

**CITY OF LODI  
INFORMAL INFORMATIONAL MEETING  
"SHIRTSLEEVE" SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, MARCH 25, 2008**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 25, 2008, commencing at 7:00 a.m.

**A. ROLL CALL**

Present: Council Members – Hitchcock, Hansen, Johnson, Katzakian, and Mayor Mounce

Absent: Council Members – None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

**B. TOPIC(S)**

B-1 "Infrastructure Replacement Account"

City Manager King provided a brief introduction of the infrastructure replacement account.

Public Works Director Richard Prima provided a PowerPoint presentation regarding the infrastructure replacement charges and fund balance. Specific topics of discussion included, but were not limited to, an outline, water services funds, historical background, the problem, the cause, the fix, rate issues, progress, 2001 rate issues, reserves, infrastructure replacement, regulatory and other requirements, operations and maintenance costs, range of revenue requirements, recommendations, and supplemental information.

In response to Mayor Mounce, Mr. Prima stated the erroneous split was not previously discussed because it was sidetracked in light of the PCE/TCE issues and the cash was going to that effort regardless of the split.

In response to Mayor Pro Tempore Hansen, Mr. Prima stated the annual adjustment was done in 2004 in conjunction with the Proposition 218 Notice and was not effective until the following year for both water and wastewater.

In response to Mayor Mounce, Mr. Prima stated the annual amount collected from the relevant line item is \$2.2 million. He stated that staff understood the line item to provide for infrastructure on a broader and more general level.

In response to Mayor Pro Tempore Hansen, Mr. Prima stated from 2000 to the present the maintenance and operation costs have been increasing by approximately six percent per year and rates were raised at only three percent per year.

Discussion ensued between Mayor Pro Tempore Mounce and Mr. Prima regarding spending \$900,000 per year for capital replacement, the possibility of doing a current and future adjustment without retroactivity, the direct application of the \$2.2 million to infrastructure only, and the options associated with raising rates and rebalancing. Mr. King discussed the public policy for having an infrastructure replacement policy to address ongoing maintenance and operations needs, money advanced to PCE/TCE litigation, the ongoing creation of a deficit because the rates do not match the costs, the misinterpretation regarding rate application to infrastructure only, and the options of rate increases or a rebalancing to make up the difference.

In response to Council Member Katzakian, Mr. Prima stated the PCE/TCE costs are separate from the ongoing operations and maintenance costs and the money from the connection fee was included in the wastewater fund. Mr. King reiterated that the one-time payment for Flag City has not yet been received and it is difficult to apply one-time funding to ongoing needs such as operations and maintenance costs.

In response to Mayor Pro Tempore Hansen, Mr. Prima stated that the actual dollars spent on the line replacement are being charged to bond proceeds. He stated the \$6 million goes into the development fee impact fund and payments are made from there. Mr. Prima stated the transfers are used to pay debt service.

In response to Mayor Pro Tempore Hansen, Mr. Prima confirmed that the annual adjustment for Consumer Price Index (CPI) of approximately three percent is not covering the operations and maintenance costs of approximately six to eight percent for water and wastewater. He stated one option may be to increase the operations side only while leaving the capital side alone.

Discussion ensued between Mayor Pro Tempore Hansen and Mr. Prima regarding the understanding of how the line item money was to be distributed, specifics for debt service for water and wastewater, the need to assess how to make up the difference, debt service as a complicating factor, unfunded mandates for sewage treatment plant, PCE/TCE, the lack of multiple line items for other municipalities, and a single infrastructure line that is distributed as necessary.

In response to Council Member Katzakian, Mr. King stated they are looking at rebalancing now and there may be an ability to rebalance away from infrastructure to operations and maintenance. Mr. King stated another option is that the line item goes away and funds are spent generally on infrastructure and operations and maintenance. He also discussed approval of a capital improvement program to fund projects with the annual budget, efforts to avoid rate increases, restricted funds for infrastructure only while addressing operations and maintenance with an increase, or another hybrid approach of the same.

Discussion ensued between Mayor Pro Tempore Hansen and Mr. Prima regarding operations and maintenance cost growth over an extended period of time, the growing costs of materials and supplies, and the theory of CPI to assist in maintaining these increases.

**C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS**

None.

**D. ADJOURNMENT**

No action was taken by the City Council. The meeting was adjourned at 8:03 a.m.

ATTEST:

Randi Johl  
City Clerk