

K-2



# CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** A Resolution of the Lodi City Council reducing the Electric Utility Fund Payment In-Lieu of Taxes amount as previously established at 12%, to an amount established by formula

**MEETING DATE:** February 7, 2007

**PREPARED BY:** Deputy City Manager

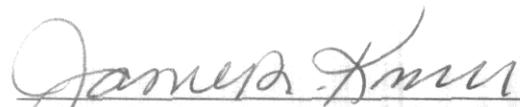
**RECOMMENDED ACTION:** Approve a Resolution of the Lodi City Council reducing the Electric Utility Fund Payment In-Lieu of Taxes amount as previously established at 12%, to an amount established by formula.

**BACKGROUND INFORMATION:** Over the course of the last three years the annual in-lieu payment has been reduced (as a percentage of the electric utility revenues) from 12% to the current 10.6%.

This reduction in the percentage of the In-lieu of transfer was approved by the City Council in each of the last three budgets. This action has resulted in the reduction in the amount of the transfer by more than \$900,000. The General Fund has been able to absorb this loss in revenues as a result of measures taken to reduce costs. In order to ensure that this reduction becomes permanent, it is recommended that a Resolution be approved that establishes the base amount of the transfer at \$6,779,000 and allows for the base amount to be adjusted by the annual growth in electric customers. This action to will be viewed favorably by both of the rating agencies (Fitch and Standard and Poors).

**FISCAL IMPACT:** The reduction in the transfer helps to keep electric utility rates below Pacific Gas and Electric rates in most customer classes. The impact to the General Fund has been absorbed by cost cutting measures. By establishing a base amount for the transfer, the transfer amount as a percentage of revenues will decrease and be more comparable to other jurisdictions for which the transfer is a lower percent of revenues.

**FUNDING:** Not applicable

  
James R. Krueger, Deputy City Manager

**APPROVED:**   
Blair King, City Manager

RESOLUTION NO. 2007-25

A RESOLUTION OF THE LODI CITY COUNCIL REDUCING  
THE ELECTRIC UTILITY FUND PAYMENT IN-LIEU OF TAXES  
AMOUNT AS PREVIOUSLY ESTABLISHED AT 12% TO AN  
AMOUNT ESTABLISHED BY FORMULA

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WHEREAS, over the course of the last three budget years the City Council approved reductions in the annual in-lieu payment (a percentage of the electric utility revenues transferred to the General Fund) from 12% to the current 10.6%, resulting in a reduction of the transferred amount by more than \$900,000; and

WHEREAS, the General Fund has been able to absorb the loss in revenues as a result of measures taken to reduce costs. In order to ensure that this reduction becomes permanent, staff recommends that a base transfer amount of \$6,779,000 be established and that the base amount be adjusted by the annual growth in the number of electric customers served; and

WHEREAS, the reduction in the transfer helps to keep electric utility rates below Pacific Gas and Electric rates in most customer classes. By establishing a base amount for the transfer, the transfer amount as a percentage of revenues will decrease and be more comparable to other jurisdictions, for which the transfer is a lower percent of revenues.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby reduce the Electric Utility Fund payment in-lieu of taxes amount as previously established at 12% to an amount established by formula.

Dated: February 7, 2007

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I hereby certify that Resolution No. 2007-25 was passed and adopted by the City Council of the City of Lodi in a regular meeting held February 7, 2007, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Katzakian, Mounce, and Mayor Johnson

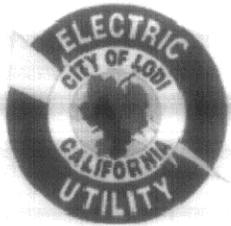
NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



RANDI JOHL  
City Clerk



# PILOT History

