



City of Sebastopol

## CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: November 4, 2025

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**To:** Honorable Mayor and City Councilmembers  
**From:** Ana Kwong – Administrative Services Director  
**Subject:** FY25-26 Quarter 1 Financial Update – Enterprise Fund

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**RECOMMENDATION:**

Staff recommends the Sebastopol City Council receive year-to-date financial information for the Enterprise Fund.

**EXECUTIVE SUMMARY:**

Based on the best available information as of September 30, 2025, the city's water fund has billed 20.7% of budgeted revenue for the full fiscal year. Expenses are at 23% of full fiscal year. Wastewater has billed 16.1% of budgeted revenue of full year. Expenses are 18.7% for full year.

**BACKGROUND:**

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing services are primarily recovered through user fees. This includes essential services such as water and wastewater. Activities supported by the Enterprise Fund encompass operations, maintenance, billing and collections, administration, financing, and related debt service. The principal sources of revenue are charges to customers for water consumption, wastewater collection, and fees associated with new service connections. The City has experienced an increase in revenue this and last fiscal year due to recent adjustments in water and wastewater rates. On the expenditure side, spending patterns are not linear, and this is reflected in the first quarter data. Both water and wastewater expenses are trending below the 25% benchmark. These variations are typical and largely driven by the timing of operational activities and capital investments. Overall, the Enterprise Fund continues to function as a self-supporting mechanism, ensuring that utility services are sustainably managed and financially accountable..

**DISCUSSION:**

This report provides an overview of the City's Enterprise Fund performance for the first quarter of FY25-26, using the most current financial data available as of September 30, 2025. It presents a detailed accounting of revenues and expenditures recorded during this period, offering a snapshot of the enterprise financial position as the fiscal year gets underway. It's important to note that first-quarter data can be inherently limited. Revenue billings are reflecting 2 months of activities.

**STAFF ANALYSIS:****Water:**

The quarterly report for the Water Fund reflects billing activity for the months of July and August. Based on the adopted annual revenue budget of \$1.76 million, a proportional estimate for the first two months would be approximately \$294,000 or 16%—assuming revenue is evenly distributed throughout the year. However, actual revenue has exceeded the 16% mark for the quarter, which can be attributed to two key factors. First, the planned water rate increase. Second, July and August are peak summer months, during which water consumption typically rises due to seasonal demand. As we transition into the fall and winter months, consumption is expected to decline, resulting in a more balanced revenue pattern over the remainder of the fiscal year.



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Operating expenditures—which include salaries and wages, employee benefits, contracted services, debt service payments, cost allocation plan charges, and transfers out—are currently tracking at 23% of the annual budget. While this is slightly below the 25% benchmark typically expected at this point in the fiscal year, it remains consistent with anticipated spending patterns and indicates that expenditures are on track.

#### **Wastewater:**

The quarterly report for the Wastewater Fund covers the same billing period as the Water Fund—July through September—representing the first quarter of the fiscal year. Revenue collection for this period stands at 16.1% of the annual budget. While the Water Fund exceeded the 16% mark, the Wastewater Fund is trending right at that level, largely due to the winter average adjustment applied during this billing cycle. The City calculates winter averages using water consumption data from the prior December through April, selecting the two lowest months to determine wastewater charges. Because water usage tends to be lower during those months, the resulting wastewater revenue reflects this seasonal adjustment and is performing as expected.

On the expenditure side, the Wastewater Fund is currently tracking at 18.7%, which is below the 25% benchmark typically anticipated at this point in the fiscal year. This lower figure is primarily due to the timing of payments under the Subregional contract, which only includes two months of service for the first quarter rather than three. As the fiscal year progresses, the full contractual costs will be incurred, and expenditures are expected to align with budgeted projections. Overall, the fund is operating within expected parameters, and no budgetary adjustments are recommended at this time.

#### **Water Rate Model:**

The Enterprise Fund's financial performance for the first quarter is consistent with the projections outlined in the current Water Rate Model. As part of the quarterly review process, staff conducts a detailed comparison between actual revenues and expenditures and the model's estimates. The alignment confirms the reliability of the rate structure implemented on July 1, 2024, and reinforces its effectiveness in supporting the fund's financial stability and operational needs.

#### **BUDGET COMMITTEE REVIEW**

This item is being reviewed by the Budget Committee at its meeting on October 14, 2025.

#### **CITY COUNCIL GOALS/PRIORITIES/AND OR GENERAL PLAN CONSISTENCY:**

**Goal 5 – Long Term Financial Sustainability**

Achieving Greater Fiscal Resilience and Long Term Fiscal Sustainability

**Action Plan 2 – Quarterly Financial Report**

Enterprise Fund: A quarterly update is an essential tool for monitoring and managing the financial health of an organization. It provides a snapshot of the financial performance over the past three months, allowing City Council to assess progress, identify trends, and make informed decisions.

#### **FISCAL IMPACT:**

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

#### **PUBLIC COMMENT:**



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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:**

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.

**RESTATED RECOMMENDATION:**

That the City Council receive year-to-date financial information.

**CITY COUNCIL OPTION(S):**

There are no options to consider.

**ATTACHMENTS:**

First Quarter Financial Reports

**APPROVALS:**

Department Head Approval:

Approval Date: 10/8/2025

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: 10/8/2025

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

Account Code (f applicable)

City Attorney Approval:

Approval Date: pending

City Manager Approval:

Approval Date: pending

# WATER OPERATING FUND

## FY25-26 QUARTER 1 REPORTING



Description	2023-24 Actual	2024-25 Preliminary Actual	2025-26 Adopted Budget	Y-T-D Actual 9/30/25	% of Adopted Budget
<b>OPERATING REVENUE</b>					
Usage Charges - Residential	1,343,048	1,782,411	1,764,321	384,451	21.8%
Usage Charges - Commerical	895,366	1,429,003	1,510,087	310,912	20.6%
Usage Charges - Water Tower	-0	45,047	54,500	16,232	29.8%
Interest Income	82,780	50,702	75,000	-740	-1.0%
Construction Hydrant	500	-0	-0	-0	0.0%
New Service Fee	8,700	10,200	10,000	2,600	26.0%
Water Meter Sales	190	-0	-0	-0	0.0%
Penalties	21,591	22,067	20,000	7,587	37.9%
Other Charges	279	-0	-0	-0	0.0%
Insurance Claims	515	-0	-0	-0	0.0%
Miscellaneous Income	155,392	45,965	44,000	600	1.4%
<b>TOTAL REVENUE</b>	<b>2,508,362</b>	<b>3,385,395</b>	<b>3,477,908</b>	<b>721,643</b>	<b>20.7%</b>
<b>OPERATING EXPENDITURE</b>					
Salaries & Wages	319,666	350,341	370,268	96,727	26.1%
Benefits	158,712	206,787	244,830	120,864	49.4%
Contracted Services	338,990	159,241	328,800	149,023	45.3%
Services & Supplies	161,691	195,954	222,490	29,156	13.1%
Conference & Training Expense	2,865	4,439	5,000	851	17.0%
Utilities	203,566	235,947	317,350	43,558	13.7%
Allocated Insurance	90,730	81,510	104,755	26,189	25.0%
Capital Outlay	-	-	160,500	1,101	0.7%
Debt Service Payments	380,175	461,365	252,657	-	0.0%
Cost Allocation Plan	1,261,494	852,863	845,358	211,340	25.0%
Transfers Out	940,341	50,230	115,000	2,168	1.9%
<b>TOTAL EXPENDITURES</b>	<b>3,858,230</b>	<b>2,598,677</b>	<b>2,967,008</b>	<b>680,978</b>	<b>23.0%</b>
<b>Net Surplus/(Deficit)</b>	<b>(1,349,868)</b>	<b>786,717</b>	<b>510,900</b>	<b>40,665</b>	



**Detail - Water Operation Fund - 500**  
**FY25-26 Q1 Expenditures**

Description	2023-24 Actual	2024-25 Preliminary Actual	2025-26 Adopted Budget	Y-T-D Actual 9/30/25	% of Adopted Budget
<b>Salaries &amp; Wages</b>					
4010 - Salaries - Full Time	280,059	309,945	345,813	87,324	25.3%
4012 - Overtime	21,691	21,733	24,500	6,264	25.6%
4013 - Standby/Shift	11,165	14,914	14,200	3,140	22.1%
4090 - Vacancy Savings	-	-	(14,245)	-	0.0%
4023 - One Time Payment	6,750	7,650	-	-	0.0%
4990 - PW/Staff Time Project Reimb	-	(3,900)	-	-	0.0%
<b>Total Salaries &amp; Wages</b>	<b>319,666</b>	<b>350,341</b>	<b>370,268</b>	<b>96,727</b>	<b>26.1%</b>
<b>Benefits</b>					
4101 - Health in Lieu	1,588	-	-	-	0.0%
4102 - Uniform Allowance	2,750	2,550	-	3,203	0.0%
4105 - Medicare & Fica	4,724	5,318	5,014	1,454	29.0%
4110 - CalPERS Employer Rate	62,681	30,679	33,983	8,609	25.3%
4111 - CalPERS UAL Cost	-	60,746	73,475	71,021	96.7%
4130 - Health Insurance	75,118	94,970	115,634	32,515	28.1%
4150 - Dental Insurance	9,258	9,740	11,067	3,110	28.1%
4151 - Vision Insurance	980	1,026	1,088	307	28.2%
4181 - Long Term Disability Insurance	918	999	2,982	346	11.6%
4182 - Short Term Disability Insurance	364	414	497	194	39.1%
4183 - EAP (Employee Asst Prog)	98	103	280	36	12.9%
4184 - Life Insurance	233	242	810	71	8.7%
<b>Total Benefits</b>	<b>158,712</b>	<b>206,787</b>	<b>244,830</b>	<b>120,864</b>	<b>49.4%</b>
<b>Contracted Services</b>					
4210 - Professional Contract Services	326,001	140,875	310,800	143,845	46.3%
4211 - Banking Fees	12,989	18,366	18,000	5,178	28.8%
<b>Total Contracted Services</b>	<b>338,990</b>	<b>159,241</b>	<b>328,800</b>	<b>149,023</b>	<b>45.3%</b>
<b>Services &amp; Supplies</b>					
4301 - Bad Debt Expense	13,205	2,110	5,000	391	7.8%
4310 - Office Supplies	-	-	1,500	-	0.0%
4330 - Misc Supplies & Services	135,827	171,106	182,090	23,677	13.0%
4332 - Janitorial & Safety Supplies	15	-	1,200	-	0.0%
4361 - Meter Replacement Program	2,516	5,992	7,500	210	2.8%
4365 - Fire Hydrant Replacement Program	9,445	13,203	10,000	-	0.0%
4366 - Backflow Prevention Program	634	222	5,200	4,879	93.8%
4380 - Vehicle Maintenance	48	3,321	10,000	-	0.0%
<b>Total Services &amp; Supplies</b>	<b>161,691</b>	<b>195,954</b>	<b>222,490</b>	<b>29,156</b>	<b>13.1%</b>
<b>Conference &amp; Training Expense</b>					
4510 - Conference & Training	1,327	3,051	3,000	851	28.4%
4515 - Meetings & Travel	1,538	1,388	2,000	-	0.0%
<b>Total Conference &amp; Training Expense</b>	<b>2,865</b>	<b>4,439</b>	<b>5,000</b>	<b>851</b>	<b>17.0%</b>
<b>Utilities</b>					
4710 - Utilities - Gas & Electric	197,837	230,402	310,000	42,434	13.7%
4750 - Telecommunications	5,729	5,544	7,350	1,125	15.3%
<b>Total Utilities</b>	<b>203,566</b>	<b>235,947</b>	<b>317,350</b>	<b>43,558</b>	<b>13.7%</b>



## Detail - Water Operation Fund - 500

## FY25-26 Q1 Expenditures

Description	2023-24 Actual	2024-25 Preliminary Actual	2025-26 Adopted Budget	Y-T-D Actual 9/30/25	% of Adopted Budget
<b>Allocated Insurance   Others</b>					
4996 - Allocated Liability Insurance	59,559	53,266	71,485	17,871	25.0%
4997 - Allocated Wrkrs Comp Insurance	31,171	28,244	33,270	8,318	25.0%
4998 - Cost Allocation Plan (CAP)	1,261,493	852,863	845,358	211,340	25.0%
4999 - Transfers Out	940,341	50,230	115,000	2,168	1.9%
5100 - Capital Outlay		-	160,500	1,101	0.7%
<b>Total Allocated Insurance   Others</b>	<b>2,292,564</b>	<b>984,603</b>	<b>1,225,613</b>	<b>240,797</b>	<b>19.6%</b>
<b>Debt Service</b>					
6100 - Principal	323,576	409,137	198,633	-	0.0%
6200 - Interest	56,599	52,229	54,024	-	0.0%
<b>Total Debt Service</b>	<b>380,175</b>	<b>461,365</b>	<b>252,657</b>	<b>-</b>	<b>0.0%</b>
<b>TOTAL</b>	<b>3,858,228</b>	<b>2,598,677</b>	<b>2,967,008</b>	<b>680,978</b>	<b>23.0%</b>

# WASTEWATER OPERATING FUND

## FY25-26 QUARTER 1 REPORTING



Description	2023-24 Actual	2024-25 Preliminary Actual	2025-26 Adopted Budget	Y-T-D Actual 9/30/25	% of Adopted Budget
<b>OPERATING REVENUE</b>					
Service Charge - Residential	2,813,939	2,378,207	2,535,849	427,087	16.8%
Service Charge - Commercial	-0	2,295,499	2,639,354	406,533	15.4%
Interest Income	20,194	12,682	20,000	-237	-1.2%
Penalties	15,153	20,310	20,000	6,816	34.1%
Insurance Claims	-0	-0	-0	-0	0.0%
Miscellaneous Income	32,552	-0	-0	-0	0.0%
Transfers In	-0	-0	-0	-0	0.0%
<b>TOTAL REVENUE</b>	<b>2,881,838</b>	<b>4,706,698</b>	<b>5,215,203</b>	<b>840,200</b>	<b>16.1%</b>
<b>OPERATING EXPENDITURE</b>					
Salaries & Wages	282,963	296,793	325,142	83,879	25.8%
Benefits	139,103	178,758	219,286	105,391	48.1%
Contracted Services	84,665	31,195	129,550	5,326	4.1%
Subregional Cost	1,952,842	2,118,436	1,953,889	325,648	16.7%
Services & Supplies	60,825	79,268	107,000	14,464	13.5%
Conference & Training Expense	8,458	3,175	8,000	1,313	16.4%
Utilities	63,567	68,698	65,198	11,433	17.5%
Allocated Insurance	68,625	57,065	68,905	17,226	25.0%
Debt Service Payments	181,237	240,038	119,888	-	0.0%
Cost Allocation Plan	1,041,462	908,934	950,965	237,741	25.0%
Capital Outlay	-	-	148,000	-	0.0%
Transfers Out	800,532	32,551	187,000	-	0.0%
<b>TOTAL EXPENDITURES</b>	<b>4,684,278</b>	<b>4,014,911</b>	<b>4,282,823</b>	<b>802,422</b>	<b>18.7%</b>
<b>Net Surplus/(Deficit)</b>	<b>(1,802,440)</b>	<b>691,786</b>	<b>932,380</b>	<b>37,778</b>	



**Detail - Wastewater Fund 510**  
**FY25-26 Q1 Expenditures**

Description	2023-24 Actual	2024-25 Preliminary Actual	2025-26 Adopted Budget	Y-T-D Actual 9/30/25	% of Adopted Budget
<b>OPERATING EXPENDITURE</b>					
<b>Salaries &amp; Wages</b>					
4010 - Salaries - Full Time	253,366	258,159	306,282	77,382	25.3%
4012 - Overtime	15,476	19,884	19,600	3,710	18.9%
4013 - Standby/Shift	8,871	11,850	11,500	2,788	24.2%
4090 - Vacancy Savings	-	-	(12,240)	-	0.0%
4023 - One Time Payment	5,250	6,900	-	-	0.0%
<b>Total Salaries &amp; Wages</b>	<b>282,963</b>	<b>296,793</b>	<b>325,142</b>	<b>83,879</b>	<b>25.8%</b>
<b>Benefits</b>					
4101 - Health in Lieu	2,276	-	-	-	0.0%
4102 - Uniform Allowance	2,280	2,300	2,300	2,993	130.1%
4105 - Medicare & Fica	4,180	4,544	4,441	1,264	28.5%
4110 - CalPERS Employer Rate	61,670	26,831	30,519	7,739	25.4%
4111 - CalPERS Employer Rate-Unfunded	-	53,360	63,200	60,971	96.5%
4130 - Health Insurance	58,703	81,089	103,436	28,835	27.9%
4150 - Dental Insurance	7,772	8,315	9,934	2,767	27.9%
4151 - Vision Insurance	823	875	977	273	27.9%
4181 - Long Term Disability Insurance	800	810	2,982	291	9.8%
4182 - Short Term Disability Insurance	318	340	407	166	40.8%
4183 - EAP (Employee Asst Prog)	83	88	280	32	11.3%
4184 - Life Insurance	197	207	810	62	7.7%
<b>Total Benefits</b>	<b>139,103</b>	<b>178,758</b>	<b>219,286</b>	<b>105,391</b>	<b>48.1%</b>
<b>Contracted Services</b>					
4210 - Professional Contract Services	71,676	12,829	110,250	5,326	4.8%
4210 - Subregional O&M	1,952,842	2,118,436	1,953,889	325,648	16.7%
4211 - Banking Fees	12,989	18,366	19,300	5,178	26.8%
<b>Total Contracted Services</b>	<b>2,037,507</b>	<b>2,149,631</b>	<b>2,083,439</b>	<b>336,153</b>	<b>16.1%</b>
<b>Bad Debt Expense</b>					
4301 - Bad Debt Expense	19,020	2,486	5,000	522	10.4%
<b>Total Bad Debt Expense</b>	<b>19,020</b>	<b>2,486</b>	<b>5,000</b>	<b>522</b>	<b>10.4%</b>
<b>Services &amp; Supplies</b>					
4330 - Misc Supplies & Services	29,942	71,961	89,500	7,903	8.8%
4332 - Janitorial & Safety Supplies	29	-	1,500	-	0.0%
<b>Total Services &amp; Supplies</b>	<b>29,971</b>	<b>71,961</b>	<b>91,000</b>	<b>7,903</b>	<b>8.7%</b>
<b>Special Programs</b>					
4360 - Conservation Rebate Program	-	-	1,000	-	0.0%
<b>Total Special Programs</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>0.0%</b>
<b>Vehicle Expense</b>					
4380 - Vehicle Maintenance	11,834	4,822	10,000	861	8.6%
<b>Total Vehicle Expense</b>	<b>11,834</b>	<b>4,822</b>	<b>10,000</b>	<b>861</b>	<b>8.6%</b>
<b>Conference &amp; Training Expense</b>					
4510 - Conference & Training	5,628	915	5,000	1,194	23.9%



**Detail - Wastewater Fund 510**  
**FY25-26 Q1 Expenditures**

Description	2023-24 Actual	2024-25 Preliminary Actual	2025-26 Adopted Budget	Y-T-D Actual 9/30/25	% of Adopted Budget
4515 - Meetings & Travel	2,830	2,260	3,000	119	4.0%
<b>Total Conference &amp; Training Expense</b>	<b>8,458</b>	<b>3,175</b>	<b>8,000</b>	<b>1,313</b>	<b>16.4%</b>
<b>Utilities</b>					
4710 - Utilities - Gas & Electric	56,498	64,505	60,000	10,627	17.7%
4711 - Utilities - City Bill	5,377	3,080	3,198	498	15.6%
<b>Total Utilities</b>	<b>61,875</b>	<b>67,585</b>	<b>63,198</b>	<b>11,124</b>	<b>17.6%</b>
<b>Telecommunications</b>					
4750 - Telecommunications	1,692	1,113	2,000	308	15.4%
<b>Total Telecommunications</b>	<b>1,692</b>	<b>1,113</b>	<b>2,000</b>	<b>308</b>	<b>15.4%</b>
<b>Allocated Insurance</b>					
4996 - Allocated Liability Insurance	41,232	30,012	40,285	10,071	25.0%
4997 - Allocated Wrks Comp Insurance	27,393	27,053	28,620	7,155	25.0%
<b>Total Allocated Insurance</b>	<b>68,625</b>	<b>57,065</b>	<b>68,905</b>	<b>17,226</b>	<b>25.0%</b>
<b>G &amp; A Allocation</b>					
4998 - G & A Allocation	1,041,462	908,934	950,965	237,741	25.0%
<b>Total G &amp; A Allocation</b>	<b>1,041,462</b>	<b>908,934</b>	<b>950,965</b>	<b>237,741</b>	<b>25.0%</b>
<b>Transfers Out</b>					
4999 - Transfers Out	800,532	32,551	187,000	-	0.0%
<b>Total Transfers Out</b>	<b>800,532</b>	<b>32,551</b>	<b>187,000</b>	<b>-</b>	<b>0.0%</b>
<b>Capital Outlay</b>					
5100 - Capital Outlay	-	-	148,000	-	0.0%
<b>Total Capital Outlay</b>	<b>-</b>	<b>-</b>	<b>148,000</b>	<b>-</b>	<b>0.0%</b>
<b>Debt Service Payments</b>					
6100 - Principal	153,305	214,370	97,127	-	0.0%
6200 - Interest	27,932	25,668	22,761	-	0.0%
<b>Total Debt Service Payments</b>	<b>181,237</b>	<b>240,038</b>	<b>119,888</b>	<b>-</b>	<b>0.0%</b>
<b>TOTAL</b>	<b>4,684,280</b>	<b>4,014,911</b>	<b>4,282,823</b>	<b>802,422</b>	<b>18.7%</b>