From: Kate Haug
To: Jill McLewis; Phill Carter; [redacted] Neysa Hinton; Sandra Maurer; Stephen Zollman
Cc: Zulema Higgins; [redacted]; Mary Gourley
Subject: Easy Budget Steps to Move Toward Prop. 218 Compliance and Honor Fiduciary Duty - Public Comment 7/6/26 meeting
Date: Sunday, July 5, 2026 10:25:01 AM

Dear City Staff and Council,

As Council and Staff, per the advice of their Attorney, seek to freeze water and remove water tiers, the Council must also take steps to reduce expenses and start to repay restitution identified by the Grand Jury and the EFOC. Council has a fiduciary duty to the Enterprise Funds and cannot act solely in the interests of the City. The reason why the Enterprise Funds have been radically mismanaged in the last two decades is that prior Councils and prior staff did not honor their fiscal and managerial obligations to the Water and Sewer infrastructure and to Prop. 218.

The Council has a duty to take economic steps that do not fiscally harm the Enterprise Funds and funding for Water and Sewer system capital improvements.

The Council is supposed to be a fiduciary guard for the Enterprise Funds and is obligated to make financial decisions that honor Prop. 218 and Prop. 26 and do not bring fiscal harm to the Enterprise funds. These are legal obligations.

Proposed Budget to Correct Prop. 218 Violations and Repay Illegal Attorney’s Fees

1) Repay illegal attorney’s fees from reserves. Restoring the illegal fees of $350,354 from the reserves would allow reserves to remain above 20% and start the restitution process.
2) Remove Council from Enterprise Funds. This would add $90,613 into expenses for general funds from the current 52% allocation. No Council allocation to Water and Sewer
3) Reduce City manager to 30% of department budget. Enterprise Funds would pay $185,274 split between water and sewer. General Fund would be responsible for $432,305. An $40,023 increase to the general fund from the current 63% allocation.
4) Reduce Finance 30% of Department Budget to $458,263. This is an increase of $145,542 to the general fund from the 39% allocation.
5) Adopted legal fees for Water should be $12,500. Adopted legal fees for sewer should be $12,500. Historically charges never exceeded this.
6) Engineering Contract should be moved to Contract Services with historically based fees being $100,000 for each Enterprise Fund.

By simply making these adjustments, Council would be moving toward Prop. 218 with very little cost to Council thus avoiding lawsuits. The total shift in the Cost Allocation Plan would be $276,160 in increased expenses to the General Fund. And a decrease of $350,354 in the reserves.

Would it not be prudent to make these minimal adjustments to move toward Prop. 218 compliance and allow the fiscally responsible freezing of rates and removing of tiers?

You could use this as a good faith effort until time tracking data is collected and can be analyzed.

In addition, if City Staff followed the EFOCs recommendation of limiting Utility customers service hours to 8-noon Monday through Thursday, getting a separate utility customer Post Office Box to reduce mail sorting time, putting a payment lockbox in City hall, instituting a credit card fee and making sure payment methods work, they could streamline the Finance operations so Finance staff could be used for other administrative work.

None of these steps places an undue financial burden on the City, would allow the City to move toward Prop. 218 and Prop. 26 compliance, show a good faith effort to the Grand Jury and allow the City to collect more accurate data via time tracking so that a new Cost Allocation model could be developed.

I urge the Council to adopt these measures, in addition to the adoption of time tracking by September 1, 2026, in order to make fiscally responsible decisions for both the City and the Enterprise Funds. This is fiscally responsible for the City as it avoids future lawsuits and fiscally responsible for the Enterprise Funds as it does not diminish funds to the point of harming infrastructure needs.

Best,
Kate Haug
EFOC