

**CITY COUNCIL STUDY SESSION  
MINUTES**

**August 27, 2012**

Vice Mayor Lane called the August 27, 2012 Study Session to order at 5:34 p.m. with the following in attendance:

**ROLL CALL** Council Members Durossette, Ingwerson, Kline, Lane,

**EXCUSED** Mayor Vierra

**DISCUSSION ITEMS**

1. Water Rate Study Review (T. Wells / M. Brinton)

John Farnkof, representing HF&H Consultants presented Water Rate and Connection Fee Study Update. The Study highlighted the following:

- Review status since Council set rates in 2008
  - Water bill rates compare well with neighboring agencies
  - Reserves are slightly higher than projected
  - Master Plan identifies required capital improvements; \$2 million per year will fund necessary projects for existing customers in 25 years; current rates only fund \$200,000 per year.
- Recommend plan for updating water rates to fund Master Plan projects
  - Provide funding for Master Plan capital projects.
  - Increase reserve from \$0.9m to \$2.3m target by FY 2017/18.
  - Funding for Stanislaus Regional Surface Water Project to be considered later.
- Recommend plan for updating connection fees to fund Master Plan Projects
  - The recommendation is to increase the connection fees to \$6,000. Current fee provides little negligible growth.
- Review implementation process and next steps
  - Rate increases are subject to the Prop 218 notification process
  - Connection fees are not subject to Prop 218 and can be adopted on separate schedule as soon as possible.

Gerry Nikano, representing West Yost, presented Council with an update of further actions concerning the Regional Surface Water Supply Project. The project will be implemented in two phases:

Phase 1 – will require minimalistic infrastructure changes. Wheel through MID’s MRWTP, intertie, and transmission mains (approximately 4 years).

Phase II – complete build out of the Regional Surface Water Supply Project Water Treatment Plant (approximately 11 years).

Cost for the project will depend on the adopted repayment allocation method.

## PUBLIC COMMENT

- Dave Pratt, resident, asked if the proposed rates being discussed included the Regional Surface Water Supply Project costs. Mr. Pratt expressed concern that rates keep getting higher and higher.

Staff responded that the only portion of the Surface Water Supply Project costs included in the rates being discussed was the \$2 million repayment to TID for the planning that has already occurred.

Council expressed concern that the proposed rate change for FY2013/14 is too large an adjustment at one time. We do not want to discourage new business from moving to Ceres.

The increase is necessary to complete three key CIP projects:

- 1.) Trunk water line in the Central Avenue alignment from Service – Hatch.
- 2.) Additional well tentatively planned in the Riverview Park area.
- 3.) Water tank at River Bluff Regional Park Area.

## COUNCIL DIRECTION

Discuss the Connection Fee separately at a different Study Session.

Council recognizes that the methodology needs to be changed to be consistent with the capacity of the meters.

Staff to schedule for Study Session a discussion of rate increases with various options to average the increase over a number of years. Focus should be on softening the impact on commercial users.

Show real-life samplings to see what the impact would be to particular businesses, Include the School District in that sampling.

6:52 p.m. There being no further business, Vice Mayor Lane adjourned the Study Session.

/s/Ken Lane, Vice Mayor

/s/Cindy Heidorn, CMC, City Clerk