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November 16, 2010

Jennifer McGrath
Office of the City Attorney
City of Huntington Beach
2000 Main Street
P.O. Box 190
Huntington Beach, CA 92648

RE: Proposed Annexation of Sunset Beach by Huntington Beach

Dear Ms. McGrath:

This firm represents the Citizen's Association of Sunset Beach (CASB), a nonprofit citizen group formed to improve the quality of life in Sunset Beach. As you may know, CASB represents a large group of Sunset Beach residents who are opposed to the annexation of Sunset Beach by Huntington Beach. The Huntington Beach City Council repeatedly assured the residents of Sunset Beach that post-annexation, they will not be subject to Huntington Beach's utility tax and other special taxes. CASB understands that these assurances were made as a result of Huntington Beach's decision to use the forced "island" annexation provisions to impose annexation on the residents of Sunset Beach. Many of the members of CASB accepted those assurances as recognition that Huntington Beach would not ignore their rights under Proposition 218.

CASB members were particularly disappointed to learn, through your letter of November 9, 2010 to another organization, that the City of Huntington Beach is going to renege on its promise not to impose the Huntington Beach utility tax on the residents of Sunset Beach. In your letter, you state that the issue as to which taxes would be imposed on the residents of Sunset Beach has been resolved through discussions between Huntington Beach and the LAFCO. Significant citizen groups like CASB were denied a voice in this process. Certainly, the City of Huntington Beach and the Orange County LAFCO are aware that the residents of Sunset Beach have a constitutional right, through Proposition 218, to not have the special utility tax imposed upon them unless they vote to accept imposition of that tax. The recent passage of Proposition 26 further highlights the significance of the rights of the citizens of Sunset Beach to have a vote prior to being subjected to these additional taxes.

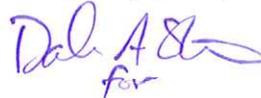
If you are aware of compelling legal authority that justifies Huntington Beach's decision to impose the Huntington Beach utility tax on the residents of Sunset Beach without a vote by those residents, please provide it to me. Absent compelling legal authority that supports the City of Huntington Beach's decision, you can be assured that although they would prefer to resolve this matter through other means, CASB and its members will sue to enjoin the annexation and the imposition of the Huntington Beach utility tax on the residents of Sunset Beach.

Jennifer McGrath
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Please contact me if you would like to discuss this matter in further detail.

Very truly yours,



for
John C. McCarron

JCM/mr
cc: Client