

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, SEPTEMBER 15, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, September 15, 2009, commencing at 7:02 a.m.

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

Absent: Council Member Johnson

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

B. Topic(s)

B-1 Presentation and Discussion of the Tiered Structure of Metered Water and Wastewater Rates (PW)

City Manager King provided a brief introduction to the subject matter of the residential metered water and wastewater rates.

Public Works Director Wally Sandelin and Bob Reed, representative from Reed Group, Inc., provided a PowerPoint presentation regarding the residential metered water and wastewater rates. Specific topics of discussion included existing customer accounts, elements of rate structures, water rate structure issues, tiered residential water rates, wastewater rate issues, residential wastewater rates, and implementation time line.

In response to Mayor Hansen, Mr. Sandelin stated the larger industrial users included General Mills and Cottage Bakery. He stated the multi-family structures were receiving a single bill sent to the property owner.

In response to Council Member Mounce, Mr. Reed stated the proposed model does not take into account a special permit for irrigation purposes or other specific situations for separate lots. Mr. Reed stated one option may be a separate connection for a separate lot with fruit trees or the like.

In response to Council Member Hitchcock, Mr. Reed stated that during the winter months approximately 90% of the usage falls into the first tier and during the summer months the second tier becomes larger. He stated the first tier generally represents more indoor usage while the second tier includes discretionary uses.

In response to Mayor Hansen, Mr. Reed confirmed the third tier would apply to every unit assessed beyond the second tier usage.

In response to Council Member Hitchcock, Mr. Reed stated the first tier generally represents about 85% to 90% of usage during the winter time, while in the summer time about 30% will remain in the first tier with about 70% going into the second tier, and 5% into the third tier.

In response to Council Member Hitchcock, Mr. Reed stated 5 to 8 years may be a good time to do a rate model with multi-family dwellings as that may be enough time to collect data from the meters. He stated that due to the variables, including different sizes, the uniform rate is applied to multi-family structures.

In response to Council Member Mounce, Mr. Reed stated a metered rate for a duplex would be similar to a uniform rate and would go to the property owner for multi-family dwellings.

In response to Council Member Hitchcock, Mr. Reed stated the uniform rate reflects the average cost for all usage and the weighted average of tiers one and two would be applied to uniform rates.

In response to Council Member Mounce, Mr. Sandelin stated staff will be coming back to Council in the future with sample rates based on additional data collection from the 16 or so properties being sampled. Mr. King stated the goal is to get the preliminary structure in and to make comparables with metered rates for a one-year period prior to assessing the actual metered costs, which will also allow for adjustments if needed. Mr. Sandelin further replied that he believes 2 or 3 properties being sampled out of the 16 are on the east side of town along Stockton Street.

In response to Council Member Hitchcock, Mr. Schwabauer stated the first year or two may show conservation based rates and then the rates will balance out after a few years. Mr. Reed stated the objective is to generate sufficient revenue to provide the service and not to generate excess; although, there may be some variety in the first few years, which can be buffered with sufficient reserves.

In response to Council Member Hitchcock, Mr. Reed stated in general the rates should reflect the proportionate burden that each group, whether it is residential or industrial, places on the system and balance accordingly. He stated the principle is that basically everyone pays for what it costs.

In response to Mayor Pro Tempore Katzakian, Mr. Reed stated the specific calculations for the second tier are not available at this point, although the cost of the utility will generally remain the same. Further, Mr. Reed stated the 70% average is based on best practices and standards for conservation-oriented structures, the requirement comes into play once the City is fully metered, and while 70% is the goal the City will likely start at a lower number. Mr. King explained that the State allows a 30% fixed rate and 70% variable rate based on actual usage.

In response to Council Member Hitchcock, Mr. Reed stated that for the wastewater rate model the numbers are based on winter usage because the water used for irrigation does not go into the sewer system and there is an inference that the water usage during winter months is actually going into the sewer system.

In response to Myrna Wetzel, Mr. Sandelin confirmed that the purple pipe system is unrelated to the current subject matter of the metered water and wastewater rates.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:25 a.m.

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Presentation and Discussion of the Tiered Structure of Metered Water and Wastewater Rates

MEETING DATE: September 15, 2009 (Shirtsleeve Session)

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Receive presentation and discuss the tiered structure of metered water and wastewater rates.

BACKGROUND INFORMATION: The City Council has directed staff to prepare meter-based water rates and wastewater rates to coincide with the installation of residential water meters throughout the City. Staff will make a presentation to the City Council regarding the various tiered elements of meter-based water rates. The presentation will include a discussion of rate tiers and the requirements of State legislation guiding the structure of meter-based water rates. City Council has indicated a desire to establish "vacant residence" rates, and the discussion will include the requirements for establishing these charges.

Wastewater rates based upon metered water rates will be discussed based upon the assumption that the flat-rate structure for wastewater rates will be converted to usage-based rates along with the usage-based water rates.

Future actions will present final water and wastewater rate schedules that will initially be adopted as "advisory rates" in the winter of 2009. The first billings for usage-based water and wastewater utility will be sent to approximately 3,000 customers in January 2011. By January 2014, all of the approximately 18,000 residential services will receive a usage-based billing. At the time of adopting the "advisory rates," staff will seek policy direction from the City Council about providing to customers comparative flat-rate and usage-based rates prior to the first billing to be sent in January 2011, 2012, 2013 and 2014.

FISCAL IMPACT: Not applicable

FUNDING AVAILABLE: Not applicable.

F. Wally Sandelin
Public Works Director

FWS/pmf

APPROVED:

Blair King, City Manager

The City of Lodi
**Public Works
Water Services**



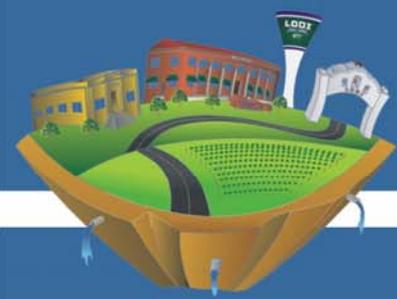
Residential Metered Water and Wastewater Rates

September 15, 2009



Existing Customer Accounts

- 16,330 single family residences
- 5,560 multi-family units
- 1,400 non-residential customers
- Flat rate billing for all except 1,130 non-residential customers



Elements of Rate Structures

- Base service charge
 - Fixed cost recovery
 - Vacant unit charge
- Uniform or tiered water usage charges
- Strategic rate-setting objectives

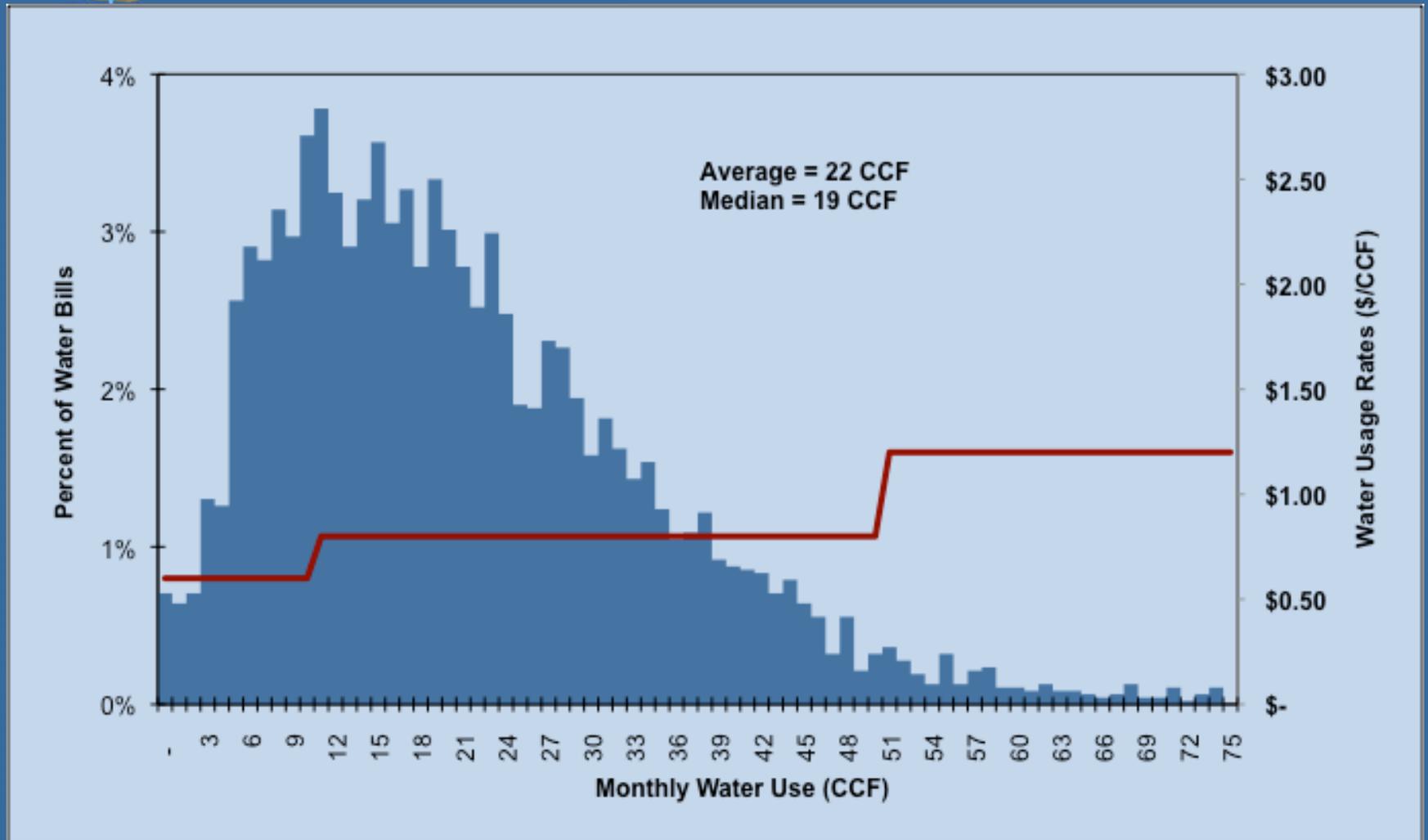


Water Rate Structure Issues

- Current metered rates for commercial accounts
- Multiple rate components
- Cost of service and rate equity
- Water conservation BMP #11
- Tier rate design

Hiered Residential Water Rates

(hypothetical)



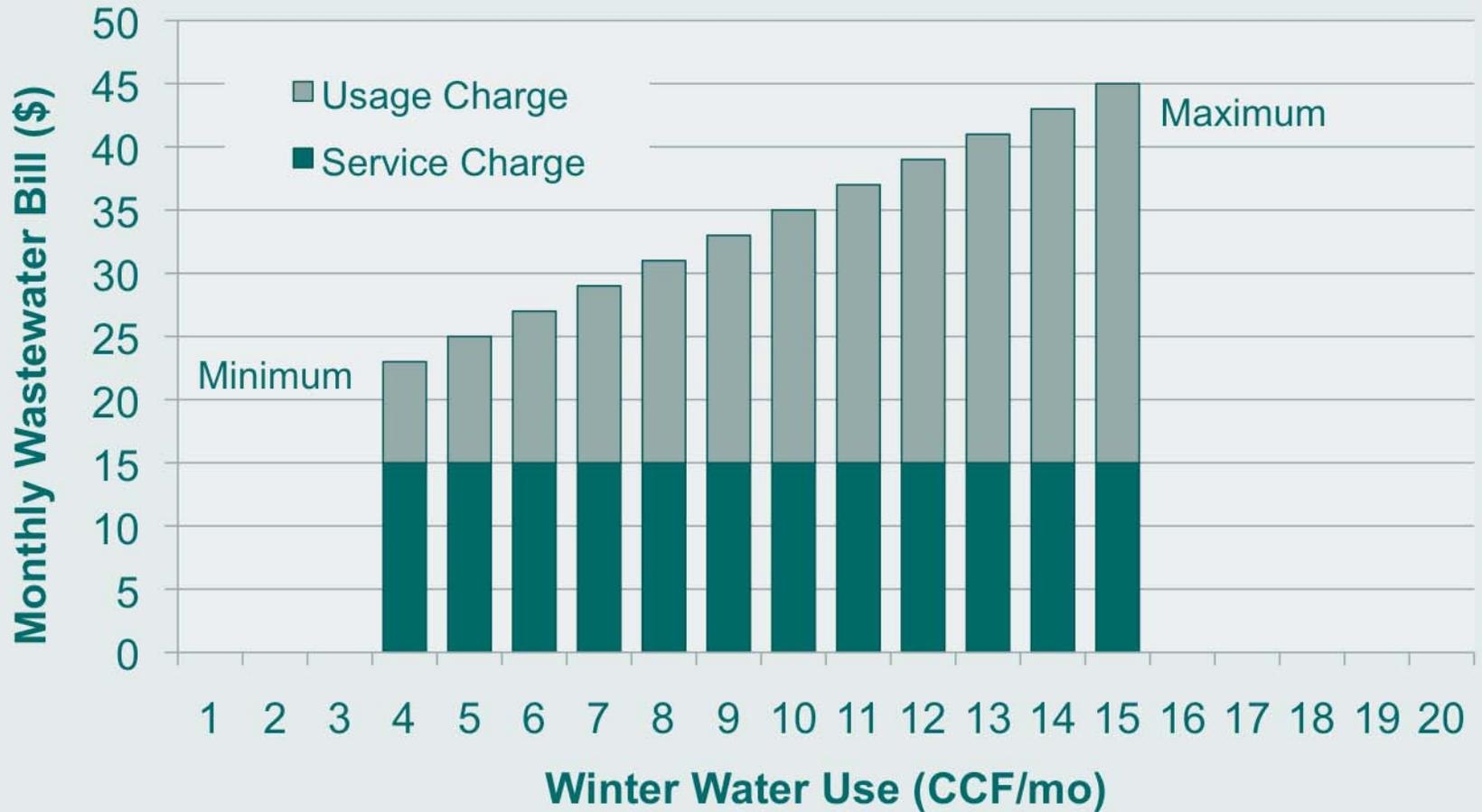


Wastewater Rate Issues

- Current wastewater rates
- Winter water usage as basis for sewer usage
- Cost of service and rate equity
- Logistic and administrative considerations

Resid. Wastewater Rates

(Hypothetical)





Implementation Timeline

- Present rate recommendations to Council in November/December 2009
- Provide comparative bills to metered customers in 2010
- Formally adopt new water and wastewater rates in Fall 2010
- Begin billing on metered water and wastewater rates in January 2011



Questions?