
Services & Supplies						
4301 - Bad Debt Expense	13,205	10,000	10,000	2,500	2,110	-78.9%
4310 - Office Supplies	-	1,500	1,500	1,500	-	-100.0%
4330 - Misc Supplies & Services	135,827	180,650	180,650	190,650	171,106	-5.3%
4332 - Janitorial & Safety Supplies	15	1,200	1,200	1,200	-	-100.0%
4361 - Meter Replacement Program	2,516	7,500	7,500	7,500	5,992	-20.1%
4365 - Fire Hydrant Replacement Program	9,445	9,500	9,500	9,500	13,203	39.0%
4366 - Backflow Prevention Program	634	5,200	5,200	5,200	222	-95.7%
4380 - Vehicle Maintenance	48	10,000	10,000	10,000	3,321	-66.8%
Total Services & Supplies	161,691	225,550	225,550	228,050	195,954	-13.1%
Conference & Training Expense						
4510 - Conference & Training	1,327	3,000	3,000	3,000	3,051	1.7%
4515 - Meetings & Travel	1,538	2,000	2,000	2,000	1,388	-30.6%
Total Conference & Training Expense	2,865	5,000	5,000	5,000	4,439	-11.2%
Utilities						
4710 - Utilities - Gas & Electric	197,837	247,250	247,250	305,000	230,402	-6.8%
4750 - Telecommunications	5,729	7,350	7,350	7,000	5,544	-24.6%
Total Utilities	203,566	254,600	254,600	312,000	235,947	-7.3%
Allocated Insurance Others						
4996 - Allocated Liability Insurance	59,559	51,825	51,825	51,825	53,266	2.8%
4997 - Allocated Wrks Comp Insurance	31,171	27,705	27,705	27,705	28,244	1.9%
4998 - Cost Allocation Plan (CAP)	1,261,493	852,863	852,863	852,863	852,863	0.0%
4999 - Transfers Out	940,341	120,000	120,000	21,530	50,230	-58.1%
5100 - Capital Outlay	-	27,750	27,750	27,750	-	-100.0%
Total Allocated Insurance Others	2,292,564	1,080,143	1,080,143	981,673	984,603	-8.8%



Detail - Water Operation Fund - 500


FY24-25 Q4 Expenditures


Description	2023-24 Actual	2024-25 Adopted Budget	2024-25 Adjusted Budget	Estimated Year-end Projection	Preliminary Actual 6/30/25	% of Adjusted Budget
Debt Service						
6100 - Principal	323,576	266,477	333,677	331,001	409,137	22.6%
6200 - Interest	56,599	52,179	52,179	52,227	52,229	0.1%
Total Debt Service	380,175	318,656	385,856	383,228	461,365	19.6%
TOTAL	3,858,228	2,721,023	2,805,713	2,727,011	2,598,677	-7.4%

WASTEWATER OPERATING FUND FY24-25 QUARTER 4 REPORTING



Description	2023-24 Actual	2024-25 Adopted Budget	2024-25 Adjusted Budget	Estimated Year-end Projection	Preliminary Actual 6/30/25	% of Adjusted Budget
OPERATING REVENUE						
Service Charge - Residential	2,813,939	4,647,523	2,277,323	2,277,286	2,378,207	104.4%
Service Charge - Commercial	-0	-0	2,370,200	2,370,237	2,295,499	96.8%
Interest Income	20,194	-0	-0	20,000	12,682	0.0%
Penalties	15,153	2,500	2,500	20,000	20,310	812.4%
Insurance Claims	-0	8,729	8,729	-0	-0	0.0%
Miscellaneous Income	32,552	1,000	1,000	-0	-0	0.0%
Transfers In	-0	-0	-0	-0	-0	0.0%
TOTAL REVENUE	2,881,838	4,659,752	4,659,752	4,687,523	4,706,698	101.0%
OPERATING EXPENDITURE						
Salaries & Wages	282,963	306,893	322,383	293,650	296,793	92.1%
Benefits	139,103	194,998	195,644	175,140	178,758	91.4%
Contracted Services	84,665	105,550	105,550	123,925	12,829	12.2%
Subregional Cost	1,952,842	2,118,435	2,118,435	2,118,435	2,118,436	100.0%
Services & Supplies	60,825	118,200	118,200	106,700	97,634	82.6%
Conference & Training Expense	8,458	8,000	8,000	8,000	3,175	39.7%
Utilities	63,567	81,352	81,352	59,400	68,698	84.4%
Allocated Insurance	68,625	55,735	55,735	55,735	57,066	102.4%
Debt Service Payments	181,237	178,656	237,456	237,456	240,039	101.1%
Cost Allocation Plan	1,041,462	908,934	908,934	908,934	908,934	100.0%
Transfers Out	800,532	32,000	32,000	32,606	32,551	101.7%
TOTAL EXPENDITURES	4,684,278	4,108,753	4,183,689	4,119,981	4,014,912	96.0%
Net Surplus/(Deficit)	(1,802,440)	550,999	476,063	567,542	691,785	

Detail - Wastewater Fund 510 FY24-25 Q4 Expenditures 						
Description	2023-24 Actual	2024-25 Adopted Budget	2024-25 Adjusted Budget	Estimated Year-end Projection	Preliminary Actual 6/30/25	% of Adjusted Budget
OPERATING EXPENDITURE						
Salaries & Wages						
4010 - Salaries - Full Time	253,366	280,793	286,993	264,000	258,159	-10.0%
4012 - Overtime	15,476	16,300	16,300	18,700	19,884	22.0%
4013 - Standby/Shift	8,871	9,800	11,015	10,950	11,850	7.6%
4090 - Vacancy Savings	-	-	-	-	-	0.0%
4023 - One Time Payment	5,250	-	8,075	-	6,900	-14.6%
Total Salaries & Wages	282,963	306,893	322,383	293,650	296,793	-7.9%
Benefits						
4101 - Health in Lieu	2,276	-	-	-	-	0.0%
4102 - Uniform Allowance	2,280	3,050	3,050	2,500	2,300	-24.6%
4105 - Medicare & Fica	4,180	4,071	4,071	4,820	4,544	11.6%
4110 - CalPERS Employer Rate	61,670	28,289	28,934	25,620	26,831	-7.3%
4111 - CalPERS Employer Rate-Unfunded	-	53,400	53,400	54,000	53,360	-0.1%
4130 - Health Insurance	58,703	91,736	91,736	78,000	81,089	-11.6%
4150 - Dental Insurance	7,772	9,373	9,373	7,900	8,315	-11.3%
4151 - Vision Insurance	823	977	977	875	875	-10.4%
4181 - Long Term Disability Insurance	800	2,684	2,684	875	810	-69.8%
4182 - Short Term Disability Insurance	318	374	374	350	340	-9.3%
4183 - EAP (Employee Asst Prog)	83	315	315	100	88	-72.1%
4184 - Life Insurance	197	729	729	100	207	-71.7%
Total Benefits	139,103	194,999	195,644	175,140	178,758	-8.6%
Contracted Services						
4210 - Professional Contract Services	71,676	105,550	105,550	105,550	12,829	-87.8%
4210 - Subregional O&M	1,952,842	2,118,435	2,118,435	2,118,435	2,118,436	0.0%
4211 - Banking Fees	12,989	12,500	12,500	18,375	18,366	46.9%
Total Contracted Services	2,037,507	2,236,485	2,236,485	2,242,360	2,149,631	-3.9%
Bad Debt Expense						
4301 - Bad Debt Expense	19,020	10,000	10,000	4,000	2,486	-75.1%
Total Bad Debt Expense	19,020	10,000	10,000	4,000	2,486	-75.1%
Services & Supplies						
4330 - Misc Supplies & Services	29,942	83,200	83,200	91,200	71,961	-13.5%
4332 - Janitorial & Safety Supplies	29	1,500	1,500	1,500	-	-100.0%
Total Services & Supplies	29,971	84,700	84,700	92,700	71,961	-15.0%
Special Programs						
4360 - Conservation Rebate Program	-	1,000	1,000	-	-	-100.0%
Total Special Programs	-	1,000	1,000	-	-	-100.0%
Vehicle Expense						
4380 - Vehicle Maintenance	11,834	10,000	10,000	10,000	4,822	-51.8%
Total Vehicle Expense	11,834	10,000	10,000	10,000	4,822	-51.8%
Conference & Training Expense						
4510 - Conference & Training	5,628	5,000	5,000	5,000	915	-81.7%
4515 - Meetings & Travel	2,830	3,000	3,000	3,000	2,260	-24.7%
Total Conference & Training Expense	8,458	8,000	8,000	8,000	3,175	-60.3%
Utilities						
4710 - Utilities - Gas & Electric	56,498	66,412	66,412	55,000	64,505	-2.9%
4711 - Utilities - City Bill	5,377	12,440	12,440	3,200	3,080	-75.2%

Detail - Wastewater Fund 510 FY24-25 Q4 Expenditures 						
Description	2023-24 Actual	2024-25 Adopted Budget	2024-25 Adjusted Budget	Estimated Year-end Projection	Preliminary Actual 6/30/25	% of Adjusted Budget
Total Utilities	61,875	78,852	78,852	58,200	67,586	-14.3%
Telecommunications						
4750 - Telecommunications	1,692	2,500	2,500	1,200	1,113	-55.5%
Total Telecommunications	1,692	2,500	2,500	1,200	1,113	-55.5%
Allocated Insurance						
4996 - Allocated Liability Insurance	41,232	29,200	29,200	29,200	30,012	2.8%
4997 - Allocated Wrkrs Comp Insurance	27,393	26,535	26,535	26,535	27,053	2.0%
Total Allocated Insurance	68,625	55,735	55,735	55,735	57,066	2.4%
G & A Allocation						
4998 - G & A Allocation	1,041,462	908,934	908,934	908,934	908,934	0.0%
Total G & A Allocation	1,041,462	908,934	908,934	908,934	908,934	0.0%
Transfers Out						
4999 - Transfers Out	800,532	32,000	32,000	32,606	32,551	1.7%
Total Transfers Out	800,532	32,000	32,000	32,606	32,551	1.7%
Capital Outlay						
5100 - Capital Outlay	-	-	-	-	-	0.0%
Total Capital Outlay	-	-	-	-	-	0.0%
Debt Service Payments						
6100 - Principal	153,305	153,089	211,889	216,468	214,370	1.2%
6200 - Interest	27,932	25,567	25,567	25,671	25,668	0.4%
Total Debt Service Payments	181,237	178,656	237,456	242,139	240,039	1.1%
TOTAL	4,684,280	4,108,755	4,183,690	4,124,664	4,014,912	-4.0%