

Excessive allocations of water rate payer funds for general expenses causes critical maintenance of Water infrastructure to be deferred.

Sebastopol residents pay the highest rates for water in the county. There should be ample money available to maintain our infrastructure to the highest standards, yet it is apparent from the Water Study that the city falls well short of the highest standards and in many cases does not even meet codes.

Where does the money go? Not to produce water, we are fairly unique in the County as we just have to pump it from the ground and let it flow to homes. Other cities have to buy much or all of their water from another agency and pay transportation costs.

Where does all the money go? For at least the last 10 years the city has taken more than \$2MM each year from rate payers. The recent cost allocation reduced that allocation by \$750,000. Over 10 years that would have freed up \$7.5MM for much of the \$10.3MM in work that was apparently deferred.

While approximately 41% of the department expenses for City Manager, City Clerk, City council and Admin/Finance department expense is paid by rate payers, there is not sufficient left in the Water budget to repair critical pressure valves, properly inspect and maintain water storage tanks or replace the main well supplying the city for 73 years.

Even with the highest water rates and depleted reserve funds now restored, the \$10.3MM in deferred maintenance is apparently not targeted for completion until 2030 to 2035, presumably for lack of funding. Maybe this is because the water/sewer rate payers are paying for 41% of the overall general fund costs for the administrative function.

	FY25-26 Cost	26-27 Proposed	% of
	Allocation	Budget	Budget
City Council	\$ 104,658.00	\$ 171,408	61%
City Manager	\$ 286,063.00	\$ 594,766	48%
City Attorney	\$ 189,263.00	\$ 643,750	29%
City Clerk	\$ 103,725.00	\$ 282,477	37%
Admin Svs(Finance)	\$ 641,649.00	\$ 1,512,645	42%
	\$ 1,325,358.00	\$ 3,205,046	41%

Given that rate payers are funding 41% of the city's admin budget they should expect an excellent well-run operation. Yet the current study documents many issues that are critical to the operation of the system:

- 21 years since the last study of water infrastructure
- Two consecutive water rate studies without realistic CIP cost inputs
- 6% of our water is unaccounted for – presumably a problem in billing or water main leakage
- Water storage tanks have not had proper inspections required by code
- Water storage tanks are not properly secured
- Well 4 which is primary source for the city is 73 years old
- Pressure valves (all 3) are not functioning, limiting emergency transfers of water between zones and increasing risk that high pressure may damage water pipes in homes and businesses

Not included in this study is the oversight from these departments that allowed the Enterprise Funds to operate at annual deficit for four years. Reserves were depleted and a loan was necessary to keep them operating.

The city needs to take a realistic approach to allocating appropriate costs to rate payers and shift spending to addressing the backlog of critical projects water projects that urgently need to be addressed.

If the city is going to run the water and wastewater system then significant change needs to occur. City staff and City Council need training to understand their responsibilities to residents who are users of the system. Finance and Public Works need to work more closely and with a focus on proper financial planning. It is unacceptable that the last two rate studies occurred without proper inputs on the CIP requirements to keep the system in the best condition. It is unacceptable that 6% of our water is unbilled. Is the problem leaks in water mains? Is the problem in the system for collecting water use from wireless meters and translating that to billing? This would be a priority for a dedicated water system but Finance Admin is busy running the city and PW is busy clearing homeless encampments and cleaning city sidewalks. A missing 6% of water is just not a priority. Bringing everyone together to report to the Enterprise Oversight Committee is a good first step. Forming a dedicated department for Water and Wastewater will ultimately be necessary to properly operate the Enterprises effectively, transparently and with accountability.