

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MAY 10, 2016**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, May 10, 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: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

NOTE: Mayor Pro Tempore Kuehne left the meeting at 8:04 a.m.

B. Topic(s)

NOTE: The following items were discussed out of order.

B-2 Receive Presentation Regarding Fiscal Year 2016/17 Budget (CM)

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding the Fiscal Year 2016/17 budget. Specific topics of discussion included overview, Electric Utility (EU) overview, EU revenues, EU expenses, EU recommended positions, EU capital projects, EU reserves, water utility overview, water utility revenue, water utility expenses, water utility capital projects, water utility reserves, wastewater utility overview, wastewater utility revenue, wastewater utility expenses, wastewater capital projects, and wastewater utility reserves. Mr. Ayers provided an overview of the proposed budget schedule, stating that staff anticipates budget adoption to occur at the June 1, 2016, City Council meeting.

In response to Council Member Johnson, Mr. Ayers stated that the 2008 debt has a ten-year call issue, therefore the earliest time to potentially refinance the debt is 2018 if the market is favorable; however, staff could look into whether it is possible to do an advanced or partial refinancing in 2017.

In response to Council Member Nakanishi, Mr. Ayers stated that the total debt amount is \$65.9 million, adding that staff publishes the debt profile on the City's website, which includes a schedule of the original debt amount, the purpose, the outstanding debt at July 1 of each fiscal year, and the total principal payments. Council Member Nakanishi questioned what the City's highest debt was, to which Mr. Ayers responded that he would provide that information.

In response to Mayor Pro Tempore Kuehne regarding the Meter Data Management System, Electric Utility Director Elizabeth Kirkley stated that the current metering system only provides metering for billing and has no capability to make the data useful to staff.

Council Member Johnson questioned the status of the Lakeshore Drive area that was previously experiencing a rash of damaged connectors, to which Electric Utility Superintendent Charles Berry stated that there is an active program in place to target those areas experiencing failed connectors and cables; however, he did not have a specific number on how many have been replaced. In response to Council Member Johnson, Mr. Berry stated he would provide a percentage of how much has been accomplished and a list of areas still experiencing deficiencies or similar issues.

In response to Mayor Pro Tempore Kuehne, City Manager Schwabauer confirmed that the \$150,000 expense related to the 230 kV Interconnection Project is only for this year, adding this

will be a \$20 million project that will ultimately pay for itself in reduced transmission access charges.

In response to Council Member Nakanishi, Mr. Schwabauer stated that Lodi is not in a similarly poor situation as Stockton with regard to water rates because Lodi recently completed a rate model, which took conservation into account.

In response to Council Member Nakanishi, Mr. Schwabauer stated that the PCE/TCE project is a 30-year program. In further response, Mr. Ayers stated that the granular activated carbon replacements will be roughly \$300,000 per year; however, the commodity price may vary year to year.

In response to Mayor Pro Tempore Kuehne, Mr. Schwabauer stated there are reserved funds for PCE/TCE: one is the settlement fund, and the other comes from the rate dollars that were sequestered to cover the clean-up costs. PCE/TCE projects come out of the water utility; specifically from the sequestered funds set aside in the utility.

Council Member Nakanishi questioned why there is an increase in wastewater service charges but a decrease in water, stating those two funds should have a correlation. Mr. Ayers stated the discrepancy relates to those on metered rates versus a flat rate. For those on the metered rate, the wastewater rate is based upon water usage in the winter months, but those on a flat rate are based on a cost of living adjustment, i.e. the revenue on the metered side is variable. In response, Public Works Director Charlie Swimley stated that all residents will be on a water meter by 2018.

In response to Mayor Chandler regarding recycled water storage, Mr. Schwabauer stated that Lodi discharges water because it cannot be used on site. The water is stored on the west end of White Slough in ponds, and the hope is it will provide a saline curtain and put pressure on the groundwater to prevent water from the bay from intruding into Lodi.

In response to Council Member Nakanishi, Mr. Schwabauer stated that many of the new subdivisions, including Rosegate, were constructed with purple pipe, which could utilize recycled water for irrigation purposes. Staff is still evaluating use of recycled water versus untreated river water supply.

Council Member Johnson stated it may be necessary to rethink the grant regarding the barrier for salinity because in reality the water still comes through on the other sides of the White Slough Water Pollution Control Facility. Perhaps a better use of funds is to bring recycled water to Lodi for irrigation.

In response to Mayor Johnson, Mr. Swimley stated the new digesters at White Slough are working well.

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

Utilities Manager Lance Roberts provided a PowerPoint presentation regarding the water and wastewater utilities Fiscal Year 2015/16 quarterly update. Specific topics of discussion included Wastewater Fund cash flow summary, wastewater operating results, wastewater fund cash balances, water fund cash flow summary, water operating results, water funds cash balances, bad debt write off, and water/wastewater utility activities.

In response to Mayor Pro Tempore Kuehne, Mr. Roberts explained that the category "work for others" includes one-time payments to Electric Utility for field services and meter reading; however, no funds have been expended to date from that account. City Manager Schwabauer stated those funds typically come out of that account at the end of the year.

In response to an earlier question by Council Member Nakanishi regarding the balance of the PCE/TCE accounts, Mr. Ayers stated the current total for the two accounts (i.e. the settlement funds and the rate fund set aside to pay for remediation) equals \$14.7 million.

Council Member Johnson suggested that staff provide detail along with the Council-requested graph depicting how many days cash there is on hand. The graph, without an explanation, does not make it clear to the public that there is a reason why there is a significant amount of cash on hand, and he felt it was critical to give that explanation, especially if the City is going to ask the public to support a sales tax measure. Mr. Schwabauer agreed, stating staff contemplated adding details, but decided not to for the first time in presenting the graph as Council requested. He explained that the City has a "pay-as-you-go" capital improvement program and sets aside cash every year to rehabilitate the water and wastewater system versus borrowing the money. Council Member Johnson stated it would be beneficial for the public to know the City has a well-planned program going forward.

In response to Council Member Nakanishi, Mr. Schwabauer stated that PCE/TCE includes the annual operating expenses, but does not include future capital projects. As the PCE/TCE program continues, the City will need to add capital improvements projects, and he gave the example of the new treatment program at Needham School that was completed this year. In further response, Mr. Schwabauer stated that the current engineer's estimate is a 30-year cost of \$17 million. The account is slightly below that figure, but staff believes that, because of the 30-year cycle and the time value of money, the program is fully funded.

In response to Mayor Pro Tempore Kuehne, Mr. Roberts stated that City leaks typically occur at the main line and staff routinely responds to private lines to ensure it is not a City leak. He confirmed that ten City leaks is not unusual or significant.

Rates and Resources Manager Melissa Price provided a PowerPoint presentation regarding the Electric Utility Department Fiscal Year 2015/16 quarterly update. Specific topics of discussion included Electric Utility Fund cash flow summary, Electric Utility Reserve Policy, Electric Utility funds cash balances, power sales, ECA revenue, Electric Utility fund operating results, power supply costs, bad debt write off, and load coverage.

In response to Mayor Pro Tempore Kuehne, Ms. Price explained the concept behind load coverage, stating that it is not advantageous to make forward power purchases too far in advance without knowing the market conditions.

Electric Utility Director Elizabeth Kirkley presented the PowerPoint slide on Electric Utility activities.

In response to Council Member Johnson, Mr. Schwabauer stated that the City has been working with Cepheid to accommodate its growth at the former Blue Shield site and the organization appears to be satisfied with the program staff created to assist them. With regard to Bond Manufacturing, its representatives have not requested assistance to date, but staff is ready to assist when they are ready.

In response to Council Member Nakanishi, Mr. Schwabauer stated that the City purchases power from Lodi Electric Utility at the same rate as any other entity to power White Slough. Ms. Kirkley confirmed that White Slough falls under the Industrial rate schedule.

C. Comments by Public on Non-Agenda Items

Myrna Wetzel stated she was pleased to see the senior housing project commence on Tienda Drive, adding that it has taken many years to get to this point.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:07 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk