

Dear Council Members and City Staff

Regarding a sales tax, the Council and staff need to reconcile the misappropriated water and sewer fees.

As has previously noted, recent allocation studies showed that over \$700,000 of water and sewer fees were misappropriated to support the general fund. As the previous allocation study was over 20 years old and allocations were not changed, it is clear that at least of decades worth of misappropriation has taken place.

This is in direct violation of Prop. 218.

City Attorney McLaughlin, when questioned about this, responded with an answer that confirmed that no one was properly attributing water and sewer fees, that the City was using outmoded models, that Water and Sewer allocation studies should have been done every 3 years instead of every 20 years, and that there were times where the general fund might have paid in more to water and sewer, which is also illegal. City Attorney McLaughlin's response indicates that the City's fiduciary duty was breached and that the Council needs to have a forensic accountant examine at the last decade of allocations to determine how much money the City owes the Water and Sewer Enterprise Funds.

McLaughlin also indicated that there were two well contaminations, which was very alarming. What happened with the two contaminated wells? Was there a lawsuit? Was money for the Water and Sewer Ratepayers ever recovered? What is the status.

In light of the debt owed to Water and Sewer Ratepayers, the Council should pursue a sales tax with the idea of paying back Water and Sewer Ratepayers over the next decade. This would provide steady income to the funds to stabilize rates and to provide income for reserves and capital projects.

Council should acknowledge this debt for several reasons:

- 1) It gives Council a mechanism to stabilize the Water and Sewer Enterprise Funds;
- 2) If part of parcel tax is dedicated toward repayment of debt, it provides a steady income that is separate from usage;
- 3) It avoids expensive lawsuits (given City Attorney McLaughlin's response, the lack of regular allocation studies and the findings of the most recent study, there is very strong indication funds have been misappropriated and the City breached its fiduciary duty);
- 4) It allows City Staff and Council to correct the mistakes and possible criminal activity of previous Council and Staff;
- 5) Council might be able to attribute this to a special sales tax, which would have a sunset class which might have advantages for future sales tax measures.

Please do not hide from the responsibility of being advocates and fiduciary guardians of the most fundamental utility – water and sewer. Residents need to have Council function as advocates and make sure their fees are applied properly.

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