

**CITY OF LODI  
INFORMAL INFORMATIONAL MEETING  
"SHIRTSLEEVE" SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, MARCH 30, 2004**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 30, 2004, commencing at 7:05 a.m.

**A. ROLL CALL**

Present: Council Members – Beckman, Hitchcock, Howard, and Mayor Hansen

Absent: Council Members – Land

Also Present: City Manager Flynn, Interim City Attorney Schwabauer, and City Clerk Blackston

**B. CITY COUNCIL CALENDAR UPDATE**

City Clerk Blackston reviewed the weekly calendar (filed).

**C. TOPIC(S)**

C-1 "Water/wastewater financing and rates"

Public Works Director Prima reported that Phase 1 of the improvements to the White Slough Water Pollution Control Facility is nearing completion. Phase 2, which includes installation of the tertiary filters and UV disinfection equipment and other aeration improvements, is currently out to bid. He noted that the facility is served by Pacific Gas & Electric through contracts with Northern California Power Agency and Lodi Electric; however, major upgrading needs to be done to the lines. Staff anticipates difficulties in meeting discharge standards and are considering alternatives such as total land disposal.

John Farnkopf, Senior Vice President of Hilton Farnkopf & Hobson, reviewed the wastewater rate study tables (all filed). Referencing table one, he noted that a 1% growth in the community was projected. An adjustment for the in-lieu of tax transfer to the General Fund was made, which shows it at the 12% level and declining to 9% by the end of the period. The assumptions were built into table one, which projects the revenue requirements. It began with the City's current budget and using escalation factors, calculates the amounts through fiscal year 2011-12. It nets out non-operating revenue and arrives at the amount of revenue that is required from rates. Row 15 shows a 25% increase projected for May 2004 and 25% for July 1, 2005. Rate increases then taper off to inflationary levels to keep up with the assumptions.

The rate increases shown in table three cover the annual revenue requirements and maintain the target fund balances. There are occasions where the amount is above target; however, at the end of the projection period it is very close. The Impact Fund (00173) contemplates an increase in the impact fees in 2004-05.

In answer to Council inquiries, Mr. Prima explained that in order to do the financing the City had to meet an additional bonds test tied to the current bond. When the Operations Fund (00170), Capital Outlays (00171), and White Slough Capital Fund (00172) are combined the balance is 101%. Mr. Prima assured Council that this financing is not to "fix any past issues"; it is strictly to meet the permit requirements.

Addressing City Manager Flynn, Mayor Pro Tempore Beckman asked how much cash was missing from the Wastewater Fund due to transfers (such as for transit) and whether the proposed rates are factored to replenish the transfer amounts.

Mr. Flynn replied that on June 30 an accounting entry is made and cash is distributed. On July 1 the Finance Department reverses the entry. He explained that the deficit was due to a transit grant that was not received. He confirmed that the proposed rates are not affected by the transfers.

In reference to the transfer issue, Council Member Hitchcock recalled that it amounted to \$9 million and asked the City Manager to provide Council with an itemized accounting.

Alex Burnett, financial advisor from the firm of Public Financial Management, explained that major financings for an enterprise require revenues to be sufficient to meet ongoing maximum annual debt service. Rates and revenues will be higher in the beginning and will over time come in line with expenses. He recalled that Phase 1 was funded through the California Statewide Communities Development Authority bond pool. The proposed Phase 2 financing is for \$25 million for a term of 20 years with a fixed rate. Phase 3 financing would occur in 2006 and include the potential refunding of the 1991 Certificates of Participation (COPs). Mr. Burnett stated that George Wolfe of First Albany is the proposed underwriter who would negotiate the placement and sale.

Mr. Burnett distributed a 13-page packet of material entitled, "White Slough Water Pollution Control Facility and Related Financing" (filed). Referencing page 6, he explained that the revenue bond index is a proxy for long-term tax-exempt rates and is published weekly. As of March 12 the index was 4.75, which is the lowest it has ever been in 25 years. Page 7 shows the structure of the debt service after the proposed issuance of the 2004 financing. It does not incorporate the proposed 2006 financing. The 2003 bonds represent a small share. Page 8 includes two sets of legal covenants related to the 1991 COPs, as well as the 2003 and proposed 2004 COPs. These include: 1) the rate covenant, which is the requirement to set annual revenues to meet annual expenses, and, 2) the additional bonds test. Under the additional bonds test is a concept called "adjusted net revenues." "Net revenues" is the gross amount less operations and maintenance. The 1991 covenants do not allow connection fees to be included in the calculation. In calculating net revenues for 2003 there is some question about whether the General Fund transfer is included as part of operations and maintenance. The rate covenants listed on page 10 assume a 20-year level debt service, which includes the projected rate increases of 25% this year, 25% in 2005-06, and 3% thereafter. Mr. Burnett stated that the projected rate increases contemplate the 2006 financing, but not the 1991 refunding. System net revenues were calculated at \$3.1 million. The 1991 COPs require an adjustment for connection fees of almost \$1.4 million, which leaves only \$1.7 million of revenues for purposes of meeting the additional bonds test. Roughly \$1.5 million is the estimated impact from the rate increase, which is allowed to be taken into consideration for purposes of the additional bonds test. Mr. Burnett reported that the amount is \$3.243 million with the rate increase, and the requirement is \$3.117 million.

Council Member Howard asked whether additional rate increases will be proposed at the time of the projected 2006 financing.

Mr. Prima replied that it would be contingent upon: 1) the project costs coming in as estimated, 2) interest rates remaining low, and 3) impacts resulting from the next permit.

Council Member Howard recalled that Council had expressed a desire to keep the in-lieu of tax transfer "revenue neutral" and asked whether this has been accounted for, to which Mr. Prima answered in the affirmative.

Mr. Burnett reported that a meeting with the rating agencies has been scheduled for April 22. Final action by Council is anticipated on April 27, subsequent to which a week of pre-marketing of the bonds would occur, with the sale taking place on May 11 and the close one week later.

*Continued March 30, 2004*

Mr. Prima reiterated that the Phase 2 project is currently out to bid and staff hopes to have it awarded in early May. The current permit has a condition to have the filters on-line at the end of May. Staff has sent a letter to the Regional Board requesting an extension to January 2005 to have the new permit conditions applied to the City. Staff will return to Council to discuss the impact mitigation fees (AKA connection fees) in June or July 2004. Mr. Prima reported that the public notice of proposed increases to monthly water, sewer, and refuse rates and charges included a statement that all rates may be increased by an amount up to the percentage increase in the Consumer Price Index on July 1, 2005, and each following year as needed. This will be part of what Council will consider at the public hearing scheduled for April 27, 2004.

**D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS**

None.

**E. ADJOURNMENT**

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

ATTEST:

Susan J. Blackston  
City Clerk

## Mayor's & Council Members' Weekly Calendar

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### WEEK OF MARCH 30, 2004

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#### Tuesday, March 30, 2004

- 7:00 a.m. Shirtsleeve Session  
1. Water/wastewater financing and rates (PW)
- 5:30 – 7:00 p.m. Grand Opening and Ribbon Cutting of A Piece of Heaven, 20 North School Street.

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#### Wednesday, March 31, 2004

- 7:30 – 9:00 a.m. **Hansen.** San Joaquin County Chapter American Red Cross Annual Heroes Breakfast, The River Mill, 1672 West Bowman Road, French Camp.
- 3:00 p.m. **Hansen.** German American Partnership Program (GAPP) to meet with the mayor in front of City Hall.
- 6:00 p.m. Special Joint City Council Meeting with the East Side Improvement Committee, Lodi Adopt-A-Child Office, 100 East Pine Street.

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#### Thursday, April 1, 2004

- Reminder 2003 Annual Conflict of Interest Statements are due by 5:00 p.m.

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#### Friday, April 2, 2004

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#### Saturday, April 3, 2004

- 9:00 a.m. **Hansen.** Celebrate the Arts Festival 2004, Hutchins Street Square.
- 10:00 - 2:00 p.m. SpringFest 2004, presented by Community Development, Parks and Recreation, and Public Works Departments, Lodi Lake Park ~ South Lawn.

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#### Sunday, April 4, 2004

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#### Monday, April 5, 2004

*Disclaimer: This calendar contains only information that was provided to the City Clerk's Office.*

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**CITY OF LODI  
COUNCIL COMMUNICATION**

**AGENDA TITLE:** Water/Wastewater Financing and Rates  
**MEETING DATE:** March 30, 2004 (Shirtsleeve Session)  
**PREPARED BY:** Public Works Director

**RECOMMENDED ACTION:** None

**BACKGROUND INFORMATION:** The purpose of this presentation is to provide the City Council details of the cost factors and financing pertaining to the ongoing improvements to the White Slough Water Pollution Control Facility (the project) and to update the Council on the project.

**Rates & Financing**

Attached are the following:

1. Wastewater Utility Revenue Program Spreadsheets – These are the updated versions of the preliminary ones presented to the Council in October 2003. These will be presented by John Farnkopf, PE, Senior Vice President of Hilton Farnkopf & Hobson, LLC, working under subcontract to our wastewater consultants, West Yost & Associates (WYA). WYA, along with City Public Works and Finance department staff provided significant input to the model. In addition, our financial advisor, Alex Burnett and his staff from Public Financial Management also provided review and input, mainly in the financing portion. In addition, George Wolfe, of First Albany, underwriter for the financing, provided review and input.

The financial model considers growth, various operating costs and improvements through fiscal year 2011/12. While the model includes revenue from wastewater development fees, updating these fees will be handled as a separate action. The spreadsheets consist of:

- a. Assumptions – These are the factors used to adjust the figures used in the later sheets.
- b. Table 1 – Revenue Requirements – This table presents operating costs, including increases due to the additional processes and equipment included in the project. The general fund in-lieu transfer is also included and has been adjusted as previously directed by the Council to reduce the proposed rate increase.
- c. Table 2 – Projected Revenue Increases – This table presents the proposed total revenue adjustments, one to go into effect in May 2004 and a second one in July 2005. In subsequent years, we have indicated a nominal annual increase to keep pace with increased costs and avoid larger, less frequent increases. In the recent property owner mailing on the proposed rated increases, staff included the possibility of such adjustments. Discussion on including a formal update mechanism (CPI or other factor) would be appropriate at this meeting.

APPROVED:

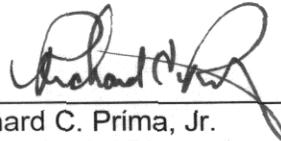
  
 H. Dixon Flynn, City Manager

- d. Table 3 – Reserve Funds – This is the heart of the model and shows our four wastewater sub-funds: Operations, Capital Outlay (our main infrastructure replacement fund), White Slough Capital and Impact (development). This sheet summarizes the revenue and cost information from the other sheets and shows fund balance both with and without the rate increases. The rate increases are set to provide fund balances meeting the recommended reserve levels in each sub-fund.
  - e. Table 5 – Capital Improvement Program – This table presents the capital projects being funded by the wastewater utility, including the infrastructure replacement program. (Note Table 4, which deals with bond coverage requirements discussed in the next item, is not included.)
2. PFM Presentation – Alex Burnett of PFM will present an overview of the proposed 2004 Wastewater COP. Staff wishes to emphasize that rates are at all-time lows right now and recognizing that we still have “Phase 3” of the White Slough project ahead of us, we are proposing to finance some of the Phase 3 expenses at this time.

### **Project Update**

The Phase 1 project is nearing completion. The earthwork is completed and the first of four aeration blowers is installed and being tested. Electrical work is underway. The Phase 2 project – installation of the tertiary filters and UV disinfection equipment and other aeration improvements – is out to bid.

According to our permit, this work was to be completed in May 2004. Since we do not discharge during the summer, we were targeting completion by September when we begin discharge to Dredger Cut. Staff and our consultants have sent a request to the Regional Board for a time extension to January 2005, as it now appears that meeting the September date will be extremely difficult (hence, very expensive), if not impossible. We believe Regional Board staff is supportive of our request, but Board action will be required.



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Richard C. Prima, Jr.  
Public Works Director

RGP/pmf

#### Attachments

cc: Steve Schwabauer, Interim City Attorney  
Vicky McAthie, Finance Director  
Wally Sandelin, City Engineer  
Frank Beeler, Assistant Water/Wastewater Superintendent  
Del Kerlin, Assistant Wastewater Treatment Superintendent  
Bruce West, West Yost Associates  
John Farnkopf, HF&H  
Alex Burnett, PFM  
George Wolfe, First Albany

City of Lodi Wastewater Rate Study  
**Assumptions used for projections**

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Basis/Comments
General growth	<i>Per Budget</i>	<i>Per Budget</i>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	General increase with City growth; w/o rate adjustments
SSUs added per year			322	326	329	332	336	339	342	346	General growth times current SSUs
Interest on Fund Balance	2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	Current LAIF rate with slight increase in future
General inflation	<i>Per Budget</i>	<i>Per Budget</i>	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	General inflation factor used unless noted otherwise
Construction cost inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	Based on recent increases in ENR-CCI SF index
Labor	<i>Per Budget</i>	<i>Per Budget</i>	3.0%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	Maint. & Op. MOU thru 6/03, estimate beyond
Power	<i>Per Budget</i>	<i>Per Budget</i>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
GF contribution (In-Lieu)	12.0%	12.0%	12.0%	11.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	
Insurance, Misc.	<i>Per Budget</i>	<i>Per Budget</i>	5.0%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	
Septage Hauler Revenues	<i>Per Budget</i>	<i>Per Budget</i>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	

	A	B	H	I	J	K	L	M	N	O	P
1	City of Lodi Wastewater Rate Study										
3	<b>Table 1. Revenue Requirements</b>										
4											
5			<b>Budgeted</b>	<b>Budgeted</b>	<b>Projected</b>						
6			<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>
7	<b>Operations and Maintenance</b>										
8	Damage to City Property 170152		\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
9	Administration 170401										
10	Personnel Services	\$	246,995	267,610	276,307	285,287	294,559	304,132	314,017	324,222	334,759
11	Increased Administrative Expenses		-	-	106,090	109,538	113,098	116,774	120,569	124,487	128,533
12	Utility Comm. & Transportation		3,000	3,100	3,255	3,418	3,589	3,768	3,956	4,154	4,362
13	Supplies		82,125	106,640	109,839	113,134	116,528	120,024	123,625	127,334	131,154
14	Other		10,550	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609
15	Subtotal , Administration	\$	342,670	384,350	502,702	518,804	535,423	552,577	570,282	588,556	607,417
16	Plant Maintenance 170403										
17	Personnel Services	\$	849,500	901,065	930,350	960,586	991,805	1,024,039	1,057,320	1,091,683	1,127,163
18	Utility Comm. & Transportation		428,675	428,675	450,109	472,614	496,245	521,057	547,110	574,465	603,189
19	Supplies		491,265	483,970	498,489	513,444	528,847	544,712	561,054	577,885	595,222
20	Other		138,680	132,680	136,660	140,760	144,983	149,333	153,812	158,427	163,180
21	Subtotal , Plant Maintenance	\$	1,908,120	1,946,390	2,015,608	2,087,404	2,161,880	2,239,141	2,319,296	2,402,461	2,488,753
22	Sanitary Sewer Maintenance 170404										
23	Personnel Services	\$	340,790	359,590	371,277	383,343	395,802	408,665	421,947	435,660	449,819
24	Utility Comm. & Transportation		16,400	16,400	17,220	18,081	18,985	19,934	20,931	21,978	23,076
25	Supplies		31,880	33,000	33,990	35,010	36,060	37,142	38,256	39,404	40,586
26	Other		3,700	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919
27	Subtotal , Sanitary Sewer Maintenance	\$	392,770	412,990	426,607	440,677	455,218	470,244	485,771	501,818	518,401
28	Storm Drain Maintenance 170405										
29	Personnel Services	\$	137,245	144,840	149,547	154,408	159,426	164,607	169,957	175,481	181,184
30	Utility Comm. & Transportation		26,600	26,600	27,930	29,327	30,793	32,332	33,949	35,647	37,429
31	Supplies		152,500	86,500	89,095	91,768	94,521	97,357	100,277	103,286	106,384
32	Other		105,000	107,135	110,349	113,660	117,069	120,581	124,199	127,925	131,763
33	Subtotal , Storm Drain Maintenance	\$	421,345	365,075	376,921	389,161	401,809	414,878	428,382	442,337	456,759
34	Other Expenses										
35	Increased Annual O&M - White Slough WWTP	\$	-	145,000	300,000	315,000	330,800	347,300	364,700	382,900	402,000
36	Additional Increases for Land/Other Expenses		-	-	-	-	-	-	-	-	-
37	Supplement Envir. Program 170413		8,945	14,445	30,300	31,200	32,100	33,100	34,100	35,100	36,200
38	Watershed Education Grant 170414		7,200	-	-	-	-	-	-	-	-
39	Industrial System Maintenance 170442		11,255	11,505	11,850	12,206	12,572	12,949	13,337	13,738	14,150
40	Subtotal - Other O&M Expenses	\$	27,400	170,950	342,150	358,406	375,472	393,349	412,137	431,738	452,350
41	Total, Operating O&M Expenses	\$	3,100,305	3,287,755	3,671,988	3,802,452	3,937,802	4,078,188	4,223,869	4,374,909	4,531,680
42											

	A	B	H	I	J	K	L	M	N	O	P
1	City of Lodi Wastewater Rate Study										
3	<b>Table 1. Revenue Requirements</b>										
4											
5			<b>Budgeted</b>	<b>Budgeted</b>	<b>Projected</b>						
6			<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>
43	<b>Non-Operating Expenses</b>										
44		Contributions to GF (in-lieu) 170472	\$ 755,040	\$ 759,885	\$ 839,367	\$ 869,058	\$ 904,656	\$ 941,441	\$ 987,318	\$ 1,027,546	\$ 1,069,418
45		Cost of Services (to GF)	665,859	665,859	687,499	709,843	732,913	756,733	781,327	806,720	832,938
46		Insurance, Misc.	433,857	433,857	447,957	462,516	477,548	493,068	509,093	525,638	542,722
47		Total Non-Operating O&M Expenses	\$ 1,854,756	\$ 1,859,601	\$ 1,974,823	\$ 2,041,417	\$ 2,115,117	\$ 2,191,242	\$ 2,277,737	\$ 2,359,904	\$ 2,445,078
48		Total O&M Expenses	\$ 4,955,061	\$ 5,147,356	\$ 5,646,811	\$ 5,843,870	\$ 6,052,919	\$ 6,269,429	\$ 6,501,606	\$ 6,734,813	\$ 6,976,758
49											
50	<b>Debt Service (Existing users' share only)</b>										
51		1991 COPs	\$ 210,207	\$ 209,834	\$ 209,247	\$ 209,698	\$ 209,836	\$ 208,430	\$ 209,362	\$ 208,689	\$ 209,011
52		Phase I - 2003 bond	73,777	318,012	314,941	315,979	316,933	317,597	317,668	316,556	314,711
53		Phase II - 2004 bond		806,231	1,601,860	1,601,611	1,601,030	1,599,785	1,597,668	1,598,892	1,594,674
54		Phase III - 2006 bond				909,100	1,105,548	1,107,000	1,108,245	1,108,546	1,107,882
55		Subtotal, Debt Service	\$ 283,984	\$ 1,334,078	\$ 2,126,048	\$ 3,036,388	\$ 3,233,347	\$ 3,232,812	\$ 3,232,943	\$ 3,232,683	\$ 3,226,278
56		Total Operation and Maintenance Expenses	\$ 5,239,045	\$ 6,481,434	\$ 7,772,859	\$ 8,880,257	\$ 9,286,266	\$ 9,502,241	\$ 9,734,549	\$ 9,967,497	\$ 10,203,036
57											
58	<b>Non-Operating Revenue</b>										
59		Sewer Reimbursements	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
60		Rent - WSWPCF	205,645	205,645	207,701	209,778	211,876	213,995	216,135	218,296	220,479
61		Sale of City Property	-	-	-	-	-	-	-	-	-
62		Miscellaneous revenues:									
63		Other									
64		State special grants	7,200								
65		Sewer tap fees	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
66		Subtotal Non-Operating Revenues	\$ 405,645	\$ 405,645	\$ 407,701	\$ 409,778	\$ 411,876	\$ 413,995	\$ 416,135	\$ 418,296	\$ 420,479
67											
68	<b>Transfers To/(From) Reserves</b>										
69		Capital Outlays (00171) (Tbl 3)	\$ 1,700,000	\$ 1,100,000	\$ 2,200,000	\$ 1,200,000	\$ 1,900,000	\$ 2,000,000	\$ 2,200,000	\$ 2,100,000	\$ 2,200,000
70		WSWPCF Capital (00172) (Tbl 3)	-	-	-	-	-	-	-	-	-
71		Impact Fund (00173) (Tbl 3)	-	-	-	-	-	-	-	-	-
72		Subtotal Transfer To/(From)	\$ 1,700,000	\$ 1,100,000	\$ 2,200,000	\$ 1,200,000	\$ 1,900,000	\$ 2,000,000	\$ 2,200,000	\$ 2,100,000	\$ 2,200,000
73		<b>Revenue Requirements (To Tbl 2)</b>	<b>\$ 6,533,400</b>	<b>\$ 7,175,789</b>	<b>\$ 9,565,158</b>	<b>\$ 9,670,479</b>	<b>\$ 10,774,389</b>	<b>\$ 11,088,246</b>	<b>\$ 11,518,414</b>	<b>\$ 11,649,200</b>	<b>\$ 11,982,557</b>
74											
75											
76											
77											
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79											
80											
81											

	A	B	G	H	I	J	K	L	M	N	O
1	City of Lodi Wastewater Rate Study										
2	<b>Table 2. Projected Revenue Increases</b>										
3											
4											
5			<b>Budgeted</b>	<b>Budgeted</b>	<b>Projected</b>						
6			<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>
7	<b>Revenue Requirements (From Tbl 1)</b>		\$6,533,400	\$7,175,789	\$9,565,158	\$9,670,479	\$10,774,389	\$11,088,246	\$11,518,414	\$11,649,200	\$11,982,557
8	<b>Revenue from Rates</b>										
9	Revenue from Current Rates		\$ 6,079,083	\$ 6,092,300	\$ 6,155,323	\$ 6,219,018	\$ 6,283,393	\$ 6,397,656	\$ 6,464,397	\$ 6,531,862	\$ 6,600,057
10	Revenue from prior year's rate increases		-	1,538,306	1,554,219	3,537,105	3,872,390	4,253,022	4,620,244	5,004,472	5,406,425
11	<b>Total Rate Revenues Including Rate Increases</b>		\$6,079,083	\$7,630,606	\$7,709,542	\$9,756,124	\$10,155,783	\$10,650,678	\$11,084,642	\$11,536,334	\$12,006,482
12											
13	<b>Surplus/(Deficit) before rate increase</b>		(454,316)	454,817	(1,855,616)	85,645	(618,606)	(437,568)	(433,772)	(112,866)	23,925
14											
15	<b>Rate Increase Indicated (From Tbl 3)</b>		<b>25.0%</b>	<b>0.0%</b>	<b>25.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
16	<b>Revenue from rate increases</b>										
18	FY 03-04 (effective 5/1/04 - 2 months)	\$	253,295	\$ 1,538,306	\$ 1,554,219	\$ 1,570,302	\$ 1,586,557	\$ 1,615,408	\$ 1,632,260	\$ 1,649,295	\$ 1,666,514
19	FY 04-05 (effective 7/1/04)			-	-	-	-	-	-	-	-
20	FY 05-06				1,946,659	1,966,803	1,987,162	2,023,299	2,044,406	2,065,742	2,087,309
21	FY 06-07					295,611	298,671	304,102	307,274	310,481	313,723
22	FY 07-08						304,673	310,214	313,450	316,721	320,028
23	FY 08-09							319,520	322,854	326,223	329,629
24	FY 09-10								332,539	336,010	339,518
25	FY 10-11									346,090	349,703
26	FY 11-12										360,194
27	Subtotal - Revenue from Rate Increases	\$	253,295	\$ 1,538,306	\$ 3,500,878	\$ 3,832,716	\$ 4,177,063	\$ 4,572,543	\$ 4,952,784	\$ 5,350,562	\$ 5,766,619
28	<b>Total Rate Revenue</b>	\$	6,332,378	\$ 7,630,606	\$ 9,656,201	\$ 10,051,734	\$ 10,460,456	\$ 10,970,198	\$ 11,417,181	\$ 11,882,424	\$ 12,366,676
29	<b>Surplus/(Deficit) after Rate Increase (To Tbl 3, Fund 17)</b>	\$	(201,021)	\$ 454,817	\$ 91,044	\$ 381,255	\$ (313,933)	\$ (118,048)	\$ (101,233)	\$ 233,224	\$ 384,119
30											
31											
32											
33	<b>Operating Revenue</b>										
34	Wastewater Sales - Public	\$	5,845,710	\$ 5,904,170	\$ 5,963,212	\$ 6,022,844	\$ 6,083,072	\$ 6,143,903	\$ 6,205,342	\$ 6,267,395	\$ 6,330,069
35	Wastewater Sales - City		29,540	30,130	30,431	30,736	31,043	31,353	31,667	31,984	32,303
36	Septage Charges (actual to increase per gen incr.)		210,000	210,000	214,200	218,484	222,854	276,511	282,041	287,682	293,435
37	Revenue "loss" Low-income programs		(6,167)	(52,000)	(52,520)	(53,045)	(53,576)	(54,111)	(54,653)	(55,199)	(55,751)
38	Other Operating Income		-	-	-	-	-	-	-	-	-
39		\$	6,079,083	\$ 6,092,300	\$ 6,155,323	\$ 6,219,018	\$ 6,283,393	\$ 6,397,656	\$ 6,464,397	\$ 6,531,862	\$ 6,600,057
40											
41	Rate increase (as a full year's revenue for FY 03-04)	\$	1,519,771	\$ 1,538,306	\$ 3,500,878	\$ 3,832,716	\$ 4,177,063	\$ 4,572,543	\$ 4,952,784	\$ 5,350,562	\$ 5,766,619
42	Total for coverage tests (Tbl 4A)	\$	7,598,854	\$ 7,630,606	\$ 9,656,201	\$ 10,051,734	\$ 10,460,456	\$ 10,970,198	\$ 11,417,181	\$ 11,882,424	\$ 12,366,676
43											

	A	D	E	F	G	H	I	J	K	L
1	City of Lodi Wastewater Rate Study									
2	<b>Table 3. Reserve Funds</b>									
3										
4		<b>Budgeted</b>	<b>Budgeted</b>	<b>Projected</b>						
5		<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>
6	<b>Operations Fund (00170)</b>									
7	<b>Fund Balance Without Rate Increases</b>									
8	Beginning Fund Balance	\$ 1,533,330	\$ 1,105,137	\$ 1,593,268	\$ (245,712)	\$ (160,067)	\$ (778,673)	\$ (1,216,242)	\$ (1,650,014)	\$ (1,762,880)
9	Annual Surplus/(Deficit) (From Tbl 2)	(454,316)	454,817	(1,855,616)	85,645	(618,606)	(437,568)	(433,772)	(112,866)	23,925
10	Subtotal	\$ 1,079,014	\$ 1,559,954	\$ (262,348)	\$ (160,067)	\$ (778,673)	\$ (1,216,242)	\$ (1,650,014)	\$ (1,762,880)	\$ (1,738,955)
11	Estimated interest earnings	26,123	33,314	16,636	-	-	-	-	-	-
12	Ending Balance (Without Rate Incr.)	\$ 1,105,137	\$ 1,593,268	\$ (245,712)	\$ (160,067)	\$ (778,673)	\$ (1,216,242)	\$ (1,650,014)	\$ (1,762,880)	\$ (1,738,955)
14	<b>Rate Increases:</b>	<b>25%</b>	<b>0%</b>	<b>25%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
15	<b>Fund Balance With Rate Increases (To Tbl 2)</b>									
16	Beginning Fund Balance	\$ 1,533,330	\$ 1,360,965	\$ 1,855,491	\$ 1,994,060	\$ 2,429,933	\$ 1,869,074	\$ 1,391,277	\$ 918,561	\$ 873,914
17	Transfers (To)/From Fund 00172 (To Tbl 3 below)	-	-	-	-	(300,000)	(400,000)	(400,000)	(300,000)	(300,000)
18	Annual Surplus/(Deficit) (From Tbl 2)	(201,021)	454,817	91,044	381,255	(313,933)	(118,048)	(101,233)	233,224	384,119
19	Subtotal	\$ 1,332,309	\$ 1,815,782	\$ 1,946,535	\$ 2,375,316	\$ 1,816,000	\$ 1,351,026	\$ 890,044	\$ 851,785	\$ 958,033
20	Estimated interest earnings	28,656	39,709	47,525	54,617	53,074	40,251	28,517	22,129	22,899
21	<b>Ending Balance (With Rate Increase)</b>	<b>\$ 1,360,965</b>	<b>\$ 1,855,491</b>	<b>\$ 1,994,060</b>	<b>\$ 2,429,933</b>	<b>\$ 1,869,074</b>	<b>\$ 1,391,277</b>	<b>\$ 918,561</b>	<b>\$ 873,914</b>	<b>\$ 980,932</b>
22	Minimum Balance (15% of Operations)	\$ 743,000	\$ 772,000	\$ 847,000	\$ 877,000	\$ 908,000	\$ 940,000	\$ 975,000	\$ 1,010,000	\$ 1,047,000
23	Fund Balance Compared to Target	183%	240%	235%	277%	206%	148%	94%	87%	94%
24	<b>Capital Outlays (00171)</b>									
25	Beginning Balance	\$ (111,277)	\$ 56,768	\$ 919,318	\$ 1,012,163	\$ 1,056,705	\$ 1,051,735	\$ 1,093,216	\$ 1,186,359	\$ 1,180,580
26	Transfers (To)/From Rev Reqmts (Tbl 1)	1,700,000	1,100,000	2,200,000	1,200,000	1,900,000	2,000,000	2,200,000	2,100,000	2,200,000
27	Transfers (To)/From Fund 172 (Tbl 3 below)	100,000	1,600,000	100,000	700,000	-	-	-	-	-
28	Cash funded projects (From Tbl 5)	(1,631,955)	(1,849,500)	(2,231,000)	(1,881,000)	(1,931,000)	(1,985,000)	(2,135,000)	(2,135,000)	(2,185,000)
29	Subtotal	\$ 56,768	\$ 907,268	\$ 988,318	\$ 1,031,163	\$ 1,025,705	\$ 1,066,735	\$ 1,158,216	\$ 1,151,359	\$ 1,195,580
30	Estimated interest earnings	-	12,050	23,845	25,542	26,030	26,481	28,143	29,221	29,702
31	<b>Ending Balance</b>	<b>\$ 56,768</b>	<b>\$ 919,318</b>	<b>\$ 1,012,163</b>	<b>\$ 1,056,705</b>	<b>\$ 1,051,735</b>	<b>\$ 1,093,216</b>	<b>\$ 1,186,359</b>	<b>\$ 1,180,580</b>	<b>\$ 1,225,282</b>
32	Target Balance (50% of 10-yr annual average cash costs)	\$ 957,000	\$ 986,000	\$ 1,016,000	\$ 1,046,000	\$ 1,077,000	\$ 1,109,000	\$ 1,142,000	\$ 1,176,000	\$ 1,211,000
33	Fund Balance Compared to Target	6%	93%	100%	101%	98%	99%	104%	100%	101%
34	<b>WSWPCF Capital (00172)</b>									
35	Beginning Balance	\$ 84,701	\$ 505,596	\$ 4,523,929	\$ 521,215	\$ 559,557	\$ 522,921	\$ 586,619	\$ 651,910	\$ 617,583
36	Transfers (To)/From Rev Reqmts (Tbl 1)	-	-	-	-	-	-	-	-	-
37	Transfers From Fund 170 (Tbl 3 above)	-	-	-	-	300,000	400,000	400,000	300,000	300,000
38	Transfers (To)/From Fund 171 (Tbl 3 above)	(100,000)	(1,600,000)	(100,000)	(700,000)	-	-	-	-	-
39	Capital Projects (from Tbl 5)	(3,581,000)	(15,831,650)	(3,965,000)	(8,955,160)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
40	Bond proceeds	4,096,050	21,387,890	-	9,680,160	-	-	-	-	-
41	Subtotal	\$ 499,751	\$ 4,461,836	\$ 458,929	\$ 546,215	\$ 509,557	\$ 572,921	\$ 636,619	\$ 601,910	\$ 567,583
42	Estimated interest earnings	5,845	62,093	62,286	13,343	13,364	13,698	15,290	15,673	14,815
43	<b>Ending Balance</b>	<b>\$ 505,596</b>	<b>\$ 4,523,929</b>	<b>\$ 521,215</b>	<b>\$ 559,557</b>	<b>\$ 522,921</b>	<b>\$ 586,619</b>	<b>\$ 651,910</b>	<b>\$ 617,583</b>	<b>\$ 582,397</b>
44	Min. Recommended Balance \$500,000 current year, inflate in future	\$ 500,000	\$ 515,000	\$ 530,000	\$ 546,000	\$ 562,000	\$ 579,000	\$ 596,000	\$ 614,000	\$ 632,000
45	Fund Balance Compared to Target	101%	878%	98%	102%	93%	101%	109%	101%	92%
46	<b>Total Reserves (00170, 00171, 00172)</b>									
47	Total Reserves (With Rate Increases)	\$ 1,923,329	\$ 7,298,738	\$ 3,527,438	\$ 4,046,195	\$ 3,443,731	\$ 3,071,113	\$ 2,756,830	\$ 2,672,077	\$ 2,788,612
48	<b>Total Target Reserves</b>	<b>\$ 2,200,000</b>	<b>\$ 2,273,000</b>	<b>\$ 2,393,000</b>	<b>\$ 2,469,000</b>	<b>\$ 2,547,000</b>	<b>\$ 2,628,000</b>	<b>\$ 2,713,000</b>	<b>\$ 2,800,000</b>	<b>\$ 2,890,000</b>
49	Fund Balance Compared to Target	87%	321%	147%	164%	135%	117%	102%	95%	96%

	A	D	E	F	G	H	I	J	K	L
1	City of Lodi Wastewater Rate Study									
2	<b>Table 3. Reserve Funds</b>									
3										
4										
5		<b>Budgeted</b>	<b>Budgeted</b>	<b>Projected</b>						
5		<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>
50	<b>Impact Fund (00173)</b>									
51	Beginning Balance	\$ 1,011,924	\$ 1,458,117	\$ 2,104,347	\$ 362,451	\$ 1,800,668	\$ 1,116,856	\$ 1,117,433	\$ 1,127,509	\$ 1,151,815
52	Transfers (To)/From Rev Reqmts (To Tbl 1)	-	-	-	-	-	-	-	-	-
53	Debt Service									
54	1991 COPs	(598,281)	(597,221)	(595,550)	(596,832)	(597,226)	(593,223)	(595,876)	(593,961)	(594,879)
55	Phase I - 2003 bond	(15,111)	(65,135)	(64,506)	(64,719)	(64,914)	(65,050)	(65,065)	(64,837)	(64,459)
56	Phase II - 2004 bond	-	(165,132)	(328,092)	(328,041)	(327,922)	(327,667)	(327,233)	(327,484)	(326,620)
57	Phase III - 2006 bond			-	(186,201)	(226,437)	(226,735)	(226,990)	(227,052)	(226,916)
58	Impact Fee Revenue-Existing	777,000	924,000	933,240	942,572	951,998	961,518	971,133	980,845	990,653
59	Impact Fee Revenue-Increase In Fees		215,403	217,557	219,733	221,930	224,149	226,391	228,655	230,941
60	Capital Projects	(580,821)	(3,323,017)	(1,935,000)	(11,406,840)	(677,260)	-	-	-	-
61										
62										
63	Bond proceeds	838,950	3,613,350	-	12,831,840	-	-	-	-	-
64	Subtotal	\$ 1,433,661	\$ 2,060,366	\$ 331,996	\$ 1,773,963	\$ 1,080,837	\$ 1,089,849	\$ 1,099,794	\$ 1,123,675	\$ 1,160,536
65	Estimated interest earnings	24,456	43,981	30,454	26,705	36,019	27,584	27,715	28,140	28,904
66	<b>Ending Balance</b>	<b>\$ 1,458,117</b>	<b>\$ 2,104,347</b>	<b>\$ 362,451</b>	<b>\$ 1,800,668</b>	<b>\$ 1,116,856</b>	<b>\$ 1,117,433</b>	<b>\$ 1,127,509</b>	<b>\$ 1,151,815</b>	<b>\$ 1,189,441</b>

City of Lodi Wastewater Rate Study

**Table 5. Capital Improvement Program**

	Budgeted FY 03-04	Budgeted FY 04-05	FY 05-06	FY 06-07	FY 07-08	Projected FY 08-09	FY 09-10	FY 10-11	FY 11-12
<b>Wastewater Capital Outlay Fund (00171)</b>									
Elm Street (Hutchins > Lee)	\$ 44,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lockeford St. SD E/Mills	106,500	-	-	-	-	-	-	-	-
Glaves Park Inlet Structure	-	20,000	-	-	-	-	-	-	-
Future, Unspecified Storm Drain Upgrades	-	-	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Lodi Lake Pump Station Modifications	-	-	-	to be determined	-	-	-	-	-
Remote Actuated Slide Gate Installation (2)	-	30,000	-	-	-	-	-	-	-
Billing Software Upgrades	-	-	50,000	-	-	-	-	-	-
Air Compressor (Unit No. 04-094)	6,455	-	-	-	-	-	-	-	-
White Slough Primary Sedimentation Tank Repairs	15,000	15,000	-	-	-	-	-	-	-
White Slough Laboratory Ceiling Tile and Light Fixture Replacem	-	16,000	-	-	-	-	-	-	-
White Slough Telephone Systems Upgrade	-	45,000	-	-	-	-	-	-	-
White Slough WPCF-Professional Services	40,000	-	-	-	-	-	-	-	-
White Slough Headwork Sluice Gate	15,000	-	-	-	-	-	-	-	-
Storm water Management Program	-	52,500	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Organization Evaluation and Restructure	-	25,000	-	-	-	-	-	-	-
171008 Century Meadows Three	-	-	-	-	-	-	-	-	-
171021 Wastewater Main replacement	1,035,000	1,200,000	1,250,000	1,250,000	1,300,000	1,300,000	1,350,000	1,350,000	1,400,000
171053 MSC Modular Bldgs/Rehabilitation/Expansion	55,000	315,000	-	-	-	-	-	-	-
171405 Miscellaneous System Relocations	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
171471 Wastewater Taps - PW/CM	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
171473 Mainline Trunk CC Study	60,000	-	-	-	-	-	-	-	-
171474 Lift Station-Generator Replacements	-	46,000	46,000	46,000	46,000	-	-	-	-
171475 Main Street Storm Drain Mitigation	240,000	-	-	-	-	-	-	-	-
171476 Outfall Diversion Structure	-	50,000	400,000	100,000	-	-	-	-	-
171477 Remote Terminal Unit Replacement	-	-	-	-	-	-	-	-	-
171201 Vehicles and Other Equipment	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Vehicles	-	-	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Future projects	-	-	100,000	100,000	200,000	300,000	400,000	400,000	400,000
<b>Total (00171) (To Tbl 3) - cash funded</b>	<b>1,631,955</b>	<b>1,849,500</b>	<b>2,231,000</b>	<b>1,881,000</b>	<b>1,931,000</b>	<b>1,985,000</b>	<b>2,135,000</b>	<b>2,135,000</b>	<b>2,185,000</b>
<b>WSWPCF Capital (00172)</b>									
172002 WS/WPCF Phase 1 Pre-Design									
172405 Aeration Basin									
172406 Chlorine Residual Monitor									
172461 WW Treatment Master Plan									
172463 Groundwater Monitoring	50,000	50,000	50,000						
172500 Roof Replacement-White Slough/Boiler	15,000	-	-	-	-	-	-	-	-
WSWPCF - Phase 1, 2003 Improvements	2,739,000								
WSWPCF - Phase 2, 2003 Improvements		15,151,650							
WSWPCF - Phase 2, Land Acquisition			2,490,000						
WSWPCF - Phase 3, Environmental & Design			1,075,000						
WSWPCF - Phase 3, Construction				8,605,160					
Future projects	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
<b>Total (00172) (To Tbl 3)</b>	<b>\$ 3,581,000</b>	<b>\$ 15,831,650</b>	<b>\$ 3,965,000</b>	<b>\$ 8,955,160</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>

City of Lodi Wastewater Rate Study

**Table 5. Capital Improvement Program**

	Budgeted FY 03-04	Budgeted FY 04-05	FY 05-06	FY 06-07	Projected				
					FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
<b>Impact Fund (00173)</b>									
173002 MSS1002 Flow Monitoring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
173040 Municipal Service Center (MSC) Expansion	18,333	219,667	-	-	-	-	-	-	-
MSSO 001 Sanitary Sewer Master Plan	-	-	-	-	115,970	-	-	-	-
MSSO 002 PW Admin Bldg Exp	-	-	-	-	373,420	-	-	-	-
MSSO 003 PW Storage Facilities	-	-	-	-	187,870	-	-	-	-
WSWPCF - Phase 1, 2003 Improvements	561,000	-	-	-	-	-	-	-	-
WSWPCF - Phase 2, 2003 Improvements	-	3,103,350	-	-	-	-	-	-	-
WSWPCF - Phase 2, Land Acquisition	-	-	510,000	-	-	-	-	-	-
WSWPCF - Phase 3, Environmental & Design	-	-	1,425,000	-	-	-	-	-	-
WSWPCF - Phase 3, Construction	-	-	-	11,406,840	-	-	-	-	-
Future projects	1,488	-	-	-	-	-	-	-	-
<b>Total (00173) (To Tbl 3)</b>	<b>\$ 580,821</b>	<b>\$ 3,323,017</b>	<b>\$ 1,935,000</b>	<b>\$ 11,406,840</b>	<b>\$ 677,260</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>WSWPCF Total Project Costs</b>		
WSWPCF Phase I Improvements	<b>\$ 3,300,000</b>	100.00%
Existing use	2,739,000	83.00%
Future user	561,000	17.00%
WSWPCF Phase II Improvements	<b>21,255,000</b>	100.00%
Existing users	17,641,650	83.00%
Future users	3,613,350	17.00%
WSWPCF Phase III Improvements	<b>22,512,000</b>	100.00%
Existing users	9,680,160	43.00%
Future users	12,831,840	57.00%

<b>Portion Allocable to WSWPCF Capital (00172)</b>			<b>Assumptions:</b>	
WSWPCF Phase I Improvements	\$ 2,739,000	-	WSWPCF Phase I Improvements	\$300,000 blower cost funded from cash
WSWPCF Phase II Improvements	-	17,641,650	Benefit to existing users	83.0%
WSWPCF Phase III Improvements	-	-	9,680,160	
<b>Portion Allocable to Impact Fund (00173)</b>			WSWPCF Phase II Improvements	Benefit to existing users
WSWPCF Phase I Improvements	\$ 561,000	\$ -	\$ -	83.0%
WSWPCF Phase II Improvements	-	3,613,350	-	
WSWPCF Phase III Improvements	-	-	12,831,840	WSWPCF Phase III Improvements
				Benefit to existing users
				43.0%
	<b>\$ 3,300,000</b>	<b>\$ 21,255,000</b>	<b>\$ 22,512,000</b>	

<b>Project Totals (check total per Phase)</b>		
<b>WSWPCF</b>		
WSWPCF Phase I Improvements	\$ 3,300,000	\$ -
WSWPCF Phase II Improvements	-	21,255,000
WSWPCF Phase III Improvements	-	-
		22,512,000

*Presentation to:*

# Lodi City Council



*on*

## White Slough Water Pollution Control Facility and Related Financing

*March 30, 2004*

# Contents



- **Project Description**
  - **Summary of Funding**
- **Wastewater System Revenue Certificates of Participation, 2004 Series A**
  - **Market Update**
  - **Projected Debt Service Requirements**
  - **Summary of Rate Covenants**
  - **Summary of 1991 COPs**
  - **Summary of Coverage Requirements**
  - **Projected Fund Balances**
- **Next Steps**

# Project Description



- **The Project consists of the following additions, betterments, extensions, replacements and improvements to the System:**
  - **Equipment for Phase 2 of the upgrade of the White Slough Water Pollution Control Facility, including Tertiary filters, UV disinfection equipment and aeration panels.**
  - **Installation of the above equipment along with associated equipment, structures and appurtenances.**
  - **Land to be acquired in connection with improvements and buffer zones for the White Slough Water Pollution Control Facility.**
  - **Equipment and other improvements associated with Phase 3 of the White Slough Water Pollution Control Facility Improvement Project.**
  - **Improvements to the wastewater collection system and support facilities.**
  - **Engineering, environmental, legal and other expenses associated with the above improvements.**

# Summary of Funding



- **Purpose of Bonds – Finance Phase II of State-mandated improvements at White Slough Water Pollution Control Facility.**
  - Phase I financed in 2003 through the California Statewide Communities Development Authority bond pool.
  - Phase II financed through proposed 2004 Wastewater Revenue Certificates of Participation.
  - Phase III Financing likely in 2006.

# Wastewater System Revenue Certificates of Participation, 2004 Series A



Overview of 2004 COPs	
<b>Par Amount</b>	\$25 million
<b>Purpose</b>	Phase II of White Slough
<b>Security</b>	System Net Revenues of Wastewater Enterprise
<b>Structure<sup>(1)</sup></b>	<ul style="list-style-type: none"> <li>• 20-year fixed rate COP financing with level debt service</li> <li>• Lessee = City of Lodi</li> <li>• Lessor = Lodi Public Improvements Corporation</li> </ul>
<b>Call Provision</b>	Optional redemption beginning 10/1/14 @ 100%
<b>Reserve Fund</b>	Surety policy
<b>Assumed Rate</b>	4.10%
<b>Underwriter</b>	First Albany Capital
<b>Bond Counsel</b>	Orrick, Herrington & Sutcliffe

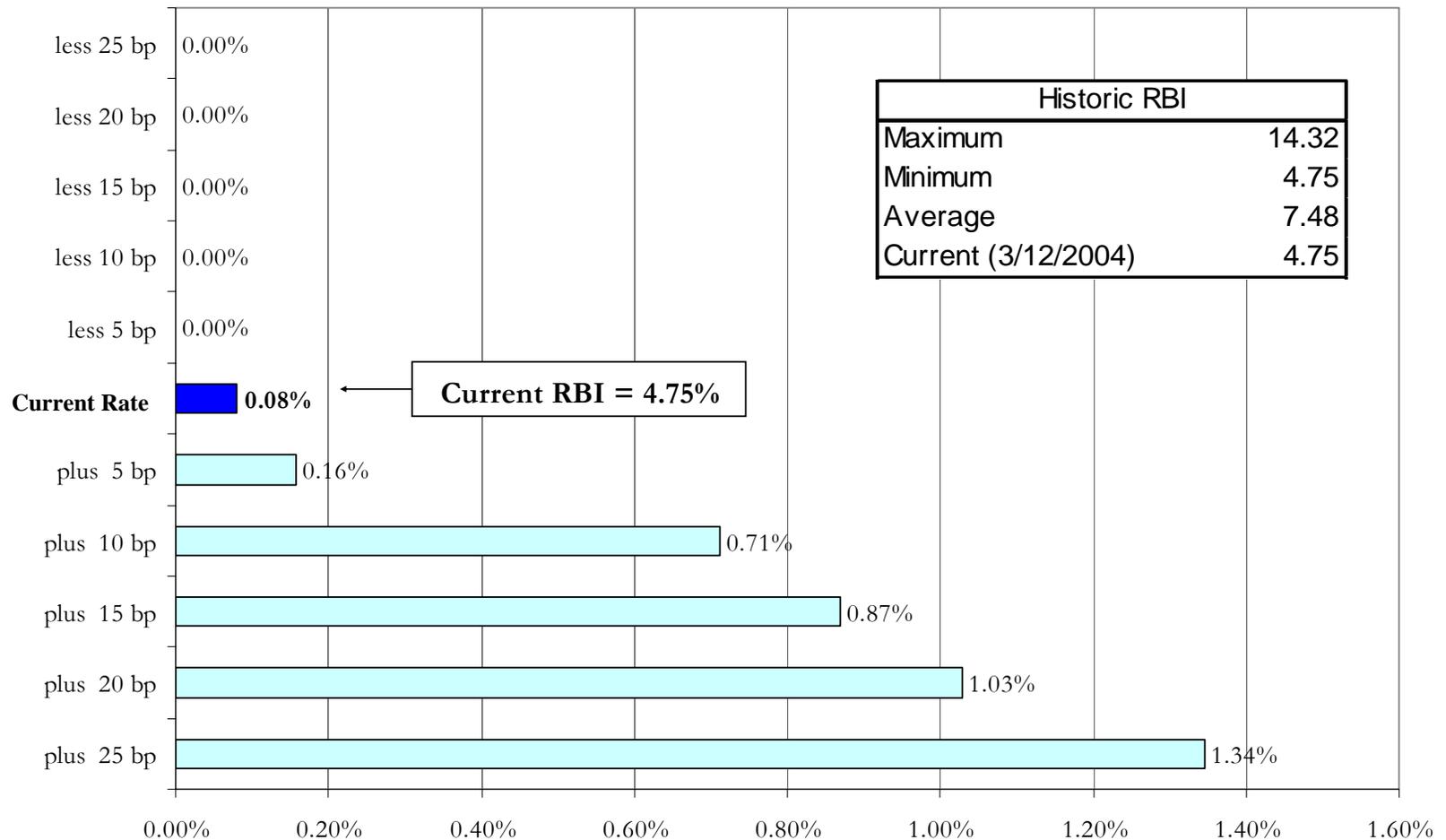
(1) COP Structure = An arrangement in which investors buy certificates that entitle them to receive a participation, or share, in the lease payments from a particular project or enterprise.

# Market Update



- Long term tax-exempt rates are at historical lows. The *Bond Buyer* Revenue Bond Index has only been this low 0.08% of the time since 1980.

Percentage of Time RBI has been lower than Current Levels

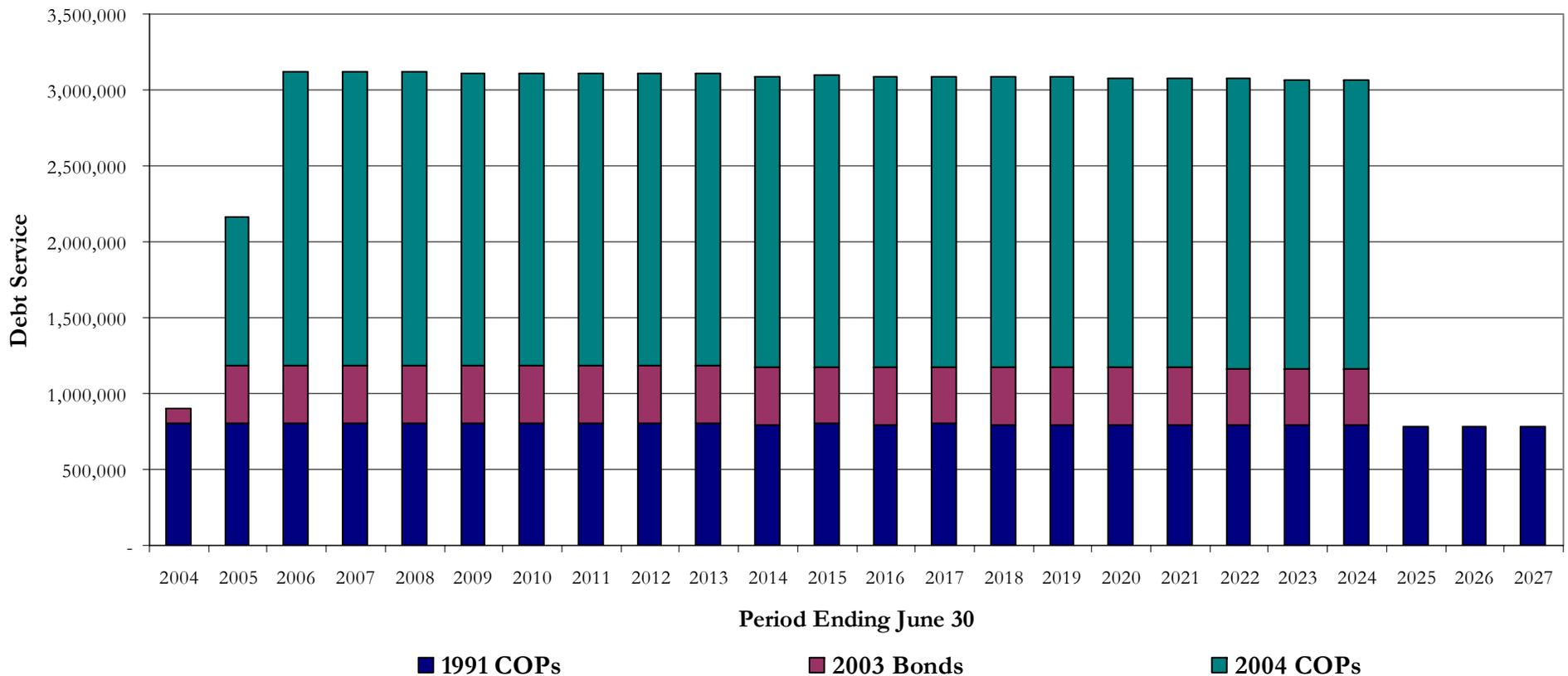


# Projected Debt Service Requirements



- Projected debt service requirements are approximately \$3.1 million through FY 2024 with the 2004 COPs.

Summary of Projected Debt Service Requirements



# Summary of Rate Covenants



- The proposed financing is designed to update Lodi's rate covenants over time to the 2003 covenants. The final change will require the refunding of the 1991 COPs when economic.

## 1991 Covenants

- Rate Covenant:
  1. Net revenues coverage = 1.10x debt service and;
  2. Adjusted net revenues coverage = 1.00x debt service.
- Additional Bonds Test:
  1. Net revenues coverage = 1.10x Max Annual Debt Service (MADS) and;
  2. Adjusted net revenues coverage = 1.00x MADS.
- Adjusted Net Revenues = Net revenues *less fees charged to customers for initial connection to the sewer system.*

## 2003/2004 Covenants

- Rate Covenant:
  1. System revenues coverage = 1.00x O&M and debt service and;
  2. Net revenues coverage = 1.10x debt service.
- Additional Bonds Test:
  1. Net revenues coverage = 1.10x Max Annual Debt Service (MADS).
- Net Revenues = System revenues less Operations and Maintenance Costs and less General Fund transfer<sup>(1)</sup>.

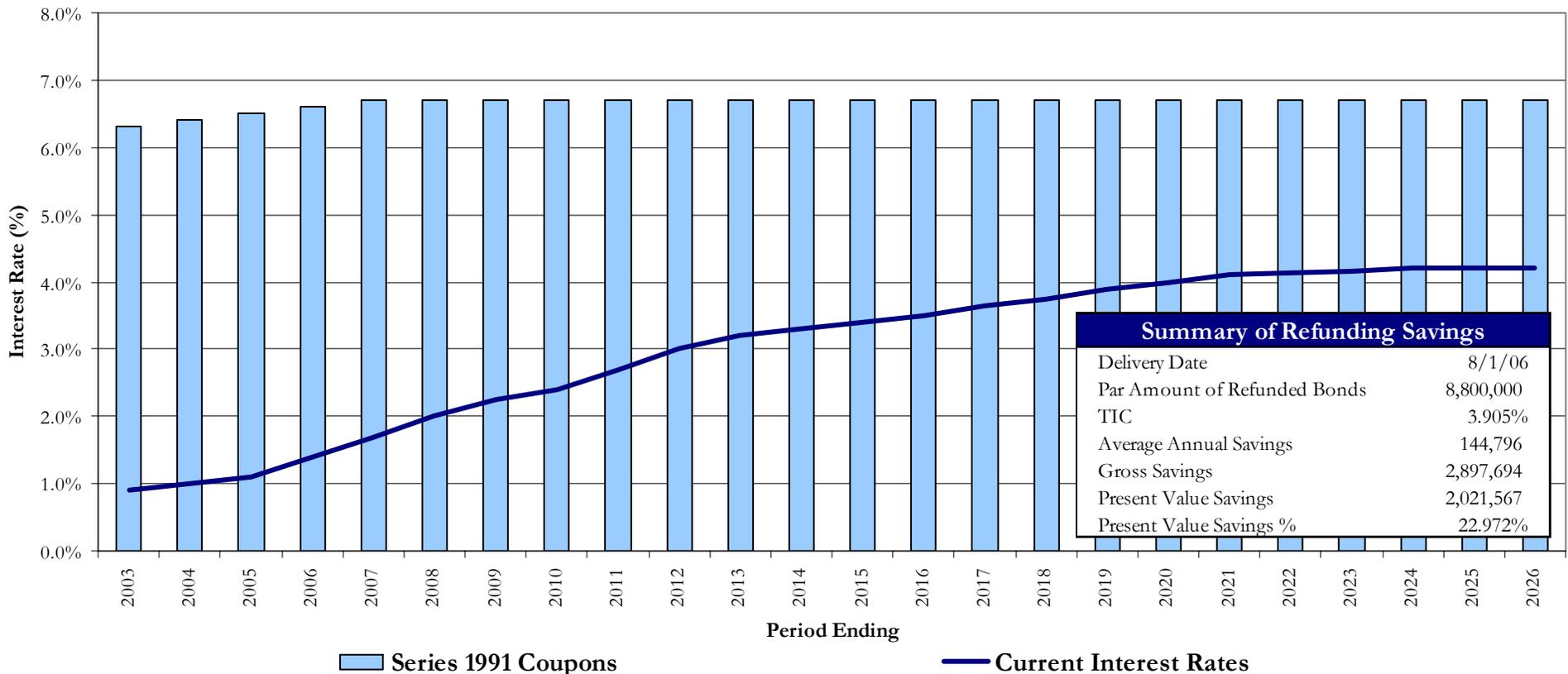
(1) Subject to GAAP.

# Summary of 1991 COPs



- The 1991 COPs are not callable until August 1, 2006.
- Based on current rates which will be reevaluated in 2006, a fixed rate refunding is estimated to generate present value savings of over \$2.0 million (22.9%).

1991 COPs versus Current Interest Rates



Summary of Refunding Savings	
Delivery Date	8/1/06
Par Amount of Refunded Bonds	8,800,000
TIC	3.905%
Average Annual Savings	144,796
Gross Savings	2,897,694
Present Value Savings	2,021,567
Present Value Savings %	22.972%

Current market rates as of March 10, 2004.

# Summary of Rate Covenant Requirements



	Actual FY 02-03	Budgeted FY 03-04	Budget FY 04-05	Projected FY 05-06	Projected FY 06-07	Projected FY 07-08
Gross Revenues (a)	7,074,885	8,518,672	9,776,194	10,735,595	11,734,944	12,908,951
Operating Expenses (b)	(3,941,714)	(4,200,021)	(4,387,471)	(4,807,444)	(4,974,812)	(5,148,262)
System Net Revenues (c)	3,133,171	4,318,651	5,388,723	5,928,150	6,760,133	7,760,689
Less: Connection Fees (d)	(1,394,287)	(777,000)	(1,139,403)	(1,150,797)	(1,162,305)	(1,173,928)
Adjusted System Net Revenues (e)	1,738,884	3,541,651	4,249,319	4,777,353	5,597,827	6,586,761
Parity Debt Obligations						
1991 COPs	808,488	807,055	804,798	806,530	807,063	801,653
2003 Bonds	-	88,888	383,148	379,448	380,698	381,848
2004 COPs	-	-	971,362	1,929,951	1,929,651	1,928,951
Total Parity Debt (f)	808,488	895,943	2,159,307	3,115,929	3,117,411	3,112,451
<b>1991 COPs Coverage/Rate Covenant</b>						
Net Revenues (c/f) (1.10x)	3.88x	4.82x	2.50x	1.90x	2.17x	2.49x
Adjusted Net Revenues (e/f) (1.00x)	2.15x	3.95x	1.97x	1.53x	1.80x	2.12x
<b>2003 Bonds, 2004 COPs Coverage/Rate Covenant</b>						
System Net Revenues (c)	3,133,171	4,318,651	5,388,723	5,928,150	6,760,133	7,760,689
Less: General Fund Transfer (g)	(496,647)	(755,040)	(759,885)	(839,367)	(869,058)	(904,656)
System Net Revenues less GF Transfer (h)	2,636,524	3,563,611	4,628,837	5,088,784	5,891,075	6,856,033
Gross Revenues (a/b+f) (1.00x)	1.49x	1.67x	1.49x	1.35x	1.45x	1.56x
Net Revenues (h/f) (1.10x)	3.26x	3.98x	2.14x	1.63x	1.89x	2.20x

## Summary of Assumptions

- \$25 million, 20 year level debt service financing for 2004 COPs.
- Projected rate increases are approved.
- Does not include effects of 2006 financing or refunding of 1991 COPs.
- General Fund transfer in 2003 docs is part of O&M but depends on GAAP.

# Summary of Additional Bonds Test



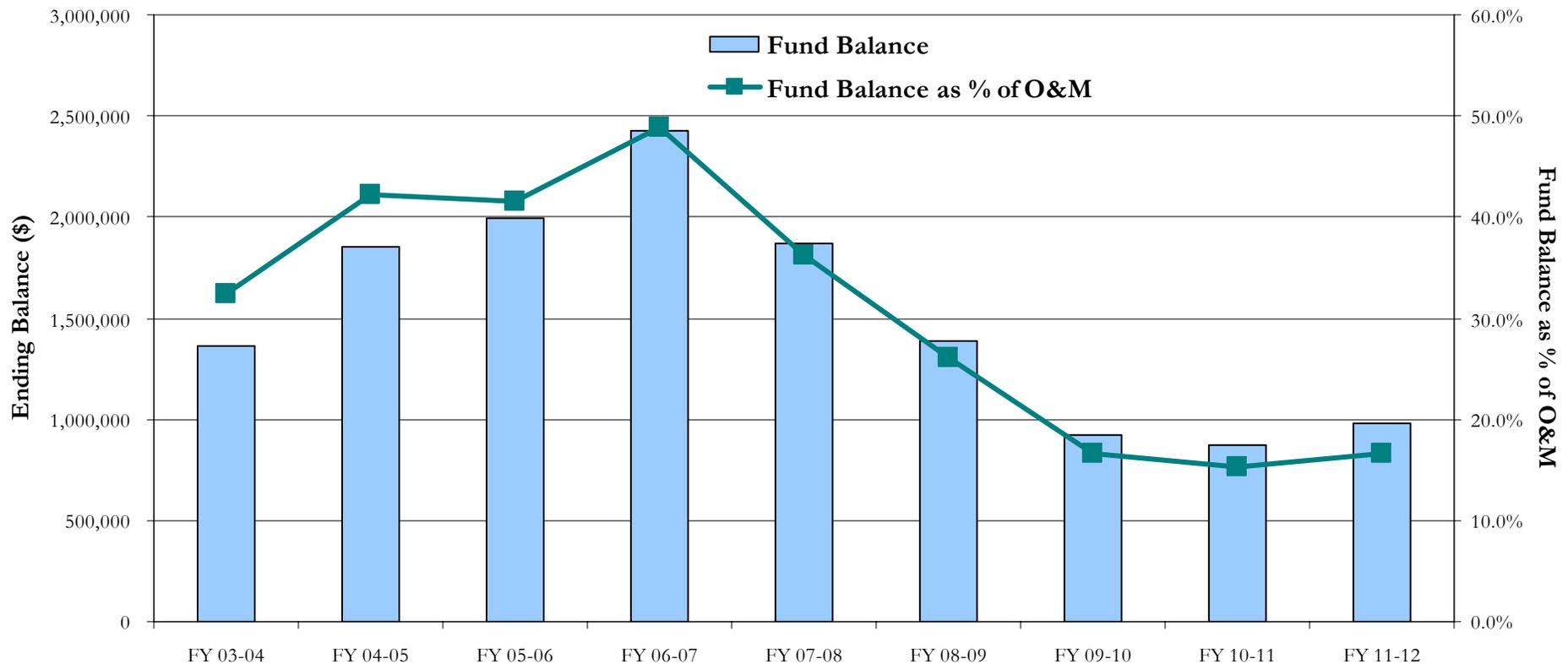
	Actual FY 02-03
Gross Revenues (a)	7,074,885
Operating Expenses (b)	(3,941,714)
System Net Revenues (c)	3,133,171
Less: Connection Fees (d)	(1,394,287)
Adjusted System Net Revenues (e)	1,738,884
Parity Debt Obligations	
1991 COPs	808,488
2003 Bonds	-
2004 COPs	-
Total Parity Debt (f)	808,488
<b>1991 ABT for 2004 COPs</b>	
System Net Revenues (c)	3,133,171
Plus: Proposed Rate Increases (i)	1,384,346
Total Net Revenues for ABT (j)	4,517,517
Less: Connection Fees (d)	(1,394,287)
Total Adjusted Net Revenues for ABT (k)	3,123,230
Total Max Annual Parity Debt (l)	3,121,586
<b>Net Revenues (j/l) (1.10x)</b>	<b>1.45x</b>
<b>Adjusted Net Revenues (k/l) (1.00x)</b>	<b>1.00x</b>
<b>2003 ABT for 2004 COPs</b>	
System Net Revenues less GF Transfer (h)	2,636,524
Plus: Proposed Rate Increases (i)	1,384,346
Total Net Revenues for ABT (m)	4,020,870
<b>Net Revenues (m/l) (1.10x)</b>	<b>1.29x</b>

# Projected Fund Balances



- Assuming 25% rate increases in FY 03-4 and in FY 05-06 and 3% rate increases thereafter, projected fund balances are \$980,932 or 16.6% of estimated annual expenses in FY 11-12.

Projected Wastewater System Fund Balances<sup>(1)</sup>



(1) Projected ending fund balances with projected rate increases before capital outlays.

# Next Steps



- Council Shirt-sleeve Meeting: March 30
- Rating Agency Meetings: April 20 - 22
- Final Council Action on Bond Financing: April 27
- Receipt of Rating Indications: May 3
- Pre-Marketing Period: May 5 - 10
- Pricing of 2004 COPs: May 11 - 12
- Closing of 2004 COPs: May 19 -20