

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MARCH 22, 2016**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 22, 2016, commencing at 7:00 a.m.

Present: Council Member Johnson, Council Member Nakanishi, Mayor Pro Tempore Kuehne, and Mayor Chandler

Absent: Council Member Mounce

Also Present: Deputy City Manager Ayers, City Attorney Magdich, and Deputy City Clerk Farris

B. Topic(s)

B-1 Second Quarter Fiscal Year 2015/16 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

Public Works Utilities Manager Lance Roberts provided a PowerPoint presentation regarding Fiscal Year 2015/16 water and wastewater financial reports. Specific topic of discussion included Wastewater Fund cash flow summary, wastewater operating results, wastewater funds cash balances, Water Fund cash flow summary, water operating results, water funds cash balances, bad debt write off, and water/wastewater utility activities.

Council Member Johnson commented that he had heard the Van Ruiten Winery downtown tasting room, Cellar Door, was closing and inquired as to whether or not that winery had the same agreement as Michael David Winery in which the winery agreed to host a downtown tasting room as part of the wastewater agreement. City Attorney Janice Magdich stated she will research the agreement.

In response to Mayor Pro Tempore Kuehne, Deputy City Manager Jordan Ayers confirmed that wastewater revenues are exceeding expenses.

Council Member Johnson commented that citizens often raise questions about base cash, percentage of target, etc., and asked if, in the future, staff could modify the presentation to demonstrate whether "days cash" and "percentage of target" were increasing or decreasing, as it adds transparency to the process. Mr. Ayers responded that staff will provide this information in graph or bar chart form next quarter.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers confirmed that the City's fiscal year ends on June 30.

In response to Council Member Johnson, Mr. Ayers responded that bad debt write off has been fluctuating a bit but not moving dramatically.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers clarified that bad debt write off for both wastewater and water is 0.3 percent, which is very good.

In response to Council Member Nakanishi, Mr. Ayers stated most of the bad debt write off is for residential customers.

Mr. Roberts reported that, in the last quarter, water crews responded to 12 City leaks and fielded 12 taste and odor complaints; water quality remains good but there has been an uptick in complaints about taste and odor due to customer conservation of water and the City not flushing

lines; 756 million gallons of water were produced; wastewater crews responded to 39 blockages, 16 public and 23 private; the average daily flow of wastewater was 4.6 million gallons per day; and there were no sanitary sewer overflow incidents or discharge violations.

In response to Council Member Johnson, Mr. Roberts responded that the State may reduce regulatory constraints in the spring to allow more flushing, but it is a balancing act between water conservation and flushing the lines. Due to citizens' conservation efforts, the water is sitting in the lines longer, causing the taste and odor issues. In further response, Mr. Roberts explained that the City is not doing quarterly flushing, as was past practice; the only scheduled flushing is in relation to the water meter installation program; and this year's water meter installation project will replace more pipeline, approximately 4.6 miles, so more flushing will be done this year than last.

In response to Council Member Nakanishi, Mr. Roberts explained that it is difficult to estimate how much water is used for flushing, as it depends on water quality, and varies greatly.

Council Member Nakanishi commended the City water crew that recently repaired a leak in his neighborhood.

In response to Mayor Chandler, Mr. Roberts stated staff has researched ways to repurpose the water used for line flushing; there is new technology available that circulates and treats the water before returning it to the water system, but the technology is brand new so the regulatory requirements involved with it are unknown. Council Member Nakanishi encouraged staff to further investigate the new technology. Mr. Roberts added that staff had considered collecting the flushed water in a water truck for transportation to local parks for irrigation use, but this had not proven to be financially feasible.

Interim Public Works Director Charlie Swimley stated that if a flurry of complaints are received in a particular area, then staff will flush those lines.

Council Member Nakanishi stated staff should investigate using a water truck to haul the water to local parks for irrigation use.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the Electric Utility (EU) Fiscal Year 2015/16 Quarterly Update. Specific topics of discussion included Electric Utility Fund cash flow summary, Reserve Policy, electric utility funds cash balances, power sales, Energy Cost Adjustment, revenue, Electric Utility Fund operating results, power supply costs, bad debt write off, load coverage, electric utility activities, and Certificate of Excellence in Reliability.

Council Member Johnson questioned when the Capital Reserve/largest contingency number was last reviewed. Ms. Kirkley responded bids are currently being reviewed for the new transformer, and when staff returns to Council with the final selection, it will also provide a recommendation on the reserve/contingency, but she did not think it will increase.

In response to Mayor Pro Tempore Kuehne, Ms. Kirkley explained that, while the Northern California Power Agency (NCPA) operating reserve is nearly twice the target amount, the City receives interest on that money; Mr. Ayers, who is on the NCPA investment committee, tracks NCPA investment policies and returns; and there is a settlement at the end of the budget year. Mr. Ayers further explained that NCPA charges fluctuate and the true-up settlement comes at the end of the budget year.

In response to Mayor Chandler, Mr. Ayers explained that NCPA charges members based on budget projections, but at the end of the year, when actual costs are known, there is a settlement, which may be positive or negative; last year the City received approximately \$600,000, but other years money was owed. Mr. Ayers further explained that he checks NCPA's investment returns and decides if the City needs to adjust the amount in the reserve.

In response to Council Member Nakanishi, Mr. Ayers confirmed that NCPA is receiving a higher rate on investments.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers explained that NCPA requires the City to post a security deposit based on the volume of power and gas being purchased, and the number fluctuates.

Ms. Kirkley reported there are currently nine vacancies in Electric Utility.

Mayor Pro Tempore Kuehne inquired as to the number of trouble calls, and Ms. Kirkley stated she would provide that information.

In response to Council Member Nakanishi, Ms. Kirkley stated that copper wire theft has not been a problem recently; the more significant issue has been sabotage of street lights to darken areas.

Mayor Pro Tempore Kuehne questioned the number of incidents of electricity theft, and Ms. Kirkley stated she would provide that information.

Mayor Pro Tempore Kuehne questioned how entire streets could be missing lighting. Mr. Swimley stated some areas, such as Cabrillo Circle and Peach Street, were annexed in without street lights and the residents did not want them added. Ms. Kirkley further stated that staff is working with Neighborhood Services Manager Joseph Wood to determine if residents want street lights added now.

Mayor Pro Tempore Kuehne questioned whether the old street lights provided better coverage than the new light-emitting diode (LED) lights. Mayor Chandler commented he felt it was a matter of opinion. Ms. Kirkley stated the new LED lights provide better illumination for the streets, while the old high-pressure sodium amber-colored street lights dispersed a wider pattern but did not provide as much illumination on the streets; some citizens are unhappy because the new lights do not illuminate private property, but that is not the purpose of street lights.

In response to Mayor Pro Tempore Kuehne, Ms. Kirkley stated she would provide information on the life-span and operation cost of the new lights.

Council Member Nakanishi noted the lighting on his property is better since installation of the new lights. Ms. Kirkley responded there are different patterns and applications for different types of situations.

Council Member Johnson inquired where the 14,000 feet of underground cable was installed and as to the resolution of the situation in the Lakeshore Drive and Timberlake Circle area in south Lodi, where the underground cable was found to be shorting out. Ms. Kirkley responded she will provide that information.

Ms. Kirkley commented that the decorative post tops will be installed by EU staff, which will take longer but cost much less; a pilot project will be starting soon, as there are two different types of decorative street lights; and staff will be setting up a test area and providing information so the public will have the opportunity to provide feedback.

Council Member Nakanishi commented that the public often perceives EU as raising electric rates to generate revenue to run the City and questioned what guidelines are in place for setting rates. Ms. Kirkley explained public utilities are not allowed to make a profit and the most recent rate increase, which was more than a year ago, was to fund capital maintenance of \$20 million to maintain reliability.

Mr. Ayers congratulated the Electric Utility Department on receiving the Certificate of Excellence in Reliability from the American Public Power Association and noted that the Average Service Availability Index of 99.9946 attained by the City equated to just 30 seconds of electrical outage per customer per year.

Council Member Johnson noted that Public Works and Electric Utility began to give quarterly reports to provide Council with more details on the management of those utilities, but the problem

which brought about the increased reporting seems to be resolved; he questioned whether there is still a need for quarterly reports or whether semi-annual reports would be adequate. Mayor Chandler questioned if the quarterly reporting was an undue burden to staff. Mr. Ayers responded that quarterly reporting is written into the City ordinance and regulatory agencies look favorably on quarterly reporting as well. Council Member Nakanishi stated that, at a time when citizens want to have an oversight committee formed, he believed the quarterly reporting should continue. Mayor Chandler expressed his agreement.

Mike Lusk stated he prefers to pay his utility bill with his credit card, but on the last billing cycle, that option was not included on the bill; in order to utilize his credit card, he was required to go to the Finance Department in person. He questioned why notice was not given as to the discontinuance of the credit card option. He further noted there was no line in the Finance Department and questioned whether this is now the norm. Mr. Ayers responded that he will check on the credit card payment issue and that the lines in the Finance Division fluctuate widely. In response to Mayor Chandler, Mr. Ayers confirmed that changes have been made to the staffing configuration to help with the lines, and that this is the first he has heard of an issue with credit card payments.

Mr. Lusk inquired as to when the sewer base rate changes, to which Mr. Ayers responded that upcoming wastewater rates are based on water usage for December 2015, January 2016, and February 2016, and they will take effect on July 1, 2016; he further responded that water rates change each January 1, refuse rates change each April 1, and sewer rates change each July 1.

In response to Mr. Lusk, Mr. Ayers stated the Police Department is scheduled for 71 sworn officers; the department is down five or six officers, but some candidates are presently going through the background process; and the Fire Department is fully staffed, including the three candidates currently enrolled in the Fire academy.

Alex Aliferas reported the U.S. Post Office has suspended mail delivery to residents in his neighborhood due to dogs running loose in the area, and a homeless person is living in the alley near 505 East Locust, between Cherokee Lane and Garfield Street, leaving trash and debris. City Attorney Magdich responded she would report both problems to the Watch Commander at the Police Department.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:56 a.m.

ATTEST:

Pamela M. Farris
Deputy City Clerk