City Council
Mayor Jill McLewis
Vice Mayor Sandra Maurer
Councilmember Phill Carter
Councilmember Neysa Hinton
Councilmember Stephen Zollman

Enterprise Fund Oversight Committee
Councilmember Phill Carter - Chair
Greg Dabel – Vice Chair

City of Sebastopol

City Manager
Mary Gourley
mgourley@cityofsebastopol.gov
Public Works Director
Oriana Hart
ohart@cityofsebastopol.gov

Meeting of Monday July 20, 2026

ENTERPRISE FUND OVERSIGHT COMMITTEE
MINUTES FOR MEETING OF July 20, 2026

Call to Order 10:37 AM

Roll Call

Committee Members:
Phill Carter – Chairperson
Greg Dabel – Vice Chair
Kate Haug
Oliver Marks
Mary Meihaus

Staff:
Mary Gourley – City Manager
Oriana Hart – Public Works Director
Ana Kwong – Administrative Services Director
Toran Korman – Administrative Technician 1

LAND ACKNOWLEDGEMENT: The City of Sebastopol acknowledges that we live and work within the unceded ancestral homelands of the Southern Pomo and the Coast Miwok people. We pay our respect to the past, present, and future generations of these peoples, including the Federated Indians of Graton Rancheria.
Public Comment – 2 minutes

CONSENT: The consent agenda consists of items that are routine in nature and do not require additional discussion by the Committee or have been reviewed by the Committee previously.

1. **NONE**

2. **APPROVAL OF MINUTES:**
   a. Committee meeting: This item is to approve the May 11, 2026, meeting minutes. - Approved

3. **DISCUSSION: COST ALLOCATION PLAN REQUEST FOR PROPOSAL**
   Discussion Topics:
   - Direction from City Council to Prepare a Request for Proposal for a new Cost Allocation Plan
     - DRAFT Cost Allocation Plan RFP Attached
     - Discussion of procurement timeline
     - Discussion of additional input/deliverables for RFP

   Key points discussed:

- Committee members emphasized that the new CAP must be based on Proposition 218 and Proposition 26 requirements, rather than federal cost allocation methodologies.
- The new CAP should be:
    - Transparent and understandable to ratepayers.
    - Easy to trace and defend.
    - Designed to avoid double-charging between water and wastewater operations.
    - Based on actual costs rather than budgeted estimates.
- Significant concern was expressed regarding the prior ClearSource methodology, with committee members recommending that the new consultant develop a new cost allocation approach from the ground up rather than relying on prior allocation percentages.
- Lee made a public comment that the budget is simple and does not require a complex model to be compliant with prop 218.

Direction Given:
Staff will:

- Revise the draft RFP based on committee feedback.
- Include Prop 218/26 language.
- Return the revised RFP to EFOC before issuance.
- Continue evaluating time-tracking systems before releasing the RFP.

4. DISCUSSION: RATE STUDY REQUEST FOR PROPOSAL

a. Discussion of procurement timeline
Staff indicated that the Water Rate Study is budgeted but likely should not move forward immediately. The committee discussed waiting until:

- The new Cost Allocation Plan is completed
- More time-tracking data is available.
- The Sewer Master Plan is further along.
- The Well No. 4 financing/funding strategy is clearer.

b. Next Steps - Committee members generally agreed that performing a rate study before the cost allocation and infrastructure work is completed could be premature.

5. ENTERPRISE FUND TIME TRACKING UPDATE

- Status report of actions taken to date

Staff reported that informal time tracking has been underway since March. Administrative Services, Public Works, the City Attorney, and staff supporting City Council activities have all begun collecting data to better understand enterprise-related work.

Discussion included:

- Whether six months or a full year of time tracking should be collected before developing a new cost allocation plan.
- Public Works staff indicated that a full year would provide the most accurate representation because utility-related activities vary seasonally.
- Committee members recommended simplifying tracking categories so employees are more likely to consistently record their time.
- Staff discussed evaluating Springbrook, CivicPlus, and other software options to determine whether time tracking should integrate directly with payroll or function independently
- Lee made a public comment that going with Ana's approach of paying salaries directly out of funds would remove them from the Cost Allocation Plan and is a good idea

Key Concept Discussed:

A new idea was introduced whereby enterprise-related labor could potentially be directly charged to the Water and Wastewater Funds based on actual time worked, rather than transferring costs from the General Fund based on allocation percentages. Committee members asked that future consultant proposals evaluate both approaches

6. **GRAND JURY REPORT DISCUSSION**
   a. **The City Council will be discussing this item at their July 21st City Council Meeting**

The committee discussed the City's draft response to the recent Sonoma County Grand Jury report concerning the utility enterprise funds.

Major key topics included:

- Concern that the response did not fully address long-term infrastructure funding needs.
- Concern about Well No. 4 and other critical water infrastructure projects.
- Discussion regarding the recent Council action freezing water rate increases and eliminating tiers.
- Concerns that the rate freeze could negatively impact the City's ability to secure future infrastructure financing.
- Several committee members expressed frustration that previous EFOC and Finance Subcommittee recommendations had not been adopted.

After extensive discussion, Kate Haug motioned to vote on the committee writing a memo to City Council reinforcing the 15 recommendations previously put forward by the Finance Subcommittee, asking them to Reconsider the water rate freeze due to concerns regarding funding for Well No. 4 and other critical infrastructure projects, and that they Direct staff to prepare an action plan addressing the EFOC Finance Subcommittee recommendations (15 items) by the mid-year budget review. Phil Carter seconded the motion.

Vote:
Ayes: Kate Haug, Phil Carter, Mary Meihaus, Oliver Marks
Noes: None
Absent: None
Abstain: Greg Dabel

Lee made a public comment that the grand jury report is well written and labeled the City Council rate freeze as a knee jerk reaction even though Oriana had stated it would put the Well 4 loan at risk. Stated that Oriana's comment should have sparked more discussion on the ramifications of enacting the rate freeze, as well as a discussion on alternatives to the rate freeze. Oriana Hart made a final comment that it would likely be good to have one of the consultants designing the new well attend the next EFOC meeting to give an update and discuss potential funding options.

7. **WASTEWATER LOAN FORGIVENESS DISCUSSION**
   a. **The City Council will be discussing this item at their July 21st City Council Meeting -** The committee expressed support for loan forgiveness.

8. **ENTERPRISE CAPITAL PROJECTS / INFRASTRUCTURE UPDATE**
   - Morris Street Pump Station project and budget amendment.
     - Engineer's estimate: approximately $270,000
     - Sole responsive bid received: $425,000
     - After negotiations and value engineering, bid reduced to approximately $321,000
     - Staff plans to recommend contract award to Council to keep construction moving before the wet season.
   - Sewer Master Plan priorities.

- Consultant currently performing system modeling.
- Project recommendations expected this winter in advance of next year's CIP process

- Water Master Plan status.
  - Well No. 4 design work.
  - Tank seismic studies.
  - Potential WIFIA funding opportunities.
  - Pleasant Hill Loop improvements.

  Public Works reported that a financing consultant is evaluating loan options and believes the City may be more competitive for a WIFIA financing package than traditional SRF funding.
- Major FY 26-27 enterprise-funded CIP projects.
  Discussed the major FY 26-27 CIP projects which included the structural and seismic analysis of the Pleasant Hill water tanks, the design package for the new well at well 4, and the Zimpher diversion from Healdsburg to Covert to take flow off of the mainline.

9. AD HOC COMMITTEE REPORT OUT AND /OR DISCUSSION ITEMS: Discussion of any update/revisions to current recommendations

a. Finance Ad Hoc

The Finance Ad Hoc Committee wants to include the recommendation of reversing the rate freeze. Reiterated they have been sending in documents for public comment and attending Council meetings and feel unheard.

b. Infrastructure Ad Hoc Committee

The Infrastructure Ad Hoc Committee had no updates to their recommendations.

10. NEXT STEPS / FUTURE MEETINGS

- Recap by City Staff at the end of the meeting of Actions Taken /or Direction for Next Steps

  Staff
  - Revise and return the Cost Allocation Plan RFP.
  - Continue evaluating time-tracking software options.
  - Bring financing consultant (LSCE team) to a future EFOC meeting to discuss funding strategies for Well No. 4 and related infrastructure.
  - Continue developing the time-tracking framework and consultant scope.

  EFOC
  - Submit recommendations related to the Grand Jury response to the City Council.
  - Continue discussions regarding direct charging versus traditional cost allocation methodologies.
  - Next meeting dates
  - Future agenda items for consideration
- Next meeting dates – August 25, 2026, 11:00AM
- Future agenda items for consideration
  - Funding and financing options for Well No. 4.
  - CAP RFP revisions.
  - Time-tracking software evaluation updates.

11. ADJOURNMENT OF MEETING 12:37PM

American Disability Act Accommodations/Accessibility: A request can be made orally or in writing, and submitted to the ADA Coordinator by email: building@cityofsebastopol.gov or to the City Clerk's Office so as to avoid delay in reviewing and processing the request. Requests can be made by contacting the ADA Coordinator's Office at (707) 823-8597, via email at building@cityofsebastopol.gov or by mailing such a request to the ADA Coordinator's Office located at 7425 Bodega Avenue, Sebastopol, CA. Note that if you contact the ADA Coordinators Office, via mail, you need to make the request early enough that a response can be timely provided.

If you have any questions regarding this meeting, please contact the City at citypw@cityofsebastopol.gov or please call: 707-823-5331. The public is advised that pursuant to Government Code section 54957.5 all writings submitted to the Committee are public records and will be made available for review at 714 Johnson Street, Sebastopol, CA during normal business hours