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CITY OF SEBASTOPOL RESPONDS TO CIVIL GRAND JURY REPORT ON WATER AND SEWER SYSTEMS COST ALLOCATION

SEBASTOPOL, CA, MAY 20, 2026 – The City of Sebastopol today acknowledged the 2025-2026 Sonoma County Civil Grand Jury report titled [“CITY OF SEBASTOPOL’S WATER AND SEWER SYSTEMS: Deferred Action Has Consequences.”](#) The City thanks the Grand Jury for its work. However, the Grand Jury’s suggestion that the Enterprise Fund was overcharged by \$5.5 million is not accurate and based on a flawed understanding of cost allocation, that improperly assumes that cost allocation should be set as a predetermined percentage of overall fund revenue each year.

The Grand Jury’s report contains other constructive recommendations regarding the management of the City’s Water and Wastewater Enterprise Funds, many of which the City had already begun implementing prior to this report. Over the last year, the City has taken numerous actions to begin rebuilding public trust through greater transparency, fiscal accountability, and sustained investment in our water and sewer infrastructure. “The Grand Jury’s report highlights important issues that the City has already begun addressing,” said Mayor Jill McLewis. “We appreciate the Grand Jury’s focus on transparency, fiscal accountability, and the long-term health of our critical water and sewer infrastructure. Protecting these essential services for our residents and businesses remains a top priority.”

Important steps the City has already taken:

- The City commissioned a new Cost Allocation Plan that was consistent with industry standards from Clear Source Financial Consulting in 2024. The City is committed to reviewing the Cost Allocation Plan annually and comprehensively updating the Cost Allocation Plan every 3-5 years to ensure continued accuracy.
- On May 5, the City Council decided to exclude all legal costs from the Cost Allocation Plan and instead only charge the Enterprise Fund those costs which can be direct billed. The City continues to explore ways to more precisely charge the Enterprise Funds for services provided by the General Fund, including exploring detailed time tracking by staff.

- A [comprehensive rate study](#) by Raftelis was completed and implemented in 2024. While the resulting 37% rate adjustment (effective July 1, 2024) was necessary after years of underfunding and successful conservation efforts, the City selected the lower-rate option to minimize impact on ratepayers. Annual increases are scheduled for the next four years.
- In 2025, the City Council established the Enterprise Fund Oversight Committee (EFOC), made up of one councilmember and four members of the public, to provide independent, advisory oversight of the City's Water and Wastewater Enterprise Funds. Sebastopol is the only city in Sonoma County, and one of the only cities in California, with this type of oversight committee. Over the last 6 months, the EFOC has conducted a thorough review of financial practices, operational performance, and infrastructure needs. The EFOC is preparing recommendations for City Council review.

As part of its ongoing financial management plan, the City will conduct updated cost allocation studies and rate studies every three to five years, consistent with industry best practices and full compliance with Proposition 218. These regular studies will ensure that fees remain fair, proportional, and sufficient to cover the reasonable costs of providing water and wastewater services, while supporting necessary infrastructure maintenance and upgrades.

Although the City refutes any finding of non-compliance with Proposition 218 or past overcharging, the City remains committed to reviewing the Grand Jury's findings and recommendations and will evaluate options for supporting critical water and wastewater infrastructure improvements identified in the Master Plans. Per City Manager Mary Gourley, "We are dedicated to responsible stewardship of ratepayer funds, long-term sustainability, open communication and transparency with our community, and rebuilding public trust."

The City's Water and Wastewater systems serve approximately 2,975 water meter accounts and include critical infrastructure such as 36.7 miles of water mains, wells, treatment facilities, and sewer lines.

The City Council will consider a formal response to the Grand Jury's findings and recommendations at a future meeting within the mandated 90-day period.

Copy of Grand Jury report [here](#).

Cost Allocation Plans [here](#).

Water and Sewer Rate Study by Raftelis [here](#).

For more information about the City's Water and Sewer systems, please visit the Utilities page of the City website [here](#).

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