

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MAY 10, 2011**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, May 10, 2011, commencing at 7:00 a.m.

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

B. Topic(s)

B-1 Receive Presentation Regarding Fiscal Year 2011/12 Budget (CM)

City Manager Bartlam briefly introduced the subject matter of the fiscal year 2011/12 budget as it relates to the three utilities: electric, water, and wastewater.

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding the fiscal year 2011/12 budget. Specific topics of discussion included overview; electric utility overview, organizational changes, salary and benefit increases, capital projects, and reserves; water utility overview, total salary and benefit increases, revenues, capital projects, and reserves; and wastewater utility overview, salary and benefit increases, revenues, capital projects, and reserves.

In response to Mayor Johnson, Mr. Ayers and Mr. Bartlam stated that, with regard to the two-year service credit, only one of the three positions in electric utility has decided to accept the offer, the budget reflects only the one position, and staff will come back in September with revised figures once the 90-day offer period is closed.

In response to Council Member Nakanishi, Electric Utility Director Liz Kirkley stated there are approximately 46 employees in the Electric Utility Department.

In response to Mayor Johnson, Ms. Kirkley stated that the duties of the buyer and electric apparatus mechanic both consist of overseeing inventory and the merger of these two positions into an electric materials technician is suitable for electric utility.

In response to Mayor Johnson, Mr. Ayers stated that the increase of \$740,137 in salary and benefits for electric utility only includes the one position that accepted the two-year service credit and the revised organizational structure that was approved during mid-year budget adjustments; however, this figure will be modified following further restructuring and employee concessions.

In response to Council Member Katzakian, Mr. Ayers stated it is likely a second electric utility employee will accept the two-year service credit and the lowest level apprentice position would be eliminated.

In response to Mayor Johnson, Ms. Kirkley provided an update on the west side power line project, stating that the \$500,000 would go toward the preliminary and engineering feasibility studies, which have not yet been undertaken, and to date there has been no word from the California Independent System Operator regarding transition charges.

Council Member Nakanishi requested staff provide Council with a comparison of reserve policies for other utilities.

In response to Mayor Johnson, Mr. Ayers stated that the purpose of the reserve policy is to repair a transformer or a component failure, but not to rebuild an entire substation.

In response to Council Member Nakanishi, Mr. Ayers stated that the 25% reserve policy for the water utility was adopted in the rate model. Mr. Bartlam added this type of policy is typical in the industry and is different than the electric utility policy because it is based on a percentage of operating costs.

Council Member Nakanishi provided an example of a local business owner who recently expanded his restaurant and questioned why the building permit and development fees were so high, to which Mr. Bartlam responded that this particular business owner converted his business from a retail use to a restaurant use, which is one of the highest wastewater users, and more than doubled the size of the building; therefore, the fees were similar to a brand new restaurant. Further, Mr. Bartlam confirmed that wineries are paying a surcharge for their wastewater usage. Approximately 58 cents on every dollar of wastewater expenses goes toward permit compliance in the state, and Mr. Bartlam and Public Works Director Wally Sandelin stated that the rates are projected to increase by 5 percent this year and up to 10 percent for the subsequent year.

In response to Mayor Johnson, Mr. Bartlam stated the County is processing another truck stop in Flag City on the east side of the frontage road across from Flying J and is annexing an additional strip for the purpose of a parking lot, which would be added to the existing property in the service district. There is no wastewater usage occurring on the added strip of land, the truck stop property was anticipated in the original service district agreement, and there is no expansion of the capacity. Further, Mr. Sandelin responded that this new addition would put the capacity at 60 percent.

In response to Council Member Katzakian, City Attorney Schwabauer stated that the City has not yet received its wastewater permit from the State Board and there is one year remaining on the five-year permit. Mr. Sandelin added that, if the City does not receive the permit within this time frame, it will need to re-start the process.

In response to Council Member Nakanishi, Mr. Bartlam stated that the decrease in revenues in electric utility is a result of fewer power sales, less energy consumption, and fewer businesses than three years ago. Ms. Kirkley added that Rob Lechner, Manager of Customer Service and Programs, should be commended for promoting solar and energy efficiency programs, which has resulted in a decrease in electric usage. She further responded that staff is currently working to address the issue of renewable energy.

Ed Miller expressed concern that the \$1.3 million increase for the three utilities is due to salaries and retirement benefits and suggested that Council put an end to raises and contributions to retirement funds.

Mayor Johnson responded that revenues and expenses are stable; however, the issue of medical, pension, and workers compensation costs are beyond the City's control and staff is attempting to address the matter through labor relations. Efforts have been made with four groups, but there is more work to be done and this is not an instantaneous fix.

Mr. Bartlam reiterated that the figures presented are worst case scenario and do not include the management reductions, employee concessions, and early retirements that have been negotiated thus far. The figures continue to change based on negotiations, and he stated that

concessions and/or reductions in staff will ultimately make up the difference in this figure.

Myrna Wetzel questioned whether the City has enough in its reserve policy to cover a catastrophic event, such as a flood or tornado, to which Mr. Bartlam responded that the balance of the reserve policy would be used toward such an event and it would depend on the severity of the catastrophe.

In response to Council Member Nakanishi, Ms. Kirkley stated that the cost to replace a transformer would depend upon the configuration and type of transformer, but could cost as much as \$1.5 million.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:40 a.m.

ATTEST:

Jennifer M. Robison
Assistant City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Receive Presentation Regarding Fiscal Year 2011/12 Budget
MEETING DATE: May 10, 2011
PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive presentation regarding Fiscal Year 2011/12 budget.

BACKGROUND INFORMATION: The Fiscal Year (FY) 2011/12 budget is built on a number of basic tenets, not the least of which is continued employee concessions. Currently, management is meeting with all labor groups to come to agreement on a package of concessions that will allow the City to present a balanced budget. Staff will delay the release of the draft budget until mid-May in order for those negotiations to proceed. Staff expects to have a balanced budget ready for Council consideration in early June.

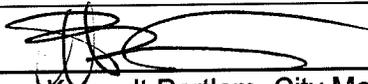
In advance of publication of the document, staff is planning a series of presentations that will provide Council and the public with the basic parameters that form the foundation of the budget. The Shirtsleeve Session on May 3, 2011 focused on general economic issues the City is addressing in the budget process along with General Fund revenue projections.

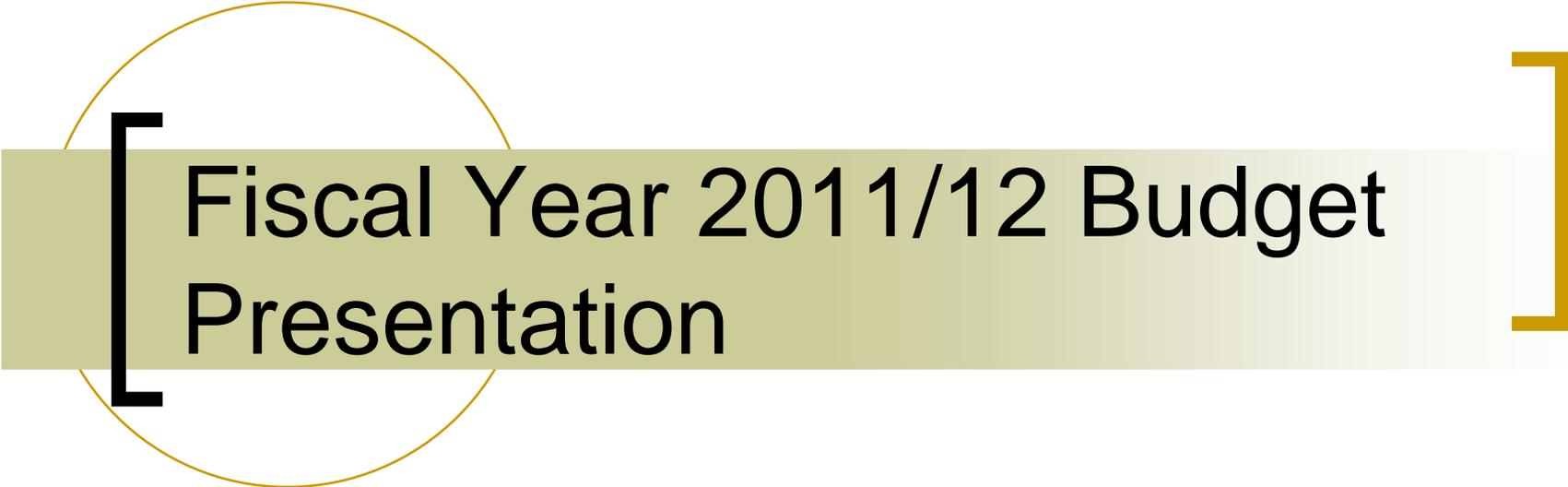
Today's discussion will focus on the three utility funds of the City: Electric, Water and Wastewater.

FISCAL IMPACT: Revenues for the Electric Utility are projected to be \$68,001,190. Revenues for the Water Utility are projected to be \$42,783,890. Revenues for the Wastewater Utility are projected to be \$18,050,750. Projected expenses that will be presented represent a 'worst case scenario', in that projected expenses have not been reduced for any concessions, early retirements or staff reductions that may occur.


Jordan Ayers
Deputy City Manager

JA/ja

APPROVED: 
Konradt Bartlam, City Manager



Fiscal Year 2011/12 Budget Presentation

City Council Shirtsleeve
Session

May 10, 2011

[Overview]

- Utility Funds
 - Electric
 - Water
 - Wastewater

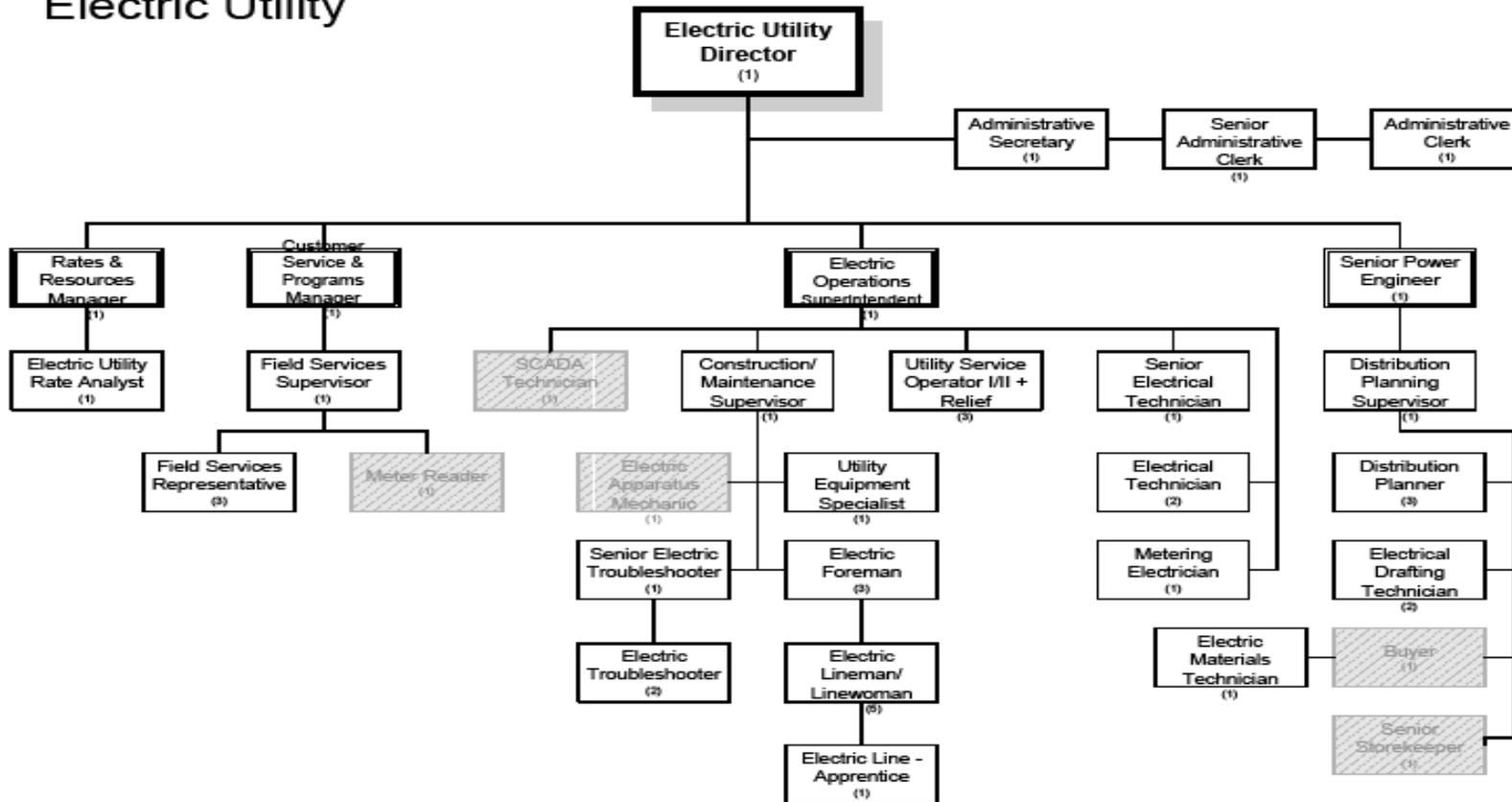
Electric Utility Overview

	Audited 2008-09 Actuals	Audited 2009-10 Actuals	2010-11 Budget	Estimated 2010-11 Actuals	2011-12 Budget
Electric Utility Enterprise Fund					
<u>Cash Balance</u>					
Beginning Cash Balance *	11,339,624	12,003,103	12,232,699	12,125,835	9,957,907
Revenues	135,317,676	64,716,745	73,269,270	66,682,233	68,016,190
Expenditures	<u>134,654,197</u>	<u>64,594,013</u>	<u>76,618,920</u>	<u>68,850,161</u>	<u>72,680,520</u>
Net Difference (Revenues Less Expenditures)	663,479	122,732	(3,349,650)	(2,167,928)	(4,664,330)
<u>Cash Balance</u>					
Ending Cash Balance *	<u><u>12,003,103</u></u>	<u><u>12,125,835</u></u>	<u><u>8,883,049</u></u>	<u><u>9,957,907</u></u>	<u><u>5,293,577</u></u>

* Local cash, excluding NCPA General Operating Reserve (GOR)

Electric Utility

Electric Utility



2011-2012

[Electric Utility Org. Changes]

- Approved in May 2011
 - Restructure Operators
 - Reduce 1 position
 - Offer 2-year service credit to 3 positions effective December 31, 2011
 - Net impact expected to be reduction of 1 position

[Electric Utility Org. Changes]

- FY 2011/12 Budget
 - Eliminate 1 Meter Reader
 - Merge functions of Buyer and Electric Apparatus Mechanic into Electric Materials Technician position
 - Eliminate Buyer position
 - Merge duties of SCADA Technician into Electrical Technician
 - Eliminate SCADA Technician
 - Transfer Senior Storekeeper position to Public Works

[Electric Utility]

- Total Salary and Benefit increase over FY 2010/11
 - \$740,137

[Electric Utility Capital Projects]

12 kV Underground Cable Maint	\$1,100,000
Fixed Network	\$750,000
230 kV Interconnection at White Slough	\$500,000
Streetlight Grounding and Fusing	\$480,000

Electric Utility Reserves

Purpose	Basis	FY 2011/12 Target
Operating Reserve	90 days cash	\$16,363,000
Capital Reserve	Largest distribution system contingency	\$500,000
NCPA General Operating Reserve	NCPA identified items	\$9,300,000
Total Target		\$26,163,000
Estimated FY 2011/12 Reserve		\$18,096,600

[Water Utility]

	Audited 2008-09 Actuals	Audited 2009-10 Actuals	2010-11 Budget	Estimated 2010-11 Actuals	2011-12 Budget
Water Utility Enterprise Fund					
<u>Cash Balance</u>					
Beginning Cash Balance	13,434,921	20,272,801	24,717,657	14,120,605	12,442,496
Revenues	17,343,265	13,019,871	20,741,980	20,539,017	43,723,940
Expenditures	<u>10,505,385</u>	<u>19,172,067</u>	<u>23,165,451</u>	<u>22,217,126</u>	<u>40,441,830</u>
Net Difference (Revenues Less Expenditures)	6,837,880	(6,152,196)	(2,423,471)	(1,678,109)	3,282,110
<u>Cash Balance</u>					
Ending Cash Balance	<u>20,272,801</u>	<u>14,120,605</u>	<u>22,294,186</u>	<u>12,442,496</u>	<u>15,724,606</u>

[Water Utility]

- Total Salary and Benefit increase over FY 2010/11
 - \$426,187

[Water Utility]

- Revenue increases to offset the costs for treatment plant construction
 - Funded by bond proceeds
- Service Charge revenue up 1.5%
- Includes \$662,050 interest subsidy on the Build America Bonds

[Water Utility]

- Capital Projects
 - Water Treatment Plant (\$28,778,000)
 - Begun March 2011
 - Expected completion August 2012
 - Water Meter Phase I Construction (\$2,300,000)
 - Water Meter Phase II Plan/Design (\$480,000)

[Water Utility]

- Staffing plan for Water Treatment Plant to come to Council later this calendar year

[Water Utility Reserves]

- Target is 25% of operating expenses
- Target for FY 2011/12 equals \$1,416,600
- FY 2011/12 Estimated Reserve is \$400,606 (net of \$15,324,000 for PCE/TCE clean-up)

Wastewater Utility

	Audited 2008-09 Actuals	Audited 2009-10 Actuals	2010-11 Budget	Estimated 2010-11 Actuals	2011-12 Budget
Wastewater Utility Enterprise Fund					
<u>Cash Balance</u>					
Beginning Cash Balance	6,766,472	7,499,323	6,077,513	6,831,614	5,481,418
Revenues	11,146,850	11,885,017	17,054,390	15,732,041	18,050,750
Expenditures	<u>10,413,999</u>	<u>12,552,726</u>	<u>17,733,825</u>	<u>17,082,237</u>	<u>19,143,940</u>
Net Difference (Revenues Less Expenditures)	732,851	(667,709)	(679,435)	(1,350,196)	(1,093,190)
<u>Cash Balance</u>					
Ending Cash Balance	<u><u>7,499,323</u></u>	<u><u>6,831,614</u></u>	<u><u>5,398,078</u></u>	<u><u>5,481,418</u></u>	<u><u>4,388,228</u></u>

[Wastewater Utility]

- Total Salary and Benefit increase over FY 2010/11
 - \$182,651

[Wastewater Utility]

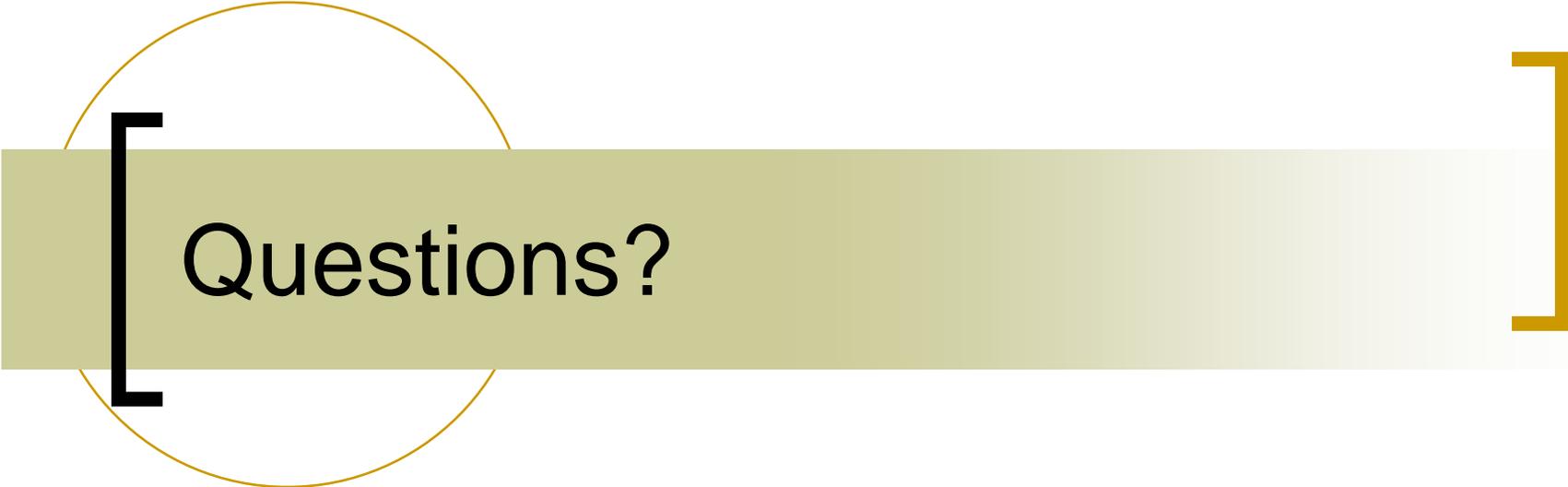
- Revenue increases to offset the costs for biosolids dewatering facility
 - Funded by bond proceeds
- Service Charge revenue up 5.0%

[Wastewater Capital Projects]

- Biosolids Dewatering Facility
 - \$4,455,000
- Main Replacement Project #5
 - \$2,080,000
- Permit/Compliance Related Studies and Projects
 - \$410,000

[Wastewater Utility Reserves]

- Target is 25% of operating expenses
- Target for FY 2011/12 equals \$2,268,100
- FY 2011/12 Estimated Reserve is \$4,388,228



Questions?