

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 5, 2019**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 5, 2019, commencing at 7:02 a.m.

Present: Council Member Johnson, Council Member Nakanishi, and Mayor Pro Tempore Kuehne

Absent: Council Member Mounce, and Mayor Chandler

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

NOTE: Council Member Johnson participated in the meeting via teleconference.

B. Topic(s)

B-1 Receive Presentation on Staff's Proposed Updates to Budget and Fiscal Policies (CM)

Deputy City Manager Andrew Keys provided a PowerPoint presentation regarding budget and fiscal policies and biannual review. Specific topics of discussion included background, proposed changes, Measure L, pensions, fund balance/reserves, fund level change, replacement funds, Capital Improvement Program, and next steps.

Mayor Pro Tempore Kuehne stated he would like to see a depreciation schedule added to track information technology infrastructure, as well as vehicles and equipment, for items other than personal computers and related technical systems. Specifically, he was interested in expanding the scope to including tracking infrastructure needs, such as the City's broadband (i.e. fiber ring). Mr. Keys stated staff can work on creating such a list that could include deferred maintenance items.

With regard to the Capital Improvement Program recommendation to increase the project size from \$10,000 to \$25,000, Council Member Johnson stated he sees no problems with the current, lower threshold, which does not seem to hold up or delay projects. Mr. Keys stated the lower threshold may present a few challenges when combined with some of the new recommendations presented in the proposed budget policies, which aim to provide additional transparency and a clearer CIP document. He added that the recommended change will not deviate how staff delivers projects.

Mike Lusk, member of the public, questioned how the Capital Improvement Program will work when it overlaps budgets and is transferred year to year, specifically how it will affect utility rates that are set based on the capital project needs. He asked if there would be a line item adjustment in future rate schedules to offset what ratepayers previously paid.

Mr. Keys stated that capital projects are budgeted along with a rate model on an assumption that a project will cost a certain amount, whether it is spent in one fiscal year or crosses to another. Even if money is collected from rates for a particular project and was not spent, the money will roll forward along with the project to pay for it. The only time an issue would arise is if Council changed its mind and cancelled a project after setting aside money from rates. City Manager Schwabauer added that, if a rate is set to cover a \$100 million project that goes away over 10 years, there will come a point when money is being over-collected and an adjustment will be necessary. For the most part, however, funding is needed on a continuing basis for both new capital projects and maintaining, repairing, or replacing old infrastructure. He stated the water utility is an exception because water meters will largely be finished soon, which Council

recognized by setting a sunset on the rates. Because the rate model anticipates future projects, Council has the ability to see where there is an over-collection and can stop or reduce 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 7:47 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk