

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, MAY 12, 2015**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, May 12, 2015, commencing at 7:00 a.m.

Present: Council Member Kuehne, Council Member Nakanishi, and Mayor Johnson

Absent: Council Member Mounce, and Mayor Pro Tempore Chandler

Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

B. Topic(s)

B-1 Receive Presentation Regarding Fiscal Year 2015/16 Budget (CM)

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding the Fiscal Year 2015/16 budget. Specific topics of discussion included utility funds; electric utility overview, revenue, expenses, positions recommended, capital projects, and reserves; water utility overview, revenue, expenses, capital projects, and reserves; and wastewater utility overview, revenue, expenses, positions recommended, capital projects, and reserves.

Mayor Johnson requested staff provide Council with information regarding the impact of solar energy on revenues and infrastructure, where the issue is heading, and what liability the City may have.

In response to Council Member Nakanishi, Electric Utility Director Elizabeth Kirkley stated that applicants for the Lineworker apprenticeship program are typically recruited from the linemen's college, which is a 12-week course, and many of the students attend directly out of high school. Ms. Kirkley stated the college has a website regarding the program; staff reaches out to local middle school students; the salary for an apprentice is roughly \$90,000; and applicants should not fear heights and should be in good physical condition.

In response to Mayor Johnson, Ms. Kirkley stated there are a number of journey level lineworkers who will be retiring in the near future, which will create promotional opportunities for the apprentice level lineworkers. She stated the apprenticeship program is four years. City Manager Schwabauer added that staff is exploring options to require those in the apprenticeship program to remain with the City for a period of time to address the training commitment.

In response to Council Member Nakanishi, Mr. Schwabauer stated that lineworkers have a dangerous job and the City has a low workers compensation experience with that employee classification.

Ms. Kirkley announced that Lodi's lineworkers will be competing at the lineman's rodeo this Saturday in Sacramento beginning at 7:30 a.m.

In response to Council Member Nakanishi, Ms. Kirkley stated that Killelea Substation is located on Cherokee Lane near Victor Road and has two transformer banks. In further response, Electric Utility Rate Analyst Kevin Bell stated the substation was named after a former Electric Utility Director.

In response to Council Member Kuehne, Mr. Ayers confirmed that the Electric Utility reserve level falls short of the goal; however, it is a fluctuating target that is based annually on the budget. As the year progresses, the rate model is set accordingly and the reserve target will be reached

through rate adjustments and expense containment. Mr. Schwabauer added that the current rate model extends for a number of years and it is expected that the reserve will dip slightly as capital maintenance projects are completed but will climb back up following the rate model. Mr. Ayers pointed out that the figure fluctuates as well due to the debt service payment that is set aside on June 30 for the July 1 payment.

In response to Council Member Kuehne, Mr. Ayers stated the City has a contract with Woodbridge Irrigation District (WID) for the purchase of water, which includes an escalator. In further response, Public Works Director Wally Sandelin confirmed that the City is utilizing all of the water that WID sells to the City. Council Member Kuehne questioned if the City was utilizing the water provided for under the agreement with North San Joaquin Water District, to which Mr. Schwabauer responded that the City is not paying for or receiving water because the agreement was contingent upon the amount of water allocated to North San Joaquin, which was none last year. He stated that North San Joaquin can receive an allocation of 20,000 acre feet per year; however, in a dry year it will receive zero.

In response to Mayor Johnson, Mr. Schwabauer stated that the price for water from North San Joaquin is \$100 per acre feet; and in response to Council Member Kuehne, Mr. Schwabauer stated the price for WID water is \$200 per acre feet. In further response, Mr. Schwabauer stated that the contract with WID is for 40 years and the City could request a lower price, but he believed WID's price for water is relatively low. He explained the discrepancy between the two prices, stating that North San Joaquin struggled for many years to raise its rates for pumping groundwater, which it is obligated to replenish, but because of poor political fallout and lawsuits, it was unable to raise the money necessary to build new and replacement infrastructure. The City viewed this agreement with North San Joaquin as an opportunity to partner together to raise money for its projects and infrastructure as long as the City was not paying more than its current cost to pump groundwater, which is \$100 an acre foot. In addition to the financial benefits for North San Joaquin, the water remains in the basin and is not discharged into the Delta.

In response to Mayor Johnson, Mr. Sandelin stated that the PCE/TCE project expands the groundwater extraction and treatment program by moving the location to the intersection of Tokay and Church Streets.

In response to Council Member Nakanishi, Mr. Sandelin stated that the neighborhood noise complaints regarding the extraction system were resolved by shutting off the blower operations in the evening and running it only during the day. Mr. Schwabauer added that a muffler was also installed on the system.

In response to Council Member Nakanishi, Mr. Ayers stated that reduced water usage will affect both water and wastewater revenue because there are fixed costs that the City must cover, adding it may be necessary to increase rates. Mr. Schwabauer stated that a 36 percent reduction in water usage would roughly equate to a 36 percent decrease in revenue. He stated staff intends to meet with the rate consultants to stay on top of this issue, as well as the issue of tiered rates. In further response, Mr. Schwabauer stated that the incentive to citizens for continuing to conserve water in light of potential rate increases is that they could be faced with further penalties for failing to conserve.

Mayor Johnson suggested a future Council discussion to further explore this issue and its affect on electric, water, and wastewater, adding that the drought will eventually end, but the solar issue will continue. Mr. Schwabauer stated he would return to Council with options following his discussion with the rate consultants.

In response to Council Member Kuehne, Mr. Schwabauer stated that the Governor's mandate to reduce water by 36 percent is not added onto the current regulation that municipalities reduce water by 20 percent by 2020.

At the request of Council Member Nakanishi, Mr. Sandelin stated he would provide Council with the phone numbers for reporting water leaks and water waste during business hours, as well as after hours and on weekends.

In response to Mayor Johnson, Mr. Ayers stated that the Tyler system is currently running the financial system, Human Resources functions, and payroll, adding that the business and animal licenses modules are scheduled to go live in August or September; the utility billing system will start in early December; and the fleet services system will be functional in January of next year. In further response, Mr. Schwabauer confirmed that, from the beginning, this was intended to be a phased-in implementation, it is on schedule, there were minor issues along the way, and staff is pleased with the payroll implementation. He added it is critical that the utility billing function be implemented smoothly and without glitches.

B-2 Third Quarter Fiscal Year 2014/15 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

Public Works Director Wally Sandelin provided a PowerPoint presentation regarding the third quarter update on the water and wastewater utilities. 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 fund cash balances, bad debt write off, and water/wastewater utility activities.

City Manager Schwabauer stated there are growing reserves in the water and wastewater utilities because the long-term plan is to retire debt early, which would reduce the City's cost exposure on a long-term basis. He stated this plan may need to factor in issues associated with the drought.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the third quarter update on the electric utility. Specific topics of discussion included electric fund cash flow summary, reserve policy, cash balances, power sales, energy cost adjustment revenue, operating results, power supply costs, bad debt write off, and load coverage.

In response to Council Member Nakanishi, Ms. Kirkley stated the drought will have an effect on the City's hydro power and the Lodi Energy Center will be used to make up the deficit. Mr. Schwabauer added that the City will need to purchase more expensive power than hydro and it also has exposure because of sales contracts for hydro power that the City may not be able to deliver, as well as water release obligations with the State Department of Fish and Game. Ms. Kirkley confirmed that rates may be impacted, depending on the City's portfolio.

In response to Myrna Wetzel, Mr. Sandelin stated the City has three part-time water conservation officers who patrol city-wide. The scheduled shifts will be changing to include patrol hours at night, as well as during the day, to better identify water waste.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:52 a.m.

ATTEST:

Jennifer M. Ferraiolo  
City Clerk