

CITY OF SEBASTOPOL CITY COUNCIL  
AGENDA ITEM REPORT FOR MEETING OF:         November 19, 2024

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**To:**                     Honorable Mayor and City Councilmembers  
**From:**                 Ana Kwong – Administrative Services Director  
                              Toni Bertolero – Interim Engineering Director  
                              Dante Del Prete – Public Works Superintendent  
**Subject:**             FY24-25 Quarter 1 Financial Update for Enterprise Funds

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**RECOMMENDATION:**  
Staff recommends the Sebastopol City Council receive year-to-date financial information for the enterprise funds.

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**EXECUTIVE SUMMARY:**  
Based on the best available information as of September 30, 2024, the city's water fund has billed 31% of budgeted revenue for the full fiscal year. Expenses are at 25% of full fiscal year. Wastewater has billed 26% of budgeted revenue of full year. Expenses are 21% for full year.

**BACKGROUND:**  
The Water and Wastewater enterprise funds have been substantially under funded until rate increases began on July 1, 2024. All activities to maintain these services, including operations, maintenance, billing and collections, administration, financing, and related debt service, are accounted for in these funds. The principal sources of revenue are charges to customers for water consumption, wastewater collection, and fees related to providing new water and wastewater services. The City has recognized more revenue due to the recent water and wastewater rate increases. On the expenditure side, water is trending close to the 25% mark for the first quarter, while wastewater is below this mark, which is due to the non-linear nature of expenses.

**ANALYSIS:**  
Water:  
The quarterly report for the water fund covers the billing period from July to September. This first quarter has shown a significant increase in revenue collection, surpassing the 25% mark and currently trending at 31% of budgeted fiscal year totals. This rise is due to a combination of increased water consumption by customers, compared to the same period last year, when we were at 29%, and rate hikes. It's important to remember that the first quarter includes the summer months, during which we typically see higher water usage. As we move into the winter months, we anticipate that water consumption will decrease. Operating expenditures, which include salaries and wages, benefits, contracted services, debt service payments, cost allocation plan, and transfers out, are tracking at 24%, which is on target for this time of year.

Wastewater:  
The quarterly report for the wastewater fund covers the billing period from July to September. This first quarter has shown the fund's revenue collection is at 26% of budgeted fiscal year totals, while expenditures are at 21%, which is below the 25% mark mainly because the Subregional invoicing and payment for the first quarter is for only two months and not three months;; at the end of the fiscal year, the full contractual cost will be expended.

There have been numerous inquiries regarding winter average calculations and how the City calculates indoor water usage. Since the City cannot directly measure sewage charges, we use the winter months from December to March to estimate indoor water use, which is a standard method in the industry. This calculation is based on the two lowest meter read periods between December and March each year (known as the winter average). If water usage

during a billing period is lower than the winter average, sewer charges will be based on actual consumption rather than the winter average.

Please also note on the back of each customer utility statement, there is useful information that we encourage each customer to read, including the winter average and how to pay your water bill online or sign up for the EyeOnWater portal to manage your water consumption.

**PUBLIC COMMENT:**

As of the writing of this staff report, the City has not received any public comment on this item. However, if staff receives public comment from interested parties following the publication and distribution of this staff report, such comments will be provided to the City Council as supplemental materials before or at the meeting.

**COMMUNITY OUTREACH:**

This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to the scheduled meeting date.

**FISCAL IMPACT:**

There is no fiscal impact in receiving this informational financial update.

**RESTATED RECOMMENDATION:**

That the City Council receive year-to-date financial information.

**OPTIONS:**

There are no options to consider.

**ATTACHMENTS:**

Attachment A – Quarterly Financial Reports

APPROVALS:

Department Head Approval: Approval Date: 10/22/24

CEQA Determination (Planning): Approval Date: N/A

The proposed action is / is not exempt from the requirements of the California Environmental Quality Act (CEQA)

Administrative Services/Financial Approval: Approval Date: 10/22/24

Costs authorized in City Approved Budget:  Yes  No  N/A

Account Code (f applicable) \_\_\_\_\_

City Attorney Approval: Approval Date: N/A

City Manager Approval: Approval Date: 10/31/24

## WATER OPERATING FUND QUARTERLY REPORTING



Description	2022-23 Actual	Audited 2023 24 Actual	2024-25 Adopted Budget	2024-25 Adjusted Budget	Y-T-D Actual 9/30/24	% of Budget
<b>OPERATING REVENUE</b>						
3600 - Usage Charges - Residential	2,198,807	2,247,212	3,191,860	1,691,860	550,392	32.5%
3601 - Usage Charges - Commerical	200	500	-0	1,500,000	471,163	31.4%
3300 - Interest Income	67,805	82,685	75,000	75,000	16,721	22.3%
3603 - Backflow Inspections	133	-0	650	650	-0	0.0%
3604 - New Service Fee	16,457	8,700	36,600	36,600	3,450	9.4%
3605 - Water Meter Sales	1,845	190	8,600	8,600	-0	0.0%
3606 - Penalties	7,667	21,591	15,000	15,000	6,042	40.3%
3607 - Other Charges	-0	279	2,145	2,145	-0	0.0%
3804 - Insurance Claims	60,185	515	-0	-0	-0	0.0%
3805 - Miscellaneous Income	43,364	155,392	43,000	43,000	874	2.0%
<b>TOTAL REVENUE</b>	<b>2,396,463</b>	<b>2,517,065</b>	<b>3,372,855</b>	<b>3,372,855</b>	<b>1,048,642</b>	<b>31.1%</b>
<b>OPERATING EXPENDITURE</b>						
Salaries & Wages	286,807	320,497	357,977	357,977	83,040	23.2%
Benefits	143,383	158,712	223,277	223,277	57,329	25.7%
Professional Contracted Services	275,989	338,990	255,820	255,820	54,259	21.2%
Services & Supplies	180,048	135,842	183,350	183,350	27,501	15.0%
Special Programs	12,356	12,596	22,200	22,200	1,324	6.0%
Equipment (under \$10K)	2,055	-	-	-	-	0.0%
Vehicle Expense	-	48	10,000	10,000	-	0.0%
Conference & Training Expense	2,329	2,865	5,000	5,000	3,438	68.8%
Utilities	196,877	197,837	247,250	247,250	34,317	13.9%
Telecommunications	5,237	5,729	7,350	7,350	1,312	17.9%
Bad Debt Expense	8,328	13,205	10,000	10,000	227	2.3%
Allocated Insurance	82,414	90,730	79,530	79,530	19,882	25.0%
Capital Outlay	31,760	-	27,750	27,750	-	0.0%
Debt Service Payments	351,271	380,175	318,656	318,656	168,592	52.9%
Cost Allocation Plan	1,199,387	1,261,494	852,863	852,863	213,216	25.0%
Transfers Out	373,129	940,341	120,000	120,000	567	0.5%
<b>TOTAL EXPENDITURES</b>	<b>3,151,369</b>	<b>3,859,061</b>	<b>2,721,023</b>	<b>2,721,023</b>	<b>665,005</b>	<b>24.4%</b>
<b>Net Surplus/(Deficit)</b>	<b>(754,906)</b>	<b>(1,341,996)</b>	<b>651,832</b>	<b>651,832</b>	<b>383,637</b>	

## WASTEWATER OPERATING FUND QUARTERLY REPORTING



Description	2022-23 Actual	Audited 2023-24 Actual	2024-25 Adopted Budget	2024-25 Adjusted Budget	Y-T-D Actual 9/30/24	% of Budget
<b>OPERATING REVENUE</b>						
3610 - Service Charge - Residential	2,915,853	2,814,017	4,647,523	2,277,323	589,505	25.9%
3611 - Service Charge - Commercial	-0	-0	-0	2,370,200	606,096	25.6%
3300 - Interest Income	45,617	20,194	-0	-0	-0	0.0%
3606 - Penalties	8,545	15,153	2,500	2,500	5,331	213.2%
3804 - Insurance Claims	47,136	-0	8,729	8,729	-0	0.0%
3805 - Miscellaneous Income	899	32,552	1,000	1,000	-0	0.0%
3999 - Transfers In	-0	-0	-0	-0	-0	0.0%
<b>TOTAL REVENUE</b>	<b>3,018,050</b>	<b>2,881,916</b>	<b>4,659,752</b>	<b>4,659,752</b>	<b>1,200,932</b>	<b>25.8%</b>
<b>OPERATING EXPENDITURE</b>						
Salaries & Wages	259,143	282,963	306,893	306,893	68,817	22.4%
Benefits	138,882	139,103	194,998	194,998	48,896	25.1%
Contracted Services	121,014	84,665	105,550	105,550	3,486	3.3%
Subregional Cost	1,737,404	1,952,842	2,118,435	2,118,435	353,073	16.7%
Services & Supplies	72,775	29,971	97,200	97,200	3,958	4.1%
Special Programs	419	-	1,000	1,000	-	0.0%
Equipment (under \$10K)	1,938	-	-	-	-	0.0%
Vehicle Expense	-	11,834	10,000	10,000	23	0.2%
Conference & Training Expense	4,658	8,458	8,000	8,000	1,267	15.8%
Utilities	58,723	61,875	78,852	78,852	9,005	11.4%
Telecommunications	1,954	1,692	2,500	2,500	268	10.7%
Bad Debt Expense	11,778	19,020	10,000	10,000	359	3.6%
Allocated Insurance	61,761	68,625	55,735	55,735	13,934	25.0%
Capital Outlay	32,205	-	-	-	-	0.0%
Debt Service Payments	179,117	181,237	178,656	178,656	119,888	67.1%
Cost Allocation Plan	990,306	1,041,462	908,934	908,934	227,234	25.0%
Transfers Out	112,641	800,532	32,000	32,000	-	0.0%
<b>TOTAL EXPENDITURES</b>	<b>3,784,720</b>	<b>4,684,279</b>	<b>4,108,753</b>	<b>4,108,753</b>	<b>850,208</b>	<b>20.7%</b>
<b>Net Surplus/(Deficit)</b>	<b>(766,670)</b>	<b>(1,802,363)</b>	<b>550,999</b>	<b>550,999</b>	<b>350,725</b>	