

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, OCTOBER 30, 2012**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, October 30, 2012, commencing at 7:05 a.m.

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

B. Topic(s)

B-1 First Quarter Fiscal Year 2012/13 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager Rad Bartlam provided a brief introduction to the subject matter of the quarterly updates from the water, wastewater, and electric utilities.

Deputy Public Works Director Larry Parlin provided a PowerPoint presentation regarding the first quarter water and wastewater utility department report. Specific topics of discussion included water and wastewater cash flow summary, operating results, cash balances, bad debt write off, and activities.

In response to Mayor Mounce, Deputy City Manager Jordan Ayers confirmed that bad debt write off has decreased due partially to the recent billing collection adjustments.

In response to Council Member Hansen, Mr. Parlin stated there were two instances in which the Lodi Energy Center utilized more than its daily water allowance for testing purposes unbeknownst to the City. Mr. Parlin stated that, while the City will have no problem meeting its current contractual obligations for water, the City and the Lodi Energy Center should look at additional storage options in the event that the Lodi Energy Center has a greater need for water in the future. Mr. Bartlam stated the new plant testing at Lodi Energy Center requiring more than the daily allowance is not anticipated to be a regular occurrence.

In response to Mayor Pro Tempore Nakanishi, Mr. Parlin stated currently after the water is treated one-third is utilized by the farmers, one-third is utilized by the Lodi Energy Center, and the remaining one-third is sent out to the Delta.

In response to Council Member Hansen, Mr. Parlin confirmed it may be prudent to eliminate, if possible, future discharge to the river and the Delta to alleviate the City from regulatory discharge obligations.

In response to Mayor Pro Tempore Nakanishi, Mr. Parlin stated that, while he is not aware of any utility in San Joaquin County that is currently storing wastewater, Modesto in Stanislaus County is storing wastewater.

In response to Council Member Hansen, Mr. Parlin stated there has been only one minor sewage system overflow and overall they are doing very well on spills.

In response to Mayor Pro Tempore Nakanishi, Mr. Bartlam stated staff is researching the citizen

correspondence received regarding San Mateo utility rates and will respond accordingly. Mayor Mounce suggested releasing comparative utility rate information, as well as an Energy Cost Adjustment (ECA) update, for public awareness purposes.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the first quarter electric utility department report. Specific topics of discussion included electric fund operating results, cash balances, power supply costs, power sales, ECA revenue, billing statistics, bad debt write off, general operating reserve (GOR), open position, and accomplishments.

In response to Mayor Mounce, Ms. Kirkley and Mr. Ayers stated the decrease in the cash on hand amount is due to a debt service payment and a requirement to keep funds in specific securities.

In response to Mayor Pro Tempore Nakanishi, Mr. Ayers stated the debt service is approximately 12% of the total expenses and does fluctuate slightly.

In response to Mayor Mounce, Ms. Kirkley stated a monthly audit is conducted on the Northern California Power Agency (NCPA) billing to ensure proper charges have been assessed to the City.

In response to Mayor Mounce, Ms. Kirkley and Mr. Bartlam stated there have not been any surprises per se with respect to the new Independent System Operator (ISO) billing as it has gone up as expected. Mayor Mounce requested a comparison of related costs for the City before and after the new ISO billing went into effect.

A brief discussion ensued between Mayor Mounce, Council Member Hansen, and Mr. Bartlam regarding efforts to mitigate tense interactions between upset utility customers and employees at the Finance Department.

In response to Mayor Mounce, Ms. Kirkley confirmed that the Lodi Energy Center cost overrun amount is shared by all project participants.

Mayor Pro Tempore Nakanishi requested information regarding how much money is in the GOR, where NCPA invests the GOR, and at what interest rate.

In response to Mayor Mounce, Ms. Kirkley stated the ISO tariff amount is going up, as a result the utility is having to put more away, and she will provide the total retainer amount as requested.

In response to Mayor Mounce, Mr. Bartlam confirmed that the \$1.8 million in the restricted Market Power Purchase security account for future power purchases is also treated as a reserve amount in the event of a participant payment default.

In response to Council Member Hansen, Ms. Kirkley stated the open position target amount is an educated guess that varies based upon market conditions and the Risk Oversight Committee's policy and the current 15% is a good place to be right now.

In response to Council Member Hansen, Ms. Kirkley stated the updates to the Electric Utility Department's website were done in-house with current staff in an attempt to make the website more user-friendly.

In response to Mayor Pro Tempore Nakanishi, Mr. Bartlam stated he will research and provide information regarding the personnel costs for the City's utilities as requested.

In response to Ed Miller, Mr. Bartlam stated security-related discussions for storm water are ongoing between the State and local governments and implementation remains a concern.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:00 a.m.

ATTEST:

Randi Johl
City Clerk

AGENDA ITEM



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: First Quarter Fiscal Year 2012/13 Water, Wastewater and Electric Utility Department Financial Reports

MEETING DATE: October 30, 2012

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the first quarter of Fiscal Year 2012/13 ending September 30.

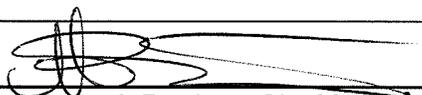
BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of October 30, 2012.

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.

FUNDING AVAILABLE: Not applicable.


Jordan Ayers
Deputy City Manager

APPROVED:


Konrad Bartlam, City Manager



Public Works Department Water/Wastewater

FY 13 Quarterly Update (Ending September 30, 2012)

City Council Shirtsleeve Session
October 30, 2012



Wastewater Fund Cash Flow Summary

(Ending September 30, 2012)

	Budget	Actuals	% of Budget
Revenue			
Sales	13,873,500	3,286,446	24%
Development Impact Mitigation Fees (wastewater & storm)	82,740	(5,648)	(7%)
Other (interest, septic, misc.)	279,040	12,245	4%
Total Revenues	14,235,280	3,293,043	23%
Expenses			
Operating	6,395,240	1,134,846	18%
Capital	2,662,057	613,632	23%
Debt Service	4,128,650	663,568	16%
Cost of Services Payment To General Fund	1,451,480	362,870	25%
Total Expenses	14,637,427	2,774,916	19%
Beginning Cash (Operations Only)		2,761,562	
Ending Cash (Operations Only)		2,707,615	
Days Cash (For Operations)		166	
Days Cash Target		90	
% of Target		183%	



Wastewater Operating Results

(Ending September 30, 2012)

	Budget	Actuals	% of Budget
Personnel	\$ 3,239,330	\$ 686,212	21%
Supplies, Materials, Services	\$ 2,049,890	\$ 177,858	9%
Equipment, Land, Structures	\$ 101,000	\$ 4,938	5%
Other Payments	\$ 205,120	\$ 121,583	59%
Utilities	\$ 707,400	\$ 144,255	20%
Work for Others	\$ 92,500	\$ -	0%
Total Operating Expenses	\$ 6,395,240	\$ 1,134,846	18%



Wastewater Funds
Cash Balances
(Ending September 30, 2012)

Operating (170)	2,707,615
Utility Capital / Infrastructure Replacement (171)	7,138,980
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(1,535,778)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	703,785
Wastewater IMF (173)	670,033
Rate Stabilization Reserve (174)	500,000
Storm Drain IMF (175)	687,258
Total	10,871,893



Water Fund Cash Flow Summary

(Ending September 30, 2012)

	Budget	Actuals	% of Budget
Revenue			
Sales	12,419,950	3,436,880	28%
Development Impact Mitigation Fees	19,670	1,263	6%
Other (interest, tap fees, water meters, misc.)	2,376,940	96,398	4%
Total Revenues	14,816,560	3,534,541	24%
Expenses			
Operating	6,091,510	1,467,774	24%
Capital	13,769,141	3,596,152	26%
Debt Service	2,968,610	(178,155)	(6%)
Cost of Services Payment To General Fund	1,060,120	265,030	25%
Total Expenses	23,889,381	4,832,605	20%
Beginning Cash (Operations Only)		10,481,337	
Ending Cash (Operations Only)		12,517,205	
Days Cash (For Operations)		665	
Days Cash Target		90	
% of Target		739%	



Water Operating Results

(Ending September 30, 2012)

	Budget	Actuals	% of Budget
Personnel	\$ 2,236,450	\$ 462,766	21%
Supplies, Materials, Services	\$ 1,418,500	\$ 135,590	10%
Equipment, Land, Structures	\$ 48,000	\$ 4,101	9%
Other Payments	\$ 1,351,280	\$ 642,910	48%
Utilities	\$ 731,280	\$ 222,407	30%
Work for Others	\$ 306,000	-	0%
Total Operating Expenses	\$ 6,091,510	\$ 1,467,774	24%



**Water Funds
Cash Balances**
(Ending September 30, 2012)

Operating (180)	12,517,205
Utility Capital / Infrastructure Replacement (181)	(1,652,159)
Capital Reserve Restricted Assets (181) (Water Plant Bond Remaining Proceeds)	6,056,324
IMF (182)	(1,373)
PCE/TCE Settlements	10,644,180
PCE/TCE Rates (185)	4,505,655
Total	32,069,832



Bad Debt Write Off (Through September 30, 2012)

	# Of Accounts	Amount	% of Sales
Wastewater	235	\$20,447	0.6%
Water	235	\$18,822	0.5%



Water / Wastewater Utility Activities

Operational

- Water Distribution
- Water Production
- Collection System
- Wastewater Treatment

Regulatory

- SSO's
- Discharge Violations
- Monitoring and Reporting



Electric Utility Department

FY 13 Quarterly Update **(Ending September 30, 2012)**

City Council Shirtsleeve Session
October 30, 2012



Electric Fund Cash Flow Summary (Ending September 30, 2012)

	Budget	Actuals	% of Budget
Revenue			
Sales Revenues	66,254,170	17,706,906	26.7%
Development Impact Fees	200,000		
Other Revenues (interest, misc)	3,999,820	53,116	1.3%
Total Revenues	70,453,990	17,760,022	25.2%
Expenses			
Purchase Power	39,066,260	8,631,436	22.1%
Non Power	10,204,530	1,786,444	17.5%
Capital Projects	1,417,000	291,610	20.6%
Debt Service	8,306,330	4,576,600	55.1%
Cost of Service	2,856,390	714,098	25.0%
In-lieu Transfer to General Fund	6,976,670	1,744,170	25.0%
Total Expenses	68,827,180	17,744,358	25.8%
Net Chg in Bal Sheet Accts		(2,599,950)	

Net Increase (Decrease)	1,626,810	(2,584,286)	
Beginning Local Cash Balance	8,694,211	8,694,211	
Ending Local Cash Balance	10,321,021	6,109,925	
Beginning GOR	11,576,432	11,576,432	
Net Increase (Decrease) in GOR		(1,220,786)	
Ending GOR	11,576,432	10,355,646	
Total Local Cash Balance and GOR	21,897,453	16,465,571	
Days of Cash on Hand	135	115	



Electric Fund Operating Results

(Ending September 30, 2012)

	Budget	Actual	% of Budget
Personnel	\$ 5,468,750	\$ 1,236,602	23%
Supplies, Materials, Services	\$ 2,210,720	\$ 358,377	16%
Equipment, Land, Structures	\$ 911,800	\$ 47,014	5%
Other Payments	\$ 1,554,480	\$ 135,131	9%
Utilities	\$ 58,780	\$ 9,320	16%
Total Operating Expenses	\$ 10,204,530	\$ 1,786,444	18%



**Electric Funds
Cash Balances**
(Ending September 30, 2012)

Operating (160)	\$ 3,804,027
Utility Outlay Reserve Fund (161)	\$ (4,056,460)
Electric Rate Stability Reserve (162)	\$ 2,151,309
Public Benefits Fund (164)	\$ 3,644,461
IMF EU Substation and Transmission (165)	\$ 653,586
Solar Surcharge Fund (166)	\$ (86,999)
NCPA – General Operating Reserve (GOR)	\$ 10,355,646
Total	\$ 16,465,571



Power Supply Costs

(Through September 30, 2012)

	Budgeted	Year to Date	% of Budget
Generation	\$ 31,517,160	\$ 6,259,295	19.9%
Transmission	\$ 8,949,490	\$ 1,843,894	20.6%
Management Services	\$ 1,290,670	\$ 759,858	58.9%
Third Party Revenue	\$ (2,691,060)	\$ (231,611)	8.6%
Adjustments			
TOTAL	\$ 39,066,260	\$ 8,631,436	22.1%



Power Sales

(Through September 30, 2012)

	Budgeted Sales	Year to Date Sales	% Budget
kWh	434,431,553	129,500,566	29.8%
Revenue	\$ 66,424,170	\$ 17,706,906	26.7%

	Year	HDD	Normal	CDD	Normal
July	2012	0	0	321	363
August	2012	0	0	378	332
September	2012	1	6	247	222
FY13 Total		1	6	946	917



ECA Revenue

(Through September 30, 2012)

Customer Class	Q1	Total
Residential	\$ (976,819)	\$ (976,819)
Small Commercial	\$ (850,736)	\$ (850,736)
Large Commercial/Small Industrial	\$ (254,377)	\$ (254,377)
Industrial	\$ (436,044)	\$ (436,044)
Total ECA Revenue	\$ (2,517,976)	\$ (2,517,976)



Billing Statistics

(Through September 30, 2012)

Budgeted Sales			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	149,173,856	\$ 25,047,697	\$ 0.1679
Small Commercial	152,873,821	\$ 24,310,122	\$ 0.1590
Large Commercial/Small Industrial	40,144,007	\$ 6,309,109	\$ 0.1572
Industrial	92,239,869	\$ 10,757,242	\$ 0.1166
TOTAL	434,431,553	\$ 66,424,170	\$ 0.1529

Actual Sales			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	48,976,672	\$ 7,533,119	\$ 0.1538
Small Commercial	44,197,620	\$ 6,385,931	\$ 0.1445
Large Commercial/Small Industrial	12,769,472	\$ 1,642,313	\$ 0.1286
Industrial	23,556,802	\$ 2,145,542	\$ 0.0911
TOTAL	129,500,566	\$ 17,706,906	\$ 0.1367



Bad Debt Write Off (Through September 30, 2012)

	# Of Accounts	Amount	% of Sales
Electric	232	\$34,202	0.19%



NCPA General Operating Reserve (GOR)
(Through September 30, 2012)

GOR Balance

- **\$11,576,432 (Jun 30, 2012)**
- **\$10,355,646 (Sep 30, 2012)**

Interest Income	\$	7,943
Settlement	(\$	876)
LEC Cost Overrun	(\$	687,604)
Sched. Coord. Balancing Acct	(\$	260,249)
MPP Security Account	(\$	280,000)

\$1,220,786 Decrease



FY13 Open Position

FY13

	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 2012		46,322	0.0%		28,725	0.0%		17,597	0.0%
August		46,645	0.0%		31,285	0.0%		15,360	0.0%
September		40,959	0.0%		25,245	0.0%		15,714	0.0%
October	5,146	35,717	14.4%	3,361	23,498	14.3%	1,785	12,219	14.6%
November	4,031	33,735	12.0%	2,718	21,808	12.5%	1,313	11,927	11.0%
December	4,195	35,866	11.7%	2,224	21,676	10.3%	1,970	14,191	13.9%
January 2013	5,721	36,392	15.7%	3,186	23,235	13.7%	2,535	13,157	19.3%
February	3,796	32,462	11.7%	1,733	20,946	8.3%	2,063	11,515	17.9%
March	8,180	34,947	23.4%	3,623	21,929	16.5%	4,557	13,018	35.0%
April	12,538	34,068	36.8%	7,060	22,136	31.9%	5,477	11,932	45.9%
May	12,707	37,781	33.6%	6,842	24,619	27.8%	5,865	13,162	44.6%
June	12,788	41,630	30.7%	5,008	26,505	18.9%	7,780	15,124	51.4%
FY Total	69,101	456,525	84.9%	35,756	291,608	87.7%	33,345	164,916	79.8%
Bal Yr Total	69,101	456,525	15.1%	35,756	291,608	12.3%	33,345	164,916	20.2%



Electric Utility Accomplishments

- System Maintenance Program
- Transmission Cost Containment
- Energy Theft Diversion Program
- Major Customer Breakfast Meeting
- Public Power Week
- Website Redesign
- EUD Staffing