From: [redacted]
To: Zulema Higgins; Mary Gourley
Cc: [redacted]
Subject: Cherry Picking EFOC"s Recommendations is Fiscally Dangerous - Public Comment 7/6/26
Date: Thursday, July 2, 2026 11:50:07 AM

Dear Council Members,

I ask you to clarify on Agenda Item 10 that the EFOC recommended the freezing of Water AND Sewer Rates and removal of tiers in conjunction with three other critically important actions which included 1) the rejection of the 2026/2027 Cost Allocation Plan and the adoption of a Cost Allocation Plan which removed City Council from the Plan, moved the Contract Engineer to Contracted Services, and reduced the allocation percentage of the City Manager and Finance Departments to 30%, which is the high-end of a normal range for Cost Allocation plans, 2) refunding of illegal attorney's fees of $350,354 and 3) the implementation of Time Tracking to create a new Cost Allocation plan based on Time Tracking.

The EFOC NEVER recommended just freezing Water rates and removing tiers. This was an interpretation by Staff and Council.

You cannot simply reduce revenue. You need to also reduce expenses and also refund illegal charges, which have been found by the EFOC and the Grand Jury. It is irresponsible to simply reduce revenue to the Enterprise Funds. The Water System has over $10,500,000 in needed infrastructure upgrades.

The City Attorney has indicated that tiered rates are illegal. This was pointed out by several members of the public prior to their implementation. If the Council wants to come into Prop. 218 compliance, it also needs to do so with the Cost Allocation Plan, the Grand Jury Report and the refunding of $350,354 of illegal attorney's fees.

In addition, the EFOC NEVER suggested a new rate study. This would be a waste of money. A new rate study should only be conducted once Time Tracking is in place for at least 6 months, all contracted services are moved into Contracted Services, a new cost allocation plan is developed in conjunction with Time Tracking data, the Grand Jury findings of $5,500,000 in restitution to the Enterprise Funds is resolved and the Sewer Master Plan is received. All of this data would actually be critical for a rate study.

The Council has not made any attempts to refund the illegal $350,354 in attorney's fees. They adopted the Cost Allocation Plan, which violates Prop. 218 and Prop. 26. They have not mandated that staff start Time Tracking. Thus they should not freeze Water rates and remove tiers.

Please be clear that Agenda 10 is from the Staff and Council based on Staff and Council decisions. It is not the full recommendation of the EFOC.

Thank you,
Kate Haug

Finance Sub-Committee EFOC