

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, MARCH 22, 2011**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 22, 2011, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Katzakian, and Mayor Johnson  
Absent: Council Member Nakanishi, and Mayor Pro Tempore Mounce  
Also Present: City Manager Bartlam, City Attorney Schwabauer, and Assistant City Clerk Robison

B. Topic(s)

B-1 Second Quarter Fiscal Year 2010/11 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager Bartlam provided a brief introduction to the subject matter of the utility financial reports.

Electric Utility Director Liz Kirkley provided a PowerPoint presentation regarding the second quarter electric utility update. Specific topics of discussion included an overview, financial results, non-power operating expenditures, power supply, power sales, billing statistics, bad debt, Energy Cost Adjustment (ECA) revenue, Northern California Power Agency (NCPA) general operating reserve, open position, and conclusion.

In response to Mayor Johnson, Council Member Hansen stated that the initial projections from the California Independent System Operator did not turn out to be as ominous as expected; however, there is always the concern that something could negatively affect costs. City Manager Bartlam pointed out that the City was able to purchase power at a lower cost than expected.

In response to Mayor Johnson, Mr. Ayers stated that the bad debts are primarily from residential and commercial customers, as well as bankruptcies. In 2007, Council made a decision to cease referring accounts to the credit bureau; however, that practice was resumed with accounts typically being addressed on a quarterly basis, and in 2009, staff further tightened the collection cycle, which has resulted in a reduction in the volume of accounts sent to collection.

In response to Myrna Wetzel, Mr. Ayers stated that the City offers low-income programs and staff routinely refers customers to the Salvation Army for additional assistance in paying their utility bill. The dollar figure for bad debt, however, represents closed accounts with a remaining balance that staff has unsuccessfully been able to collect.

In response to Mayor Johnson regarding the City's open position, Ms. Kirkley stated that on a daily basis NCPA is buying and selling power for the pool, it is prudent to have a diversified portfolio and not have excess on hand, and the rule of thumb is a 10% closure for the upcoming year.

Council Member Hansen added that once the new energy center is on line the City will be even less vulnerable in the market and will have greater control.

In response to Myrna Wetzel, Mr. Ayers stated that the current ratings from the agencies are AA-

from Standard and Poors and Fitch and AA from Moody's, which are up from BBB+ from two to three years ago.

Mr. Bartlam stated that the April 5 budget workshop will further discuss the credit ratings and various reserve policies.

Deputy Public Works Director Charlie Swimley provided a PowerPoint presentation regarding the water and wastewater second quarter utility update. Specific topics of discussion included water and wastewater cash flow summary for operations, operating results, cash balances, bad debt write off, and accomplishments.

In response to Mayor Johnson, Mr. Swimley stated that the City is charging a premium to the various wineries for wastewater capacity. Further, Mr. Swimley responded that the cost for supplies is low this quarter due to the fact that the money has not yet been spent and some consultant services will carry into the next fiscal year. The amount spent is consistent with the same quarter from last year.

In response to Council Member Hansen, Mr. Swimley confirmed that the City currently pumps water into the Woodbridge Irrigation District (WID) canal during storms and that it charges the City a set rate one time a year. Parks near canals are available to provide storage during wet water events, and the City does not have the capacity to pump water into the river, which would also be quite costly. Mr. Swimley further responded that there is no current plan for stormwater discharge; although, staff is looking at utilizing the WID water purchase to irrigate parks.

Mr. Bartlam stated that the City has begun to move from the combination park/basin to full-scale retention basins that would hold water for longer periods and have some recharge capability.

In response to Council Member Katzakian, Mr. Swimley stated there may be an opportunity in the future to use water at White Slough to pump back into town. Mr. Bartlam added that the two power plants near White Slough are using treated water in an efficient way and there could be further opportunities to use the water in that area.

In response to Myrna Wetzels, Mr. Swimley confirmed that the City is paying WID for the raw water supply.

In response to Council Member Hansen, Mr. Bartlam stated there is no Council approved reserve policy for wastewater, but the rule is 25%.

Mayor Johnson suggested that a formal policy be adopted, to which Mr. Bartlam replied that staff is heading in that direction.

In response to Council Member Hansen, City Attorney Schwabauer stated that only the Central Plume has been completed and there is still further work needed on the Northern, Southern, and Central-Western Plumes, but he was hopeful the costs would not be dollar intensive. In regard to Busy Bee, 85% to 90% of the work has been completed to satisfaction of the State Board.

In response to Mayor Johnson, Mr. Ayers stated that the PCE/TCE monies are set aside in stand-alone accounts and are earning 55 basis points, the bulk of the accounts are held with the Local Agency Investment Fund (LAIF) and earning 44 basis points, and the monies are safe and secure. Staff has not looked at outside investments other than LAIF. Mayor Johnson suggested that staff look into ways to be more aggressive while the cash is sitting in these accounts. Mr. Ayers replied that staff could look into carving out a portion of the money and investing it with an outside investor, and Mr. Bartlam added that staff has been discussing this possibility and he would bring the matter back at a Shirtsleeve Session in May in conjunction with budget

discussions.

In response to Myrna Wetzel, Mr. Schwabauer stated that profits on investments would stay within the same fund from which the money came.

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:

Jennifer M. Robison  
Assistant City Clerk



**CITY OF LODI  
COUNCIL COMMUNICATION**

**AGENDA TITLE:** Second Quarter Fiscal Year 2010/11 Water, Wastewater and Electric Utility Department Financial Reports

**MEETING DATE:** March 22, 2011

**PREPARED BY:** Deputy City Manager

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**RECOMMENDED ACTION:** Receive utility financial reports for the second quarter of fiscal year 2010/11 ending December 31, 2010.

**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 March 22, 2011.

**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 black ink, appearing to read "Jordan Ayers".

Jordan Ayers  
Deputy City Manager

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APPROVED:

A handwritten signature in black ink, appearing to read "Konrad Bartlam".

Konrad Bartlam, City Manager



Electric Utility Department

# **FY11 Quarterly Update** **(Through December 30, 2010)**

**City Council Shirtsleeve Session**  
**March 22, 2011**



# Overview

Through December 31, 2010

- Net power costs are 45.3% of budget
- Non-power costs are 41.5% of budget
- Debt Service costs are 50.0% of budget
- Revenues are 48.1% of budget
  - One time revenue from sale of CT1 (Roseville)



# FY11 Financial Results

## Through December 31, 2010

	FY11 Budget	FY11 Actuals	% of Budget
<b>Revenue</b>			
Sales Revenues	72,019,230	33,884,583	47.0%
Other Revenues	503,880	995,395	197.5%
<b>Total Revenues</b>	<b>72,523,110</b>	<b>34,879,978</b>	<b>48.1%</b>
<b>Expenses</b>			
Purchased Power	43,205,800	19,570,949	45.3%
Non Power	14,650,840	6,086,128	41.5%
<b>Total Expenses</b>	<b>57,856,640</b>	<b>25,657,077</b>	<b>44.3%</b>
<b>Net Revenue for Debt Service</b>	<b>14,666,470</b>	<b>9,222,901</b>	<b>62.9%</b>

<b>Debt Service</b>	7,364,772	3,682,386	50.0%
<b>Capital Expenditures</b>	3,771,680	852,635	22.6%
<b>Net Revenue</b>	3,530,018	4,687,880	132.8%
<b>In-lieu Transfer to General Fund</b>	6,976,670	3,488,336	50.0%
<b>Net Increase (Decrease)</b>	<b>(3,446,652)</b>	<b>1,199,544</b>	

	Jun 30, 2010	Dec 31, 2010
<b>Local Cash Balance</b>	12,125,836	11,000,596
<b>GOR</b>	11,011,668	10,831,971
<b>Total Available Cash</b>	<b>\$ 23,137,504</b>	<b>\$ 21,832,567</b>



# Non-Power Operating Expenditures

Through December 31, 2010

	FY11 Budget	FY11 Actual	% of Budget
Personnel	6,683,070	2,896,259	43.3%
Supplies, Materials, Services	2,241,730	696,470	31.1%
Equipment, Land, Structures	1,597,600	235,188	14.7%
Other Payments	1,201,110	795,684	66.2%
Communication & Transportation	70,940	34,332	48.4%
Cost of Service Transfer	2,856,390	1,428,195	50.0%
<b>Total Operating Expenses</b>	<b>\$ 14,650,840</b>	<b>\$ 6,086,128</b>	<b>41.5%</b>



# Power Supply

## Through December 31, 2010

	Budgeted	Year to Date	% of Budget
Generation	\$ 35,727,071	\$ 16,809,273	47.0%
Transmission	\$ 7,789,578	\$ 3,007,804	38.6%
Management Services	\$ 1,401,170	\$ 696,862	49.7%
Third Party Revenue	\$ (2,708,341)	\$ (2,082,976)	76.9%
Adjustments		\$ 1,139,986	
<b>TOTAL</b>	<b>\$ 42,209,478</b>	<b>\$ 19,570,949</b>	<b>46.4%</b>



# Power Sales

## Through December 31, 2010

	Budgeted Sales	Year to Date Sales	% Budget
kWh	445,740,373	226,732,032	50.9%
Revenue	\$ 72,019,230	\$ 33,884,583	47.0%

	Year	HDD	Normal	CDD	Normal
July	2010	0	0	313	390
August	2010	0	0	245	363
September	2010	0	5	216	247
October	2010	94	76	1	0
November	2010	392	348	0	0
December	2010	457	609	0	0
<b>FY11 Total</b>		<b>943</b>	<b>1038</b>	<b>775</b>	<b>1000</b>



# Billing Statistics

## Through December 31, 2010

Budgeted FY11			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	151,352,637	\$ 28,010,849	\$ 0.1851
Small Commercial	165,198,278	\$ 28,188,450	\$ 0.1706
Large Commercial/Small Industrial	35,290,459	\$ 5,244,767	\$ 0.1486
Industrial	93,898,999	\$ 10,575,165	\$ 0.1126
<b>TOTAL</b>	<b>445,740,373</b>	<b>\$ 72,019,230</b>	<b>\$ 0.1616</b>

Year to Date FY11			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	78,401,899	\$ 13,107,191	\$ 0.1672
Small Commercial	80,804,858	\$ 13,152,428	\$ 0.1628
Large Commercial/Small Industrial	19,983,388	\$ 2,880,014	\$ 0.1441
Industrial	47,541,887	\$ 4,744,949	\$ 0.0998
<b>TOTAL</b>	<b>226,732,032</b>	<b>\$ 33,884,583</b>	<b>\$ 0.1494</b>



# Bad Debt

## Through December 31, 2010

# of Accts	Amount	% of Sales
692	\$160,813	0.47%



# ECA Revenue

Customer Class	Q1	Q2	Total
Residential	(172,664)	319,326	146,662
Small Commercial	(158,469)	294,776	136,307
Large Commercial/Small Industrial	(46,377)	72,968	26,591
Industrial	(116,875)	187,946	71,071
<b>Total ECA Revenue</b>	<b>(494,385)</b>	<b>875,016</b>	<b>380,631</b>



# NCPA “GOR”

## GOR levels

- \$11,011,688 (June 30, 2010)
- \$10,831,971 (December 31, 2010)

**Scheduling Coordination Balancing Acct \$(202,453)**  
**Interest Income \$22,756**

**\$179,717 Decrease**



# FY11 “Open Position”

	Lodi Total Surplus/(Deficit)	MWh Load	% of Load	Lodi HLH Surplus/(Deficit)	MWh Load	% of Load	Lodi LLH Surplus/(Deficit)	MWh Load	% of Load
July 2010		44,273	0.00%		29,082	0.00%		15,727	0.00%
August		43,634	0.00%		28,638	0.00%		15,754	0.00%
September		40,620	0.00%		26,044	0.00%		15,358	0.00%
October		36,811	0.00%		23,334	0.00%		12,431	0.00%
November		28,838	0.00%		18,312	0.00%		10,526	0.00%
December		36,135	0.00%		22,929	0.00%		13,206	0.00%
January 2011		35,983	0.00%		22,041	0.00%		13,942	0.00%
February		32,171	0.00%		20,801	0.00%		11,370	0.00%
March	(2,443)	34,814	-7.02%	(1,418)	22,949	-6.18%	(1,024)	11,865	-8.63%
April	(4,145)	35,625	-11.64%	(4,315)	23,098	-18.68%	169	12,527	1.35%
May	(2,808)	40,089	-7.01%	(2,833)	25,043	-11.31%	25	15,045	0.16%
June	1,333	41,000	3.25%	359	27,404	1.31%	974	13,596	7.16%
<b>FY Total</b>	<b>(8,063)</b>	<b>449,992</b>	<b>-1.8%</b>	<b>(8,207)</b>	<b>289,675</b>	<b>-2.8%</b>	<b>143</b>	<b>161,349</b>	<b>0.1%</b>
<b>Bal Yr Total</b>	<b>(8,063)</b>	<b>151,528</b>	<b>-5.3%</b>	<b>(8,207)</b>	<b>98,494</b>	<b>-8.3%</b>	<b>143</b>	<b>53,033</b>	<b>0.3%</b>



# Conclusion

Through December 31, 2010

- Net power costs are 45.3% of budget
- Non-power costs are 41.5% of budget
- Debt Service costs are 50.0% of budget
- Revenues are 48.1% of budget
  - One time revenue from sale of CT1 (Roseville)



# Public Works Department Water/Wastewater

## **FY 11 Quarterly Update** (Through December 31, 2010)

City Council Shirtsleeve Session  
March 22, 2011

**Wastewater Fund  
Cash Flow Summary  
Operations  
(Ending December 31, 2010)**

	<b>Budget</b>	<b>Actuals</b>	<b>% of Budget</b>
<b>Revenue</b>			
Sales	13,527,180	6,132,684	45%
Other (interest, septic, misc.)	155,500	(90,135)	(58)%
Total Revenues	13,682,680	6,042,549	44%
<b>Expenses</b>			
Operating	7,527,960	2,521,498	33%
Debt Service	2,570,512	695,893	27%
Cost of Services Payment To General Fund	1,451,480	725,740	50%
Total Expenses	11,549,952	3,943,131	34%
Net Increase in Undesignated Reserves – Year To Date		2,099,418	

## Wastewater Operating Results

(Ending December 31, 2010)

	Budget	Actuals	% of Budget
Personnel	\$ 3,282,310	\$ 1,479,895	45%
Supplies, Materials, Services	\$ 3,138,144	\$ 624,455	20%
Equipment, Land, Structures	\$ 65,206	\$ -	0%
Other Payments	\$ 187,100	\$ 54,018	29%
Communication & Transportation	\$ 818,500	\$ 363,130	44%
Work for Others	\$ 36,700	\$ -	0%
<b>Total Operating Expenses</b>	<b>\$ 7,527,960</b>	<b>\$ 2,521,498</b>	<b>33%</b>

**Wastewater Funds**  
**Cash Balances**  
(Ending December 31, 2010)

Operating (170)	3,864,562
Utility Capital / Infrastructure Replacement (171)	4,616,995
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(3,006,257)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	5,296,834
IMF (173)	848,075
<b>Total</b>	<b>11,620,209</b>

**Water Fund  
Cash Flow Summary  
Operations  
(Ending December 31, 2010)**

	<b>Budget</b>	<b>Actuals</b>	<b>% of Budget</b>
<b>Revenue</b>			
Sales	6,658,590	3,356,525	51%
Other (interest, septic, misc.)	89,540	78,591	88%
<b>Total Revenues</b>	<b>6,748,130</b>	<b>3,435,116</b>	<b>51%</b>
<b>Expenses</b>			
Operating	4,776,965	2,205,529	46%
Debt Service	228,030	12,047	5.3%
Cost of Services Payment To General Fund	1,060,120	530,060	50%
<b>Total Expenses</b>	<b>6,065,115</b>	<b>2,747,636</b>	<b>45%</b>
Net Increase in Undesignated Reserves – Year To Date		687,480	

# Water Operating Results

(Ending December 31, 2010)

	Budget	Actuals	% of Budget
Personnel	\$ 1,403,580	\$ 605,778	43%
Supplies, Materials, Services	\$ 737,495	\$ 192,318	26%
Equipment, Land, Structures	\$ 81,640	\$ 40,846	50%
Other Payments	\$ 1,488,100	\$ 966,694	65%
Communication & Transportation	\$ 721,150	\$ 399,893	55%
Work for Others	\$ 345,000	\$ -	0%
<b>Total Operating Expenses</b>	<b>\$ 4,776,965</b>	<b>\$ 2,205,529</b>	<b>46%</b>

**Water Funds  
Cash Balances**  
(Ending December 31, 2010)

<b>Operating (180)</b>	4,138,102
<b>Utility Capital / Infrastructure Replacement (181)</b>	7,584,066
<b>IMF (182)</b>	(189,587)
<b>PCE/TCE Settlements</b>	13,641,654
<b>PCE/TCE Rates (185)</b>	5,160,553
<b>Total</b>	<b>30,334,788</b>

**Bad Debt Write Off**  
(Through December 31, 2010)

	<b># Of Accounts</b>	<b>Amount</b>	<b>% of Sales</b>
Wastewater	692	\$56,048	0.91%
Water	692	\$54,924	1.64%



# Water / Wastewater Utility Accomplishments

## Operational

- Water Distribution
- Water Production
- Collection System
- Wastewater Treatment
- Regulatory
  - SSO's
  - Discharge Violations
  - Monitoring and Reporting