

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JULY 20, 2010**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, July 20, 2010, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Hitchcock, and Mayor Katzakian

Absent: None

Also Present: Interim City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Presentation Updating Status of PCE/TCE Cleanup Program, Proposed Wastewater and Water Rates, Status of Water Meter Program, and Status of Surface Water Treatment Plant Facility (PW)

Interim City Manager Bartlam briefly introduced the subject matter of water and wastewater related topics.

Consultant Phil Smith from Treadwell and Rollo provided a PowerPoint presentation regarding the status of groundwater remediation program. Specific topics of discussion included an overview of the five plumes, responsibility toward four of the five plumes, Central Plume, South Central/Western Plume, Southern Plume, and the Northern Plume.

In response to Council Member Johnson, Mr. Smith stated they are not as far along with the Northern Plume as the other plumes and there may be some natural progression with the contamination. Mr. Smith stated they do not yet have the summary document showing data and statistics for the Northern Plume argument to the Regional Board.

In response to Mayor Pro Tempore Hitchcock, Mr. Smith stated the additional work to be voted upon tomorrow includes the information needed to build and present a case for the Regional Board.

In response to Council Member Hansen, Mr. Smith stated that, while he is not sure of what Lustre-Cal is doing right now, it is planning on doing some soil evaporation and similar remedial work.

In response to Council Member Hansen, Mr. Smith stated one meeting was conducted with Lustre-Cal and it did not appear to have much information to do the work on site. City Attorney Schwabauer stated Lustre-Cal can continue doing incremental work for as long as the State will allow.

In response to Council Member Johnson, Mr. Smith stated the \$20 million savings will be realized through the time that has lapsed since the original diagnosis of the situation, the information that has come to light since then allowing for other means of remediation than originally thought, the State Board's realization of what can be reasonably required, and the actual savings from the active remediation and capital costs.

In response to Council Member Johnson, Mr. Schwabauer stated the original cost of clean-up

was based on an estimate of the information known at that time and the State appears to be more reasonable and may even allow watching the data for some time from the wells.

In response to Council Member Johnson, Mr. Schwabauer stated that, even if the City did obtain an order, the order would not necessarily state when our efforts would be complete and the order could change in the future.

In response to Mayor Pro Tempore Hitchcock, Mr. Smith stated each water board works a little differently depending upon the geographical area and remediation orders are different as well.

In response to Council Member Hansen, Mr. Smith stated many cities have groundwater contamination concerns and the approach of each may be different based on effects on drinking water.

In response to Council Member Hansen, Mr. Smith stated contamination below 200 feet in the Southern Plume is not expected, although they have not gone down that deep. Mr. Smith stated the Central Plume has an extensive monitoring system near 200 feet.

In response to Council Member Johnson, Mr. Smith stated Lustre-Cal is responsible for soil remediation, the City is responsible for groundwater remediation, and while the City can proceed separately the source area could affect the City's efforts as well.

In response to Mayor Katzakian, Mr. Smith stated Lustre-Cal is responsible for answering to the same State Board agency as the City.

In response to Council Member Hansen, Public Works Director Wally Sandelin stated the drinking water is safe and the City will continue to monitor the situation well into the future.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated new wells are also a possibility to ensure safe drinking water into the future.

Mr. Sandelin provided a PowerPoint presentation regarding the PCE/TCE status report. Specific topics of discussion included PCE/TCE workplan, water and wastewater rates and utility financial models, surface water treatment facility, water meter program, rate comparisons, superior water quality, Delta protection, recharge being slow, Stockton benefits, recharge versus direct use costs, timing issues, schedule, project budget, current activities, and Phase 1 of construction.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the 50/50 split between fixed and usage components is common among cities.

Council Member Mounce and Mayor Pro Tempore Hitchcock requested a list of other communities that have similar and differing rate models for Wednesday night's Council meeting.

In response to Council Member Hansen, Mr. Sandelin stated staff will be asking the Council to consider a 25% reserve policy based on the standard of practice in other communities.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the revenues from separate charges have all rolled into operations and a \$2 million annual infrastructure program was established.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin confirmed the State law requirement for 30/70 may be five to six years out, metering needs to be done first, and there is some discussion about a conceptual plan, although there is not a specific deadline set by the State for implementation of the 30/70 split.

In response to Council Member Johnson, Mr. Sandelin explained that there may be some changes in demand characteristics and it is important to understand what those are before the 30/70 split transition happens.

In response to Council Member Mounce, Mr. Sandelin stated the rates are designed to meet the utility costs and reserve policy needs.

In response to Council Member Hansen, Mr. Sandelin stated the utilities operate on a revenue neutral basis.

In response to Council Member Mounce, Mr. Sandelin stated the rates are adjusted on an ongoing basis to ensure the City is not generating revenue since the utility must be revenue neutral.

In response to Council Member Hansen, Mr. Sandelin stated a vacant rate would include the cost of keeping the service available to the property.

In response to Myrna Wetzel, Mr. Sandelin confirmed there is no program where a vacant property would not pay anything.

In response to Council Member Mounce, Mr. Sandelin confirmed the tenth of a cent charge per gallon as proposed and illustrated on the chart.

In response to Council Member Hansen, Mr. Sandelin stated an average person uses 220 gallons per day and therefore a six person home could easily use 1,000 gallons per day.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the proposed model diverts all PCE/TCE to a single revenue line from which funds will be directed to various activities and programs such as operations and clean-up as necessary. Mr. Sandelin stated this will allow the City to better monitor and track the expenses.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated currently \$2.6 million is collected annually for PCE/TCE, there is \$15 million total collected, settlement funds can only be used for certain activities, and the water fund could go toward a variety of activities.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the rate increase is intended to keep up with inflation and operating costs and does not include PCE/TCE monitoring.

In response to Council Member Mounce, Mr. Sandelin stated the base and usage rate cost comparisons are based on existing rates and not proposed metered rates.

In response to Council Member Hansen, Mr. Sandelin stated the metering information will be sent out to the public in August and will be available on the City website as well.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the \$15 million will not go very far even if the PCE/TCE original clean-up cost estimate of \$70 million is reduced to \$50 million. He stated staff will look at restructuring options if the costs are reduced to \$20 million.

A brief discussion ensued among City Council regarding the proposed rates and clean-up estimates.

In response to Council Member Hansen, Mr. Sandelin stated staff is working with a 30-year debt structure model although it could be retired sooner.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:30 a.m.

ATTEST:

Randi Johl
City Clerk