

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MARCH 12, 2013**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 12, 2013, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, and Mayor Pro Tempore Katzakian

Absent: Council Member Mounce, and Mayor Nakanishi

Also Present: City Manager Bartlam, City Attorney Schwabauer, and Assistant City Clerk Robison

B. Topic(s)

B-1 Second 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 second 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 Council Member Hansen, Mr. Parlin stated the personnel vacancies have resulted in some savings and Human Resources has been working to get those positions filled.

In reply to Council Member Johnson, Mr. Parlin responded that it remains difficult to recruit for the certified operator positions; however, the recruitment for non-licensed positions has improved and the pool of applicants has increased.

In response to Council Member Johnson, Mr. Parlin stated that the actual cash on hand greatly exceeded the target due primarily to the capital money from the water treatment plant bond and the water meter program, which will be spent down on an annual basis.

In response to Council Member Hansen, Public Works Director Wally Sandelin explained that staff is currently replacing the oldest pipes throughout the city and that will eventually taper off. Mr. Bartlam further responded that, upon completion of the water meter program and pipe replacement, the goal would be to focus on rate stabilization and debt retirement.

Mayor Pro Tempore Katzakian questioned if there would be excess funds from the water treatment plant, to which Mr. Bartlam replied in the affirmative and stated the goal would be to retire that.

In response to Council Member Hansen, City Attorney Schwabauer stated the only PCE/TCE plume with active remediation is the Central Plume. Busy Bee will wrap up within six months; the Southern and Southwestern Plumes will have an inactive remediation schedule soon; and the Northern Plume will have some activity but more work is necessary before then. Most of the stalls have been due to regulatory issues and staffing at the state level.

City Manager Bartlam stated staff is in the process of reevaluating its liabilities, the current estimate dates back to the strong movement from the state, and the liability on the books will most likely drop significantly. Mr. Schwabauer confirmed that the money on the books will be spent but the City will probably not have to worry about picking up the other \$45 million in liability.

In response to Mayor Pro Tempore Katzakian, Management Analyst Rebecca Areida-Yadav stated the amount in the "other" category on the water fund cash flow summary is an overestimation on the water meter payments and the tap fees are ongoing but should drop off over time. In further response, Mr. Bartlam stated staff monitors the rates to ensure all is on track.

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

Council Member Hansen questioned the current assessment of the cap and trade program, to which Ms. Kirkley replied the amount came in lower than anticipated but the trend is going up. She does not see any unexpected backlash or cost for the City. In further response, Ms. Kirkley stated the next auction is in May and the City will realize those revenues in this fiscal year.

In response to Council Member Hansen, Mr. Bartlam stated he would like to see the cash on hand target a little higher as long as it is achievable on a consistent basis.

In reply to Council Member Hansen, Mr. Bartlam stated most of the Electric Utility personnel vacancies occurred at the end of this quarter.

In response to Council Member Johnson, Ms. Kirkley stated staff is reviewing the public benefits fund program and will be returning to Council with recommendations. The hope is to include more efficient street lighting; however, the program has to operate within the cash requirements.

Discussion ensued amongst Council Member Hansen, Mayor Pro Tempore Katzakian, Ms. Kirkley, and Mr. Bartlam regarding interconnection to the west and east, the possibility of having both, PG&E's opposition, and potential Cal-ISO decision and upcoming vote.

Rob Lechner, Manager of Rates and Resources, provided information on the Energy Theft Diversion Program, recent energy efficiency class which was well attended by the key accounts, the new on-line residential rebate application, and the Youth Energy Summit.

In response to Council Member Hansen, Mr. Lechner explained that the on-line rebate application is for rebates of less than \$300 in value and provides an expedited process.

Council Member Hansen questioned what the five-year plan is regarding clean energy, to which Ms. Kirkley replied that staff has been working with Northern California Power Agency on bio-methane options and renewables and will have a future Shirtsleeve Session on the subject.

In response to Mayor Pro Tempore Katzakian, Ms. Kirkley stated that hydro will most likely not happen.

In response to Mayor Pro Tempore Katzakian, Deputy City Manager Jordan Ayers stated the City retired one debt this year, the next debt will retire in 2015 with an estimated \$3 to \$5 million payment, and the third will retire in 2028.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:45 a.m.

ATTEST:

Jennifer M. Robison
Assistant City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

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

MEETING DATE: March 12, 2013

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the second quarter of Fiscal Year 2012/13 ending December 31, 2012.

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 12, 2013.

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.

A handwritten signature in blue ink, appearing to read "Jordan Ayers", written over a horizontal line.

Jordan Ayers
Deputy City Manager

APPROVED:

A handwritten signature in blue ink, appearing to read "Konradt Bartlam", written over a horizontal line.

Konradt Bartlam, City Manager



Electric Utility Department

FY 13 Quarterly Update (Ending December 31, 2012)

City Council Shirtsleeve Session
March 19, 2013



Electric Fund Cash Flow Summary (Ending December 31, 2012)

	Budget	Actuals	% of Budget
Revenue			
Sales Revenues	66,424,170	33,598,830	50.6%
Development Impact Fees	200,000	336	
Other Revenues (interest, misc)	3,829,820	128,073	3.3%
Total Revenues	70,453,990	33,727,239	47.9%
Expenses			
Purchase Power	39,066,260	18,598,184	47.6%
Non Power	10,204,530	3,735,563	36.6%
Capital Projects	1,417,000	445,341	31.4%
Debt Service	8,306,330	6,439,514	77.5%
Cost of Service	2,856,390	1,428,195	50.0%
In-lieu Transfer to General Fund	6,976,670	3,488,335	50.0%
Total Expenses	68,827,180	34,135,132	49.6%
Net Chg in Bal Sheet Accts		(1,026,515)	

Net Increase (Decrease)	1,626,810	(1,434,408)	
Beginning Local Cash Balance	8,694,211	8,694,211	
Ending Local Cash Balance	10,321,021	7,259,803	
Beginning GOR	11,576,432	11,576,432	
Net Increase (Decrease) in GOR		(1,212,250)	
Ending GOR	11,576,432	10,364,182	
Total Local Cash Balance and GOR	21,897,453	17,623,985	
Days of Cash on Hand	135	116	
Days of Cash Target		90	
% of Target		129%	



Electric Fund Operating Results

(Ending December 31, 2012)

	Budget	Actual	% of Budget
Personnel	\$ 5,468,750	\$ 2,490,680	46%
Supplies, Materials, Services	\$ 2,210,720	\$ 661,916	30%
Equipment, Land, Structures	\$ 911,800	\$ 127,706	14%
Other Payments	\$ 1,554,480	\$ 434,158	28%
Utilities	\$ 58,780	\$ 21,103	36%
Total Operating Expenses	\$ 10,204,530	\$ 3,735,563	37%



Electric Funds
Cash Balances
(Ending December 31, 2012)

Operating (160)	\$ 4,720,091
Utility Outlay Reserve Fund (161)	\$ (4,210,038)
Electric Rate Stability Reserve (162)	\$ 2,155,472
Public Benefits Fund (164)	\$ 3,981,959
IMF EU Substation and Transmission (165)	\$ 653,922
Solar Surcharge Fund (166)	\$ (41,603)
NCPA – General Operating Reserve (GOR)	\$ 10,364,182
Total	\$ 17,623,985



Power Supply Costs

(Through December 31, 2012)

	Budgeted	Year to Date	% of Budget
Generation	\$ 31,517,160	\$ 16,510,540	52.4%
Transmission	\$ 8,949,490	\$ 3,361,704	37.6%
Management Services	\$ 1,290,670	\$ 1,082,250	83.9%
Third Party Revenue	\$ (2,691,060)	\$ (2,356,310)	87.6%
Adjustments			
TOTAL	\$ 39,066,260	\$ 18,598,184	47.6%



Power Sales

(Through December 31, 2012)

	Budgeted Sales	Year to Date Sales	% Budget
kWh	434,431,553	233,817,958	53.8%
Revenue	\$ 66,424,170	\$ 33,598,830	50.6%

	Year	HDD	Normal	CDD	Normal
July	2012	0	0	321	363
August	2012	0	0	378	332
September	2012	0	6	247	222
October	2012	66	91	76	54
November	2012	289	360	0	0
December	2012	549	603	0	0
FY13 Total		904	1060	1022	971



ECA Revenue

(Through December 31, 2012)

Customer Class	Q1	Q2	Total
Residential	\$ (976,819)	\$ 413,363	\$ (563,457)
Small Commercial	\$ (850,736)	\$ 390,157	\$ (460,580)
Large Commercial/Small Industrial	\$ (254,377)	\$ 131,982	\$ (122,395)
Industrial	\$ (436,044)	\$ 72,335	\$ (363,709)
Total ECA Revenue	\$ (2,517,976)	\$ 1,007,836	\$ (1,510,140)



Billing Statistics

(Through December 31, 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 FY12			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	83,737,480	\$ 13,480,756	\$ 0.1610
Small Commercial	81,006,718	\$ 12,430,575	\$ 0.1535
Large Commercial/Small Industrial	24,243,721	\$ 3,350,474	\$ 0.1382
Industrial	44,830,039	\$ 4,337,025	\$ 0.0967
TOTAL	233,817,958	\$ 33,598,830	\$ 0.1437



Bad Debt Write Off (Through December 31, 2012)

	# Of Accounts	Amount	% of Sales
Electric	507	\$68,637	0.20%



NCPA General Operating Reserve (GOR)
(Through December 31, 2012)

GOR Balance

➤ \$11,576,432 (Jun 30, 2012)

➤ \$10,364,182 (Dec 31, 2012)

Interest Income	\$ 16,479
Settlement	(\$ 876)
LEC Cost Overrun	(\$ 687,604)
Sched. Coord. Balancing Acct	(\$ 260,249)
MPP Security Account	(\$ 280,000)
• MPP Security Account Balance - \$1,530,766	
• GPP Security Account Balance - \$ 549,010	
Total Sec Acct Balance	<u>\$2,079,776</u>

\$1,212,250 Decrease



FY13 Open Position

FY13

	Lodi Total	MWh		Lodi HLH	MWh		Lodi LLH	MWh	
	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	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		35,717	0.0%		23,498	0.0%		12,219	0.6%
November		33,735	0.0%		21,808	0.0%		11,927	0.0%
December		35,866	0.0%		21,676	0.0%		14,191	0.0%
January 2013	264	36,392	0.7%	2,550	23,235	11.0%	(2,286)	13,157	(17.4)%
February	3,234	32,462	10.0%	4,633	20,946	22.1%	(1,399)	11,515	(12.1)%
March	(3,630)	34,947	(10.4)%	(2,567)	21,929	(11.7)%	(1,063)	13,018	(8.2)%
April	(2,749)	34,068	(8.1)%	(1,904)	22,136	(8.6)%	(846)	11,932	(7.1)%
May	(3,475)	37,781	(9.2)%	(2,300)	24,619	(9.3)%	(1,175)	13,162	(8.9)%
June	(1,563)	41,630	(3.8)%	5,771	26,505	21.8%	(7,334)	15,124	(48.5)%
FY Total	(7,919)	456,525	(1.7)%	6,183	291,608	2.1%	(14,103)	164,916	(8.6)%
Bal Yr Total	(7,919)	217,280	(3.6)%	6,183	139,370	4.4%	(14,103)	77,908	(18.1)%



Electric Utility Accomplishments

- System Maintenance Program
- Transmission Cost Containment
- Energy Theft Diversion Program
- Key Accounts Energy Efficiency Class
- Online Residential Rebate Application
- Youth Energy Summit



Public Works Department Water/Wastewater

FY 13 Quarterly Update **(Ending December 31, 2012)**

City Council Shirtsleeve Session
March 12, 2013



Wastewater Fund Cash Flow Summary

(Ending December 31, 2012)

	Budget	Actuals	% of Budget
Revenue			
Sales	13,873,500	6,608,224	48%
Development Impact Mitigation Fees (wastewater & storm)	82,740	(1,562)	(2%)
Other (interest, septic, misc.)	279,040	86,675	31%
Total Revenues	14,235,280	6,693,337	47%
Expenses			
Operating	6,395,240	2,543,254	40%
Capital	2,679,657	809,899	30%
Debt Service	4,128,650	665,807	16%
Cost of Services Payment To General Fund	1,451,480	725,740	50%
Total Expenses	14,655,027	4,744,660	32%
Beginning Cash (Operations Only)		2,707,595	
Ending Cash (Operations Only)		4,444,825	
Days Cash (For Operations)		250	
Days Cash Target		90	
% of Target		278%	



Wastewater Operating Results

(Ending December 31, 2012)

	Budget	Actuals	% of Budget
Personnel	\$ 3,239,330	\$ 1,414,607	44%
Supplies, Materials, Services	\$ 2,049,890	\$ 580,755	28%
Equipment, Land, Structures	\$ 101,000	\$ 19,576	19%
Other Payments	\$ 205,120	\$ 193,569	94%
Utilities	\$ 707,400	\$ 334,747	47%
Work for Others	\$ 92,500	\$ -	0%
Total Operating Expenses	\$ 6,395,240	\$ 2,543,254	40%



Wastewater Funds
Cash Balances
(Ending December 31, 2012)

Operating (170)	4,444,825
Utility Capital / Infrastructure Replacement (171)	6,979,444
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(1,454,406)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	675,149
Wastewater IMF (173)	669,091
Rate Stabilization Reserve (174)	500,000
Storm Drain IMF (175)	689,245
Total	12,503,348



Water Fund Cash Flow Summary

(Ending December 31, 2012)

	Budget	Actuals	% of Budget
Revenue			
Sales	12,419,950	6,419,411	52%
Development Impact Mitigation Fees	19,670	2,526	13%
Other (interest, tap fees, water meters, misc.)	2,376,940	625,662	26%
Total Revenues	14,816,560	7,047,599	48%
Expenses			
Operating	6,091,510	2,818,104	46%
Capital	13,854,641	7,377,190	53%
Debt Service	2,968,610	909,037	31%
Cost of Services Payment To General Fund	1,060,120	530,060	50%
Total Expenses	23,974,881	11,634,391	49%
Beginning Cash (Operations Only)		12,517,185	
Ending Cash (Operations Only)		13,508,283	
Days Cash (For Operations)		742	
Days Cash Target		90	
% of Target		824%	



Water Operating Results

(Ending December 31, 2012)

	Budget	Actuals	% of Budget
Personnel	\$ 2,236,450	\$ 1,014,981	45%
Supplies, Materials, Services	\$ 1,418,500	\$ 434,431	31%
Equipment, Land, Structures	\$ 48,000	\$ 33,059	69%
Other Payments	\$ 1,351,280	\$ 946,612	70%
Utilities	\$ 731,280	\$ 389,021	53%
Work for Others	\$ 306,000	\$ -	0%
Total Operating Expenses	\$ 6,091,510	\$ 2,818,104	46%



**Water Funds
Cash Balances**
(Ending December 31, 2012)

Operating (180)	13,508,283
Utility Capital / Infrastructure Replacement (181)	(3,013,100)
Capital Reserve Restricted Assets (181) (Water Plant Bond Remaining Proceeds)	4,389,360
IMF (182)	(110)
PCE/TCE Settlements	10,579,908
PCE/TCE Rates (185)	4,465,424
Total	29,929,765



Bad Debt Write Off

(Through December 31, 2012)

	# Of Accounts	Amount	% of Sales
Wastewater	507	\$39,491	0.6%
Water	507	\$37,151	0.6%



Water / Wastewater Utility Activities

Operational

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

Regulatory

- SSO's
- Discharge Violations
- Monitoring and Reporting