

June 19, 1985

1985-86 BUDGET
ADOPTED URGENCY
ORDINANCE NO. 1359

Assistant City Manager Jerry Glenn continued with his presentation of the proposed 1985-86 Budget presenting a list of addenda to be added to the Recommended Budget Document.

Mrs. Gwinnett Mitchell addressed the Council requesting additional funding for personnel to staff the Lodi Arts Commission office.

Council discussion followed with questions being directed to Mr. Glenn and to Mrs. Mitchell.

Council Member Pinkerton then moved for adoption of Urgency Ordinance No. 1359 adopting the 1985-86 Budget. The motion was seconded by Council Member Olson. Several amendments were then proposed. The amendments were approved by a unanimous vote of the City Council.

Council Member Pinkerton moved for adoption of the Budget (Urgency Ordinance No. 1359) adopting the 1985-86 Budget as follows:

TRANSFERS -

	FROM	TO
\$ 100,000	Water Utility Fund	General Fund

APPROPRIATIONS -

	FROM	TO
\$1,000,000	General Fund	General Fund Operating Reserve
\$ 100,000	Sewer Utility Fund	Sewer Utility Fund Operating Reserve

CITY COUNCIL MEETING
JUNE 19, 1985

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Elec. Utility Capital	552,200
PL & PD Insurance Fund	350,745

Total Contrib. to Other Funds	\$2,781,575
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TOTAL ESTIMATED REQUIREMENTS	\$37,532,485
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The original motion as made by Council Member
Pinkerton and seconded by Council Member
Olson, carried by the following vote:

AYES: Council Members - Olson, Pinkerton,
Reid, Snider, and
Hinchman (Mayor)

NOES: Council Members - None

ABSENT: Council Members - None

ORDINANCE NO. 1359

ORDINANCE ADOPTING AN OPERATING BUDGET FOR THE SUPPORT OF VARIOUS DEPARTMENTS OF THE CITY OF LODI AND A UTILITY OUTLAY BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 1985 AND ENDING JUNE 30, 1986

The City Council of the City of Lodi does ordain as follows:

Section 1. City of Lodi Operating Budgets, Summary of the Budget
1985-86

ESTIMATED FINANCING RESOURCES

OPERATING REVENUES

Property Taxes	\$2,911,355	
Other Taxes	4,339,445	
Licenses, Fines & Rent	649,250	
Interest	1,278,320	
Revenue from Other Agencies	1,443,055	
Charges for Current Services	2,208,845	
Other Revenues	64,835	
Water Sales & Fees	1,401,520	
Sewer Charges	1,272,925	
Electrical Sales	21,343,200	
Inter-Fund Transfers	524,735	
Total Operating Revenues		\$37,437,485

CONTRIBUTIONS FROM OTHER FUNDS AND RESERVES

Workers' Compensation Ins. Reserve	\$ 95,000	
Total Contributions		\$ 95,000

TOTAL ESTIMATED FINANCING RESOURCES \$37,532,485

ESTIMATED REQUIREMENTS

OPERATING EXPENSES

Personal Services	\$10,945,125	
Utilities & Transportation	1,151,770	
Materials & Supplies	1,873,850	
Depreciation	588,315	
Equipment, Land & Structures	156,740	
Special Payments	2,585,110	
Sub-Total Operating Expenses	\$17,300,910	
Bulk Power Purchase	17,450,000	
Total Operating Expenses		\$34,750,910

CONTRIBUTIONS TO OTHER FUNDS AND RESERVES

General Fund Operating Reserve	\$	246,660	
Equipment Fund		113,650	
Water Utility Capital Fund		400,000	
Sewer Operating Reserve		133,320	
Sewer Utility Capital Fund		250,000	
Electric Rate Stabilization Reserve		735,000	
Electricity Utility Capital		552,200	
PL & PD Insurance Fund		350,745	
Total Contributions to Other Funds			\$2,781,575

TOTAL ESTIMATED REQUIREMENTS \$37,532,485

SECTION 2. The appropriation to the Library from the General Fund will be computed by the Finance Director on the 30th day of June, 1985. The appropriation will be of sufficient amount so that expenditures will not exceed revenues.

SECTION 3. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

SECTION 4. This urgency ordinance shall be published one time in the "Lodi News Sentinel", a daily newspaper of general circulation printed and published in the City of Lodi and shall be in force and take effect immediately.

Approved this 19th day of June, 1985

Mayor

Attest:

Alice M. Reimche
City Clerk

State of California
County of San Joaquin, ss.

I, Alice M. Reimche, City Clerk of the City of Lodi, do hereby certify that Ordinance No. 1359 was adopted as an urgency ordinance at a regular meeting of the City Council of the City of Lodi held June 19, 1985 and was thereafter passed, adopted and ordered to print by the following vote:

Ayes: Council Members - Olson, Pinkerton, Snider,
Reid, and Hinchman (Mayor)

Noes: Council Members - None

Absent: Council Members - None

Abstain: Council Members - None

I further certify that Ordinance No. 1359 was approved
and signed by the Mayor on the date of its passage and
the same has been published pursuant to law.

Alice M. Reimche
City Clerk

Approved as to form

Ronald M. Stein
City Attorney

City Hall
Lodi, California

BUDGET MEMO

May 24, 1985

To the Honorable Mayor and
Members of the City Council

Councilmembers:

Presented herewith for your information and review is the Operating Budget for fiscal year 1985-86. The budget totals \$34,715,830 plus transfers to other funds and reserves. This represents an increase of \$4,427,425 over the 1984-85 budget of \$30,288,405. These numbers are distorted by the inclusion of the annual bulk power purchase, which in 1985-86 will increase an estimated \$3,460,000. Backing out the power purchase, we find that the actual increase in the Operating Budget for 1985-86 is just under six percent. On the other side of the ledger, the City's estimated operating revenues (minus utility sales) will increase \$1,354,825, from \$12,046,515 to \$13,401,340, representing a strong 11.2% gain.

This budget will allow the City to continue to provide high levels of municipal services, address some staff deficiencies, and provide for replacement of worn out equipment and purchase of new equipment designed to maximize employee efficiency. This budget

A. Property Tax

The City of Lodi presently receives approximately 36% of each property tax dollar collected plus the necessary increment to recover bonded debt. This debt is being retired in accordance with a pre-set bond redemption schedule.

Property tax funds may be used for any City function, including voter-approved debt incurred prior to 1978. The 1985-86 revenue from the tax rolls is anticipated to be \$2,911,355. The Library will be allocated \$447,660 of these funds; the General Fund \$2,183,220; and the Sewer Fund \$280,475.

Included in the \$2,911,355 is property tax levied to recover the debt service on the 1965 Municipal Bonds. The amount for this fiscal year is \$457,445 apportioned as follows: \$176,970 to the General Fund and \$280,475 to the Sewer Fund.

In summary, property tax revenue is estimated at:

General Fund	\$2,006,250
Library Fund	447,660
Sewer Bond Debt	280,475
Other Municipal Bonds	<u>176,970</u>
	\$2,911,355

This represents an increase of 1.5% over last year's estimate.

This low figure is a direct result of removing Business Inventory from the taxable base, as a result of State legislation.

A portion of the State budget adopted last year provided permanent financing for local government. As a part of that plan, the statutory subventions for motor vehicle fees were returned to the cities. The State likewise took business inventory from the property tax base and set up a subvention which will reduce to zero over the next five years. As property values change, these changes will be placed on the tax roles rather than on March 1.

B. Sales Tax Revenue

The estimate for sales tax revenue for 1985-86 is \$3,962,700. This is an increase of \$388,700 from last year's estimate of \$3,574,000, a gain of 10.9%. Sales tax is by far the City's most significant single source of funds and is the most dynamic in responding to the economy. It points to the importance of maintaining a healthy retail, service and industrial environment.

C. Other Taxes.

These revenues are derived from taxes on sale of gas, real estate transfer transactions, business license tax, and franchise fees. This source of revenue amounts to \$319,945. Most of these taxes are not sensitive to the economy and remain rather stable.

however, property transfer taxes will grow with increased real estate activity.

D. Licenses, Fines, and Use of Property.

These revenues are obtained from various permit and license fees, property rental, court fines and penalties. The total revenues from this source is estimated at \$480,675, a decrease of \$21,430 from last year's figure. The major reason for this decrease is a loss of revenue from court fines caused by a change in the manner in which the counties return motor vehicle fines. Much of that loss is being offset by increased permit fees. Obviously, if there is a decline in building activity, this revenue source will decline. As the City Council is aware, these permit fees are for direct services provided and are sufficient to cover the cost of providing these services.

E. Interest

This is becoming a significant revenue resource for the City and is one of the most volatile. The 1985-86 estimate is \$1,278,320. This figure is predicated on receiving all projected revenues in a timely manner. If interest rates drop significantly and if other revenues do not materialize, this source of funds could be dramatically reduced.

F. Revenue From Other Agencies.

The past few years, the State of California has held back or eliminated significant portions of what were once stable local government revenues. Last year, the State restored statutory revenue from motor vehicle in-lieu fees. Also included here are the new State subventions for Business Inventory Tax elimination. This revenue source will decline to zero in 1988-89.

Revenue in this category for 1985-86 is estimated at \$1,443,055, an increase of \$387,260 over the previous year's figure of \$1,055,795. This increase consists of hikes in the following categories: motor vehicle in-lieu fees (\$168,815); Peace Officers Standards and Training (police officer training) (\$120,000); Business Inventory Tax (\$94,780); and cigarette tax (\$3,665). The Peace Officers Standards and Training reimbursements previously had been listed in the category of Revenue Not Otherwise Classified.

G. Service Charges

These are the fees and charges the City receives for direct services provided. It includes all recreation fees, planning and engineering fees and refuse collection fees. The total amount of these charges anticipated in 1985-86 is \$2,208,845, an increase of \$207,065 over last year. The major reason for this increase is increased revenue from refuse collection fees of \$151,300 as a

result of increases in refuse fees and growth in business. Other increases are in engineering and plan check revenues as a result of increased activity.

H. Other Revenues

These are miscellaneous revenues from unanticipated sources, such as reimbursements of previously paid bills and insurance policies, and the sale of scrap or salvage material. This revenue source is estimated to be \$ 64,835 for 1985-86.

I. Revenues from Utility Operations

The City operates three utilities: Electric, Water and Sewer. These funds are operated on an enterprise basis with revenues and expenditures listed separately.

In presenting the total operating budget for the City, these operations are also included.

A. Electric Sales

The estimated electric sales for 1985-86 total \$21,343,200 which is \$5,223,200 more than last year's estimate of \$16,120,000. This does not represent a significant increase in power sales, but rather an increase in rate to offset the higher cost of purchased power.

B. Water Sales and Fees.

The projected revenues from water sales and charges for 1985-86 are \$1,401,520 versus last year's figure of \$1,309,900, an increase of \$91,620.

C. Sewer Charges.

The projected income from Sewer Service fees and Sewer Connection fees is \$1,272,925, a \$91,665 increase over last year's revenues. The factors here are that we anticipate connection fees to increase from \$210,500 in 1984-85 to \$250,000 in 1985-86, plus a 5% growth in usage.

D. Interfund Transfers

Monies in other funds are also used to finance the Operating Budget. This year, \$347,505 of Gas Tax money, and \$128,730 of Transportation Development Act funds will be used for operating expenditures. These funds are being used entirely for street maintenance purposes. In addition, \$30,000 of the Housing and Urban Development funds will be used to fund administration of the Community Development Block Grant program.

CONTRIBUTIONS FROM RESERVES

In order to provide for funding for operating expenses, it is recommended \$95,000 be transferred from the Workers Compensation Insurance Reserve to the General Fund. This sum represents interest earned in that fund the past year.

The current financing resources available to meet the operating budget together with comparative 1984-85 estimates are as follows:
(Complete detail on revenue sources is shown in Schedule H.)

CITY OF LODI

OPERATING REVENUE

	<u>1984-85</u>	<u>1985-86</u>	<u>% Change</u>
Property Tax	\$2,867,255	\$2,911,355	+ 1.5
Sales Tax	3,574,000	3,962,700	+ 10.8
Other Tax	332,355	376,745	+ 13.3
Licenses, Fines and Use of Property	673,030	649,250	- 3.6
Interest	986,820	1,278,320	+ 29.5
Revenue from Other Agencies	1,055,795	1,443,055	+ 36.6
Charges for Current Services	2,001,780	2,208,845	+ 10.3
Other Revenues	164,800	64,835	- 60.7
Water Sales & Fees	1,309,900	1,401,520	+ 6.9
Sewer Charges & Fees	1,181,260	1,272,925	- 7.7
Interfund Transfers	<u>390,680</u>	<u>506,235</u>	+ <u>29.6</u>
Subtotal	\$14,537,675	\$16,075,785	+ 10.6
Electric Sales	<u>16,120,000</u>	<u>21,343,200</u>	+ <u>32.4</u>
	\$30,657,675	\$37,418,985	+ 22.1
Reserves	<u>814,545</u>	<u>95,000</u>	- <u>88.3</u>
Total Resources	\$31,472,220	\$37,513,985	19.2

OPERATING EXPENSES

The total operating expenditures for 1985-86 will be \$34,715,830, an increase of 14.6%. As noted earlier, the estimated cost of electricity is \$3,460,000 more than last year. If bulk power purchases are discounted, then the operating expenses increased from \$16,298,405 in 1984-85 to \$17,265,830 in 1985-86, an increase of 5.9%.

An analysis of this budget on a category-by-category basis will help to clarify the reasons for the increase.

CITY OF LODI

<u>Series</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Difference</u>	<u>% Change</u>
100 Personal Services	\$10,205,810	\$10,922,345	\$ 716,535	7.0
200 Utilities & Transportation	1,045,425	1,151,770	106,345	10.2
300 Supplies & Services	1,618,095	1,872,050	253,955	15.7
400 Depreciation	552,545	588,315	35,770	6.5
500 Equipment & Structures	192,040	156,740	-35,300	-18.4
600 Special Payments	2,684,490	2,574,610	-109,880	-4.1
Subtotal	16,298,405	17,265,830	937,425	5.9
Bulk Power Purchase	<u>13,990,000</u>	<u>17,450,000</u>	<u>3,460,000</u>	24.7
TOTAL	\$30,288,405	\$34,715,830	\$4,427,425	14.6

The major causes for the increase in this budget in addition to increased electric costs and the addition of new positions in the budget, are increased costs of goods and services, increased participation and workloads, an expanded tree trimming program in the Electric Department; depreciation of equipment purchased in previous years; and increases in the cost of providing refuse service.

100 Series - Personal Services.

This budget includes negotiated salary increases only for the Police and Electric Units. This budget does include all increases granted last year, and the addition of new positions.

The new positions requested are as follows:

City Manager

1 Secretary to the City Manager	Recommended	Expanded Work Load and Reduced Part Time Help
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Police

1 Administrative Clerk III	Recommended	Expanded Work Load
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1 Administrative Clerk II	Not recommended	
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Parks

4 Park Maintenance Workers	Not recommended	
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Recreation

1 Recreation Superintendent	Not recommended	
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Public Works

2 Laborers	Recommended	Expanded Work Load
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1 Tree Trimmer	Recommended	In Lieu Of Contract Work
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1 Engineering Tech II	Recommended	Expanded Work Load; Reduced Part Time Help
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1 Equipment and Plant Mechanic	Not recommended	
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Of the 12 new positions requested in the 1985-86 budget, six are recommended for City Council approval as listed above. A brief supporting statement for each follows:

°Secretary to the City Manager - The Administration Office now has five professional staff members generating work for three full-time and two part-time employees. It is recommended that the new position of Secretary to the City Manager be approved as part of a reorganization of the administrative offices in City Hall. In the two months I have held the position of City Manager, I have thoroughly evaluated and analyzed the work flow and organizational structure of this office. There is an absolute need for an additional full-time secretarial position in this work area. A significant amount of part-time hours would be eliminated as a partial offset of the cost of funding this new position. This reorganization will materially improve the efficiency of this office. With City Council approval, the new position will provide for clerical staffing as follows:

Secretary to the City Manager - To provide clerical support to the City Manager and Assistant City Manager.

Legal Secretary - To provide clerical support to the City Attorney.

Administrative Clerk II - To provide clerical support to the Administrative Assistant (Personnel Office)

Administrative Clerk II - To provide clerical support to the City Clerk and others in the Administration Office.

It will still be necessary to retain a limited number of hours of part-time assistance, particularly in the Personnel Office during this transition period. However, the goal is to continuously reduce the amount of this part-time assistance as the reorganized work unit develops a smooth-working relationship.

°Administrative Clerk III (Police Department) - Chief of Police

Floyd Williams has made significant changes in the organization of the City's Police Department since assuming the direction of that department in May, 1984. Among these is the moving of the training position (Sergeant) to the second floor administrative spaces. This greater attention to the training aspect of the Police Department's activities has dramatically increased the clerical work load in the administrative office. With this additional function, there are now three individuals -- the Chief of Police, Police Captain Larry Hansen, and the Training Officer -- generating work which must be processed by one clerical position. This new position will provide for a smooth work flow in the office of the Chief of Police.

°Laborers (2) (Public Works) - In 1953, the year we began

keeping accurate records concerning work loads and personnel in the Public Works Department, the Street Division maintained 56 miles of streets, 16 miles of alleys and four parking lots. At that time, this division was staffed with 18 positions. This division today consists of 21 positions. Since that time, the City's street system has grown to 131 miles, plus the 16 miles of alleys. As we move into the new fiscal year (1985-86), the number of street miles will exceed 150. During this same time period, the number of street trees planted in sidewalk planters has increased from 293 to 841. Within the past five years, with no increase in personnel, we have seen the number of storm drain system miles increase from 72 to 90; the number of pumping stations increase from 13 to 18; the number of catch basins increase from 1,635 to 2,157; and the number of manholes increase from 724 to 1,030. In addition, the Street Division has responsibilities in the areas of tree trimming and planting, street cleaning, traffic warning and regulatory devices, baseball and softball park grading and trench paving associated with the activities of the Utility (Electric) Department and the Water/Wastewater Division of the Public Works Department. The recommended positions will be a significant addition to a street system that requires more general and routine preventive maintenance to avoid costly reconstruction costs in the future. The downtown

beautification district is demanding considerably more time in the areas of hand sweeping curb returns (corners), cleaning tree wells, and restaking trees in the downtown area. Accepting the responsibility to maintain the sprinkler system of landscaped areas serviced by contract is now utilizing approximately 1/3 of a Street Maintenance Worker's time.

°Tree Trimmer - This position is essential to provide for right-of-way clearance on the City's electric utility lines. The Electric Department budget requested funding for contract tree trimming in the amount of \$60,000 for fiscal 1985-86. It is recommended, and the Utility Department concurs, that the tree trimming required can be accomplished by the City crew with the addition of one position at a cost considerably less than the budgeted amount requested.

°Engineering Technician - For various reasons, such as school conflicts, lack of qualified students and the like, we have not made use of the full budgeted amount of part-time help in the Engineering Division. In addition, the amount of supervision and training required for part-time personnel is excessive. The amount of time devoted to maintaining the various City street and utility maps, easement records, and

various file indexes is approximately two person years per year divided among four technicians and one-to-four part-time people. The elimination of part-time hours, to be replaced by the addition of one full-time position makes this recommendation a reasonable solution to the existing problem of Public Works Department staffing in this division.

200 Series - Utility, Communication and Transportation.

The cost of the City's annual bulk power purchase is not included as a 200 Series cost per se. Minus the bulk power purchase, the budget expenditures in the 200 Series show an increase of \$106,340.

The reason for the increase is two-fold. When the budget was adopted last year, it was based on charging ourselves \$.060 per kilowatt hour of electricity. We are using \$.064 per KWH as a budget figure for 1985-86.

When the City installed its new telephone system, appropriations for the 1984-85 budget were reduced by 60%. We over-estimated the effect, which causes us to recommend a 50% increase over last year. This is still 40% less than the funds budgeted in 1983-84 fiscal year.

This budget reflects an increase in the cost of postage.

Finally, inflation and increased services require additional funds to be budgeted.

300 Series - Supplies and Materials

The 300 Series is \$253,995 more than last year. In addition to inflation, the single largest contributor to this increase is

realistically budgeting actual expenditures in the Police Department for training. In the 1984-85 budget, we budgeted \$9,700 for training, yet in 1984/85 we expect to expend in excess of \$80,000. For this year, we are budgeting \$90,000. Of significance is that most of the training money will be returned to the City through State reimbursements (POST) which are shown in this budget as revenues. In addition, a municipal election is scheduled. Also, the costs of recruiting, testing and selection requires additional funding, as does the use of a money broker in the Finance Department. A number of one-time purchases of supplies also contributes to the overall increase in the 300 Series.

400 Series - Depreciation

The increase in depreciation from \$552,545 to \$588,315 this year is the result of equipment purchased last year and an increase in sewer plant depreciation. Sewer Plant depreciation of \$324,310 is transferred to the Waste Water Capital Outlay Fund. Equipment depreciation which totals \$588,315 is transferred to either the equipment fund or the appropriate capital fund; i.e., electric, sewer or water.

500 Series - Equipment, Land and Structures

The 500 Series contains equipment and reconstruction contracts needed for on-going operations. If a piece of equipment costs over \$500, it is not included as a line budget item, but rather purchased from capital or other designated funds. The total cost for this Series is \$156,740, a decrease of \$35,700 from last year's budget.

The primary reason for this decrease is the elimination of a City contribution to the rehabilitation of Lodi High School *Building*.

While not a part of the operating budget, certain pieces of equipment are included in this budget. A complete list of those pieces of equipment and the recommended funding sources are shown on pages 41, 42, and 43.

It should be mentioned, no Police patrol vehicles are included in this budget. We were able to procure extra vehicles earlier at a favorable price and are placing them in service as need demands.

600 Series - Special Payments

The 600 Series covers debt service, refuse collection payments, taxes, and other special payments. The costs of this series will be \$2,574,610, a reduction of \$109,880 from last year's budget.

Major items in this Series are:

Refuse Disposal	\$1,717,165
Debt Service	
General Obligation	176,970
Sewer (interest only)	74,425
Special Payments	
Woodbridge Irrigation District	6,935
Grape Festival	1,500
Chamber of Commerce	4,000
Annual Audit	15,000
Employee Dinner	3,800
Employee Service Pins	1,000
San Joaquin County Safety Council	1,000
Northern California Power Agency	122,600
Contingent Fund	250,000
Developers Refunds	125,000

The refuse collection costs have increased by \$106,820 which is offset by a rate increase granted last year, plus additional

services provided. The reason there is a decline is an estimated reduction in assessments to the Northern California Power Agency (NCPA) of \$214,540.

Other Budgets

In addition to the operating budget there are six additional budgets which are necessary for the overall operation of the City. These budgets are not shown as part of the operating budget as the funding for them is included in other budgets, or are funded from special funds.

These budgets are Public Liability and Property Damage (PL & PD) Fund, Workers Compensation Fund, Utility Outlay Reserve, Equipment budget, dental insurance and long term disability funds.

The insurance budgets are based upon our best estimates of expenses for next year, taking into consideration past experience.

The Utility Outlay Budget is an integral part of the Electric budget and includes those items which are designed to expand the system's output.

The details of the expenditures for the insurance budgets is shown on Page 59, the detail for the Utility Outlay Budget is shown on Page 51, and the equipment budget on pages 41, 42, and 43.

OPERATING FUNDS

The operating budget has been divided into a number of separate funds: General, Electric, Water, Sewer, Library, Parking, and Hutchins Street Square. Each of these funds has its own revenue and expenditure plans. The total operating budget is summarized in Schedule A. Each of the operating funds is presented with its appropriate revenues and expenditures in Schedules B through G.

In order to make a meaningful comparison of operating costs between fiscal 1985-86 and the previous year, the following table lists the cost of bulk power separately.

<u>Fund</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Difference</u>	<u>%</u>
General	\$12,191,620	\$13,115,190	\$ 923,570	7.6
Electric	1,733,100	1,682,255	-50,845	-2.9
Sewer	1,199,210	1,221,535	22,325	1.9
Water	550,295	600,480	50,185	9.1
Library	593,320	612,850	19,530	3.3
Hutchins St. Square	<u>30,860</u>	<u>33,520</u>	<u>2,260</u>	<u>7.3</u>
Subtotal	\$16,298,405	\$17,265,830	\$ 967,025	5.9
Bulk Power	<u>13,990,000</u>	<u>17,450,000</u>	<u>3,460,000</u>	<u>24.7</u>
TOTAL	\$30,288,405	\$34,715,830	\$4,427,025	14.6

General Fund

A summary of the General Fund revenues and expenditures is shown in Schedule B.

General Fund revenues this year are anticipated to be \$10,958,570, plus \$476,235 Gas Tax and Transportation Development Act (TDA) funds for street maintenance purposes for a total of \$14,434,805, an increase of \$1,091,500 from the same sources last year.

This is not adequate funding for the operating budget. This is not a new phenomenon but a reiteration which underscores the importance of the Utility funds and maintaining operating reserves. With contributions from those sources, we will be able to fund this year's budget.

EXPENDITURE SUMMARY

(Minus utilities, Library and Hutchins Street Square)

<u>Series</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Difference</u>	<u>% Change</u>
100	\$ 8,206,700	\$8,841,575	\$634,875	7.7
200	536,220	600,075	63,855	11.9
300	1,009,930	1,151,285	141,355	14.0
400	222,355	240,470	18,115	8.1
500	134,945	99,740	-35,205	-26.1
600	<u>2,081,470</u>	<u>2,182,045</u>	<u>100,575</u>	<u>4.8</u>
TOTAL	\$12,191,620	\$13,115,190	\$ 923,570	7.6

Included in the personnel portion of this budget are salary adjustments made after the 1984-85 budget was adopted, new positions added mid-year and the recommended addition of six positions. Salary increases for only sworn police and electric worker are included in this budget. Any additional benefits must be funded from reserves.

The previously-mentioned increase in telephone costs, electric rates and postage account for the increase in the 200 Series.

The increase in the 300 Series is due in large measure to the increased costs of training, increased participation in recreation programs, and inflation.

There is a reduction in the amount proposed for equipment acquisition and contracts. Last year \$30,000 was budgeted for rehabilitation of the pool at Lodi High School and a large amount of portable power tools which are not included in this year's budget.

Refuse collection costs are projected to be \$106,820 more than was budgeted last year. This amount is recovered in fees for collection service.

Electric Fund

A summary of the Electric Fund is shown in Schedule C.

<u>Series</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Difference</u>	<u>% Increase</u>
100	\$899,100	\$982,625	\$ 83,525	9.2
200	19,555	23,985	4,430	22.6
300	236,510	297,830	61,320	25.9
400	10,235	15,055	4,820	47.0
500	56,460	55,800	-660	-1.1
600	<u>511,240</u>	<u>306,960</u>	<u>-204,280</u>	<u>-39.9</u>
Subtotal	\$1,733,100	\$1,682,255	-50,845	-2.9
Purchased				
Power	<u>13,990,000</u>	<u>17,450,000</u>	<u>3,460,000</u>	<u>24.7</u>
TOTAL	\$15,723,100	\$19,132,255	\$3,409,155	21.6

There are no major program changes in the Utility Department budget. However, there are increases in existing programs which affect the expenditures.

Included in this budget are negotiated salary increases for electric workers, additional allocation of tree trimmers charges from Public Works, additional funds for uncollected accounts resulting from increased electric costs, additional funds for telephones, and an allocation for consultant services to aid in solving intertie problems.

It is noteworthy that our assessments to NCPA for projects and legal activities is greatly reduced to \$214,540. This factor

has resulted in an overall reduction in operational costs of \$50,845, a 2.9% decline.

A most significant factor is the ever-increasing cost of energy. We have projected a 3% growth factor but the basic cost of electricity is increasing. The benefits of the City's municipally-owned electric utility system bear repeating. These are:

°City of Lodi residents pay less for electricity than those living in the surrounding area and in other cities.

°the City experiences lower costs for electricity for street lights, water production, operation of the sanitary sewer plant, and storm drain pumping.

°it allows the City of Lodi to provide a higher level of service with a smaller increment of property taxes as a part of total revenue than other cities.

The Electric Fund will pay the General Fund \$619,585 for services rendered. A \$552,200 transfer to the Utility Outlay Reserve and \$38,650 to the PL & PD Fund are also budgeted. It is recommended that \$1,301,470 be transferred to the General Fund Operating Reserve and \$500,000 is recommended be transferred to the recommended Rate Normalization Reserve. This latter fund is to

establish funding to offset the City's share of the anticipated costs of the first four years of operating the future Calaveras project.

Sewer Fund

A summary of the Sewer Fund is shown in Schedule D.

<u>Series</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Difference</u>	<u>% Change</u>
100	\$ 452,910	\$ 432,420	\$(20,490)	-4.5
200	190,990	205,380	14,390	7.5
300	152,740	174,220	21,480	14.0
400	15,055	5,880	-9,175	-9.5
600	3,135	4,900	1,765	43.8
Plant Depre- ciation	301,510	324,310	22,800	7.5
Bond Interest	82,870	74,425	- 8,445	-10.1
TOTAL	\$1,199,210	\$1,221,535	\$22,325	1.9

Sewer Fund revenues are generated by sewer charges and connection fees, property tax override for bond redemption, interest on funds and other miscellaneous revenues.

Total operating revenue for fiscal 1985-86 is estimated at \$1,706,950, versus last year's total of \$1,648,475. This represents an increase of 3.5%. There is no appreciable difference in the operation this year.

The Sewer Fund will be charged \$83,435 to fund services provided by the General Fund, as well as transfers of \$250,000 to the Sewer Capital Outlay Fund, \$18,660 to the PL&PD Fund, and \$133,320 to the Sewer Operating Reserve.

Water Fund.

A summary of the Water Fund is shown in Schedule E.

<u>Series</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Difference</u>	<u>% Increase</u>
100	\$223,225	\$236,305	\$13,080	5.8
200	240,580	265,090	24,510	10.1
300	83,075	95,185	12,110	14.5
400	3,390	2,600	-790	-23.3
500	0	1,200	1,200	
600	25	100	75	300.0
TOTAL	\$550,295	\$600,480	\$50,185	9.1

Water Fund revenues are generated by sales, connection fees, interest and miscellaneous revenues. The revenues for 1985-86 are estimated to be \$1,510,480, an increase of \$67,515 from the 1984-85 estimate of \$1,442,965. The major reasons for this increase is an estimated 6.5% increase in sales. There is essentially no change in the overall program of the Water Fund.

Additional cost of electricity and telephone, and an increased appropriation for equipment repair costs, account for the increased costs.

The Water Fund will be charged \$86,625 to fund services provided by the General Fund. Transfers from the Water Fund will be made to the General Fund, \$414,045; Water Capital Fund, \$400,000; and PL & PD Fund, \$9,330.

Library Fund

A summary of the Library Fund is shown in Schedule F.

Series	<u>1984-85</u>	<u>1985-86</u>	<u>Difference</u>	<u>% Change</u>
100	\$403,685	\$408,320	\$ 4,635	1.1
200	51,220	48,690	-2,530	-4.9
300	132,665	149,660	16,995	12.8
600	5,750	6,180	430	7.4
TOTAL	\$593,320	\$612,850	\$19,530	3.2

The major source of revenue for the Library operation comes from an allocation of property taxes and revenues from other agencies. This year, the property tax allocation will be \$447,660; California Library Services; \$36,000; and the Public Library Foundation, \$25,000 and Business Tax Inventory \$16,930. It will

be necessary to use \$32,260 from the Library Reserve Fund to balance the Library budget.

The Library budget provides for the existing level of service.

Hutchins Street Square

A summary of this budget is shown in Schedule G.

Series	<u>1984-85</u>	<u>1985-86</u>	<u>Difference</u>	<u>% Increase</u>
100	\$20,190	\$21,100	\$ 910	4.5
200	6,860	8,550	1,690	24.6
300	3,175	3,870	695	21.8
500	<u>635</u>	<u>-0-</u>	<u>-635</u>	-----
TOTAL	\$30,860	\$33,520	\$2,660	8.6

The only operating revenue allocated to this facility are the rents for the "Cafeteria". It is expected these will total \$12,000 which leaves a shortfall of \$21,520 to be funded by a transfer from the General Fund.

BUDGET SUMMARY

In summary, this budget recognizes some deficiencies in our operations and attempts to address those issues so that the citizens can continue to receive the high levels of service they

deserve. This manifests itself in the addition of a number of positions in the organization discussed earlier which should meet many of the needs for the immediate future.

During the past year, we addressed a number of issues which are also included in the budget. Among these were: a comprehensive classification and salary plan was implemented; an administrative reorganization of the Fire Department accomplished; a study was completed on the use of computers; and a new computer was acquired.

The 1985-86 Operating Budget is balanced and provides for the maintenance of the existing level of service. The department heads presented budgets which were reasonable in light of the growth being experienced by the City of Lodi. Their assistance and the assistance of their respective staffs is acknowledged with appreciation. I am particularly indebted to Finance Director Bob Holm for his significant contribution throughout the budget preparation process. Finally, I am especially appreciative of the efforts of Assistant City Manager Jerry Glenn, the producer/director of this budget. His assistance, counsel and support was invaluable.

We look forward to the opportunity of reviewing this budget with the City Council during the coming weeks. The staff stands ready to answer questions, provide additional input and generally assist