

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, OCTOBER 20, 2015**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, October 20, 2015, commencing at 7:00 a.m.

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

Absent: Mayor Pro Tempore Chandler

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

NOTE: Council Member Kuehne arrived at 7:02 a.m.

NOTE: Council Member Nakanishi left at 8:10 a.m.

B. Topic(s)

B-1 Fourth Quarter Fiscal Year 2014/15 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the fiscal year 2014/15 fourth quarter electric utility update. Specific topics of discussion included electric utility fund cash flow summary, reserve policy, cash balances, power sales, energy cost adjustment (ECA) revenue, operating results, power supply costs, bad debt write off, load coverage, and activities.

Mayor Johnson questioned if the \$13 million in the operating reserve was closing in on the target of \$17 million, to which Ms. Kirkley responded that, if the Utility maintains its current plan and based on the financial forecast, it will reach the target over time.

In response to Council Member Mounce, Ms. Kirkley confirmed that the Northern California Power Agency (NCPA) operating reserve is \$1.3 million over the target amount; however, she stated some of the funding is targeted for other purposes. Council Member Mounce stated that the overage amount should go into the City's operating reserve and that she is uncomfortable with NCPA holding more of Lodi's money than it should. Ms. Kirkley pointed out that the City receives interest on those funds, and Deputy City Manager Jordan Ayers likened it to an investment account because NCPA generates greater interest than the City would receive at a banking institution.

In response to Mayor Johnson, Ms. Kirkley confirmed that \$3.5 million was transferred in the current budget from the public benefit fund into the operating account, which will be included in the next quarterly update, leaving \$1 million in the public benefit fund.

In response to Council Member Mounce, Mr. Ayers confirmed that \$1.2 million was collected in penalty revenue associated with late utility bills. He pointed out that those charges apply to the total bill and are not given to a specific utility.

In response to Council Member Mounce, Ms. Kirkley confirmed that the energy audit program is available to all utility customers, regardless if they are renters or homeowners.

In response to Mayor Johnson, City Manager Schwabauer stated that costs associated with emergency assistance provided by the City to NCPA is reimbursed to the City, similar to the Fire Department's mutual aid agreement.

In response to Council Member Mounce, Ms. Kirkley stated that the collected meter data is used in engineering studies to review feeders and transformers on the system to determine if they are overloaded, underloaded, or need replacement.

In response to Mayor Johnson, Ms. Kirkley stated that staff is not experiencing any recruitment difficulties for the current openings, adding that many of the applicants are internal.

Public Works Director Wally Sandelin provided a PowerPoint presentation regarding the fiscal year 2014/15 fourth quarter water and wastewater utility update. Specific topics of discussion included cash flow summary, operating results, cash balances, and cash flow summary for wastewater; operating results and cash balances for water; bad debt write off; and water/wastewater utility activities.

In response to Mayor Johnson, Mr. Schwabauer stated that a majority of the Central Valley cities received letters from the State stating they did not meet the water conservation targets, and he believed that, as long as the State meets its overall goal, it is likely there will be no consequences imposed. Mayor Johnson questioned how Lodi can put a positive spin on conservation when the local press is reporting that cities like Lodi and Ripon are not meeting the goals. Mr. Sandelin responded that staff has increased its enforcement efforts and issuance of fines and published a press release on the matter. Staff will also bring an item to Council next month to restructure the fee schedule for water waste offenders. Mr. Sandelin stated that Council can also consider moving to a higher water emergency stage by decreasing watering days from two times to one time per week; however, he recommended maintaining the current level and continuing to assess the results.

In response to Council Member Mounce, Mr. Sandelin explained that the category of "other" includes costs associated with Public Works assisting other departments with projects or private citizens with repairs, which is charged back to the Department.

Council Member Kuehne questioned the increase in the Public Works budget from fiscal year 2012/13 to 2015/16, and staff replied that it would look into the matter and report back to Council.

Council Member Mounce pointed out that the bad debt write off for the three utilities appears to total \$240,000, yet the City collected \$1.2 million in finance and late charges. She believed the City should not make money from the penalties and suggested they should be softened. Mr. Ayers stated that the total bad debt for fiscal year 2014/15 was \$321,000, which also includes bad debt associated with other services including refuse, and that the \$1.2 million in late fees is for late payments and has no correlation to bad debt write off. The revenue stream for late fees was not intended to cover bad debt. Council Member Mounce expressed her opposition to putting the revenue from late fees into the general fund, rather than back into the utility, and reiterated that the penalties should be reduced and the billing cycle timeline be revisited. Mr. Ayers stated that the concept of current late charges and billing timeline will come before Council at a Shirtsleeve Session in the next few weeks.

In response to Council Member Nakanishi, Mr. Ayers stated he would provide Council with information on how many businesses are assessed late penalties.

Council Member Kuehne requested that, when Council-approved projects are completed, a photograph of the final product be provided to Council. Mr. Schwabauer replied in the affirmative, stating that completed construction projects routinely go before Council for acceptance and he will ensure a photograph is attached to the staff report.

#### B-2 Receive Follow Up Information on the Sustainable Groundwater Management Act (PW)

Deputy Public Works Director Charlie Swimley provided a PowerPoint presentation regarding Sustainable Groundwater Management Act (SGMA). Specific topics of discussion included SGMA follow up from previous meeting, basin identification and boundaries, SGMA timeline, Groundwater Sustainability Agency (GSA) formation, options for GSA formations, GSA formation

process, GSA estimated cost, general Groundwater Sustainability Plan (GSP) scope, and GSP estimated cost. Mr. Swimley informed Council that Woodbridge Irrigation District (WID) Board is holding a meeting at 10 a.m. today with its members and farmers in the district to discuss the matter and which direction the District should move.

Mayor Johnson expressed concern that those behind this effort seem unsure of the end result and suggested the City wait until the ultimate foundation is settled, particularly if the final target continues to evolve and change.

Council Member Kuehne stated he believed the preferable option is to form a joint powers agreement with the entire area, over an independent GSA, because there is strength in numbers and it would cover the entire San Joaquin basin. Mr. Swimley responded that Lodi has put forth a tremendous effort to achieve sustainability in its jurisdiction by investing \$15 million and the City should do all it can to protect that investment. An independent GSA would provide Lodi with autonomy; however, he stated it is unclear if Lodi can ultimately form its own agency because of overlapping districts. Mr. Schwabauer added that Lodi has 5,000 to 6,000 acre feet of surplus water that is sustainable and if Lodi were to join an agency with 10 to 15 other entities that are not sustainable, they could out vote Lodi and take the water to make others sustainable. Lodi forming its own GSA would force other agencies to be sustainable on their own without taking Lodi's water from the basin.

Council Member Mounce stated she believed Lodi must fiercely protect its water because other agencies may not work in partnership once water become a precious commodity. She stated that she does not want a group with no accountability to this community to make decisions for Lodi, particularly since GSAs have a significant amount of power, including assessment of fees and the ability to acquire property. Mr. Schwabauer added that GSAs can also force cities to shut down their pumps, which is a tremendous power to give to another agency.

In response to Mayor Johnson, Mr. Swimley stated that North San Joaquin Water Conservation District (NSJWCD) has taken a position to wait and see what happens with other entities, especially since Stockton East formed a GSA which will force overlapping agencies to make a move. He stated he believed WID would be a positive partner for Lodi, but it is unclear at the moment what the WID membership will do. Mr. Schwabauer stated that he believed NSJWCD will likely not oppose Lodi forming an independent GSA, but WID may be a tougher player, although the overlapping land is minimal.

Council Member Nakanishi stated he believed the cost to form an independent GSA will be significantly higher than staff's estimate and that, although he initially believed participation in a Centralized GSA would be more beneficial, an independent GSA would give Lodi the power to operate under its own terms. Council Member Nakanishi reported that a working group is being formalized to explore the possibility of a Centralized GSA and he asked for Council consensus to add Lodi to the list of participants, adding that WID and Stockton already joined. He stated this would not constitute a formal statement, but it would provide valuable information and allow discussion toward a decision on whether to join a larger group or be independent. Mr. Schwabauer reminded Council that it cannot provide such direction at a Shirtsleeve Session.

Council Member Nakanishi stated he believed this State law forces cities to spend a significant amount of money without receiving any additional needed water and that doing this alone is more costly than having a Centralized GSA.

Council Member Mounce stated the sole accomplishment of this law is the power to control water by imposing taxes, regulating water, and allowing for eminent domain and she does not want Lodi to give up that authority.

In response to Mayor Johnson, Council Member Nakanishi stated he would consent to the course that Lodi form an independent GSA, which seems to be the recommendation of staff and Council Member Mounce, but asked that he be permitted to join the County's study group to explore the possibility of a Centralized GSA. Council Member Mounce stated she was not opposed to joining the study group so long as it does not commit Lodi to anything other than a discussion on the

matter. Council Member Kuehne stated he would prefer that Lodi partner with as many worthy partners as it can, such as WID. Council Member Mounce stated that Lodi may ultimately be forced to bring on additional partners, but throughout the process, Lodi must ensure it has the majority vote among the entities in the group. Mayor Johnson stated his preference is to form an independent GSA and that, if the City is forced to increase the size of the GSA, it be limited to the immediate neighbors only, i.e. WID and NSJWCD.

Myrna Wetzel stated that she attended a meeting with Assemblymember Cooper regarding the twin tunnels project and he reported that Northern California is against the tunnels, while Southern California is in favor of the project and they have the greater number of votes.

C. Comments by Public on Non-Agenda Items

Council Member Mounce referenced an e-mail that Council received regarding the City's tree policy and the number of trees being cut down on Church Street. She requested staff research the policy and provide the information to Council and the citizen who questioned the matter.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:12 a.m.

ATTEST:

Jennifer M. Ferraiolo  
City Clerk