From:	Mary Gourley
To:	Mary Gourley
Cc:	Oriana Hart; Erik Billing; Torran Korman; Ana Kwong
Subject:	FW: Public Comment for EFOC Meeting on Proposed RFP for Cost Allocation Model
Date:	Sunday, July 19, 2026 6:01:56 PM
Attachments:	Public Comment on Proposed RFP for Cost Allocation Model.docx

Please send to the EFOC Committee as public comment.

BCC: EFOC Committee

PW: Please post to the city web site.

Mary C. Gourley
City Manager
City of Sebastopol

From: Lee Mathias <[redacted]>
Sent: Saturday, July 18, 2026 10:18 PM
To: Mary Gourley <mgourley@cityofsebastopol.gov>
Subject: Public Comment for EFOC Meeting on Proposed RFP for Cost Allocation Model

Hi Mary,

Travelling so I had to put this together quickly. Please forward to the EFOC members before this week's meeting.

The Clear Source Model got off track when it was designed to be used for allocating overhead fixed costs for Federal Contracts. Prop 218 and 26 have much different requirements. Trying to do both is going to make you more liable in any litigation.

In the RFP meeting Proposition 218 is only mentioned once and in a general way as well as qualified by the statement
"Where applicable". In this model every assumption and calculation is governed by the requirements in Propositions 218 and 26. Proposition 26 is not mentioned in the RFP and yet the reason the city needs to have a documented method is because of requirements established in proposition 26.

If this is the path you chose, this RFP needs to find a consultant with extensive experience with Proposition 218 and proposition 26.

As suggested in prior public comments, there is a much simpler way that does not require all of the time and energy the city will have to invest in doing another model. I summarized it in the attachment. Provided more detail in a prior public comment to the EFOC.

Thanks,

Lee

[redacted]

Public Comment on Proposed RFP for Cost Allocation Model

- This RFP repeats the problem with the Clear Source Model. First there is only one mention of Proposition 218 ..” It states:

  “Specific, transparent allocation to the Water and Sewer Enterprise Funds consistent with industry standards and Proposition 218 principles where applicable.

  Even this is qualified

  “…strengthening compliance with applicable State and Federal guidelines (including OMB Uniform Guidance and State Controller's Office cost claiming standards), and providing robust support for accurate cost allocation to the City's enterprise funds and General Fund departments

  Compliance with OMB Uniform Guidance or State Controller cost-claiming standards shall not, by itself, establish constitutional compliance. Proposition 218 principles are not “when applicable”, they are the only guidelines that should be driving this model.

  More correct language would be:
  The cost-allocation plan shall independently demonstrate compliance with Articles XIII C and XIII D of the California Constitution, including Propositions 26 and 218. Costs charged to the water and wastewater enterprises must be necessary to provide the respective utility services, supported by documented causation or measurable benefits received, proportionally allocated, and exclusive of general governmental services available to the public at large.

  This model should not be “consistent with Proposition 218 principles where applicable”, its primary goal is to be compliant both with proposition 218 and proposition 26 (not mentioned in the RFP). Note the model itself needs to be designed to meet the City’s legal requirements under Proposition 26.

- At the bottom of page 4 the RFP discusses the City’s currently budgeted financial deficit. This is irrelevant to the project. The Water and Wastewater Enterprises are independent of the City’s general operations. The sentence stating that the 2024 "new cost allocation plan" prepared by Clear Source was in response to "a Civil Grand Jury Report is not correct.

- Transparency is a theme throughout the RFP. The Clear Source Model might be considered "transparent". There are dozens of tables of detailed data, carefully allocated and then allocated a second time and rebalanced back to an original budget**. Missing are the assumptions and data that drove the inputs to the model.** The model produced data showing 60% of the city council budget and more than 50% of the city managers' total budget are being allocated to water rate payers. This is not "defensible". **All inputs, assumptions and supporting data need to be documented in the final plan.**

- As described in prior public comments. There is a **Simpler way.**
  - Directly charge all directly related expenses. Staff time should be directly charged to water and wastewater supported by time sheets.
  - Allocations should be limited to shared services
    i. Human Resources and labor negotiations allocated based on FTE dedicated to the Enterprise Funds
    ii. Annual Financial Audit
    iii. Banking Fees
    iv. Annual Pension Calculations by FTE
    v. Springbrook modules for billing (if not just direct billed)
    vi. IT contract
    vii. Office supplies
    viii. City Council based on time tracking
    ix. City Manager based on time tracking

  All allocations are estimated during the budget period and reconciled with actual expenditures at the end of the year as are all other city accounts.

  City Staff have provided sufficient data to develop departmental cost allocations for the purposes of the budget. Actual expenditure can be based on the time tracking at mid-year and end of year.

Cost Allocation Policy	Direct Bill	Allocate	Water %	Sewer %	Rationale
Finance					
Salary and Benefits	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 Beneift - 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.**

This entire process would take less time than creating another Cost Allocation Model. Probably less time than developing and discussing the RFP, process submissions, award the contract and provide interviews and data to the consultant.