

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, NOVEMBER 18, 2014**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 18, 2014, commencing at 7:03 a.m.

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

Absent: Council Member Johnson

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

B. Topic(s)

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

Deputy Public Works Director Charlie Swimley provided a PowerPoint presentation regarding the first quarter fiscal year 2014/15 water and wastewater financial reports. Specific topics of discussion included cash flow summary, operating results, and cash balances for both water and wastewater funds, bad debt write off, and water and wastewater utility activities.

Council Member Mounce asked if there were any factors of the report that may not be clear that Council should be aware of, to which Mr. Swimley responded in the negative, adding that the negative numbers in the report reflect items that do not yet appear in the fiscal year accounting.

In response to Mayor Katzakian, Deputy City Manager Jordan Ayers stated that in the wastewater fund there is a 2004 debt issue that will end in 2024, a 2007 issue that the City would look to potentially refinance that ends in 2037, and a 2012 debt issue that ends in 2024. Mr. Ayers stated that information regarding the City's debt service schedule, as of June 30, 2014, can be viewed on the City's webpage.

Mayor Pro Tempore Hansen suggested that the webpage include a tracking mechanism to report how many visitors view the information, to which Mr. Ayers responded that could be done and handled by in-house staff.

In response to Mayor Katzakian, Mr. Ayers stated that, in the water utility, there is only one debt issuance in 2010 for the surface water treatment plant, which would end in 2024. At the time this debt was structured, there was little value in refinancing the debt as it included a "make whole call" provision. Mr. Ayers reviewed the specifics for the water and wastewater debt services, as reported on the City's website.

In response to Mayor Pro Tempore Hansen, Mr. Swimley confirmed that, if there were another dry year, the City would continue to have ample water supply. City Manager Schwabauer further explained that it would need to be a wet year in order for the City to receive its banked water and the bank does not expire until six to eight years beyond the expiration of the 40-year water agreement. He felt confident that the City would ultimately draw upon its banked water.

In response to Council Member Mounce, Mr. Swimley stated that the Woodbridge Irrigation District (WID) receives some of its water from East Bay Municipal Utilities District (EBMUD).

In response to Mayor Pro Tempore Hansen, Mr. Swimley explained that staff has a process that televises new pipelines in new subdivisions in order to ensure pipes are installed correctly. The

camera system is small, approximately the size of a shoe box, and has tracks, wheels, and a cable that feeds video back to the truck. This is standard maintenance practice and is done before the system can be activated in a new subdivision. This process is similarly used on existing systems to check on conditions.

In response to Mayor Pro Tempore Hansen, Mr. Swimley and Mr. Schwabauer stated that the City discharges water to the river approximately five months out of the year during winter months and for the remaining seven months the water is recycled. This is possible because of the treatment plant and the agreements with the farmers to use recycled water for irrigation purposes.

Council Member Mounce questioned when the City is notified by WID about any upcoming limitations on its water allocation, to which Mr. Swimley responded that he was unsure but would contact WID to inquire about it. Mr. Schwabauer added that, because of EBMUD, winter water is almost always available and with all of the water supply allocations the City is likely pulling over 4,000 acre feet a year.

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

In response to Mayor Pro Tempore Hansen, Ms. Kirkley reported that the department currently has one vacancy that remains to be filled. In further response, Ms. Kirkley stated that the bad debt write off is lower than it typically is, which is attributable to the change in the electric utility billing cycle.

In response to Mayor Pro Tempore Hansen, Ms. Kirkley stated that the 230 kV Interconnection Project is estimated to be operational in 2021/22; however, she was unsure when actual construction would begin. Ms. Kirkley stated that Pacific Gas & Electric now has a project team working on this project, due in large part to efforts by Council Member Johnson.

In response to Council Member Nakanishi, Ms. Kirkley stated that the City did not receive many applications for the current vacant position, primarily because there are few candidates who have the necessary experience and qualifications for this position. She stated that four applicants will be interviewed for the position.

In response to Mayor Katzakian and Mayor Pro Tempore Hansen, Rates and Resources Manager Melissa Cadek stated there is funding available on an annual cycle for commercial solar projects, the funding will begin again in January, and there has been little interest on the commercial side, therefore, the program was made available to residential customers. She added that, due to the significant cost of installing solar energy, many businesses take advantage of less costly energy efficiency projects instead to save money. Ms. Cadek confirmed that solar energy project funding will continue until 2017, and she stated that staff is working on a solar guide book for residential and commercial customers, which staff will begin advertising.

In response to Mayor Pro Tempore Hansen, Mr. Schwabauer stated that Business Development Manager Adam Brucker has assumed the responsibility of working with commercial businesses and, to date, he has met with about half of those customers.

In response to Mayor Pro Tempore Hansen, Ms. Kirkley stated that the designation RP3 (Reliable Public Power Provider) means that a public utility is meeting industry standards and providing consistent reliable power to customers, which is a positive economic development tool.

In response to Mayor Katzakian, Ms. Kirkley stated this designation is for public power agencies and she was unsure which surrounding agencies, if any, did not have this designation.

In response to Mark Chandler, Mr. Ayers stated that once a utility account is closed for non-payment, the City attempts to collect the debt. After a 90-day period, the account is turned over to

a collection agency. The number depicted on the bad debt write off slide represents the percentage of accounts turned over to the collection agency. Mr. Schwabauer added that default of a utility bill is not solely electricity, but also water, wastewater, and refuse.

Council Member Mounce expressed concern that these routine quarterly reports typically indicate that no problems exist in the utility funds; however, the City Council will consider a 5 percent electric utility rate increase at its meeting tomorrow evening, despite there being no indication over the last ten years that the utility was struggling. She believed it was more palatable to implement small, incremental increases each year versus a significant increase that many people cannot absorb into their budgets. She suggested that a greater effort be made to design the quarterly reports to accurately demonstrate the health of the utility and to plan accordingly with reasonable, incremental increases. Further, Ms. Mounce stated that, in a recent article, the California Policy Institute rated Lodi 91 out of 482 California cities as being a financially stressed city. She suggested the City consider utilizing the League of California Cities financial outlook program so that the City can prevent rate increases like the one being presented tomorrow night.

In response, Mr. Schwabauer stated that the water and wastewater utilities built a stepped-in approach with rate increases and each year it reviews the rate model to keep an eye on the health of the funds. Unfortunately, the electric utility did not have such a rate model until Ms. Kirkley brought it forward, and the item on tomorrow's agenda is to begin that program, including an annual review component, to monitor the health of the fund and avoid being in this same position in the future. In regard to the article on the City's economic performance, the California Policy Institute reviewed four factors: status of reserves, receipts, expenditures, and general fund debt and pension obligations. The result of being ranked 91 out of 482 cities equates to a 1 in 500 chance of the City filing bankruptcy. There are a number of other cities that appear to have better financials that, by the group's estimation, would go bankrupt before Lodi. Mr. Schwabauer stated that the City has made significant improvement over the years with regard to reserve amounts, income, and capital improvements, adding that the Institute did not review Lodi with any detail before reporting this ranking of California cities. He further added that staff would take a second look at the League's financial tool, as it appears to have been updated since staff's last review.

Council Member Mounce also suggested that staff look into improving the City's website, to which Mr. Schwabauer responded that this task has already been assigned to Mr. Brucker.

Mayor Katzakian stated that Santa Clara has financial software that is user friendly and not too costly that may adapt well with Lodi's system.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:56 a.m.

ATTEST:

Jennifer M. Robison  
City Clerk