



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Industrial Development Incentive Package
Cherry Products, Inc., 1122 Industrial Way, Lodi

MEETING DATE: June 19, 1996

PREPARED BY: City Manager

RECOMMENDED ACTION: That the City Council review the agenda item as presented at the meeting and take appropriate action.

BACKGROUND INFORMATION: Staff is currently negotiating with a proposed industrial user wishing to relocate at 1122 Industrial Way. The proposed user has made several requests relative to the City's monthly effluent charges and existing excess sewer capacity policy. Staff will be making a presentation and recommendation at this meeting.

FUNDING: Not applicable

Respectfully submitted,

H. Dixon Flynn
City Manager

Prepared by Tony C. Goehring
Economic Development Coordinator

HDF:TD:br

APPROVED: _____

H. Dixon Flynn -- City Manager

CITY COUNCIL

DAVID P. WARNER, Mayor
PHILLIP A. PENNINO
Mayor Pro Tempore
RAY G. DAVENPORT
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CITY OF LODI

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H. DIXON FLYNN
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City Clerk
RANDALL A. HAYS
City Attorney

May 31, 1996

Mr. J. Ernie Podesta, President
CHERRY PRODUCTS, INC.
2097 Beyer Lane
Stockton, CA 95215

RE: CHERRY PRODUCTS, INC. INCENTIVE PACKAGE PROPOSAL

Dear Ernie:

At the last meeting held between representatives of Cherry Products, Inc. and City of Lodi staff, you asked that the City reconsider its policy on industrial transfer of sewer capacity. More specifically, you inferred that relocation to the SBG facility in Lodi was contingent upon your (Cherry Product's) ability to reduce front end costs by selling and/or transferring excess sewer capacity to another industrial user at current market values.

While we certainly appreciate your position on this issue; and the City of Lodi remains committed to competitively posturing itself in the market place, staff is not ready to recommend that wastewater capacity be treated as a commodity to be bought and sold by private parties. Endorsing such a policy would, in our opinion, precipitate a myriad of long term implications -- all of which need to be researched and discussed more thoroughly. Additionally, it is staff's opinion that upon completion of our wastewater rate study that is currently underway, the value of such capacity for your type of industry may be substantially reduced. Assuming this phenomenon to occur, it would be extremely difficult to predict values at this time.

However, in an effort to remain competitive with other municipalities, we feel comfortable in tendering a wastewater rate plan that should be attractive to you. We will recommend to the City Council an incentive package that will include the following provisions:

1. For the first two years, your wastewater rate will be discounted by 75% of the then-current rates. Note that this will also give you the benefit of any future rate reduction should it occur. As indicated in prior discussion, we feel this will be the case for high strength industrial users like Cherry Products, Inc.

For years three and four, you will be given a 50% discount on the then-current rate. The rate will be discounted by 25% in the fifth year. Thereafter, the rate will be consistent with the then-current rate. This rate plan represents an estimated saving over five years totaling \$92,364.87 that is illustrated on the attached sheet.

2. The facility at 1122 Industrial Way will be credited with a total of 570 Sewage Service Units (SSU's) which can be applied to all of your flow, BOD and TSS components as necessary. This allows for approximately 60% growth over your estimate of 11 MG/year.

Moreover, we will allow any remaining portion of the 570 SSU's credit to be applied to any industrial property you purchase in Lodi for expansion of your operation.

3. The agreement will also include a caveat that you will be responsible for any required storm water discharge permits. Moreover, if your firm's discharge is found to be in "significant violation" (per Federal Regulation, MC 13-12.650 attached), the wastewater rate discount will be eliminated for the following calendar year.
4. Electric rates, as previously offered in my letter dated May 7, 1996, will be discounted by 10% on G1 and G2 published rates through December 31, 2001. These schedules are applicable for electric loads under 400 kilowatts. From preliminary information, these schedules appear to be appropriate for your business. However, should you require 400 kilowatts or more, a larger discount would be appropriate, and you would be given the opportunity to revise your electric rate schedule agreement with the City.

Thank you once again, Ernie, for your interest in Lodi. Please consider this proposal a good faith effort on the part of the City of Lodi to accommodate the requests of Cherry Products, Inc.. I trust you will recognize the cost savings provided your firm and I look forward to hearing from you soon. If you have any questions or comments, please do not hesitate to call me at (209) 333-6700.

Sincerely,



Tony C. Goehring
Economic Development Coordinator

TCG:tcg

Attachment

cc: Mahlon Lott, Cherry Products
Dixon Flynn, City Manager
Jack Ronsko, Public Works Director
Richard Prima, City Engineer
Fran Forkas, Water/wastewater Superintendent
Frank Beeler, Assistant Water/wastewater Superintendent

City of Lodi, Public Works Department, Water/Wastewater Division**Cherry Products, Estimate for 1122 Industrial Way****Estimated Annual Wastewater Charges: \$33,587.22**

	% Discount	Discount Rate:	Est. Savings:
Year 1:	75%	\$8,396.81	\$25,190.42
Year 2:	75%	\$8,396.81	\$25,190.42
Year 3:	50%	\$16,793.61	\$16,793.61
Year 4:	50%	\$16,793.61	\$16,793.61
Year 5:	25%	\$25,190.42	<u>\$8,396.81</u>
Total Estimated Savings:			\$92,364.87

CHERRYPR.XLS 5/31/96

LODI MUNICIPAL CODE

13.12

13.12.610

violation of the provisions of this chapter or otherwise causes or threatens to cause a condition of contamination, pollution or nuisance, the city may petition the superior court for the issuance of a preliminary or permanent injunction, or both, as may be appropriate in restraining the continuance of such discharge. (Ord. 1613 (part), 1995)

13.12.620 Damage to sewerage system—Charge.

When a discharge of wastewaters or any other substance causes an obstruction, damage or any other impairment to the city's sewerage system, the city shall assess a charge against the user for the work, materials and services required to clean or repair the affected portions of the sewerage system. (Ord. 1613 (part), 1995)

13.12.630 Civil penalties.

Any person who violates any provision of this chapter or permit condition or who discharges wastewater which causes pollution, or who violates a cease and desist order, prohibition, effluent limitation, national standard of performance, pretreatment or toxicity standard shall be liable civilly to a penalty not to exceed six thousand dollars for each day in which such violation occurs. The city attorney, upon order of the city council, shall petition the superior court to impose, assess and recover such sums. (Ord. 1613 (part), 1995)

13.12.640 Termination of service.

The city may revoke any wastewater discharge permit, or terminate or restrict or cause to be terminated or restricted wastewater service to any premises, which may include termination or restriction of the water service if warranted, if a violation of

any provisions of this chapter is found to exist or if a discharge of wastewater causes or threatens to cause a condition of contamination, pollution or nuisance as defined in this chapter. The city also reserves the right to immediately disconnect any user, upon informal notice only, in the event of an unlawful discharge which may cause imminent danger to human health, the environment, or which threatens to interfere with the treatment plants operation. This provision is in addition to other statutes, rules or regulations, authorizing termination of service for delinquency in payment. (Ord. 1613 (part), 1995)

13.12.650 Public notice of violation.

In accordance with Federal Pretreatment Regulations 40 CFR 403, the city shall publish, at least annually in the largest daily newspaper circulated in the service area, a description of those industrial users which are found to be in significant violation with any provisions of this chapter or any permit or order issued hereunder during the period since the previous publication.

B. Significant violations include any of the following:

1. Chronic violations of wastewater discharge limitations (sixty-six percent or more of all measurements taken in a six-month period exceed the daily maximum or the long-term average limit for the same pollutant parameter);

2. Technical review criteria (TRC) violations (thirty-three percent or more of all measurements taken in a six-month period exceed 1.2 times the limit for toxics or 1.4 times the limit for BOD, TSS, and oil and grease);

3. Any other violation of an effluent limit the city determines has caused, either

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(Lodi 7-95)

13.12.650

alone or in combination with other discharges, pass through or interference;

4. Any discharge that causes endangerment to human health, welfare or the environment, or causes the city to exercise its emergency authority to halt or prevent such discharge;

5. Failure to meet a compliance schedule deadline of enforcement order within ninety days after the scheduled date for starting construction, completing construction, or attaining final compliance;

6. Required reports that are more than ninety days late;

7. Failure to accurately report noncompliance;

8. Any violation determined to adversely affect the operation or implementation of the pretreatment program. (Ord. 1613 (part), 1995)

CHERRY PRODUCTS, ESTIMATE FOR 1122 INDUSTRIAL WAY**ESTIMATED ANNUAL WASTEWATER CHARGES: \$ 33,587.22**

	<u>% DISCOUNT</u>	<u>DISCOUNT RATE</u>	<u>EST. SAVINGS</u>
Year 1:	75%	\$ 8,396.81	\$ 25,190.42
Year 2:	75%	\$ 8,396.81	\$ 25,190.42
Year 3:	75%	\$ 8,396.81	\$ 25,190.42
Year 4:	50%	\$16,793.61	\$ 16,793.61
Year 5:	50%	\$16,793.61	\$ 16,793.61
Year 6:	25%	\$25,190.42	\$ 8,396.81
Year 7:	25%	\$25,190.42	<u>\$ 8,396.81</u>
		TOTAL ESTIMATED SAVINGS:	\$125,952.10