

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 3, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 3, 2009, commencing at 7:02 a.m.

Present: Council Member Hitchcock, Council Member Johnson, Mayor Pro Tempore Katakian, Council Member Mounce, and Mayor Hansen

Absent: None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 First Quarter Fiscal Year 2008-09 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager King provided a brief introduction to the subject matter of the water/wastewater and electric utility quarterly updates.

Water Services Manager Charlie Swimley provided a PowerPoint presentation specifically discussing the wastewater operating results, wastewater fund cash flow summary operations, wastewater funds cash balances, water operating results, water fund cash flow summary operations, water fund cash balances, and water/wastewater utility accomplishments.

In response to Council Member Hitchcock, Mr. Swimley stated the difference between the presentation provided in the agenda packet and the revised presentation handed out this morning is that the \$1.6 million figure represents current activity sales while the original higher number reflected total sales.

In response to Mayor Hansen, Mr. Swimley stated the project was originally slated to be completed in March 2009, but will now be complete by April 2009 due to a 30-day extension for some additional work.

In response to Mayor Hansen, Mr. Swimley stated the City was issued the permit in September 2007, there was a challenge after the permit was adopted, challenged right after adoption of permit, and now the State Board has decided not to consider the matter any further after receiving comments on the draft order. Mr. Swimley stated the City is continuing to operate under the original permit issued.

In response to Council Member Hitchcock, Mr. Swimley stated the permit was originally issued free and clear without any additional conditions. City Attorney Schwabauer provided an overview of the administrative process and any procedure involved with the permit being issued by the Regional Board, an appeal to the State Board, the State Board issuing a draft order modifying the permit, the draft order not containing conditions that were necessarily more onerous, and the City being more concerned with the conclusions in the draft order regarding groundwater.

In response to Council Member Hitchcock, Mr. Swimley stated the State decided last week that it will not consider the order and that is good for now as the City's primary concern was with the conclusion that the City was degrading the groundwater through its land application process with salts and nitrogen. He stated the order was contested because the City felt there was no problem.

In response to Council Member Hitchcock, Mr. King provided an overview of the broader context of the process. Mr. King specifically discussed the political make-up of the Regional and State Boards, the issues under the Clean Water Act considered by the Boards, the five-year cycle of discharge permits whereby requirements and focus changes, and the fairly academic nature of the studies involved.

In response to Council Member Hitchcock, Mr. Swimley stated staff continues to work on studies and data collection on an ongoing basis to characterize the background conditions before any conclusions can be drawn.

In response to Council Member Hitchcock, Mr. Swimley stated if it was needed Plan B would be to start negotiating with the Regional Board to have the order remanded to them to allow the City to work directly with them on any conditions of the draft order. Mr. Swimley stated the City has been very proactive in dealing with discharge and has been working with the canneries as well resulting in improvements over the past few years.

In response to Council Member Hitchcock, Mr. Schwabauer stated the State Board also attacked other agency permits in the State, and not just the City of Lodi. Mr. Schwabauer stated he will provide the documentation pertaining to the draft order to the City Council for reading if they would like to do so.

In response to Council Member Johnson, Mr. Swimley stated the City can count on jumping through some hoops every five years in light of new issues that arise with the Board and next in line is probably mercury.

In response to Council Member Johnson, Mr. Swimley stated the background reports should be complete in August 2010 and that will provide some specific information as to what is new and old on the land.

City Attorney Schwabauer reviewed the process for what the City has already done and is currently doing to assist with any nitrogen concerns in the area. Mr. King stated indexed costs in the area are based on the cost of regulations and permits, in addition to other factors.

In response to Council Member Mounce, Mr. Schwabauer stated to date he has probably spent approximately ten days off and on reviewing the permit related documentation. Mr. Schwabauer stated at the current time he anticipates being able to handle any litigation that may arise in house because there will be some other matters that will be resolved off the City Attorney's plate.

In response to Council Member Hitchcock, Public Works Director Wally Sandelin stated staff is in the process of putting together a water model that will look at patterns and comparables. Mr. Sandelin stated to date the water meter patterns look consistent with those of other communities as the average customer is going to see the average bill, some will see reductions if they live in smaller homes on smaller lots, and some may not based on larger homes on larger lots with more landscaping.

In response to Mayor Hansen, Mr. Swimley stated there was some difficulty in reading meters at first due to a reader issue but that seems to be resolved and the goal is to be able to read electric and water meters at the same time.

In response to Council Member Hitchcock, Deputy City Manager Jordan Ayers stated they will strive to bring the data after it is compiled to Council as quickly as possible.

In response to Myrna Wetzel, Mr. Swimley stated drought will not affect supply to residents; although, conservation is encouraged because there is a greater reliance on groundwater. He stated there may be some affect on pumping levels but no significant impacts. Mr. Swimley stated the canneries are also continuing to work on efforts to improve the liquid discharging on an ongoing basis.

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the Fiscal Year 2009 quarterly update for the electric utility. Mr. Morrow specifically discussed an overview, 2009 budget versus first quarter actuals, Lodi Energy Center, electric expenses by series, first quarter power supply, first quarter sales, first quarter billing statistics, Energy Cost Adjustment, Northern California Power Agency (NCPA) General Operating Reserve (GOR), fiscal year 2009 open position, and summary.

In response to Council Member Hitchcock, Mr. Morrow stated the debt service is not a variable as it is fixed. Mr. Morrow stated the net revenue available for transfer to the General Fund this quarter reflects the \$8.5 million figure before debt service. Further, Mr. Morrow stated the net revenue number is up because the general revenue is up and generally speaking the first quarter numbers will run higher than later quarters.

In response to Mayor Hansen, Mr. Morrow stated the drought will not affect the City's portfolio too greatly as hydro is a small portion of the City's entire portfolio; although, the relevant costs for hydro will likely go up.

In response to Council Member Hitchcock, Mr. Morrow stated the fact that Roseville chose to break away from NCPA does not affect it too much with respect to hydro as it is based on how much hydro is in the portfolio.

In response to Council Member Mounce, Mr. Morrow stated other agencies' GOR is generally going down as well as most participants are reducing the GOR. Mr. Morrow stated other agencies are vested in GOR with solar projects and the Lodi Energy Center based on their respective vesting percentages and there is no specific amount requirements for a GOR.

In response to Council Member Johnson, Mr. Morrow stated that, with a total cash amount of approximately \$16 million now, the utility is in good shape.

In response to Mayor Hansen, Mr. Morrow stated that, while they do not anticipate any large purchases, the Risk Oversight Committee is looking at options including those related to the 20% open position for next year.

In response to Council Member Mounce, Mr. Morrow stated staff will be coming back to Council within the next few weeks with revised and more up to date information.

C. Comments by Public on Non-Agenda Items - None

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:17 a.m.

ATTEST:

Randi Johl
City Clerk

B-1



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: First Quarter Fiscal Year 08/09 Water, Wastewater and Electric Utility Department Financial Reports

MEETING DATE: February 3, 2009

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the first quarter of fiscal year 2008/09.

BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of February 3, 2009.

Attached are the graphics and illustrations that will be presented and discussed.

FISCAL IMPACT: None directly related to the preparation of the report. However, the presentation is intended to keep the Council apprised of the financial conditions of the major municipal utilities.

A handwritten signature in cursive script, reading "Jordan Ayers".

Jordan Ayers
Deputy City Manager

APPROVED: Blair King, City Manager



Public Works Department Water/Wastewater Quarterly Update

FY 08/09 1st Quarter

Shirtsleeve

Wastewater Operating Results

(Ending September 30, 2008)

	Budget	Actual	% of Budget
Personnel	2,951,436	701,399	24%
Supplies, Materials, Services	1,643,264	180,039	11%
Equipment, Land, Structures	114,100	4,676	4%
Other Payments	179,212	114,056	64%
Communication & Transportation	819,210	178,505	22%
Work for Others	43,960	0	0%
Total Operating Expenses	5,751,182	1,178,675	20%

**Wastewater Fund
Cash Flow Summary
Operations
(Ending September 30, 2008)**

Revenue	
Sales	1,601,102
Other (interest, rent, septic, misc.)	428,267
Total Revenues	2,029,369
Expenses	
Operating	1,178,675
Debt Service	(28,870)
Cost of Services Payment To General Fund	362,870
Total Expenses	1,512,675
Net Increase in Undesignated Reserves	516,694

Wastewater Funds

Cash Balances

(Ending September 30, 2008)

Operating (170)	(7,703,535)
Utility Capital / Infrastructure Replacement (171)	15,062,476
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(9,053,836)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	9,077,693
IMF (173)	9,193,944
Total	16,576,742

Water

Operating Results

(Ending September 30, 2008)

	Budget	Actual	% of Budget
Personnel	1,259,632	325,823	26%
Supplies, Materials, Services	638,190	173,846	27%
Equipment, Land, Structures	3,500	0	0%
Other Payments	1,267,750	600,000	47%
Communication & Transportation	882,340	213,980	24%
Work for Others	360,000	0	0%
Total Operating Expenses	4,411,412	1,313,649	30%

Water Fund

Cash Flow Summary

Operations

(Ending September 30, 2008)

Revenue	
Sales	1,777,057
Other (interest, rent, misc.)	31,021
Total Revenues	1,808,078
Expenses	
Operating	1,313,649
Debt Service	14,957
Cost of Services Payment To General Fund	265,031
Total Expenses	1,593,637
Net Increase in Undesignated Reserves	214,441

Water Funds Cash Balances

(Ending September 30, 2008)

Operating (180)	(7,376,656)
Utility Capital / Infrastructure Replacement (181)	10,600,434
IMF (182)	(31,825)
PCE/TCE Settlements	17,010,474
PCE/TCE Rates (185)	5,778,777
Total	25,981,204

Water / Wastewater Utility Accomplishments

- WSWPCF Phase 3 Upgrades
- Waste Discharge Requirements (WDR's)
- Water Valve Turning Program
- Water Meter Retrofit Program
- Industrial Waste Pipeline Video Assessment
- DBCP Treatment System Carbon Change-out and Vessel Repairs

Questions???



Electric Utility Department

FY09 Quarterly Update
(Through September 30, 2008)

City Council Shirtsleeve Session
February 3, 2009



Overview

- Non-Power Costs down \$200K
- Power Costs up ~\$2.2M
- Revenues up about \$300K
- NCPA “GOR” down \$698K
- Overall increase in cash is about \$4.5M



09 Budget vs. Q1 Actual

Cash Flow			
Revenue	Budget	Actuals	% of Budget
Sales Revenues	73,252,805	23,910,937	32.6%
Other Revenues	955,000	278,234	29.1%
Total Revenues	74,207,805	24,189,171	32.6%
Expenses			
Purchase Power	46,697,976	13,135,873	28.1%
Non Power	12,422,535	2,522,317	20.3%
Total Expenses	59,120,511	15,658,190	26.5%
Net Revenue for Debt Service	15,087,294	8,530,981	56.5%
Debt Service	6,339,831	1,584,958	25.0%
Net Revenue	8,747,463	6,946,024	79.4%
In-lieu Transfer to General Fund	6,879,414	1,719,854	25.0%
Net Increase (Decrease) in Working Capital	1,868,049	5,226,170	279.8%
Beginning Cash Balance	11,339,624	11,339,624	
Changes in GOR		(697,985)	
Ending Cash Balance	13,207,673	15,867,809	



Lodi Energy Center

Pmt Month	Amount	Source
April	\$ 1,882,353	CASH
July	\$ 264,706	GOR
	\$ 2,147,059	



Electric Expenses by Series

	FY08 Budget	FY08 Q1	% of Budget
Personnel	6,317,083	1,302,919	21%
Supplies, Materials, Services	1,690,402	298,001	18%
Equipment, Land, Structures	899,100	110,350	12%
Other Payments	431,597	70,569	16%
Communication & Transportation	69,891	14,663	21%
Total Operating Expenses	9,408,073	1,796,503	19.1%

**Note: Includes Capital Expenditures
in Other Payments**



Q1 Power Supply

	Estimated	Actual	Change	% Change
Generation	\$ 9,557,126	\$ 12,798,592	\$ 3,241,466	33.9%
Transmission	\$ 1,846,776	\$ 1,781,146	\$ (65,630)	-3.6%
Management Services	\$ 552,159	\$ 562,368	\$ 10,209	1.8%
Third Party Revenue	\$ (1,063,399)	\$ (2,006,233)	\$ (942,834)	88.7%
TOTAL	\$ 10,892,662	\$ 13,135,873	\$ 2,243,211	20.6%



Q1 Sales

	YTD Projections	YTD Actuals	% Difference
kWh	139,078,441	138,294,500	-0.6%
Revenue	\$23,657,807	\$23,910,937	1.1%

Q1	Year	HDD	Normal	CDD	Normal
July	2008	0	0	380	390
August	2008	0	0	415	363
September	2008	0	5	266	247
Q1 Total		0	5	1,061	1,000



Q1 Billing Statistics

Projected			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	50,412,063	\$ 9,670,617	\$ 0.1918
Small Commercial	51,365,778	\$ 9,251,451	\$ 0.1801
Large Commercial/Small Industrial	10,367,710	\$ 1,684,134	\$ 0.1624
Industrial	26,932,890	\$ 3,051,605	\$ 0.1133
TOTAL	139,078,441	\$ 23,657,807	\$ 0.1701

Actual			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	50,127,906	\$ 9,774,089	\$ 0.1950
Small Commercial	51,076,245	\$ 9,350,438	\$ 0.1831
Large Commercial/Small Industrial	10,309,271	\$ 1,702,154	\$ 0.1651
Industrial	26,781,078	\$ 3,084,256	\$ 0.1152
TOTAL	138,294,500	\$ 23,910,937	\$ 0.1729



ECA

Customer Class	Q1
Residential	832,498
Small Commercial	833,776
Large Commercial/Small Industrial	176,414
Industrial	449,032
Total ECA Revenue	2,291,721



NCPA “GOR”

- **General Operating Reserve**
- **Provides funding for contingencies**
- **GOR levels**
 - \$6,959,239 (June 30, 2008)
 - \$6,261,254 (September 30, 2008)
- **Geothermal Solar Project (\$477K)**
- **Lodi Energy Center (\$265K)**

\$697,985 Decrease



FY09 “Open Position”

	Lodi Total			Lodi HLH			Lodi LLH		
	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load
July 2008	-	50,349	0.0%	-	32,631	0.0%	-	17,718	0.0%
August	-	50,833	0.0%	-	32,735	0.0%	-	18,099	0.0%
September	-	42,198	0.0%	-	27,096	0.0%	-	15,102	0.0%
October	2,183	38,554	5.7%	1,433	25,226	5.7%	749	13,328	5.6%
November	781	35,835	2.2%	547	21,857	2.5%	234	13,979	1.7%
December	1,671	38,210	4.4%	685	24,311	2.8%	985	13,899	7.1%
Jan 2008	1,266	38,403	3.3%	509	24,311	2.1%	757	14,092	5.4%
February	2,052	33,447	6.1%	2,157	21,612	10.0%	(104)	11,835	-0.9%
March	11,680	36,080	32.4%	10,815	22,918	47.2%	864	13,163	6.6%
April	5,337	36,489	14.6%	5,266	23,778	22.1%	71	12,711	0.6%
May	4,354	39,431	11.0%	3,900	24,509	15.9%	454	14,922	3.0%
June	2,499	43,776	5.7%	2,497	29,430	8.5%	2	14,346	0.0%
FY Total	31,823	483,606	6.6%	27,810	310,412	9.0%	4,013	173,194	2.3%
Bal Yr Total	31,823	340,226	9.4%	27,810	217,951	12.8%	4,013	122,276	3.3%



Summary

- Non-Power Costs down \$200K
- Power Costs up ~\$2.2M
- Revenues up about \$300K
- NCPA “GOR” down \$698K
- Overall increase in cash is about \$4.5M