From: Lee Mathias [redacted]
Sent: Monday, November 16, 2026 3:41 PM
To: Zulema Higgins <zhiggins@cityofsebastopol.gov>; Mary Gourley <mgourley@cityofsebastopol.gov>; Jill McLewis <jmclewis@cityofsebastopol.gov>; Phill Carter <pcarter@cityofsebastopol.gov>; Neysa Hinton <NHinton@cityofsebastopol.gov>; Stephen Zollman <szollman@cityofsebastopol.gov>; Sandra Maurer <smaurer@cityofsebastopol.gov>
Cc: Ian Hoff [redacted]; Trump's Secret Service - James K. || PEE [redacted]
Subject: Public Comment Agenda item 18 New allocation methodology-no Syserco loan transfer - no refund of past overcharges

Hi Zulema,

I am resending this. Phil pointed out that I did not include the attachment.

Please post the attached public comment to the November 17 city council meeting.

Thanks,

Lee

[redacted]

Agenda item 18: New allocation methodology; No Syserco Loan transfer to General Fund and no prior year refund or repayment for overallocations

There are a number of decisions included in this agenda item. At least one that is critical and not discussed at all in the staff report.

New Allocation Methodology proposed as a stop gap measure.

Staff proposes a new method to allocate general fund overhead expenses to rate payers. The proposal addresses criticism that the allocations for city council, city manager and Admin/Finance are a very high % of their total budget.

Function	Current Water %	Proposed Water %	Current Wastewater	Proposed Wastewater %
City Council	24.3%	17%	26.9%	13%
City Manager	22.0%	17%	24.3%	13%
City Clerk	11.1%	12%	19.3%	8%
Administrative Services	20.2%	12.5%	23.2%	12.5%

Even City Council members stated publicly that they don't spend 51% your time on water and wastewater. The larger allocation to wastewater is a product of including the $2MM contract with Santa Rosa to treat wastewater in the cost pool as if it is $2MM in work for the city departments listed above. Just one of the problems with the Clear Source model.

It is important to **state the Clear Source model has no inputs for % of time spent on the enterprise funds**. The % amount that the allocation was of the department budget was presented to council in the past to provide a simple example of why the model of deeply flawed.

The Clear Source model uses % of time doing administrative (25%) or fiscal (25%) or capital oversight (50%). **One reason the Clear Source model over allocates is there are many expenses included in the "cost pool" that have nothing to do with water and wastewater.**

The method being proposed is new and simpler to understand and implement – however it continues to use the flawed cost pools.

The rationale for CC, CM and CC is taken from the staff report (below):

The City Council, City Manager, and City Clerk percentages were developed by reviewing recordings for Council meetings over the two years and recording the amount of time spent on water and wastewater items during each meeting…..Additional time is also required for enterprise matters as part of the Budget Committee and EFOC.

My own AI analysis of city council, EFOC and Budget Committee agendas and meeting video transcripts are shown in the table below:

Table 1. Council time spent on water and sewer

Measure (time on water and sewer)	Period	Share
Council agenda items	FY 24-25 + FY 25-26	3.5%
Council agenda items	Last 24 months	4.5%
Council oversight items only	Last 24 months	8.0%
Council member time: Council + EFOC	Dec 2025 – Oct 2026	11.4%
Council member time: Council + EFOC + Budget Committee	Dec 2025 – Oct 2026	11.9%

Source: caption timestamps of City Vimeo recordings; agenda minutes exclude public comment, breaks, roll call and routine items. Full item-by-item timing: Council_Agenda_Timing_FY24-27 workbook.

None of these measures comes close to 30%. The record supports 12% as a maximum for the City Council – 6% Water and 6% Wastewater.

This proposal from Staff is a step in the right direction to lower the overcharge to rate payers.

However, **it continues the practice of including costs unrelated to delivering water and wastewater services in the allocation which is the proposition 218 risk and a prime target for a lawsuit.**

Below are examples of charges included in the current cost pools.

- **City Clerk:** the pool is priced on FY 2024-25 payroll that included the combined Assistant City Manager/City Clerk position. The FY 2026-27 budget freezes the Assistant City Manager role.
- **City Council:** stipends and benefits, ABAG and Sister Cities dues, conference expenses, and legal hearing and public notices that have nothing to do with water and sewer.
- **City Manager:** a one-time separation payment and leave cash-out ($229,629), Regional Climate Protection Authority dues, the R3 solid-waste consulting contract, Holly Hanson communications and special project contracts, Baker Tilly forecasting, a facilitator for the City Manager evaluation, and relaunch-program retro pay.
- **Administrative Services:** the business license system, Measure U polling and strategist, property-tax administration, sales-tax and utility-users-tax audits, and the GFOA award fee.

It would be difficult to explain to a judge why a contract for a consultant to secure trash services that ultimately would be reimbursed to the city should be charged to water and wastewater rate payers. What about Sister City dues? Baker Tilly does not forecast water and wastewater, Raftelis did that work. Political polling, property tax administration and audits of sales and utility users' taxes **would all be difficult for the city to demonstrate are legitimate costs of providing a utility service which is a requirement of proposition 218.**

The staff report is silent on how the remainder of the Clear Source model will be applied.

- There are two rounds of overhead in the model. The first should be usurped by the new % allocation method. **Will the second allocation remain?**
- The Engineering costs are allocated based on the share of capital assets between the city and the water and wastewater enterprises (buildings, streets, pipes and pumps). The city failed to include the value of buildings (1/2 of the total city capital) resulting in a disproportionate allocation of engineering expense going to the rate payers. **Since engineering services are largely contracted what is the status of the proposal to simply direct bill enterprises for enterprise work**.

Critical Decisions -

There are two more decisions being voted on tonight that deserve discussion. Responsibility for the Syserco Loan and closing he door on prior-year refund or repayments.

Syserco loan – The first argument is that the purchase of water meters was done without a competitive bidding process resulting in the city overpaying for the meters. The promised benefits of lower energy use, lower water use and lower billing costs have not been realized. The proposal promised that energy cost savings would completely offset the cost of the meters. This rationale was used to take advantage of a California law that allowed the purchase to take place without competitive bids.

The second argument is that there is no documentation in any infrastructure study that the city needed new water meters or needed wireless water meters. There was documentation for projects like well 4 (70 years old) and the Pleasant Hill Loop (since 2006) were high-priority infrastructure projects that could have been funded with the money paid for wireless water meter.

Questions about city staff due diligence and the past city council decision to accept the purchase and subsequent loan raised the question about why rate payers should be responsible for paying the cost.

No prior-year refund for overcharges to the rate payers –

The decision not to refund or repay prior-year overcharges to rate payers is in the recommendations but not discussed in the staff report.

The city has been overcharging rate payers for more than 10 years. The Grand Jury estimates $5.5MM in overcharges that should be returned to repair infrastructure which was neglected. The fact the city is proposing borrowing $5MM to fund infrastructure repairs, effectively doubling the cost of those repairs with interest expense demonstrates the actual harm to rate payers for the overcharges.

My own analysis of the Clear Source model indicates an additional $1.6MM in overcharges during the past two years. **There were eight decisions made in the construction of the current allocation model by Clear Source together with city staff that favored the general fund at the expense of rate payers.** None were identified or explained I public meetings.

Because it is not discussed we don't know if the proposal is limited to one year or is this the decision by city council to completely disregard the Grand Jury Findings. **It seems like these simple words: no prior year refund or repayment might be the trigger for the next lawsuit against the city.**