

October 13, 2008

To the Citizens of Eustace Waterworks:

It appears there is some confusion as to why the majority of the Council approved a water/wastewater increase. It has been suggested that a careful review of our financial situation was not given. Let me assure you this is not true. Our accountant was involved in this process and attended our regular meeting on October 2, 2008 at my request. This was listed on the Agenda for action by your elected officials 72 hours prior to the meeting. As always, citizens were invited to attend the meeting and voice their thoughts on this matter.

Following our budget workshops, it was clear that revenue must be increased if the City was to meet many of its obligations. The City and Waterworks are a business entity and your governing body is charged with keeping both solvent and running.

The Water Department has had unusually high expenses this past Fund Year: We had a major water leak at Holland and Highway 175 after the new road was built; one of the new rotors at the wastewater plant, whose warranty was out, broke and had to be shipped to Minnesota and returned, pumps in four of our lift stations broke down and had to be replaced, several major water leaks and many minor water leaks had to be repaired, the replacement of meters to meet the requirements and statistics for water production v. water sold. In addition to the every day running of the Water Department, we have contractual indebtedness monthly as well as the bonds funded by USDA/Rural Development. As was stated by our accountant, if the USDA feels the City cannot meet its indebtedness to the Federal Government, then they will come in and take over the Water Department and they will set the rates.

A careful review was given to the cost of water/wastewater by the surrounding providers here in the lake area. Even though the rates appear high, we are still the lowest in the area. The Council has attempted to be fair to you and be able to continue to govern our City without involvement of any outside government agency. You are all aware of the Nation's economic down turn. Unfortunately, this down turn has directly affected the City. Therefore, we have to be able to meet this demand and are committed to do so without raising taxes in the past 10 years. Costs are continuing to climb. We are not the only entity that has to face higher costs. And, unfortunately, we have to be able to meet this demand.

There is no one thing that caused the depletion of our reserves. In addition to the major break-downs of equipment, we have spent our reserves on road repair as well. FEMA gave us a grant for \$67,000.00 for road repair. We built the reserve accounts to \$133,000.00 for much needed road repair and we have approximately \$9,000.00 remaining to complete this work. Cost of materials, fuel surcharges, etc. have hit everyone very hard and we are thankful we had enough reserve money to work on our roads.

The other issue I want to address is that of the role of Mayor. The Mayor is the Chief Executive Officer of the City and serves not only you and your best interest but the Council. My job requires me to inform the Council of what is going on in the City's day-to-day operations, be financial advisor, public relations officer, employee relations and a general supervisor of the City among other things. The Mayor may recommend proposed actions to be taken by the City Council. However, I do not vote except to break a tie. It is true there were four council members present at the October 2, 2008 Regular Council Meeting, with one absent. A majority at a Regular Council Meeting is three. Based on advice from our accountant and the current financial challenges facing our city, three council members voted, hesitantly, to raise the rates and one member, Mark Sanders, voted no.

I was asked to write a letter to the citizens by all four council members present that night. With regard to refusing to hold public hearings on this, we would like you to know that is not a requirement—this decision is strictly a financial decision to keep us going and keep out the Federal Government. We have to show we are helping ourselves for that reason and for being granted additional Grant Funds from the State.

The decision to raise rates was not made lightly and the Council and I are affected by this rate hike as well as you since we all live in the city limits. However, as your Mayor, I feel this increase is necessary and will provide long-term benefits to the City.

I hope this will answer some of your questions as to why the action taken by the Council was necessary. If you have any questions, please do not hesitate to contact us. Again, your understanding of this action is greatly appreciated.

Sincerely,
Laura R. Ward, Mayor