

General Fund Expense Allocation to Enterprise Funds

Overview

- The city for 20 years or more allocated a fixed % of each departments budget.
- The Clear Source Model is purpose built to allocate “overhead costs” to various departments
 - The model is formally structure to meet Federal Contract requirements allowing overhead to be charged to the contract
 - **The concept of overhead costs specified in Federal Contracts is not the same as Propositions 218 and 26 requirements**
 - **The Direct cost method may not meet Prop 218. It is not a department but an individual rate payer that the charge much benefit.**
- Proposition 218 specifically requires that costs charged to rate payers are directly associated with providing services
 - “Overhead” has been targeted in lawsuits and not allowed by judges Without extensive documentation
- Recent actual departmental cost analyses for delivering water and wastewater services demonstrate that the Clear Source Modeled costs exceed actual by multiples
 - Finance, Legal, Engineering and Public Works costs directly related to delivering services show much lower costs than recent allocations using the Clear Source Model.
- City needs to evaluate the Clear Source Model
 - Is lacks specific assumptions that could be used to defend the city’s choices to a judge
 - It is too complex – no need to allocate overhead from every department to all other departments
- A simplified model based on actual expenses impacting service delivery is proposed here.

		Hours per Month		
Item	Utility Operations Responsibilities	Admin Tech	Acctn	Total Hours
Customer Service				
1	Monitor and manage the customer service email inbox	4.0	0.5	4.5
2	Reconcile and prepare entries for NSF checks and NSF ACH returns	-	2.0	2.0
3	Process refunds for duplicate payments and credit balance adjustments	-	1.0	1.0
4	Complete connect and disconnect paperwork for customer accounts	4.0	6.0	10.0
5	Monitor customer accounts for high usage and notify customers about potential leaks	8.0	2.0	10.0
6	Respond to all customer phone calls regarding billing inquiries, account updates, and service questions	30.0	2.0	32.0
7	Review and process leak adjustment requests	-	2.0	2.0
8	Assist customers with reactivating accounts, resetting passwords, or verifying emails for online access	1.0	1.0	2.0
9	Process and update customer vacation status requests	1.0	2.0	3.0
10	Conduct customer account research and investigations as needed	2.0	2.0	4.0
11	Support Autopay or ACH customers—online or via paper authorization forms	4.0	2.0	6.0
Collections				
1	Process cash, credit card and ACH payments received by phone or in person	15.0	7.0	22.0
2	Record and reconcile daily cash receipts	30.0	15.0	45.0
3	Process ACH autopay batches	0.5	1.0	1.5
4	Generate and issue 45-day late notices	2.0	-	2.0
5	Generate and issue 10-day late notices	1.0	-	1.0
6	Call customers who have not responded to 10-day notices	2.0	-	2.0
7	Prepare and issue 48-hour shut-off notices	1.0	-	1.0
8	Prepare and issue final shut-off notices	1.0	-	1.0
9	Set up customer payment plans and monitor compliance	3.0	-	3.0
10	Complete the final billing non-payment and collections process	4.0	-	4.0
11	Create late fees and billing adjustments as needed	2.0	2.0	4.0
12	Process write-offs for late fees and billing adjustments	-	2.0	2.0
13	Transfer balances and move overdue balances to appropriate accounts	1.0	2.0	3.0
Billing				
1	Monitor and respond to incoming service requests	2.0	8.0	10.0
2	Track and resolve open service requests	1.0	2.0	3.0
3	Maintain and update the opt-out spreadsheet for manual meter reads	-	1.0	1.0
4	Process Water Tower Tags for utility billing (Public Works enters tags into the tracking spreadsheet)	-	1.0	1.0
5	Complete the bi-monthly billing cycle	-	20.0	20.0
6	Prepare and manage bill inserts for distribution	-	1.0	1.0
7	Process final billings	-	8.0	8.0
8	Review and establish new winter averages	-	1.5	1.5
9	Update water and sewer rates in the billing system	-	0.5	0.5
10	Create and maintain the manual read list for malfunctioning transmitters	-	2.0	2.0
11	Prepare and provide the monthly water report for Public Works	-	0.5	0.5
Miscellaneous				
1	Update the website with current forms, documents, and related materials	0.5	-	0.5
2	Complete special project tasks, such as BayRen program close-out activities	-	3.0	3.0
3	Process and pay water and sewer-related invoices (e.g., Badger, Santa Rosa Subregional, debt service)	2.0	1.0	3.0
TOTAL		122.0	101.0	223.0
Monthly Hours		173.33	173.33	346.67
Percentage (%) of Total Hours		0.70	0.58	0.64

Finance Enterprise Billing Cost Analysis

Estimate of Admin Tech and Accountant Salaries & Benefits

	Admin Tech	Accountant
Hourly Pay*	45.19	55.53
Benefits **	31.18	38.32
Total Hourly	76.37	93.85

* Sourced from City of Sebastopol - Pay Rates, Ranges & Stipend (February 4, 2025)

* FY25-26 Budget Benefits as a % of Salaries =69%

Function	Annual Expense	%
Customer Service	\$ 74,827	33%
Collections	\$ 89,937	40%
Billing	\$ 53,989	24%
Miscellaneous	\$ 6,796	3%
	\$ 225,548	100%

- current allocated cost in the CAP Model \$641, 648
- Rate payer Overcharge: \$416,100**

Other Departments are Also Charging Rate Payers Significantly More than Actual Estimated Costs -

ENGINEERING					
Fiscal Year	Total Department Actual**	Total Allocation	% Department Budget Allocated	Actual W/s related expense	% Dept Budget
2020-21	\$447,445	\$214,063	48%	\$79,853	18%
2021-22	\$362,300	\$259,904	72%	\$253,228	70%
2022-23**	\$516,510	\$251,946	49%	\$78,613	15%
2023-24	\$1,401,180	\$288,047	21%	\$14,200	1%
		\$ 1,013,960		\$ 425,894	
Over Charge (4 years)				\$ 588,066	
* Estimated Correct is 25-26 (based on hours) adjusted for % change Y/Y Department Bu					
** Actual allocations not reported beginning in 24-25; Used Approved Budget					
Legal					
Fiscal Year	Total Department Actual**	Total Allocation	% Department Budget Allocated	Actual W/s related expense	% Dept Budget
2024-25	\$647,900	\$46,692	7%	\$4,926	1%
2025-26	\$647,900	\$189,263	29%		
		\$ 46,692		\$ 4,926	
Over Charge (1 year)				\$ 41,766	
* Estimated Correct is 25-26 (based on hours) adjusted for % change Y/Y Department Bu					
** Actual allocations not reported beginning in 24-25; Used Approved Budget					

- Public Works currently direct bills to rate payers
2.85FTE (Water) 2.3FTE (Sewer) Salary and Benefits
 - \$280,890 Water Salaries
 - \$253,365 Sewer Salaries
- Additional Salaries appear to be allocated indirectly
 - \$309,277 Water
 - \$217,364 Sewer
- Current allocation for Corporate Yard is 52% of total expense
 - Most expenses appear to be unrelated to water and wastewater
- This is well over ½ of total PW expenses - Seems high given the number of other responsibilities (Streets, public buildings, parks, landscaping, homeless cleanup)
- Discussion at the last Oversight meeting included estimates for much lower numbers in reality (work in progress)
- Given the requirement that any charge be able to demonstrate a nexus to services delivered, charging rate payers for budgeted expense in departments like City Manager where the position is vacant is clearly in violation the law.

Key Prop 218/26 Rules for Water & Sewer Utilities - Pipes and Pumps

- Use Restriction
 - Revenue may only be used for the purposes for which it was collected
 - ***No diversion to administration unrelated to delivering services***
- Cost of Service Requirement
 - ***Cannot exceed funds required to provide service***
 - Must be proportional to cost of serving an individual parcel
 - Must have a specific service nexus, repair equipment, billing etc.
- No Cross-Subsidy
 - ***No using utility revenue to subsidize unrelated general fund expenses***
- Prop 26 defines ***burden of local government to prove:***
 - The charge is not a tax
 - It does not exceed cost of service
 - It is not used for general revenue purposes

What this means to Sebastopol

- The city must demonstrate:
 - Admin/finance allocations are tied to actual services provided.
 - Legal allocations reflect real legal services to the enterprise funds.
 - Engineering allocations reflect actual utility engineering.
 - Council/manager allocations are proportionate to utility-related work.
 - **No general fund shortfall is being backfilled by utility ratepayers.**
- If not, it may violate:
 - Article XIII D §6(b)(2) (no revenue exceeding cost of service)
 - §6(b)(3) (no revenue for other purposes)
 - Prop 26 burden-of-proof standards

CAP Methodology Too Complex – Not compliant with Proposition 218 and 26

- The model is purpose built to correctly allocate overhead costs to departments that may be subject to a Federal Grant.
 - Overhead is specifically described in the documentation
 - Overhead is allocated not once but twice maximizing the charge to water and sewer rate payers
- The stated premise of the model is: “Allocated costs must comply with OMB 2CFR 200 –Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards”
 - Proposition 218 and 26 provisions of law unrelated to Federal Awards
 - Using the premise of Federal Direct Cost modelling does not address the fact that only costs directly related to delivering services to each property may be charged
 - Direct costs can be directly budgeted without a model

Simpler Idea – Direct Charge most costs allocate only a few

- Identify FTE fully dedicated to water and wastewater – budget directly to enterprises – reconcile actuals at year end
 - Finance – based on billing task spreadsheet
 - 1.5FTE – .75 each to water and wastewater
 - Public Works – (preliminary estimate K. Haug)
 - 3.0 FTE – 1.5 each to water and wastewater
 - .5FTE Supervisor - .25 each to water and wastewater

* FTE shown are examples based on March 2 Oversight committee discussion – used to demonstrate the direct charge method.....

Allocations

- Departments that impact Water and Wastewater Services
 - Finance/Admin
 - Allocation of accounting costs such as financial software and audit - proportionate to the use by General Fund and Enterprises
 - HR contract services proportionate to 5.0 FTE/Total City FTEs (include dedicated PW employees)
 - Office supplies proportionate to 1.5 of 4.0 FTE in Admin/Finance
 - Public Works
 - Corporate Yard expenses are city oriented – appropriate expenses appear to be currently directly budgeted in the Water and Wastewater Enterprises
 - City Council/City Clerk
 - Allocation % based on the number of agenda items(not on consent) as a % of total
 - Salary and Benefits only – other charges unrelated to services delivery
 - City Clerk time to prepare agenda items
 - City Manager
 - CM should track time on water and wastewater – budget can be estimate/actual charge based on actual at year end
 - City Attorney/Engineer bill the city by projects on contract – direct charge water and wastewater based on billings

Proposed Allocation Plan

Cost Allocation Policy	Direct Bill	Allocate	Water %	Sewer %	Rationale
Finance					
Salary and Benefitis	1.5 FTE				From Admin Estimates - .75 to Water and .75 to Sewer
4210 Springbrook Annual Maintenance		Yes	15%	15%	% of use Water/Wastewater and General city Financials (assume 30%)
4210 Springbrook Budget Module Maintenance		Yes	6%	6%	12% (2 of 17 departments in the budget
4210 Cost Allocation Plan		Yes	25%	25%	50% Split with General Fund (benefits both)
4210 IT Contract		Yes	5%	5%	10% Based on W/S share of total FTE
4210 Human Resource Contract		Yes	5%	5%	10% Based on W/S share of total FTE
4210 Labor Negotiation Contract		Yes	5%	5%	10% Based on W/S share of total FTE; Only in years where W/S labor is negotia
4210 Government Job Posting	Yes				Direct Bill recruitment of vacancies for Direct Charged Labor PW or Admin
4211 Banking Fees		Yes	15%	15%	% of use Water/Wastewater and General City Financials (Assume 30%)
4220 Audit		Yes	15%	15%	% of use Water/Wastewater and General city Financials
4220 Annual Pension Calculations		YES	5%	5%	10% Based on W/S Share of total FTE
4310 Office Supplies		Yes	19%	19%	38% based on 1.5 of 4 FTE doing W/S
4340 Late Notice Mailing	Yes				
City Council					
4010 Salaries		Yes	2%	2%	% of non-consent Agenda Items dedicated to W/S
4101-4184 Benefits		Yes	2%	2%	% of non-consent Agenda Items dedicated to W/S
City Manager					
4010-4184 Salaries and Benefits		Yes	4%	4%	Budget (CM track time 2 months); Actuals based on tracking time (Estimate 2x
City Attorney					
Contracted Fees	Yes				Direct Charge, budget based on estimated time and actual at the end of the
Assitant City Manager/City Clerk	No	No*			Position Description does not include Water and Wastewater Servcies * Possible allocate actuals if the position is assigned a special project
Engineering	Yes	No			Engineering projects are billed by contract; directly budget for project costs
Public Works					
Salary and Benefit - Worker	Yes				Directly Budget1.5 FTE to Water & 1.5 FTE to sewer for Worker Positions
Corporate Yard					
Salary and Benefits	Yes				Direct Bill .26% of Supervisor to Watern and Wastewater
Other Charges		No			All appear to be charges to the city for geneators etc.

Annual Budget Process

- April-June
 - Enterprise department budgets prepared with direct charges identified
 - Allocated % applied to specific General Department Cost centers once department budgets are complete
- Mid-year Review
 - Update direct expenses as with other departments
 - Could update allocations based on significant changes to rationale
- Year End
 - Update direct budgeted expense with actuals
 - Allocated expenses updated based on departmental actuals
 - Enterprise reserves calculated and assigned to Capital Funds as appropriate

Reference

Legal Cases helped to clarify the law

- Howard Jarvis Taxpayers Assn. v City of Riverside (1999)
 - Confirmed water fees are property related fees under Prop 218
- Bighorn-Desert View Water Agency v. Verjil (2006)
 - Water rates are subject to voter initiative repeal
 - Citizens can challenge water rate increases
- Capistrano Taxpayers Assn. v. City of San Juan Capistrano (2015)
 - Tiered rates must be justified based in increased cost to provide service at higher volumes
 - Conservation pricing must be tied to cost
 - You cannot charge higher tiers solely to penalize usage
 - **Many cities removed tier rate structures**
- City of Palmdale v. Palmdale Water District (2011)
 - **Transfers from utility funds to general funds are highly restricted**
 - **Must be tied to actual cost of services provided**
- Jacks v. City of Santa Barbara (2017)
 - Capital Planning is legitimate cost of service
- Plantier v. Ramona Municipal Water District
 - **Cost of service studies must support rate structures**
 - Agencies must demonstrate proportionality

Sebastopol's 20 Year History of Fixed Expense Allocation

OVERHEAD ALLOCATION					
Department	***** Percentage of Overhead Allocated by Fund *****				
	General Fund	T&U Fund	Water Fund	Sewer Fund	Total
City Council	74.0%		12.0%	14.0%	100.0%
City Manager	60.0%		20.0%	20.0%	100.0%
City Attorney	92.0%		5.0%	3.0%	100.0%
Assistant City Manager/City Clerk	85.0%		8.0%	7.0%	100.0%
Finance	25.0%		38.0%	37.0%	100.0%
Building	74.0%		13.0%	13.0%	100.0%
Planning	92.0%		5.0%	3.0%	100.0%
Engineering	38.0%		34.0%	28.0%	100.0%
Fire Services	93.0%		7.0%		100.0%
Police Services	89.6%	10.4%			100.0%
Public Works					
Corporation Yard		17.0%	48.0%	35.0%	100.0%
Government Building	50.0%		25.0%	25.0%	100.0%
Streets		100.0%			100.0%
Parking Lots	100.0%				100.0%
Parks & Landscaping	58.5%	41.5%			100.0%
Storm Water		100.0%			100.0%
Non Departmental	82.0%		9.0%	9.0%	100.0%

- Proposition 218 discouraged this methodology beginning in 1996
- % were applied to department operating budgets without being updated for 20 years

Detail - Finance
Budget Expenditures

Account Number	Description	2016-17 Actual	2017-18 Actual	2018-19 Adopted Budget	2018-19 Adjusted Budget	2018-19 Estimated Year-End	2019-20 Adopted Budget
100-1401-4010	Salaries ¹	256,020	225,233	367,600	367,600	367,600	395,850
100-1401-4012	Overtime	1,949	-	-	-	-	1,500
100-1401-4100	Benefits ²	134,524	102,842	163,850	163,850	163,850	177,125
100-1401-4101	Health in lieu	-	1,134	-	-	-	4,700
100-1401-4140	Retiree Health Insurance OPEB	7,063	7,360	7,600	7,600	7,600	7,600
100-1401-4210	Contracted Services	90,686	223,627	90,000	65,000	65,000	110,000
100-1401-4211	Banking Fees	16,191	12,957	24,000	24,000	24,000	20,400
100-1401-4212	Technology Maintenance	1,229	3,913	8,900	8,900	8,900	10,500
100-1401-4220	Contract Services - Accounting Services	32,131	25,818	31,500	31,500	31,500	37,650
100-1401-4222	Contract Services - Sales Tax Audit	8,572	4,025	8,600	8,600	8,600	8,600
100-1401-4223	Contract Services - UUT Audit	13,125	15,000	15,000	15,000	15,000	15,000
100-1410-4210	Contract Services - Information Tech	-	55,891	53,000	53,000	53,000	53,000
100-1411-4210	Contract Services - Human Resources	-	24,824	50,000	105,000	105,000	85,000
100-1401-4310	Office Supplies	12,384	5,808	5,500	5,500	5,500	5,500
100-1401-4330	Misc. Supplies & Services	76	5,136	-	-	-	-
100-1401-4345	Dues / Subscriptions	2,502	1,259	2,500	2,500	2,500	3,000
100-1401-4375	Equipment Rental	5,410	4,129	6,500	6,500	6,500	6,500
100-1401-4510	Conference & Training	3,399	744	7,500	7,500	7,500	7,500
100-1401-4515	Meetings & Travel	321	483	500	500	500	500
100-1401-4750	Telecommunication	1,971	2,432	2,850	2,850	2,850	2,850
100-1401-4996	Allocated Liability Insurance	11,965	7,285	22,030	22,030	22,030	24,250
100-1401-4997	Allocated Workers' Comp Insurance	-	17,154	23,000	23,000	23,000	27,800
Total Operation		599,518	747,054	890,430	920,430	920,430	1,004,825
124-1401-4375	Equipment Rental (Photocopier Lease)	6,543	5,618	6,000	6,000	6,000	6,000
Total Capital Outlay		6,543	5,618	6,000	6,000	6,000	6,000

TOTAL DEPARTMENT	606,061	752,672	896,430	926,430	926,430	1,010,825
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100-1401-3998	G&A - Water Fund Allocation - 38%	(218,500)	(285,748)	(338,363)	(349,763)	(349,763)	(381,834)
100-1401-3998	G&A - Sewer Fund Allocation - 37%	(212,826)	(274,542)	(329,459)	(340,559)	(340,559)	(371,785)
General Fund Cost Allocation - 25%		168,192	186,764	222,608	230,108	230,108	251,206

Example: FY 2019-20

- Methodology charged based on full department budgets
- Water/Wastewater rate payers charged for 75% of costs unrelated to water service:
 - Sales Tax/ UUT Audit
 - All city accounting services
 - Human resources
 - Equipment Rental
 - Allocated Insurance (also charged directly to water and wastewater)

	Finance / Admin. Services
\$	18,078
\$	17,377
\$	40,636
\$	18,726
\$	11,756
\$	131,026
\$	312,918
\$	83,700
\$	28,633
\$	302,785
\$	329,917

FY 25-26 Department Allocations – similar result – This Model Does Not Work

Exhibit 9b

CITY OF SEBASTOPOL | INDIRECT COST ALLOCATION PLAN FOR FY 2025-26

Total Allocation of Central Services Expense to Direct Service Units:
Summary by Cost Center, Total Cost (\$)

Fund		Organization		Classification for Indirect Rates		Total Organization									Grand Total Allocation
No.	Title	No.	Title	No.	Title	City Council	City Manager	City Attorney	City Clerk	Finance / Admin. Services - All General Fund	Engineering - All General Fund Programs	Public Works - Corporation Yard	Public Works - Governmental Building	Non Departmental	
Central Services in the General Fund															
100	GENERAL FUND	1001	City Council	1	Allocated Indirect Services										\$ -
100	GENERAL FUND	1101	City Manager	1	Allocated Indirect Services										\$ -
100	GENERAL FUND	1201	City Attorney	1	Allocated Indirect Services										\$ -
100	GENERAL FUND	1301	City Clerk	1	Allocated Indirect Services										\$ -
100	GENERAL FUND	14xx	Finance / Admin. Services - All General Fund	1	Allocated Indirect Services										\$ -
100	GENERAL FUND	23xx	Engineering - All General Fund Programs	1	Allocated Indirect Services										\$ -
100	GENERAL FUND	4102	Public Works - Corporation Yard	1	Allocated Indirect Services										\$ -
100	GENERAL FUND	4106	Public Works - Governmental Building	1	Allocated Indirect Services										\$ -
100	GENERAL FUND	0000	Non Departmental	1	Allocated Indirect Services										\$ -
Direct Services in All Funds															
				0	Unclassified / CIP, ISF, Transfer	\$ 46,591	\$ 111,699	\$ 46,300	\$ 25,374	\$ 39,891	\$ 99,586	\$ -	\$ -	\$ -	\$ 369,441
				2	General Government	\$ 1,568	\$ 9,600	\$ 16,701	\$ 9,153	\$ 15,185	\$ -	\$ -	\$ 713	\$ 322	\$ 53,242
				3	Planning	\$ 5,864	\$ 23,752	\$ 28,633	\$ 15,692	\$ 53,083	\$ -	\$ -	\$ 8,558	\$ 6,996	\$ 142,579
				4	Building	\$ 1,654	\$ 7,343	\$ 9,868	\$ 5,408	\$ 21,854	\$ -	\$ -	\$ 4,279	\$ 2,340	\$ 52,746
				5	Engineering	\$ 818	\$ 5,168	\$ 9,159	\$ 5,020	\$ 9,437	\$ -	\$ -	\$ 2,817	\$ 871	\$ 33,290
				6	Fire & Prevention	\$ 8,834	\$ 39,339	\$ 53,048	\$ 29,073	\$ 152,871	\$ -	\$ -	\$ 98,417	\$ 35,831	\$ 417,413
				7	Police	\$ 47,972	\$ 170,384	\$ 167,659	\$ 91,884	\$ 349,441	\$ -	\$ -	\$ 65,611	\$ 63,683	\$ 956,634
				8	Public Works	\$ 10,987	\$ 40,724	\$ 43,137	\$ 23,641	\$ 89,198	\$ -	\$ 204,594	\$ 16,403	\$ 14,454	\$ 443,138
				9	Public Works - Community Facilities	\$ 2,613	\$ 11,310	\$ 14,782	\$ 8,101	\$ 24,968	\$ -	\$ 46,573	\$ 2,425	\$ 2,450	\$ 113,224
				10	Public Works - Water Utility	\$ 49,767	\$ 128,272	\$ 69,512	\$ 38,096	\$ 303,546	\$ 91,734	\$ 147,373	\$ 8,558	\$ 8,500	\$ 845,358
				11	Public Works - Wastewater Utility	\$ 54,891	\$ 157,791	\$ 119,751	\$ 65,629	\$ 338,102	\$ 94,161	\$ 105,858	\$ 7,217	\$ 7,564	\$ 950,965
Grand Total															\$ 4,378,031

Reconciles to First Step Total on Exhibit 6?

Yes

- FY 25-26 Finance Allocation \$641,648
- Estimate Actual expense based on detail hours per task - \$225,548
- \$418,000 overcharge to rate payers

Finance /
Admin.
Services - All
General Fund

\$ 39,891
\$ 15,185
\$ 53,083
\$ 21,854
\$ 9,437
\$ 152,871
\$ 349,441
\$ 89,198
\$ 24,968
\$ 303,546
\$ 338,102

Allocation Rules Directed By Law: Proposition 218 and Proposition 26

- These Propositions are well described in the California League of Cities Report
- Proposition 218 “Right to Vote on Taxes Act” was passed in November of 1996. It is now part of the California State Constitution
- Addressed growing practice by many local governments to shift from general taxes (which require voter approval) to fees, assessments and utility charges that did not require voter approval
- Voters voted to:
 - Stop hidden or disguised taxes
 - Require voter approval of most local taxes
 - Protect property owners from unfair assessments
 - **Limit utility rates to the actual cost of service**

Here are key clauses from Article XIII D that the courts cite most often in Proposition 218 utility rate lawsuits

- Section 6(b)(1)
 - “Revenues derived from the fee or charge shall not exceed the funds required to provide property related service.” (AKA water and sewer)
- Section 6(b)(3)
 - “The amount of a fee or charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel”
- Lawsuits have documented:
 - Roseville and Fresno lost suits as they had not documented the actual costs of services.
 - Capistrano lost a suit over tiered pricing – court ruled tiered “conservation” pricing violated proposition 218 because the tiers were not tied to cost.

Courts Expect Documentation

- Staff time
- Accounting hours
- Billing Costs

NOT

- X% of Department Budget
- X% of City Overhead