

RESOLUTION NO. 6791-2026

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL FORGIVING THE INTERFUND LOAN
BETWEEN THE GENERAL FUND AND WASTEWATER ENTERPRISE FUND

WHEREAS, on August 6, 2024, the City Council adopted Resolution No. 6608-2024, establishing an interfund loan from the General Fund to the Wastewater Enterprise Fund in the amount of One Million One Hundred Thousand Dollars (\$1,100,000); and

WHEREAS, the purpose of the interfund loan was to provide temporary financial support and maintain positive cash flow within the Wastewater Enterprise Fund; and

WHEREAS, Resolution No. 6608-2024 provided that the loan would accrue no interest and be repaid in full by June 30, 2032; and

WHEREAS, the City Council has reviewed the financial condition of both the General Fund and the Wastewater Enterprise Fund and has considered the policy implications of maintaining or forgiving the interfund loan; and

WHEREAS, the Enterprise Funds Oversight Committee (EFOC) and Sonoma County Grand Jury have both found that the City's cost allocation plan overcharged the Enterprise Funds for the services provided by the General Fund; and

WHEREAS, the City Council has carefully reviewed the reports of the EFOC and Grand Jury, and believes that changes are necessary to help restore public trust and as a show of good faith to the community that all options are being explored; and

WHEREAS, the City Council has previously directed staff to begin the process of developing a new cost allocation plan; and

WHEREAS, the City Council finds that forgiveness of the loan would eliminate the Wastewater Enterprise Fund's obligation to repay the General Fund and may improve the long-term financial position of the Wastewater Enterprise Fund; and

WHEREAS, the City Council further recognizes that forgiveness of the loan will result in a one-time reduction of General Fund assets through removal of the \$1,100,000 receivable; and

WHEREAS, the City Council finds that forgiveness of the loan would help offset any overallocation charged by the General Fund pursuant to the Cost Allocation Plan; and

WHEREAS, the City Council finds that forgiveness of the loan is in the best interests of the City and will support the ongoing financial sustainability of the Wastewater Enterprise Fund while allowing continued evaluation of future wastewater rate and capital funding needs.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sebastopol as follows:

1. The above recitals are true and correct, and are incorporated herein by reference.
2. The outstanding interfund loan from the General Fund to the Westwater Enterprise Fund in the amount of One Million One Hundred Thousand Dollars (\$1,100,000), previously established pursuant to Resolution No. 6608-2024, is hereby forgiven. The Wastewater Enterprise Fund shall have no further obligation to repay the loan principal or any associated amount.

3. The repayment requirement contained in Resolution No. 6608-2024, including the requirement that the Wastewater Enterprise Fund repay the General Fund by June 30, 2032, is hereby terminated.
4. To the extent that the City has overallocated the General Fund's cost of providing services to the Wastewater Enterprise Fund, this loan forgiveness shall serve as a repayment to the Wastewater Enterprise Fund by the General Fund of \$1,100,000 for such overallocation. The repayment shall apply first to any overallocation for FY 26-27, and then if funds remain for additional repayment, for overallocations that occurred in each preceding fiscal year.
5. The Administrative Services Director is authorized and directed to make all necessary accounting entries and financial reporting adjustments to remove the interfund receivable from the General Fund and the corresponding interfund payable from the Wastewater Enterprise Fund, consistent with applicable governmental accounting standards.
6. This Resolution shall take effect immediately upon adoption.

IN COUNCIL DULY PASSED, APPROVED AND ADOPTED this 21st day of July, 2026.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Sebastopol by the following roll call vote:

VOTE:

Ayes: Councilmembers Carter, Hinton, Zollman, Vice Mayor Maurer and Mayor McLewis

Noes: None

Absent: None

Abstain: None

APPROVED:

Signed by:

Jill McLewis

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Mayor Jill McLewis

ATTEST:

Signed by:

Mary Gourley

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Mary Gourley, City Manager

APPROVED AS TO FORM:

Signed by:

Alex Mog

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Alex Mog, City Attorney