

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, NOVEMBER 16, 2004**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 16, 2004, commencing at 7:05 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Hitchcock (arrived at 7:07 a.m.), Howard, and Mayor Hansen

Absent: Council Members – Land

Also Present: Interim City Manager Keeter, City Attorney Schwabauer, and Deputy City Clerk Taylor

B. CITY COUNCIL CALENDAR UPDATE

Deputy City Clerk Taylor reviewed the weekly calendar (filed).

C. TOPIC(S)

C-1 "Electric Utility Department's proposed reorganization study"

With the aid of overheads (filed), Alan Vallow, Electric Utility Director, provided Council with information related to reorganizing the Electric Utility Department. He reported that in February 2004 Electric Utility staff recognized that a large number of retirements over the next two years will initiate a turnover in employment as promotions, new hires, and training takes place. Mr. Vallow stated that with the retirement of several senior personnel, Electric Utility will show a loss of job experience equaling 145 years in field services and 167 years in engineering and operations. It would be appropriate to review job descriptions and classifications of these positions to determine if they best meet the needs of the department prior to promoting and recruiting personnel and return to Council with a proposal based on the results. In recent years, retirements have created vacancies and many of the assignments have been picked up by internal staff members. In addition, many of the more complex duties have been assigned to professional consultants sharing their expertise with current staff, and through the support of the Northern California Power Agency (NCPA). Mr. Vallow did not recommend at this time that \$150,000 be spent for a consultant to analyze utility efficiency and to design an organizational model structure as was previously proposed. As a result of meetings with Jim Krueger, Finance Director, Mr. Vallow reported that crossover in the performance of financial reporting and other duties in Finance and Electric Utility have further initiated interest in an internal review of organization structure. It is possible that combining functions and eliminating duplication of effort may save money for Electric Utility and the General Fund. Mr. Vallow additionally shared that staff expects the technical services area to grow at a rate twice that of other areas within Electric Utility and the department is currently implementing a three-year plan to develop skill sets to prepare for telecommunications and fiber optic technology.

In answer to Mayor Hansen, Mr. Vallow explained that positions will be filled from within the department whenever possible. Reflecting current skill sets, most individuals qualified for these specialized positions are working as consultants or for agencies such as NCPA. In these circumstances, the intent is to disseminate duties of retiring personnel among existing staff and then reclassify vacated positions to better meet the needs of the current organization before the recruitment process is initiated.

In response to Council Member Howard, Interim City Manager Keeter shared that, while the City currently has 25 vacant positions in the general fund due to a hiring freeze, Electric Utility is an enterprise, which has the ability to fill vacancies. She also reported that the current and impending vacancies provide Electric Utility an opportunity to restructure positions and tasks, but it will take time to write job classifications and reclassifications in addition to the recruitment process.

In answer to Council Member Hitchcock, Mr. Vallow stated that the Finance Department has the role of financial reporting, meeting the special needs of Electric Utility, including rates analysis and routine bond issue reports. Duplication of effort is being explored and identified, and a transfer of utility funds to the general fund for services will be adjusted to appropriately reflect reimbursement for the performance of these duties. Additionally, a shift in workload may occur as duplication is eliminated and duties are reassigned to a more appropriate department.

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 7:50 a.m.

ATTEST:

Jacqueline L. Taylor
Deputy City Clerk

November 15 - November 21

November 2004

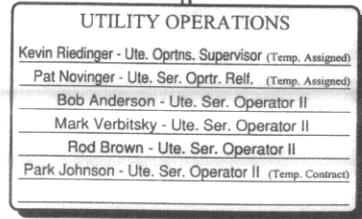
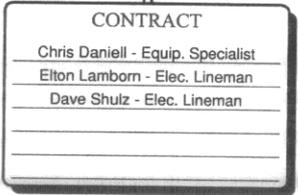
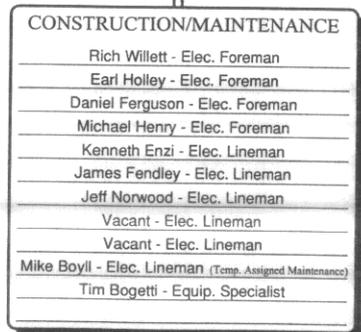
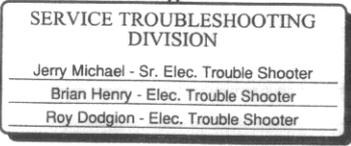
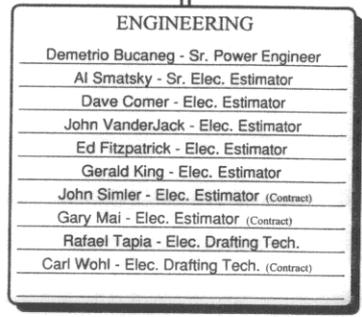
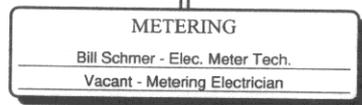
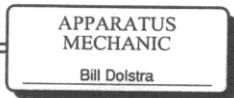
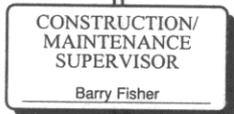
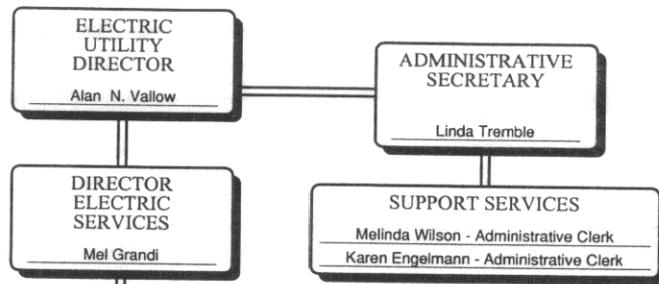
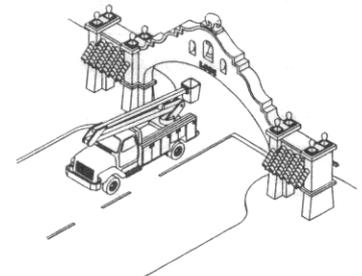
S	M	T	W	T	F	S
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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

December 2004

S	M	T	W	T	F	S
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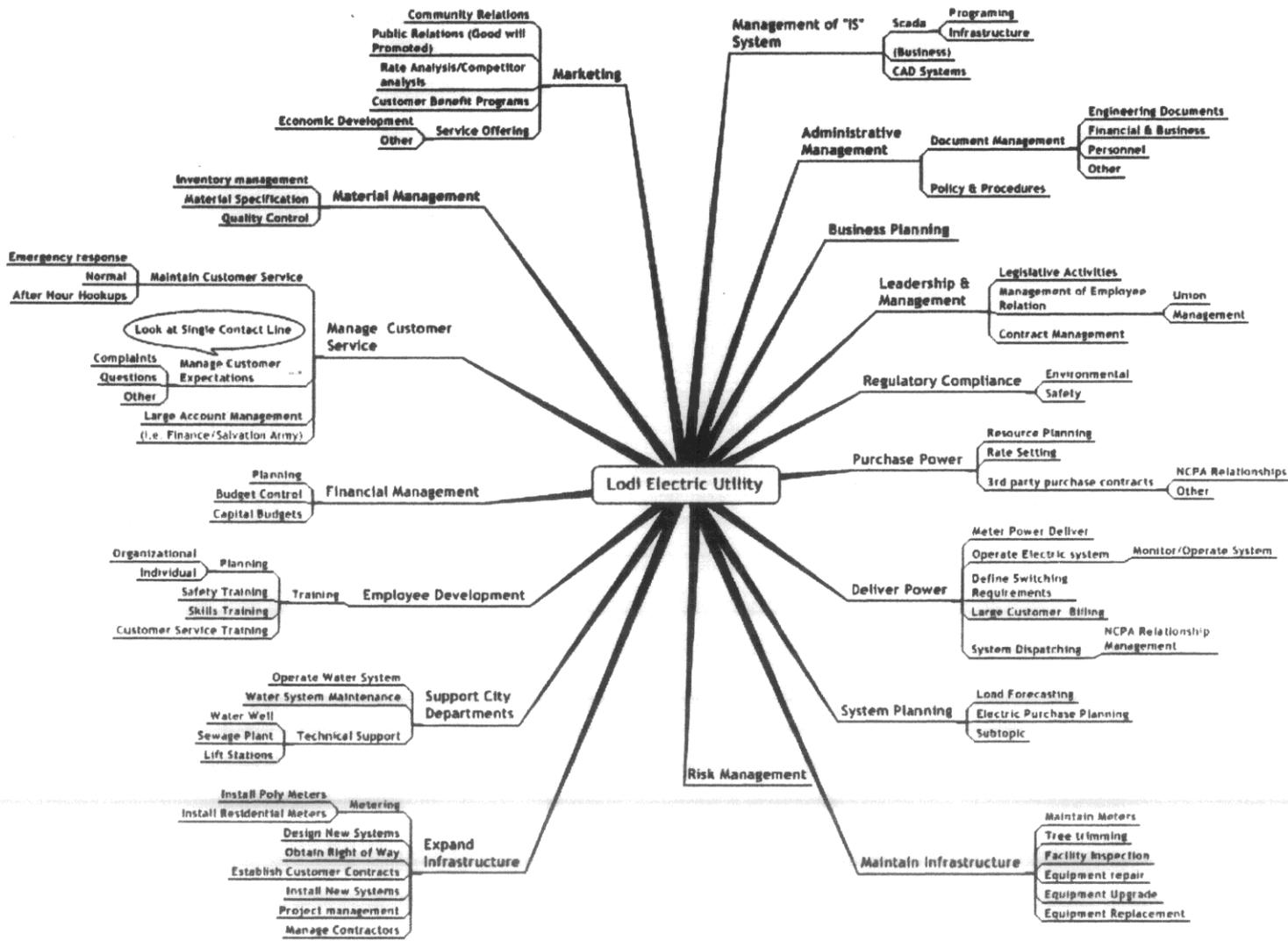
Mondav. November 15		Thursdav. November 18	
		Special Closed Session Meeting - 8:00am (Hutchins Street Square)	
		8:00am 8:30am SJ Partnership Board meeting (March Ln. - Stockton, CA)	
		4:30pm Millswood Middle School - Dedication Ceremony (233 N. Mills Avenue, Lodi)	
		5:30pm 7:00pm Chamber of Commerce - Casablanca Beer, Wine & Piano Lounge 1st Anniversary Celebration (20 W. Elm St.)	
		7:30pm Swing Fever - Lodi Community Concert (Hutchins Street Square, Charlene Power Lange Theatre)	
Tuesdav. November 16		Fridav. November 19	
7:00am	Shirtsleeve Session (Carnegie Forum)	2:00pm	LAFCO City Selection Committee
Wednesdav. November 17		Saturdav. November 20	
5:00pm	City Council Meeting (Closed Session) (Carnegie Forum)		
7:00pm	City Council Meeting (Carnegie Forum)		
		Sundav. November 21	

ORGANIZATIONAL CHART

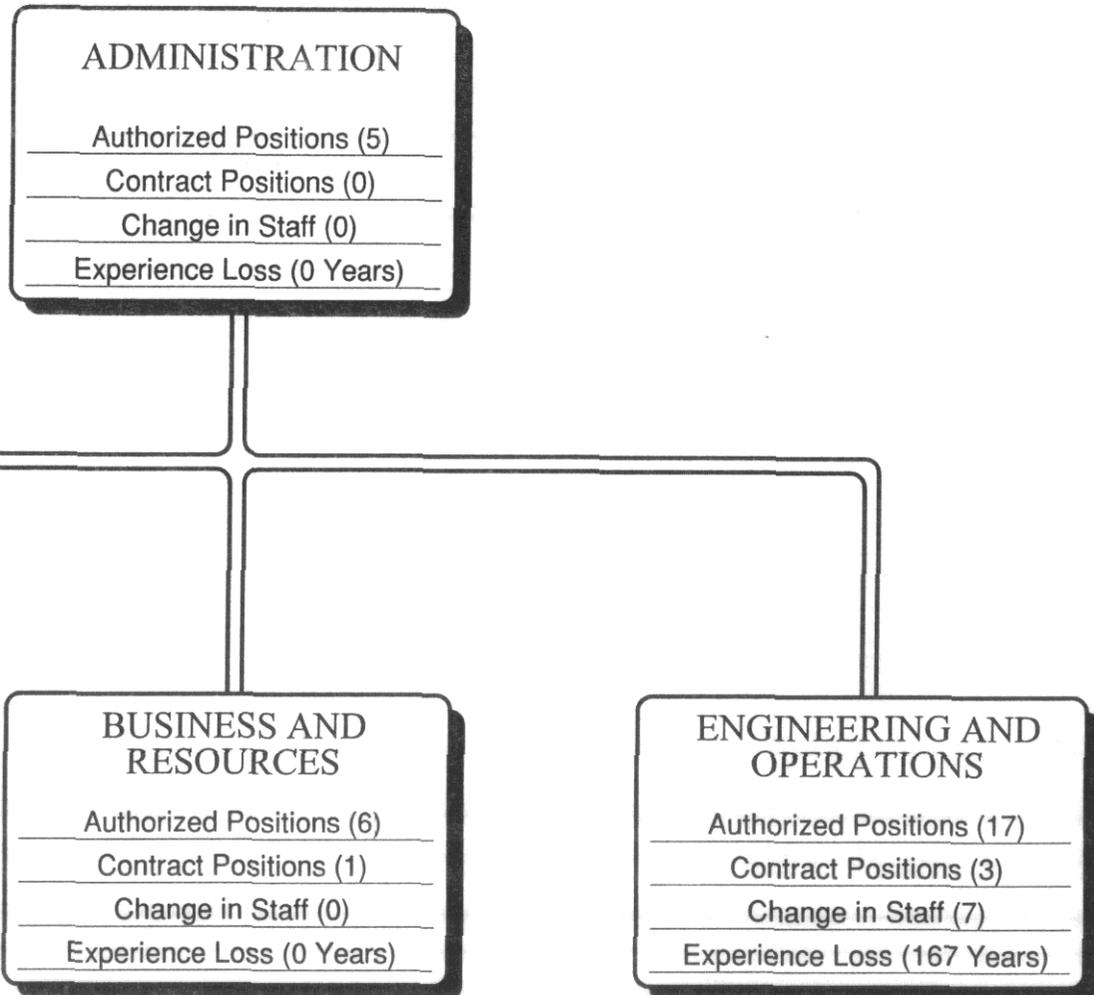


* ONLY 2 POSITIONS TO BE FILLED AT ANY TIME

Functional Breakdown



ELECTRIC UTILITY STAFFING **EXPERIENCE - 24 MONTH FORECAST**



July 5, 2004

Alan N. Vallow
Electric Utility Director
City of Lodi

Dear Alan:

The following is our proposal to support the Utility for the City of Lodi. This proposal supports the efforts of City of Lodi Electric Utility to analyze the operational efficiency of the utility organization and develop a strategy for maintaining the technical and organizational knowledge that is at risk due to pending retirements. The project will involve the following efforts.

- Finalize the design of the organizational functional model and define the key drivers of success for the organization.
- Develop an overall measurement model and define the key measure for the organization. Pilot the measures within the organization.
- Develop recommendations on the organizational structure and relationships both internal and external (i.e. NCPA) and how these relationship are managed

Scope of Work

1) Organizational Function Model

This effort will focus on completing the functional model for the organization and clearly defining “what it is” the organization does. This information will provide the basis for defining the key success drivers for the organization and also provide data as the critical function that may be impacted by upcoming retirements.

2) Development of Measure Model

This phase will focus on the development of the detailed measure model including the following:

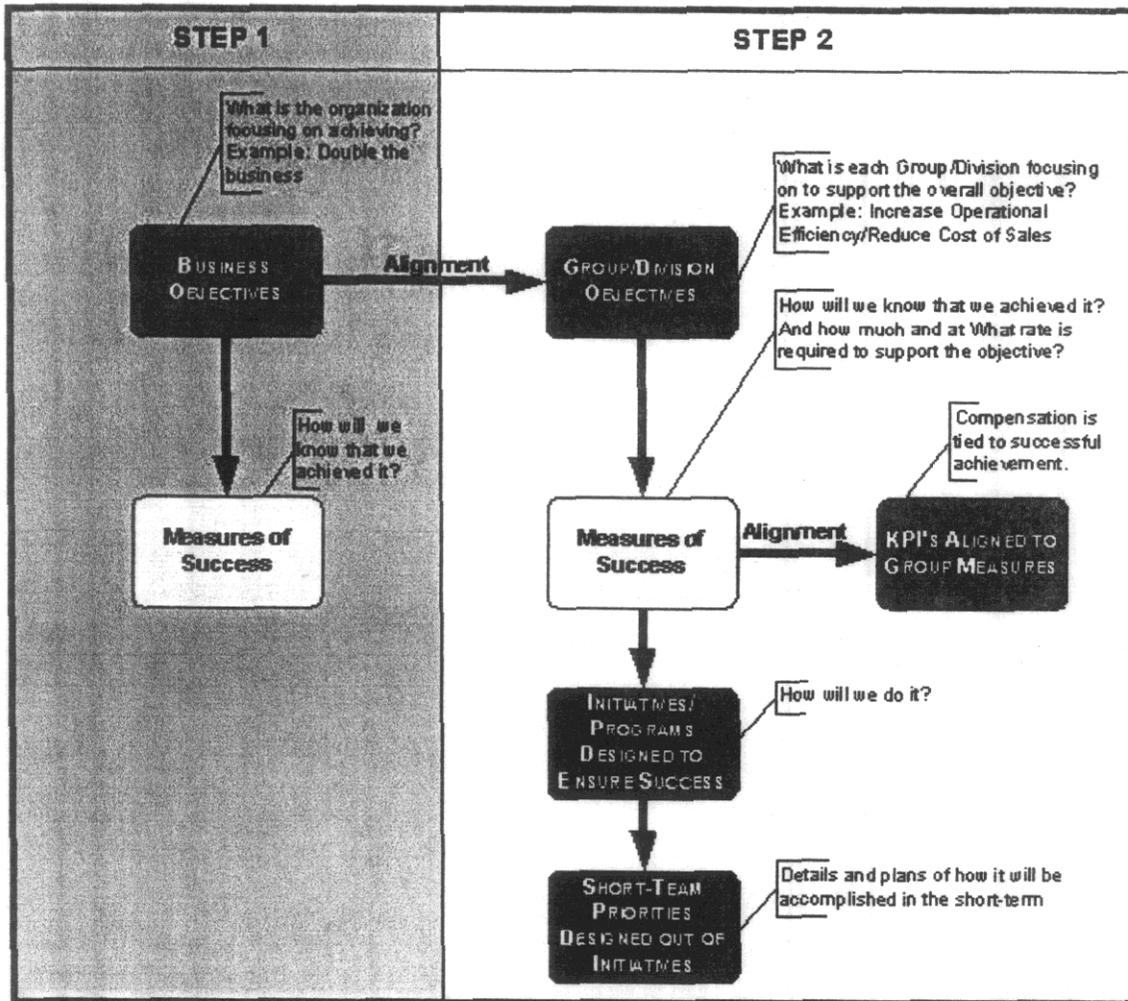
- a) Identify and define the key objectives of the organization.

Interliance utilize existing documentation to clarify, define and develop a clear picture of organizational objectives for the utility. This step will be used as a foundation to create the key measurements of the organization as well as ensure that key measures are aligned to successfully achieve each business objective.

A key measurement is a clearly defined measure that is used to effectively “measure, manage and/or control” the successful accomplishment of an organizational objective. Normally, a business objective will have more than one key measure that, when fully implemented and managed will assist the organization to effectively control the outcome of each business objective.

An organization will normally have a series of business objectives such as “Provide a Safe Workplace, Organizational Effectiveness, Financial Strength, System Reliability, Ensure or Maximize Customer Satisfaction, Workforce Capability,” etc.

The following Chart depicts the system structure of deployment of business objectives through development of measures, programs and initiatives.



Deliverables: The final deliverable for this step will be a document that clearly describes, and defines each key organizational objective. An additional deliverable will be a matrix that links each objective to the key metrics.

- b) Define the key measures of activities/functions that drive the organization toward successfully achieving the organizational objectives.

Based on the functional breakdown of the organization, each function will be analyzed and aligned with the business objectives. At that point, the key measures will be developed for each specific objective to ensure that all aspects of successfully accomplishing a business objective are measured.

The following is an example of an Objective vs. Measurement Matrix that is used in development and analysis of this step.

Business Objectives vs. Business Metrics		Business Metrics																		
		Safety Incident Rate	Profitability	Lost Opportunity	General Business Contributions to Earnings	Environmental Scorecard Rollup Measure	Equivalent Forced Outage Rate	Peak Equivalent Availability	Certainty Level	Process Capability	Employee Morale Ratings	Employee Turnover	System Heat Rate & Deviation	People Efficiency	Net Present Value	Return on Assets	Total Worldwide Megawatts	Process Improvement Rate	Community Appreciation Level	
Business Objectives	Safe Workplace	F																		
	Profitable		F	F	F									H						
	Environmentally Sensitive					F													H	
	Dependable			H			F	F												
	Organizational Competence								F	F				H						
	Employer of Choice								H		F	F								
	Efficient												F	F						
	Maximize Asset Value														F	F				
	Business Growth																	F		
	Innovative & Creative																		F	
	Strong Community Relationship																			F

Deliverables: The final deliverable for this step will be a document that recommends how to deploy the key measures and a series of deployment charts complete with definitions, preliminary targets, and data sources.

c) Prioritize the measures

The deployment of the measure into the organization will be prioritized based on the following criteria.

1. The importance to the organization
2. Availability of data that will allow reporting of the measure
3. Overall effort to deploy

Deliverables: The final deliverable for this step will be a document that sets forth the above information, as well as a series of recommendations for implementation.

d) Collect initial data to model measurement system

Based on the prioritization of the measures, data will be collected to allow the measurement model to be built with actual data. Where data is not available this will be identified and a plan will be developed that will allow collection of the data.

Deliverables: All information will be compiled in a series of appropriate documents to allow implementation of the next steps.

e) Set and define targets

Interliance will work with utility personnel to develop the specific targets that will drive performance of the measures. Target methodologies will be individually created for each measure. For example, some targets will be set based on historical trends, others based on competitive information, etc.

This process will also transfer the skills necessary for the organization to maintain and adjust the targets as required to drive performance improvements.

Deliverables: All information will be set forth in writing to allow implementation of the next steps.

f) Develop measure performance charts

Interliance will develop charts to allow reporting of the Utility's performance on each of the key measures identified pursuant to paragraph 2(a). These charts will be developed in Microsoft excel and the data transferred to the utility. Additionally, Interliance will identify data collection requirements and data sources

This effort will focus on clearly identifying specific data sources required to build the performance charts, frequency of reporting the data and how the data is to be entered into the excel program. Interliance will work with the utility to automate the data collection and generation of the charts where feasible.

Deliverables: The deliverable will be a series of pilot charts created in an advanced excel structure to allow data population and management.

g) Train personnel in the measure management process

Interliance will train key utility personnel in how to utilize the measurement system to better manage the performance of the organization. This training will include one-on-one coaching as required.

3) Organizational Analysis

This effort will focus on how the organization is structured to achieve the stated functions of the organization and to achieve its desired objectives. It will also focus how organizational relationships are managed both internally and externally, focusing on the key roles and responsibilities. Specific areas to be address include:

- Knowledge capture of key personnel in the organization
- Organizational restructuring
- Succession planning
- Development of policies and procedures
- Defining key process, roles and responsibilities, and business improvement effort.

4) Project Costs and Billing Schedule

This project will be accomplished a time and material basis with an estimated costs \$150,000 plus applicable business expenses, which will be billed at actual costs. Estimate of expenses are 10%-15% of the overall project costs. Client may cancel the project at any time if it appears the project will run over the estimated cost. In such event, client shall be obligated to pay no more than the costs incurred and fees billed up until the cancellation. The following are Interliance's hourly rates for each of the team resources for the project:

	<i>Position</i>	Hourly Rates
1.	Project Manager	\$225
2.	Senior Consultants	\$175 to \$200
3.	Consultant	\$125 to \$150
4.	Project Coordinator	\$95
5.	Administrative support	\$45

Billing will be submitted bi-weekly and payment is due within 30 days of the receipt of the invoice.

5) Other Contract Specifics

Independent Contractor Status – At all times during the performance of this contract, Interliance shall be an independent contractor and will not be considered an employee of the City of Lodi for any purpose.

Confidentiality – Interliance agrees to hold, and agrees to require any employees working on this project to hold, in strict confidence, and not to use for any purpose outside this contract, all proprietary or secret information, printed material, processes, procedures, of the City of Lodi learned as a result of the performance of this contract unless and until such information becomes part of the public domain.

Interliance's Commitment

In conclusion, Interliance is committed to providing the highest-quality support, materials, and programs that will be an asset to the City of Lodi and will reflect the quality and integrity of its operation.

We look forward to supporting the City of Lodi in meeting its operational objectives and will take an uncompromising approach to high standards throughout.

Interliance, LLC

By: Brad Kamph

Date: July 5, 2004

Title: Executive Vice President

Approval to Proceed:

The following signature signifies agreement to the scope of services, fee schedule and terms and authorizes Interliance to proceed with the project proposal as outlined.

CITY OF LODI

Interliance LLC

H. Dixon Flynn, City Manager

Brad Kamph, Executive Vice President

Date

Date

APPROVED AS TO FORM:

D. Stephen Schwabauer
City Attorney



Interliance Overview

Interliance Overview

Interliance brings a unique set of skills and a broad base of expertise in supporting the Electric Utility industry to achieve its operational effectiveness and performance goals.

Since 1985 Interliance has been helping Utility and Energy companies to optimize business performance and workforce performance. We bring a unique set of skills and expertise in integrating the multiple initiatives of asset management, operational integrity, regulatory compliance, cost reduction, efficiency improvement, workforce strategies, management systems, organization and reorganization strategies, and in transitioning cultures from traditional business models into service organizations in a competitive environment.

We are known for our strategic and tactical capability of managing comprehensive and complex projects and our practical approach to implementation.

We work in a scalable and flexible model so that we can support the internal team with the tools, methodologies, analysis, strategic planning and support needed for each project small or large. We also focus on transferring our skills, methodology and tools to the team so that they can be self-sufficient in their own system management and continuous improvement long after our engagement.

We have worked extensively in a broad base of energy and utility industries including wholesale electric utility planning, operations and new generation project development, joint action agencies and large municipalities, as well as investor owned utilities and other process industries including mining, pipelines, refining and others. We bring a base of knowledge and experience of best practices to each engagement we undertake. A few representative clients are:

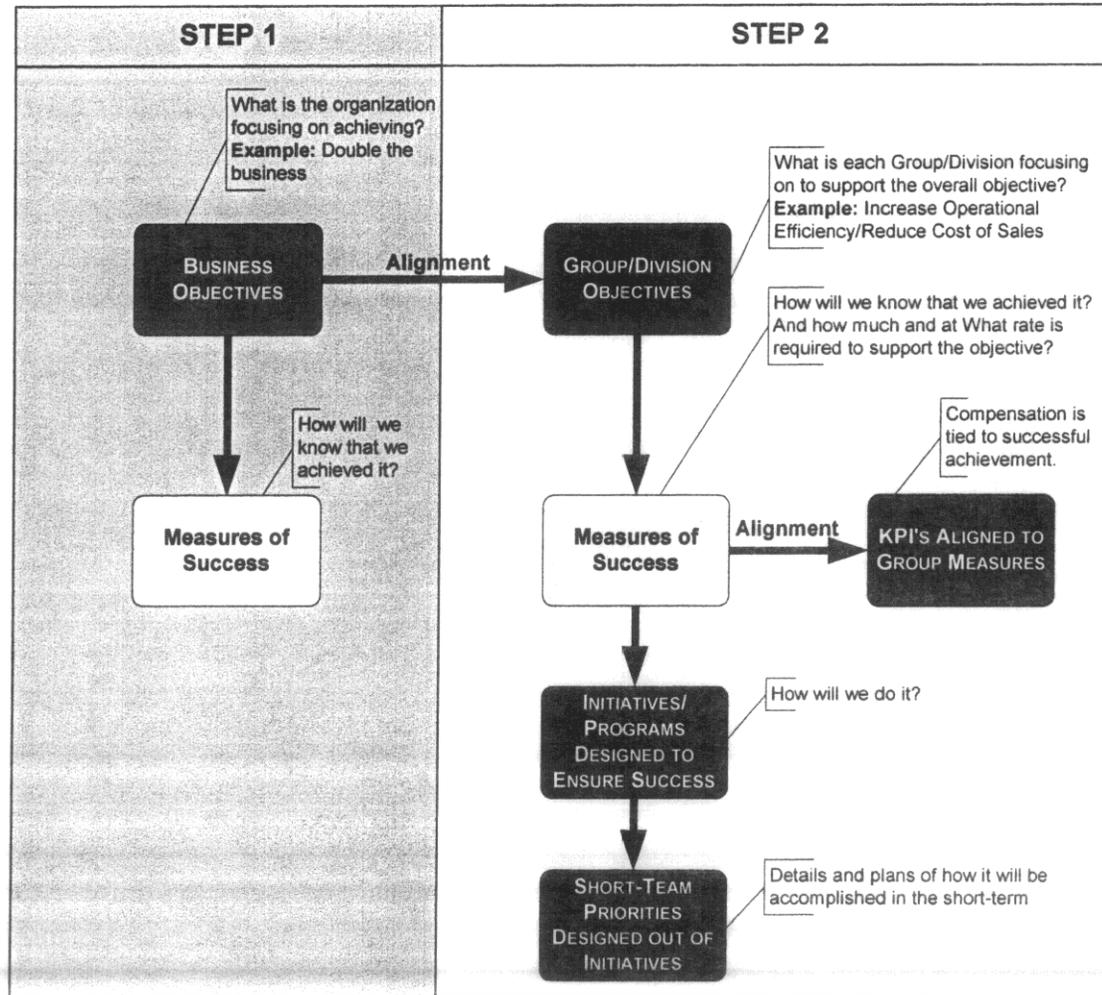
- Cinergy
- PG&E
- Southern California Edison
- Tennessee Valley Authority (TVA)
- Northern California Power Agency
- Centerpoint Energy
- City of Lodi
- East Bay Municipal Utility District
- Entergy
- ChevronTexaco



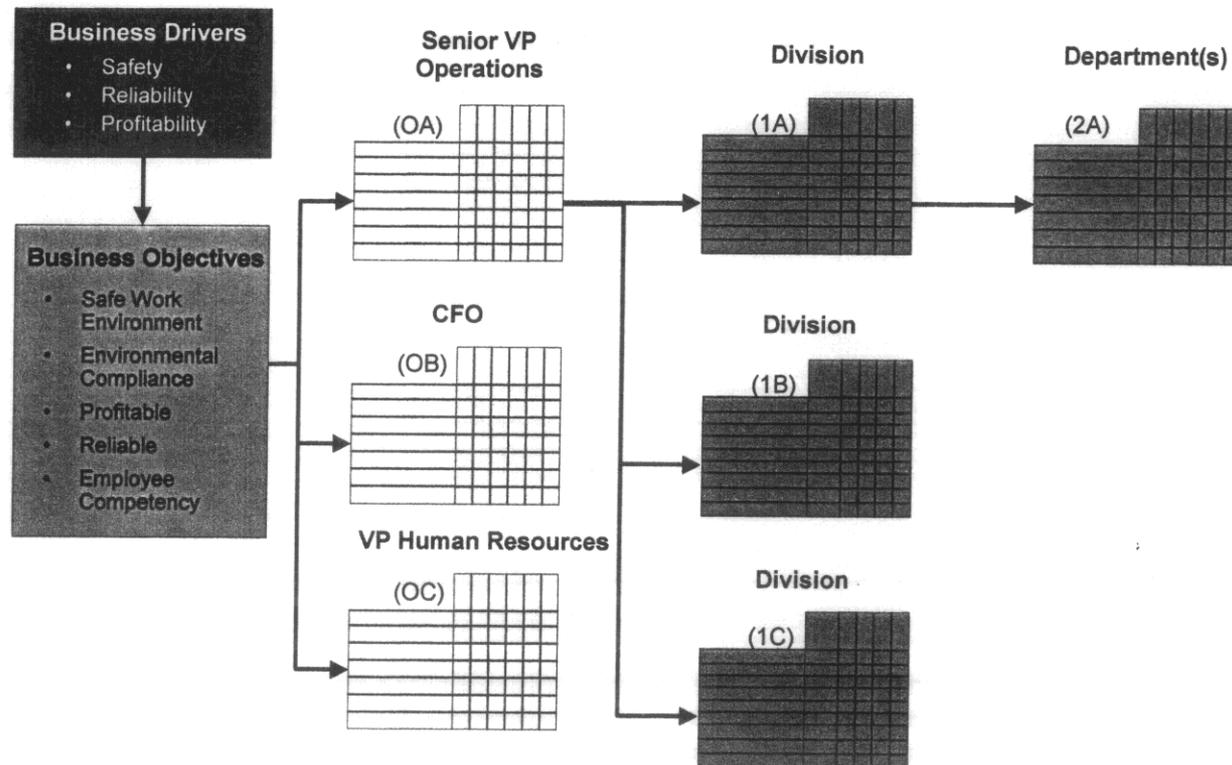
- ExxonMobil
- BP
- U.S. Borax and Chemical Company
- California Energy Commission (CEC)
- Cal-OSHA

Strategic Measurement System

System Structure



System Deployment



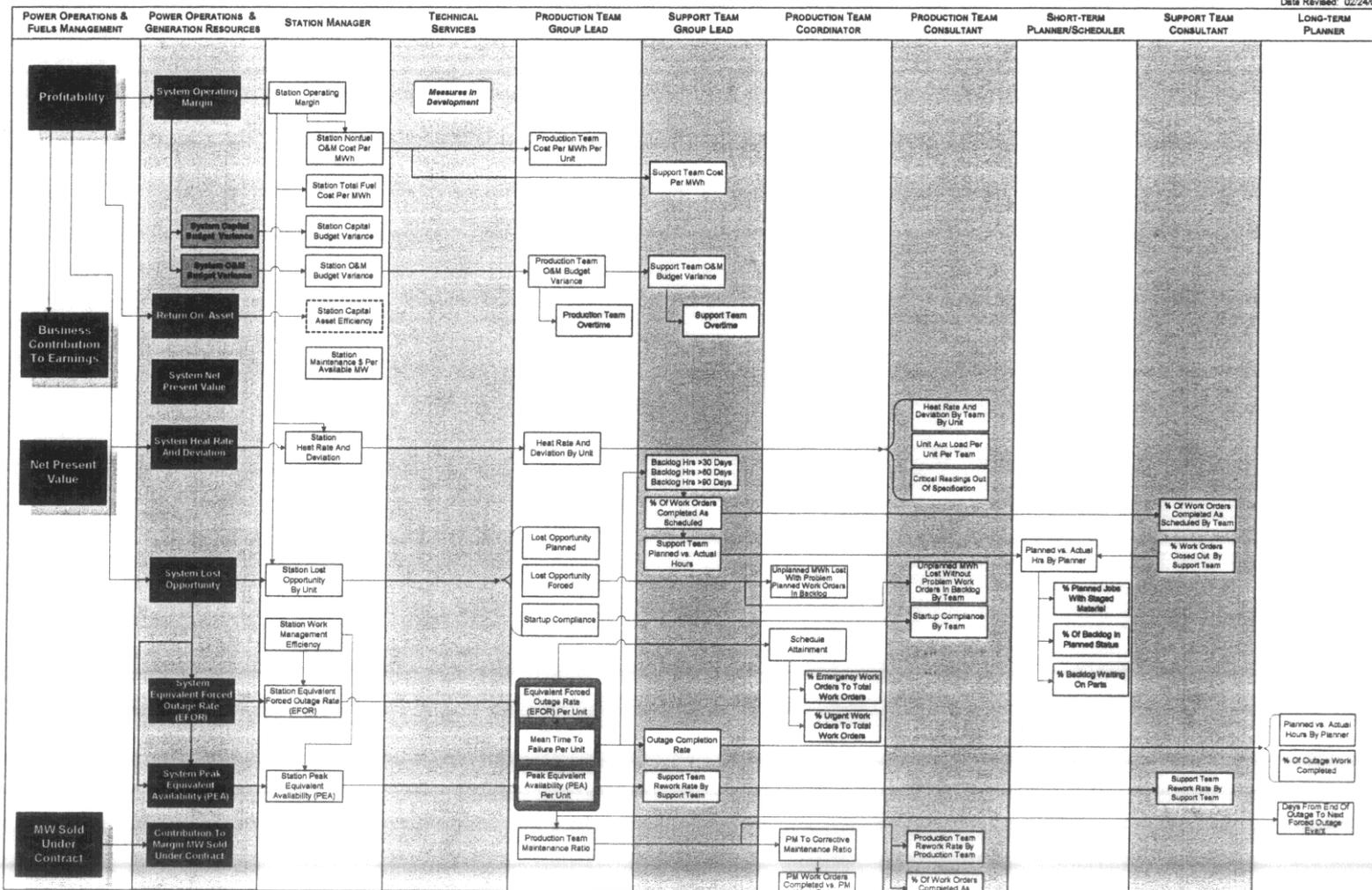
Objectives vs. Measures

Business Objectives vs. Business Metrics		Business Metrics																	
		Safety Incident Rate	Profitability	Lost Opportunity	General Business Contributions to Earnings	Environmental Scorecard Rollup Measure	Equivalent Forced Outage Rate	Peak Equivalent Availability	Certainty Level	Process Capability	Employee Morale Ratings	Employee Turnover	System Heat Rate & Deviation	People Efficiency	Net Present Value	Return on Assets	Total Worldwide Megawatts	Process Improvement Rate	Community Appreciation Level
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	Profitable		F	F	F									H					
	Environmentally Sensitive					F													H
	Dependable			H			F	F											
	Organizational Competence								F	F				H					
	Employer of Choice								H		F	F							
	Efficient												F	F					
	Maximize Asset Value														F	F			
	Business Growth																F		
	Innovative & Creative																		F
	Strong Community Relationship																		

Measurement Deployment

MEASUREMENT DEPLOYMENT MODEL

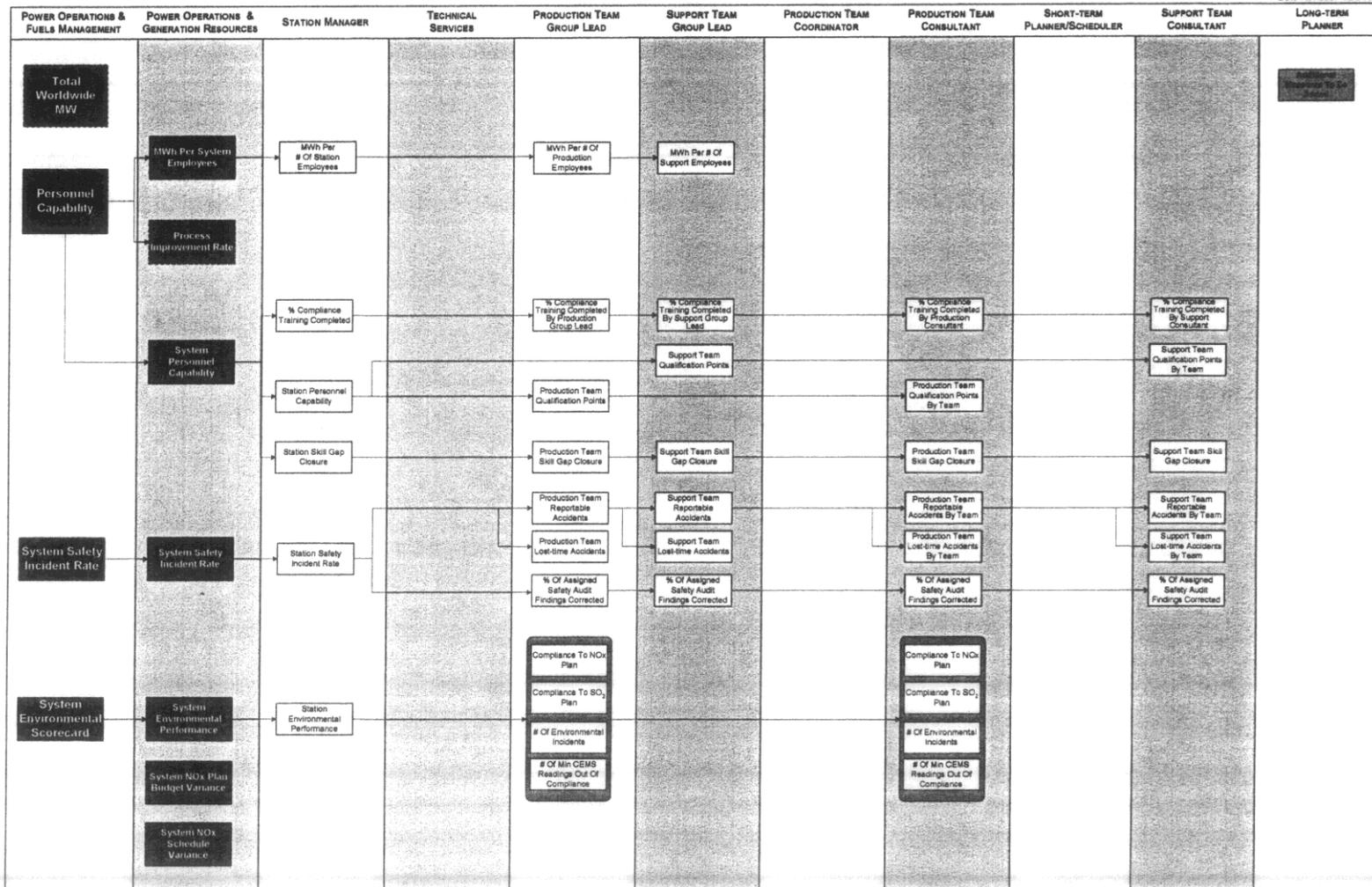
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Date Revised: 02/24/00



Measurement Deployment

MEASUREMENT DEPLOYMENT MODEL

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Date Revised: 02/24/00

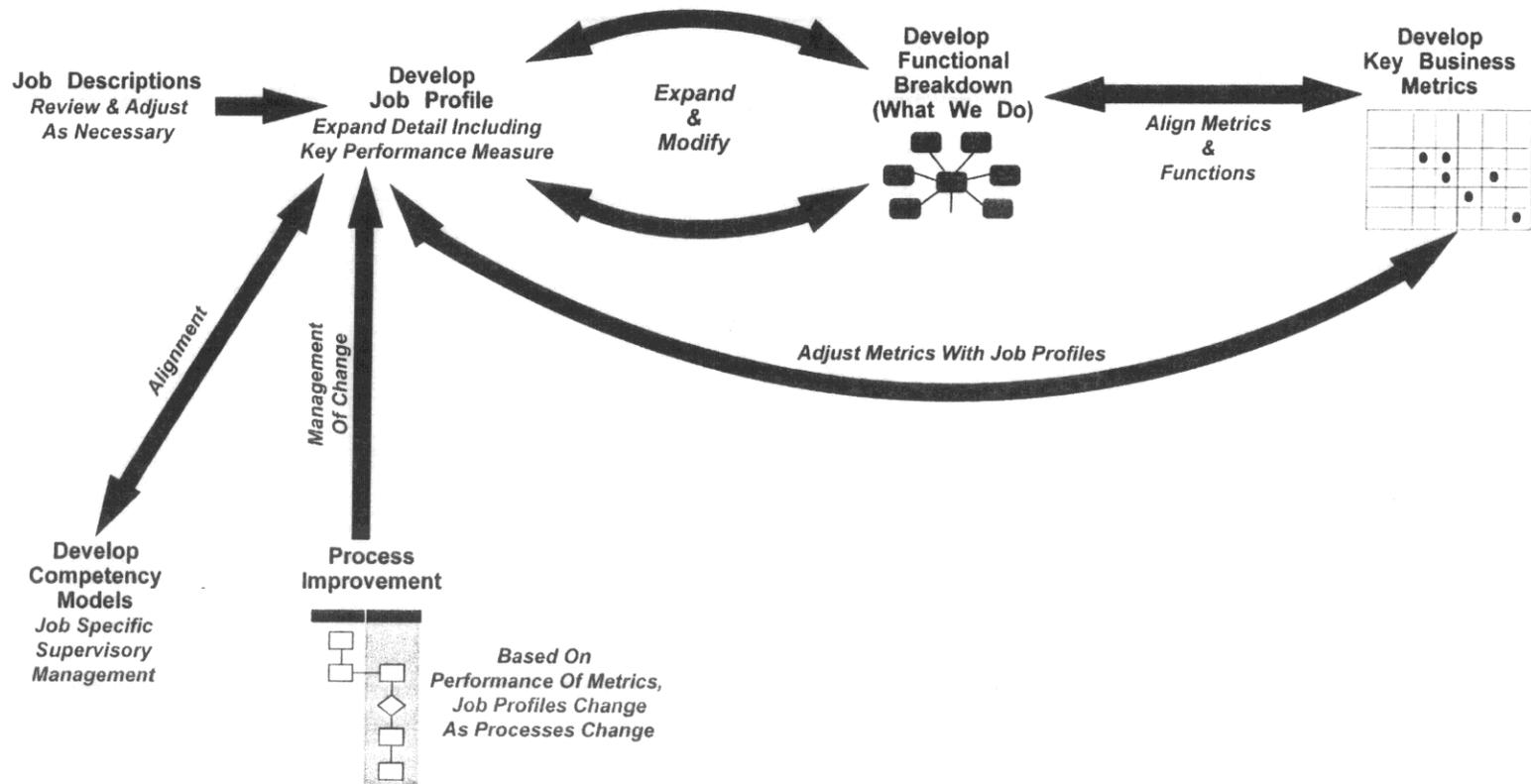


Initiative Alignment

Row Number	Network Services Key Measures	Network Services Key Initiatives	Importance Rating	Column Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
1	Sales Generated by Life Cycle Team		5																					
2	Revenue Generated by Contract Renewal		5																					
3	% of Expiring Contracts that are renewed		5																					
4	Revenue Generated (Total)		5																					
5	Profits		3																					
6	Billing Efficiency		3																					
7	Budget Compliance		3																					
8	Gross Margin per Client		3																					
9	Revenue per Headcount		1																					
10	Expense per headcount		1																					
11	Development Index		1																					
12	Engineering Index		1																					
13	Delivery Index		5																					
14	Assurance Index		5																					
15	Supplier Index		3																					
16	Attrition Rate		1																					
17	% of Top Performers		1																					
18	Compliance to "Pay for Performance"		1																					
19	% Revenue from New Offers		5																					
20	Number of New Offers Supported		3																					
21	Calculated Importance Rating																							
54		MNSC Peering Center Arrangement																						
60		DTAC (Data Test and Activation Center) Function																						
178		LCM Gms Aligned with Sales Region																						
150		Account Planning Structure																						
51		Implementation and Engineering Alignment with																						
75		Sales Portfolios for Business Life Cycle Manager																						
39		Performance Reporting, Analysis and Help Desk																						
36		Improve Cost Model for Implementation and																						
42		Increase Eng, Implem and Procurement Capabilities																						
17		Funding Models																						
3		Communicative Plan - Awards Program																						
4		Recruiting Plan																						
15		Executive Sponsorship Program																						
5		CVA and QIT Administration																						
7		Consolidation for Implementation and Engineering																						
82		Billing Audit																						
31		Compensation and Incentive Model																						
48		GCSC Service Realization																						



Management Job Profiling



Business Optimization

