Dear Council and City Staff,

As I previously pointed out at several Council meetings, the freezing of rates and removal of tiers without implementing the EFOC recommendations of reducing Cost Allocation Expenses and moving the Syserco Loan payment to the General Fund has resulted in unstable finances for the Water Fund and thus jeopardizes the critical infrastructure identified by the Grand Jury report.

Further research into Syserco Loan points to legal vulnerabilities to the City. The primary vulnerability is that the Council took out the loan for SmartMeters, which were not needed, while not funding critical infrastructure such as the Pleasant Hill Loop and Well #4. Council then raised rates.

It appears that a judge could order the City to cease taking revenue from the Water Fund to pay for the Syserco Loan until the Pleasant Hill loop and Well #4 is completed. It should not have to come to that point.

As the City owes the Enterprise Funds, as identified by Grand Jury report, the City should voluntarily assume the Syerco Loan, as has been recommended by the EFOC, and also use its reserves to pay back previous payments of $842,965 over the next 4 years using Measure U funds and/or reserves.

These two actions in combination will allow the Water Fund to remain stable enough for loan financing even if rates remain static.

In addition, the City remains in Prop. 218 violations with its current allocation model. Council needs to be removed from the model. Currently, it is allocated at 52% with zero justification. City Manager, City Clerk and City Finance should also be reduced to 15% for Water and 15% for Sewer. These actions, taken together, will stabilize the Water Fund as has been indicated several times in previous public comment.

Paying consultants to do Cost Allocation Studies without time tracking or Rate Studies without the Sewer Master Plan and Grand Jury Restitution is wasteful, inaccurate and inefficient. Charging Ratepayers for consultants that are working with partial information is ineffective and inefficient. Council cannot accumulate excessive, unnecessary expenses to the Enterprise Fund and then increase rates. That is what happened with the Syserco Loan and it is illegal.

The only reason that there is a need to hire consultants is that the City refuses to repay the $5,500,000 identified by the Grand Jury and to implement the EFOC's recommendations. If the City took positive steps to reduce Cost Allocation and restore stolen funds, the Water Fund would be stable and able to secure financing.

Please see the attached analysis.

Thank you,

Kate Haug