

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, AUGUST 23, 2016**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, August 23, 2016, commencing at 7:05 a.m.

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

Absent: None

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

B. Topic(s)

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

Utilities Superintendent Lance Roberts provided a PowerPoint presentation on Water/Wastewater quarterly update. Specific topics 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.

In response to Council Member Johnson, Mr. Roberts stated that the corrosion repair project is to repair the concrete with a coating because it degrades over time due to the harsh environment.

In response to Mayor Pro Tempore Kuehne, Deputy City Manager Jordan Ayers stated that the collection on bad debts is handled both internally and externally: staff handles the internal collection process with three attempts at collection over a 90-day period; if unsuccessful, the account is turned over to an outside collection agency. Mr. Ayers stated the City gets 15 to 20 cents on the dollar for the collection agency, which is typical. Further, Mr. Ayers stated that collection guidelines and state law requires that, if a customer returns for service, they are required to pay the full past-due amount or make payment terms before starting up new service. The collection agency charges penalties, but the City does not; it collects the principle amount and the 30 percent collection fee to which the collection agency is entitled.

Rates & Resources Manager Melissa Price provided a PowerPoint presentation on Electric Utility Department quarterly update. Specific topics of discussion included Electric Utility (EU) Fund cash flow summary, EU reserve policy, EU funds cash balances, power sales, energy cost adjustment (ECA) revenue, EU Fund operating results, power supply costs, bad debt write off, and load coverage.

In response to Council Member Johnson, Business Development Manager Adam Brucker responded that staff will return to Council for authority to add additional funding for the Direct Install and Energy Audit Programs as the entire \$200,000 budget has been exhausted. In addition, a new program will be proposed, similar to a past offering, that would provide licensed contractors to perform complete evaluations of customers' homes and recommend and implement measures should customers be interested. The program will likely have a significant cost, and staff is currently researching programs from other utilities. Staff will also be proposing recommendations to reach out to more customers, especially those with older homes that need weatherization and other upgrades to make their homes more efficient. The difficulty lies with rental properties because the typical renter is not interested in making improvements to a residence they do not own and there is reluctance on the part of the property owner to make the

investment in these properties because they do not pay the utility bill. In response to Council Member Johnson, Mr. Brucker stated he would research the percentage of rentals that make up the target market. Council Member Johnson questioned how the issue of rental properties and the lack of interest on the part of the tenant and property owner to make improvements can be addressed successfully, adding that perhaps it would be prudent to switch focus to another area. Mr. Brucker stated that some communities have made attempts with this customer base by completely funding improvements because rebate programs still require an investment on the part of the tenant and/or property owner.

Council Member Mounce believed that property owners being told the value of their home will increase and that they will receive a rebate is a selling point.

In response to Council Member Nakanishi, Mr. Brucker confirmed that the total public benefits fund is \$1.8 million, and Ms. Price stated the \$600,000 shown is the cash balance. Mr. Brucker pointed out that the solar rebate program is operated on a calendar year basis and the funds are allocated at the beginning of the year; however, the dollars are budgeted on a fiscal year basis. The desire is to have a significant balance to carry forward projects as they occur. Further, Mr. Brucker stated that next year is the last year of the ten-year solar rebate program unless the Legislature decides to continue the program. There has been little discussion in the Legislature on the solar rebate program and greater discussion relating to net metering and 2.0 legislation. Ms. Price stated she would not be surprised if the solar surcharge issue pops up again in the near future. Mr. Brucker stated staff will return in October to discuss the solar rebate program, how the waiting list worked out this year, and what position the City will be in next year with the program.

In response to Council Member Nakanishi, Ms. Price stated the amount collected from the ECA is a rolling calculation and could never be a "zero" figure. City Manager Schwabauer further explained that the ECA is a calculation of what staff projects power will cost over the year and any spikes in the amount are calculated back into the rate on a monthly basis, whether it is an increase or decrease. On average over the course of a year, the ECA is typically a plus amount on the bill. Further, Mr. Schwabauer responded that the reserve amount was established by Council policy, which states the City should have 90 days reserve on hand, but he stated it is slightly higher because capital projects have been delayed due to staffing issues.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation on EU's activities.

In response to Council Member Johnson, Ms. Kirkley stated she will research and provide Council with information on the status of the underground wiring project on Timberlake Circle.

In response to Mayor Pro Tempore Kuehne, Ms. Kirkley stated EU has three vacant lineworker positions, and Mr. Ayers stated that salary and benefits for a lineworker is \$160,000 to \$180,000. Ms. Kirkley stated there are also vacant positions for the senior electrical engineering technician and apprentices, and those salary ranges, with benefits, are slightly below the lineworker positions. Mr. Schwabauer pointed out that Slide 7 of the PowerPoint references a \$600,000 savings in salaries.

In response to Council Member Nakanishi, Ms. Kirkley stated that current law requires utilities be at a 50 percent renewable energy level by 2030 and staff is working to add additional renewables to meet the requirement.

In response to Mayor Pro Tempore Kuehne, Ms. Kirkley stated Lodi is currently at a 21 percent renewable energy level.

Council Member Nakanishi questioned if staff can anticipate how much electricity will cost at that time, to which Ms. Kirkley responded that current solar prices have dipped to just under 40 megawatts an hour, however, there is no way to estimate if the cost will continue to decrease into the future or plateau.

Myrna Wetzel expressed opposition to the Legislature continuing the solar rebate program because it is unfair to require people who cannot afford to purchase solar systems to subsidize

those who can.

Mike Lusk questioned if the corrosion repair was for White Slough and the tanks or if it included the supply line from Lodi to White Slough, to which Mr. Schwabauer responded that the repairs were to the channels that carry the primary and secondary waste at the White Slough plant. In further response, Mr. Schwabauer stated that the City is not currently providing secondary recycled water supply lines back to the City because it is an expensive project; however, the City is requiring new developments to install purple pipe in its infrastructure to accommodate recycled water in the future if the City moves in that direction. Mr. Lusk questioned if older homes are required to bring standards up to current code levels when making energy efficiency improvements such as replacing old wiring. Mr. Schwabauer replied in the affirmative, adding that this is part of the problem in making older homes more energy efficient because the cost to completely replace wiring or insulation can be too significant for some homeowners.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:49 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk