

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, SEPTEMBER 16, 2014**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, September 16, 2014, commencing at 7:10 a.m.

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

Absent: Council Member Mounce

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

B. Topic(s)

B-1 Fourth Quarter Fiscal Year 2013/14 Water, Wastewater and Electric Utility Department Financial Reports (CM)

Public Works Director Wally Sandelin provided a PowerPoint presentation regarding the fourth quarter fiscal year 2013/14 water and wastewater financial reports. Specific topics of discussion included cash flow summary, operating results, and cash balances for the wastewater and water funds, bad debt write-off, and activities for the water and wastewater utility.

In response to Mayor Pro Tempore Hansen, Mr. Sandelin stated that, in the wastewater utility, all of the new pipeline has been installed and the old pipelines have been relined; staff will continue to monitor the older pipelines; and \$1 million in new pipeline will be constructed with the new subdivisions in addition to replacing any old pipeline. In further response, Mr. Sandelin stated that the projected lifespan of the new pipeline is 75 years and the relined pipelines should last for another 50 years.

In response to Council Member Nakanishi, Mr. Sandelin stated that the City replaces approximately 10 percent of pipeline annually and the project should be complete in a year, which is due primarily to Council's action ten years ago to implement an infrastructure replacement program.

Mr. Sandelin reported that the fourth phase of the Water Meter Program was recently completed and, due to the fact that the seventh and final phase was significant and had too much of an impact on the City and residents, the program has been extended to an eight-year project, with the last phase to be completed in 2018. Further, with the completion of Phase 4, the City has installed 12,500 residential meters, leaving only 3,500 meters remaining to be installed over the final four phases.

In response to Mayor Pro Tempore Hansen, Mr. Sandelin stated that, in response to the Lodi News-Sentinel article about the City's water usage, staff is reviewing the data to assess why the State reported a 9 percent increase. Staff believes the increase could be related to the escalation in commercial and manufacturing businesses in town. He reported that, over the last five months, residential water use is down 16 percent and that commercial water use is down 7 percent based on data collected for fiscal years 2013 and 2014. In further response, Mr. Sandelin stated that the City is in a decent position because of the surface water treatment plant, especially in light of new legislation regarding groundwater usage monitoring.

In response to Council Member Johnson, Mr. Sandelin stated that, at the City Manager's

direction, he is preparing a letter to the editor to further explain Lodi's water usage and why the data revealed a 9 percent increase. City Manager Schwabauer stated that in 2013 there was little to no construction in Lodi; however, with the increase in commercial and manufacturing businesses, the City water trucks have been put to significant use, which could account for the 9 percent increase.

In response to Mayor Katzakian, Mr. Sandelin and Mr. Schwabauer explained that the City currently has \$15 million in an account for PCE/TCE and, with the \$19 million that will be spent over the next 30 years, the City should have enough money based on present value calculations. There are two sources of funding for PCE/TCE: a) settlement funds, which will be spent first as there was no determination made in the settlement agreement on what to do if there were excess funds; and b) revenue from rates, which could be spent on capital, infrastructure, or reduction in rates, if there are any left-over funds.

In response to Mayor Pro Tempore Hansen, Mr. Schwabauer provided updates on the Lustre-Cal and Central Plume PCE/TCE sites, stating that monitoring of the sites will continue for 30 years and is part of the \$19 million cost assumption.

Council Member Johnson questioned whether the City should limit or stop development in light of the impact on the City water trucks, the current drought situation, and the State's stance on surface water rights, to which Mr. Sandelin responded he would give some consideration to the idea.

In response to Council Member Nakanishi, Mr. Sandelin stated that recycled water could be used on water trucks for dust control; however, there would be an expense associated with that option.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the fourth quarter fiscal year 2013/14 electric utility financial report. Specific topics of discussion included cash flow summary, reserve policy, cash balances, power sales, energy cost adjustment (ECA) revenue, operating results, power supply costs, billing statistics, bad debt write-off, load coverage, and activities.

In response to Council Member Nakanishi, Ms. Kirkley stated that the transmission cost is based upon what the Northern California Power Agency (NCPA) anticipates it will be charged by the California Independent Service Operator (CalISO). Mayor Pro Tempore Hansen added that CalISO adjusts its rate quite often, making it difficult to pin down.

In response to Mayor Katzakian, Ms. Kirkley stated that the ECA is adjusted in accordance with power costs and usage, and Mr. Schwabauer added that the ECA does not cover expenses associated with maintenance of the electric system.

Mayor Pro Tempore Hansen stated that Council made an important decision years ago to deal with the water and wastewater reserves and infrastructure, which is the reason for the healthy condition of those funds today, and now is the time to address electric so it, too, can become a healthy utility within the next ten years.

Council Member Johnson commended Deputy City Manager Jordan Ayers for recent policy changes that have contributed significantly to reducing the bad debt write-off.

In response to Council Member Nakanishi, Mr. Ayers stated he would provide information on where other communities stand with their bad debt write-off, but he believed most cities were higher than Lodi. Ms. Kirkley recognized Electric Utility's field service staff who actively monitor theft against the power system.

In response to Council Member Johnson, Ms. Kirkley stated that, by reviewing market conditions, the City makes every attempt to avoid purchasing too much power or buying at high prices. She stated there are moving targets and a complex set of data to consider when purchasing power, such as energy load predictions and prices. Mr. Schwabauer stated that the City is currently looking at purchasing power for future loads and that the matrix regarding load coverage is consistent with City practice. Mayor Pro Tempore Hansen added that the next quarterly report to Council will show a close in the gap for 2015 because the City's Risk Oversight Committee had a meeting to begin the process for the next power procurement.

In response to Council Member Nakanishi, Ms. Kirkley stated that details on how an agency, such as the City of Lodi or Pacific Gas & Electric (PG&E), procures its power is confidential; however, agencies can be compared against one another based on rates, and Lodi's rates are lower than PG&E's.

In response to Mayor Pro Tempore Hansen, Mr. Schwabauer concurred that Lodi has made significant strides in lowering its electric rates and it is now in the middle range of comparable agencies. There are communities who are much lower than Lodi because they have free power from hydro sources; however, those cities may have difficulty during times of drought and they may have trouble meeting the 30 percent renewable portfolio, particularly if that percentage increases to 50 percent.

In response to Council Member Nakanishi, Electric Operations Superintendent Charles Berry stated that Lodi's salaries for certain electric utility positions are now competitive with neighboring communities.

In response to Mayor Pro Tempore Hansen, Ms. Kirkley stated that, under distribution system capacity and maintenance functions, staff looks at sections on the power system that may be heavily loaded or have a low rating, which can be corrected during minor upgrades or by shifting loads. Low-cost solutions are implemented as the first step, and, should those solutions no longer be viable, the next step would be to build a new feeder. Once all substations are full with feeders, the ultimate step would be to build a new substation, which is still down the road for Lodi.

C. Comments by Public on Non-Agenda Items

Myrna Wetzel expressed her support for locating a Delta College satellite campus in Lodi versus Galt, based on the time, money, and effort already spent to date on this endeavor and that a Lodi location is best suited to meet the needs of students from this area.

Council Member Johnson assured Ms. Wetzel that there is a group in the community actively working to make this a reality and that it will continue to meet with the Delta College president, board of directors, and its consultant.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:00 a.m.

ATTEST:

Jennifer M. Robison  
City Clerk