

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JUNE 7, 2011**

A. Roll Call by City Clerk

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

Present: Council Member Katzakian, Council Member Nakanishi, Mayor Pro Tempore Mounce, and Mayor Johnson

Absent: Council Member Hansen

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

B. Topic(s)

B-1 Third 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 quarterly updates.

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

In response to Mayor Pro Tempore Mounce, Mr. Swimley stated the debt service encompasses the payment on plant upgrades for the White Slough facility.

In response to Mayor Johnson, Mr. Bartlam stated the communication and transportation line item also includes utilities in general.

In response to Council Member Nakanishi, Mr. Swimley stated work for others includes work done for other departments in the City including Electric Utility.

In response to Mayor Pro Tempore Mounce, Mr. Swimley confirmed that the \$5 million figure for restricted assets is the remaining committed proceeds that have not yet been issued.

In response to Mayor Johnson, Mr. Swimley stated the City is still collecting on the well situation as part of the settlement agreement, 25 years remain on the 40-year agreement, and expenditures are typically less than revenues so it is a revenue generator. Further, Mr. Swimley stated staff is not sure where the sludge is coming from as it could be from a few different sources and it is coming from far away but staff is looking into it.

In response to Council Member Nakanishi, Mr. Bartlam stated approximately 58 cents of every dollar spent is for regulatory compliance and most of those expenses are White Slough debt service and operating related.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the electric utility quarterly report. 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 (GOR), open position, and summary.

In response to Mayor Johnson, Ms. Kirkley stated the GOR increase is due to the settlement at the end of the last fiscal year and a transfer into that line item.

In response to Mayor Pro Tempore Mounce, Deputy City Manager Jordan Ayers stated the books are maintained on an accrual basis and the presentations are made on a cash balance basis. Mr. Ayers stated they can show both numbers in the future.

In response to Mayor Johnson, Ms. Kirkley stated the management services line item is NCPA related and includes pool costs such as membership dues. Further, Mr. Ayers stated the debt write off is a combination of both residential and commercial accounts but is primarily residential. In response to Mayor Pro Tempore Mounce, Mr. Ayers stated the City uses CB Merchant for debt collection.

In response to Mayor Johnson, Ms. Kirkley stated the Scheduling Coordination Balancing Act is termed by NCPA and is used for collateral and security purposes.

In response to Council Member Nakanishi, Mr. Bartlam stated the ECA is designed to balance energy costs based on usage through a monthly true-up to prevent large variations. Mr. Bartlam stated energy is bought forward up to three years. Further, he stated utilities are still risky in that there are unknown regulations and weather that comes into play, which drives supply and costs, and it is a good idea for the City Council to have a working understanding of the same. The electric utility benefits the City by generating approximately \$7 million in transfers to the general fund, providing an economic incentive for businesses, and contributing a \$2 million cost of service for billing, meter reading, and collections.

In response to Council Member Katzakian, Mr. Bartlam stated staff is in the process of reviewing the tier options and will bring the matter back to Council for consideration in the near future.

In response to Myrna Wetzel, Ms. Kirkley stated the solar power increase is related to higher public participation in the rebate and incentive programs.

In response to Mayor Johnson, Ms. Kirkley stated there is no longer a sunset for the 2.85% set aside for public benefit monies.

C. Comments by Public on Non-Agenda Items

In response to Myrna Wetzel, Public Works Director Wally Sandelin stated security cameras in the parking garage are coming and the cameras in the train depot are in the installation process.

Mayor Pro Tempore Mounce provided an update regarding the Governor's proposal as it relates to enterprise zones, stating the revisions may result in a more effective program for the end user and eliminate unnecessary paperwork and fees.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:58 a.m.

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

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

MEETING DATE: June 7, 2011

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the third quarter of Fiscal Year 2010/11 ending March 31, 2011.

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 7, 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.

Jordan Ayers
Deputy City Manager

APPROVED: _____

Konradt Bartlam, City Manager



Public Works Department Water/Wastewater

FY 11 Quarterly Update (Through March 31, 2011)

City Council Shirtsleeve Session
June 7, 2011

**Wastewater Fund
Cash Flow Summary
Operations
(Ending March 31, 2011)**

	Budget	Actuals	% of Budget
Revenue			
Sales	13,527,180	9,598,741	71%
Other (interest, septic, misc.)	155,500	(76,509)	(50%)
Total Revenues	13,682,680	9,522,232	70%
Expenses			
Operating	7,527,960	4,120,016	55%
Debt Service	2,570,512	2,056,871	80%
Cost of Services Payment To General Fund	1,451,480	1,088,610	75%
Total Expenses	11,549,952	7,265,497	63%
Net Increase in Undesignated Reserves – Year To Date		2,256,735	

Wastewater Operating Results

(Ending March 31, 2011)

	Budget	Actuals	% of Budget
Personnel	\$ 3,282,310	\$ 2,370,316	72%
Supplies, Materials, Services	\$ 3,138,144	\$ 1,067,697	34%
Equipment, Land, Structures	\$ 65,206	\$ 23,714	36%
Other Payments	\$ 187,100	\$ 53,567	29%
Communication & Transportation	\$ 818,500	\$ 604,722	74%
Work for Others	\$ 36,700	-	0%
Total Operating Expenses	\$ 7,527,960	\$ 4,120,016	55%

Wastewater Funds
Cash Balances
(Ending March 31, 2011)

Operating (170)	3,901,530
Utility Capital / Infrastructure Replacement (171)	4,482,650
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(3,073,704)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	5,277,197
IMF (173)	2,019,984
Rate Stabilization Reserve (174)	250,000
Total	12,857,657

**Water Fund
Cash Flow Summary
Operations**
(Ending March 31, 2011)

	Budget	Actuals	% of Budget
Revenue			
Sales	6,658,590	5,580,304	88%
Other (interest, septic, misc.)	89,540	81,898	91%
Total Revenues	6,748,130	5,662,202	84%
Expenses			
Operating	4,776,965	3,079,809	64%
Debt Service	1,524,878	12,047	0.8%
Cost of Services Payment To General Fund	1,060,120	795,090	75%
Total Expenses	7,361,963	3,886,946	53%
Net Increase in Undesignated Reserves – Year To Date		1,775,256	

Water Operating Results

(Ending March 31, 2011)

	Budget	Actuals	% of Budget
Personnel	\$ 1,403,580	\$ 937,108	67%
Supplies, Materials, Services	\$ 737,495	\$ 305,916	41%
Equipment, Land, Structures	\$ 81,640	\$ 40,846	50%
Other Payments	\$ 1,488,100	\$ 1,285,375	86%
Communication & Transportation	\$ 721,150	\$ 510,564	71%
Work for Others	\$ 345,000	\$ -	0%
Total Operating Expenses	\$ 4,776,965	\$ 3,079,809	64%

**Water Funds
Cash Balances**
(Ending March 31, 2011)

Operating (180)	5,541,754
Utility Capital / Infrastructure Replacement (181)	6,398,105
Capital Reserve Restricted Assets (181) (Water Plant Bond Remaining Proceeds)	34,694,951
IMF (182)	284,214
PCE/TCE Settlements	10,980,045
PCE/TCE Rates (185)	5,228,286
Total	63,127,355

Bad Debt Write Off
(Through March 31, 2011)

	# Of Accounts	Amount	% of Sales
Wastewater	832	\$66,955	0.7%
Water	832	\$65,767	1.18%



Water / Wastewater Utility Accomplishments

Operational

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



Electric Utility Department

FY11 Quarterly Update

(Through March 31, 2011)

City Council Shirtsleeve Session
June 7, 2011



Overview

Through March 31, 2011

- Net power costs are 69.9% of budget
- Non-power costs are 58.6% of budget
- Debt Service costs are 69.7% of budget
- Revenues are 70.2% of budget
 - One time revenue from sale of CT1 (Roseville)



FY11 Financial Results

Through March 31, 2011

	FY11	FY11	
Revenue	Budgeted	3/31 Actuals	% of Budget
Investment Revenues	78,880	52,409	66.4%
Sales Revenues	72,019,230	49,679,438	69.0%
Other Revenues	425,000	1,184,484	278.7%
Total Revenues	72,523,110	50,916,331	70.2%
Expenses			
Purchase Power	43,205,800	30,183,779	69.9%
Non Power	11,782,509	6,904,705	58.6%
Cost of Service	2,856,390	2,142,293	75.0%
In-lieu Transfer to General Fund	6,976,670	5,232,503	75.0%
Capital Projects	4,079,559	1,546,640	37.9%
Debt Service	7,364,772	5,130,049	69.7%
Total Expenses	76,265,700	51,139,969	67.1%
Net Chg in Bal Sheet Accts		1,373,848	
Net Increase (Decrease)	(3,742,590)	(1,597,486)	
Beginning Local Cash Balance	12,125,836	12,125,836	
Ending Local Cash Balance	8,383,246	10,528,350	
Beginning GOR	11,011,668	11,011,668	
Net Increase (Decrease) in GOR		1,791,390	
Ending GOR	11,011,668	12,803,058	
Total Local Cash Balance and GOR	19,394,914	23,331,408	

Non-Power Operating Expenditures

Through March 31, 2011

	FY11 Budget	FY11 Actual	% of Budget
Personnel	6,683,070	4,281,804	64%
Supplies, Materials, Services	2,279,286	1,084,447	48%
Equipment, Land, Structures	1,546,010	500,986	32%
Other Payments	1,203,203	990,438	82%
Communication & Transportation	70,940	47,032	66%
Total Operating Expenses	\$ 11,782,509	\$ 6,904,705	58.6%



Power Supply

Through March 31, 2011

	Budgeted	Year to Date	% of Budget
Generation	\$ 35,727,071	\$ 26,151,658	73.2%
Transmission	\$ 7,789,578	\$ 4,875,734	62.6%
Management Services	\$ 1,401,170	\$ 1,072,160	76.5%
Third Party Revenue	\$ (2,708,341)	\$ (1,915,773)	70.7%
Adjustments			
TOTAL	\$ 42,209,478	\$ 30,183,779	71.5%



Power Sales

Through March 31, 2011

	Budgeted Sales	Year to Date Sales	% Budget
kWh	445,740,373	326,638,386	73.3%
Revenue	\$ 72,019,230	\$ 49,679,438	69.0%

	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
January	2011	604	592	0	0
February	2011	483	391	0	0
March	2011	338	313	1	0
FY11 Total		2368	2334	776	1000



Billing Statistics Through March 31, 2011

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
TOTAL	445,740,373	\$ 72,019,230	\$ 0.1616

Year to Date FY11			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	113,797,143	\$ 19,923,326	\$ 0.1751
Small Commercial	114,927,004	\$ 18,687,306	\$ 0.1626
Large Commercial/Small Industrial	28,108,809	\$ 4,013,210	\$ 0.1428
Industrial	69,805,430	\$ 7,055,596	\$ 0.1011
TOTAL	326,638,386	\$ 49,679,438	\$ 0.1521



Bad Debt

Through March 31, 2010

# of Accts	Dollars	% Sales
832	\$182,660	0.37%



ECA Revenue

Customer Class	Q1	Q2	Q3	Total
Residential	(172,664)	319,326	884,819	1,031,481
Small Commercial	(158,469)	294,776	836,053	972,360
Large Commercial/Small Industrial	(46,377)	72,968	202,567	229,159
Industrial	(116,875)	187,946	554,897	625,967
Total ECA Revenue	(494,385)	875,015	2,478,336	2,858,967



NCPA “GOR”

GOR levels

- \$11,011,688 (June 30, 2010)
- \$12,803,058 (March 31, 2011)

Interest Income/Budget Settlement \$(1,993,843)

Scheduling Coordination Balancing Acct \$(202,453)

\$1,791,390 Increase



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		34,814	0.00%		22,949	0.00%		11,865	0.00%
April		35,625	0.00%		23,098	0.00%		12,527	0.00%
May	(2,808)	40,089	-7.01%	(2,833)	25,043	-11.31%	25	15,045	0.16%
June	1,333	41,000	-0.25%	359	27,404	1.31%	974	13,596	7.16%
FY Total	(1,476)	449,992	-0.3%	(2,474)	289,675	-0.9%	998	161,349	0.6%
Bal Yr Total	(1,476)	151,528	-1.0%	(2,474)	98,494	-2.5%	998	53,033	1.9%



Conclusion

Through March 31, 2011

- Net power costs are 69.9% of budget
- Non-power costs are 58.6% of budget
- Debt Service costs are 69.7% of budget
- Revenues are 70.2% of budget
 - One time revenue from sale of CT1 (Roseville)