

SPECIAL CITY COUNCIL STUDY SESSION MINUTES

November 5, 2008

Mayor Cannella called the Special City Council Study Session to order at 5:30 p.m. with the following in attendance:

ROLL CALL: Council Members Durossette, Lane, Ochoa, Vierra, Mayor Cannella

I. Water and Sewer Rate Study

On October 9, 2008, Council held a Study Session to review the draft sewer and water rate study. At that meeting, Council requested that staff develop three alternative rate scenarios for both the water and wastewater rate studies. The three scenarios were developed to demonstrate the impact to rates as a result of varying assumptions regarding additional staff, scheduling of capital improvement projects and the inclusion of the TID project payments in the water rate study.

Staff developed the following three rate scenarios for both the water and sewer rate studies.

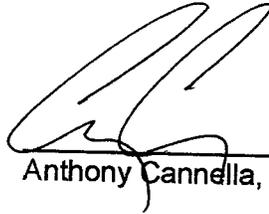
- Financial Equilibrium: The rate increases necessary to balance each utility's budget so that revenues equal expenses for each of the next five years. Currently the water and utility's expenses without any CIP projects and staff additions are \$1,233,000 less than its revenues. The wastewater utility's expenses are \$1,917,000 less than its expenses. The proposed rates will result in revenues that will match expenses.
- Maintain Existing System: The rate increases necessary to fund capital improvements and staff additions that staff feels are absolutely necessary for the utilities to reliably meet regulations for the next two years. While implementing Scenario 1 will result in revenues matching expenses, it could place the existing system at risk of not complying with State regulations and experiencing periods of inadequate operation such as low water pressure or sewer spills. In this scenario staff has identified the minimum capital projects and staffing necessary to address these issues in the near term. For purposes of modeling the period from FY 08/09 through FY 10/11 was chosen. Given that we are already half way through FY 08/09 this establishes a planning period of approximately 2 years and 5 months.
- Enhance Existing System: The rate increases necessary to fund the capital improvements and staff additions necessary for the enhanced operation of the utilities for the next five years. Scenario 3 adds to Scenario 2 those CIP projects and staff additions necessary to provide a greater degree of security that the utilities will be operated within State regulations for the next 5 years and further enhances the reliability of the system. For purposes of discussion, two alternatives will be provided for in Scenario 3. Alternative 3A will include funding for the TID project, starting in FY 2012-2013 and Alternative 3B will not include the TID payment.

City staff and the consultant team presented at the November 5 study session a detailed explanation of the scope and cost of each item in the capital improvement program and a

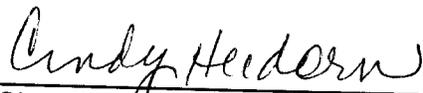
detailed explanation of the role and cost of each of the proposed staff additions necessary to accomplish each scenario's stated goal.

After reviewing and discussing the various capital improvements and proposed staffing additions necessary to accomplish each scenario's goal the City Council directed City staff to implement Rate Scenario 2 for both the water and sewer utilities.

7:20 p.m. There being no further business, the meeting was adjourned.



Anthony Cannella, Mayor



Cindy Heidorn, CMC, City Clerk