

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JUNE 9, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 9, 2009, commencing at 7:02 a.m.

Present: Council Member Johnson, Council Member Mounce, and Mayor Hansen

Absent: Council Member Hitchcock, and Mayor Pro Tempore Katzakian

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

B. Topic(s)

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

City Manager King briefly introduced the subject matter of the third quarter fiscal year 2008-09 Water, Wastewater, and Electric Utility Department financial reports.

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the third quarter Electric Utility quarterly update. Specific topics of discussion included an overview, 2009 budget versus third quarter actuals, third quarter financial results, Electric expenses by series, third quarter power supply, third quarter sales, billing statistics, Energy Cost Adjustment (ECA) by customer class, Northern California Power Agency general operating reserve, open position, and quarter summary.

In response to Council Member Johnson, Mr. Morrow stated the increase in debt service is due to the refinancing.

In response to Mayor Hansen, Mr. Morrow stated the Utility may purchase some electricity over the next year but it will be a small amount. He stated the budgeted and actual numbers for purchases is different due to recent purchases and the corresponding price.

In response to Council Member Mounce, Mr. Morrow stated for the slide on projected and actuals the 352 number should be positive and not negative.

In response to Mayor Hansen, Mr. Morrow stated the department has tightened up on delinquencies through the collection and deposit policies and programs. Further, Mr. Morrow stated there has been an increase in the CARE and Public Benefits programs and there is a tendency for the money to be used up by the end of the year.

In response to Council Member Johnson, Mr. King confirmed that the Pay Point subject matter will be brought to Council for consideration in the near future. Deputy City Manager Ayers stated there is a fairly large infrastructure behind the pay points, there is a 6 to 8 week development cycle once a contract is approved, and staff is in contact with the company working out details. In response to Myrna Wetzels, Mr. Ayers stated there is a surcharge through the processing company of approximately one dollar. Mr. King stated the pay points will offer one more choice for consumers.

In response to Mayor Hansen, Mr. Morrow stated it may be time to reevaluate the Electric Utility reserve number by doing some analysis to determine the next level plateau needed to bring the

utility up to an A rating. Further, Mr. Morrow confirmed that the Utility will have an opportunity to get some reimbursement for the new Lodi Energy Center project.

In response to Council Member Johnson, Mr. Morrow stated the Utility is currently at approximately 50 days cash on hand and the average is roughly 100 days; therefore, a \$20 million reserve appears to be reasonable.

In response to Mayor Hansen, Mr. Morrow stated the hope is that the Utility will be more competitive when the new Lodi Energy Center comes on-line for customers. He stated the reason that PG&E is lower in some tiers is because of the State's deregulation and related legislation.

In response to Council Member Mounce, Mr. Morrow stated PG&E does not have an ECA but addresses the same matter through annual or semi-annual reviews of its total cost bundle. He stated in a 22-month period, the ECA has given back twice.

Water Services Manager Charlie Swimley provided a PowerPoint presentation regarding the water/waster quarterly update. Specific topics of discussion included wastewater operating results, cash flow summary for operations, wastewater fund cash balances, water operating results, water cash flow summary for operations, water fund cash balances, and water/wastewater accomplishments.

In response to Mayor Hansen, Mr. King stated IMF stands for Impact Mitigation Fund. He further responded that he is not sure when the improvements for Fire Station 4 will be paid off because the cost recovery was related to development and indexing.

In response to Council Member Mounce, Mr. Swimley stated there is significant costs related to the treatment plant upgrades, retaining water quality, and cleaning efforts. Mr. Swimley stated on average the filter class have a lifespan of five years and must be cleaned regularly through a highly labor-intensive process.

In response to Mayor Hansen, Mr. Swimley stated Replacement Project No. 4 should be completed in approximately two months.

In response to Mayor Hansen, Mr. Swimley confirmed that the State went back to 2001 again to enforce minimum mandatory penalty standards because there may have been some oversight previously. Mr. King stated there are some efforts being made at the State level to address this issue through legislation.

Council Members Johnson and Mounce briefly provided general comments regarding the statute of limitations for the State to come back and financially address violations as even the Internal Revenue Service is limited to three years for tax audits.

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

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:53 a.m.

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

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

MEETING DATE: June 9, 2009

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the third 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 June 9, 2009.

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, appearing to read "Jordan Ayers", written over a horizontal line.

Jordan Ayers
Deputy City Manager

APPROVED:

A handwritten signature in cursive script, appearing to read "Blair King", written over a horizontal line.

Blair King, City Manager



Electric Utility Department

FY09 Quarterly Update
(Through March 31, 2009)

City Council Shirtsleeve
June 9, 2009



Overview

- Power Costs in line with projections
- Non-Power Costs down ~\$800K
- Revenues up about \$2.5M
- NCPA “GOR” down ~\$800K
- Overall increase in cash is about \$2.6M



09 Budget vs. Q3 Actual

Cash Flow			
Revenue	Budget	Actuals	% of Budget
Sales Revenues	73,252,805	58,988,399	80.5%
Other Revenues	955,000	689,218	72.2%
Total Revenues	74,207,805	59,677,617	80.4%
Expenses			
Purchase Power	46,697,976	37,089,724	79.4%
Non Power	12,422,535	8,722,369	70.2%
Total Expenses	59,120,511	45,812,093	77.5%
Net Revenue for Debt Service	15,087,294	13,865,524	91.9%
Debt Service	6,339,831	5,298,230	83.6%
Net Revenue	8,747,463	8,567,294	97.9%
In-lieu Transfer to General Fund	6,879,414	5,206,470	75.7%
Net Increase (Decrease) in Working Capital	1,868,049	3,360,824	179.9%
Beginning Cash Balance	11,339,624	11,339,624	
Changes in GOR (LEC PMT)	-	(796,172)	
Ending Cash Balance	13,207,673	13,904,276	



Q3 Financial Results

Projected vs. Actual

Cash Flow			
Revenue	Projected	Actuals	Difference
Sales Revenues	56,337,439	58,988,399	4.7%
Other Revenues	716,250	689,218	-3.8%
Total Revenues	57,053,689	59,677,617	4.6%
Expenses			
Purchase Power	36,799,051	37,089,724	0.8%
Non Power	9,549,724	8,722,369	-8.7%
Total Expenses	46,348,775	45,812,093	-1.2%
Net Revenue for Debt Service	10,704,914	13,865,524	29.5%
Debt Service	4,754,873	5,298,230	11.4%
Net Revenue	5,950,041	8,567,294	44.0%
In-lieu Transfer to General Fund	5,206,470	5,206,470	0.0%
Net Increase (Decrease) in Working Capital	743,571	3,360,824	-352.0%
Beginning Cash Balance	11,339,624	11,339,624	
Changes in GOR	-	(796,172)	
Ending Cash Balance	12,083,195	13,904,276	



Electric Expenses by Series

	FY09 Budget	FY09 Q3	% of Budget
Personnel	6,317,083	4,340,322	69%
Supplies, Materials, Services	1,729,829	1,016,808	59%
Equipment, Land, Structures	909,151	538,477	59%
Other Payments	440,196	293,650	67%
Communication & Transportation	69,891	56,382	81%
Total Operating Expenses	9,466,150	6,245,639	66.0%

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



Q3 Power Supply

	Estimated	Actual	Change	% Change
Generation	\$ 31,721,864	\$ 35,320,798	\$ 3,598,934	10.2%
Transmission	\$ 5,447,131	\$ 4,891,537	\$ (555,594)	-11.4%
Management Services	\$ 1,656,477	\$ 1,687,104	\$ 30,627	1.8%
Third Party Revenue	\$ (2,026,421)	\$ (4,809,715)	\$ (2,783,294)	57.9%
TOTAL	\$ 36,799,051	\$ 37,089,724	\$ 290,673	0.8%



Q3 Sales

	YTD Projections	YTD Actuals	% Difference
kWh	352,992,400	346,695,941	-1.8%
Revenue	\$ 56,337,439	\$ 58,988,399	4.7%

	Year	HDD	Normal	CDD	Normal
July	2008	0	0	380	390
August	2008	0	0	415	363
September	2008	0	5	266	247
October	2008	36	76	53	73
November	2008	276	348	0	0
December	2008	645	609	0	0
January	2009	563	592	0	0
February	2009	387	391	0	0
March	2009	333	313	0	0
Q3 Total		2240	2334	1114	1073



Q3 Billing Statistics

Projected			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	122,117,192	\$ 22,484,337	\$ 0.1841
Small Commercial	129,855,708	\$ 21,778,845	\$ 0.1677
Large Commercial/Small Industrial	27,227,947	\$ 4,053,844	\$ 0.1489
Industrial	73,791,553	\$ 8,020,413	\$ 0.1087
TOTAL	352,992,400	56,337,439	\$ 0.1596

Actual			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	119,938,938	\$ 23,542,443	\$ 0.1963
Small Commercial	127,539,419	\$ 22,803,752	\$ 0.1788
Large Commercial/Small Industrial	26,742,271	\$ 4,244,617	\$ 0.1587
Industrial	72,475,303	\$ 8,397,851	\$ 0.1159
TOTAL	346,695,931	\$ 58,988,663	\$ 0.1701



ECA by Customer Class

Customer Class	Q1	Q2	Q3	Total
Residential	832,498	725,150	1,437,573	2,995,221
Small Commercial	833,776	746,906	1,414,592	2,995,275
Large Commercial/Small Industrial	176,414	158,323	310,165	644,902
Industrial	449,032	438,014	874,562	1,761,608
Total ECA Revenue	2,291,721	2,068,393	4,036,893	8,397,006



NCPA “GOR”

- **General Operating Reserve**
- **Provides funding for contingencies**
- **GOR levels**
 - \$6,959,239 (June 30, 2008)
 - \$6,163,067 (March 31, 2009)
- **Lodi Energy Center (\$2.5M)**

\$796,172 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	-	38,554	0.0%	-	25,226	0.0%	-	13,328	0.0%
November	-	35,835	0.0%	-	21,857	0.0%	-	13,979	0.0%
December	-	38,210	0.0%	-	24,311	0.0%	-	13,899	0.0%
Jan 2009		38,403	0.0%		24,311	0.0%		14,092	0.0%
February		33,447	0.0%		21,612	0.0%		11,835	0.0%
March		36,080	0.0%		22,918	0.0%		13,163	0.0%
April	3,416	36,489	9.4%	3,370	23,778	14.2%	45	12,711	0.4%
May	2,726	39,431	6.9%	2,474	24,509	10.1%	263	14,922	1.8%
June	982	43,776	2.2%	897	29,430	3.0%	85	14,346	0.6%
FY Total	7,124	483,606	1.5%	6,741	310,412	2.2%	393	173,194	0.2%
Bal Yr Total	7,124	119,696	6.0%	6,741	77,717	8.7%	393	41,979	0.9%



3rd Quarter Summary

- Power Costs in line with projections
- Non-Power Costs down ~\$800K
- Revenues up about \$2.5M
- NCPA “GOR” down ~\$800K
- Overall increase in cash is about \$2.6M



Public Works Department Water/Wastewater

FY 09 Quarterly Update **(Through March 31, 2009)**

City Council Shirtsleeve Session
June 9, 2009

Wastewater Operating Results

(Ending March 31, 2009)

	Budget	Actual	% of Budget
Personnel	3,068,836	2,235,333	73%
Supplies, Materials, Services	2,351,142	1,178,518	50%
Equipment, Land, Structures	115,270	35,219	31%
Other Payments	200,212	154,402	77%
Communication & Transportation	819,210	629,845	77%
Work for Others	43,960	0	0%
Total Operating Expenses	6,598,630	4,233,317	64%

Wastewater Fund
Cash Flow Summary
Operations
(Ending March 31, 2009)

Revenue	
Sales	5,039,044
Other (interest, rent, septic, misc.)	807,994
Total Revenues	5,847,038
Expenses	
Operating	4,233,317
Debt Service	1,932,841
Cost of Services Payment To General Fund	1,088,609
Total Expenses	7,254,767
Net Increase in Undesignated Reserves	(1,407,729)

Wastewater Funds

Cash Balances

(Ending March 31, 2009)

Operating (170)	(7,773,820)
Utility Capital / Infrastructure Replacement (171)	16,059,235
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(3,038,878)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	6,891,852
IMF (173)	2,132,566
Total	14,270,955

Water Operating Results

(Ending March 31, 2009)

	Budget	Actual	% of Budget
Personnel	1,377,032	977,772	71%
Supplies, Materials, Services	933,512	388,051	42%
Equipment, Land, Structures	3,500	4,431	127%
Other Payments	1,267,750	947,939	75%
Communication & Transportation	882,340	587,203	67%
Work for Others	360,000	0	0%
Total Operating Expenses	4,824,134	2,905,396	60%

Water Fund
Cash Flow Summary
Operations

(Ending March 31, 2009)

Revenue	
Sales	4,824,238
Other (interest, rent, misc.)	127,647
Total Revenues	4,951,885
Expenses	
Operating	2,905,396
Debt Service	43,320
Cost of Services Payment To General Fund	795,092
Total Expenses	3,743,808
Net Increase in Undesignated Reserves	1,208,077

Water Funds Cash Balances

(Ending March 31, 2009)

Operating (180)	507,522
Utility Capital / Infrastructure Replacement (181)	11,185,288
IMF (182)	(358,963)
PCE/TCE Settlements	14,661,592
PCE/TCE Rates (185)	2,255,511
Total	28,250,950



Water / Wastewater Utility Accomplishments

- WW Treatment Plant Upgrade
- Rate Study
- Main Replacement Project No. 4
- Revised Draft State Board Order
- WDR's
 - Capacity Assurance Plan
 - Draft FOG Ordinance
 - SSO Tracking
 - CMMS Implementation

Questions???