

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, NOVEMBER 19, 2013**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 19, 2013, commencing at 7:00 a.m.

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

Absent: None

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

B. Topic(s)

B-1 Receive Utility Financial Reports for the First Quarter of Fiscal Year 2013/14 Ending September 30, 2013 (CM)

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

In response to Council Member Johnson, Deputy City Manager Jordan Ayers stated the bad debt write-off has come down to approximately \$330,000 annually from \$545,000 a few years ago.

In response to Council Member Hansen, Mr. Parlin stated the City used its full allotment of water this year and did not tap into the banked reserve water. Mr. Parlin stated he anticipates the banked water will be used within 10 to 15 years and there is no time frame during which it must be used because the new plant is already online.

In response to Council Member Hansen, Mr. Parlin stated if new rules are put into place regarding hydrant discharge, there will likely be fines associated with it for cities.

In response to Council Member Mounce, Mr. Parlin stated the hydrant regulation discussions are occurring at the staff level currently and he is not aware of any legislators that have come forward to carry specific legislation for this topic as of yet.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the electric utility quarterly update. Specific topics of discussion included cash flow summary, reserve policy, cash balances, power sales, energy cost adjustment (ECA) revenue, operating results, power supply costs, billing statistics, bad debt write-off, open position, and activities.

In response to Council Member Hansen, Ms. Kirkley stated there is typically a spike in power sales during December in light of holiday light displays and excess electricity use.

In response to Council Member Hansen, Ms. Kirkley stated the public benefit fund has accumulated its current balance over the last ten years and the fund balance is largely dependent upon the level of program participation.

In response to Council Member Johnson, Ms. Kirkley stated the City is required to set aside 2.85% annually in the public benefit fund and future projects include street light retrofitting.

In response to Council Member Hansen, Ms. Kirkley stated the street lighting project is dependent upon cash flow, which is currently at 121 days cash on hand, 31 days over the 90-day requirement.

In response to Mayor Nakanishi, City Manager Bartlam stated that, while there is no State cap on the public benefit fund, it does need to be spent down but can be done so in a methodical way in light of cash flow considerations.

In response to Mayor Pro Tempore Katzakian, Mr. Bartlam stated the Northern California Power Agency defines the public benefit fund as cash for cash on hand policy purposes and the City is supportive of the same.

In response to Council Member Hansen, Ms. Kirkley stated the management vacancies for the department have now been filled and the three remaining vacancies are in recruitment as well.

Mayor Nakanishi suggested publicizing the fact that the ECA has gone down resulting in cost savings for residents.

In response to Council Member Mounce, Mr. Ayers confirmed that the new service shut-off and payment policy has positively affected bad debt write-off because that number has declined from approximately \$545,000 annually to \$330,000 annually.

Mayor Nakanishi requested information about bad debt write-off in comparison to the percentage of sales for other electric utilities.

In response to Council Member Hansen, Ms. Kirkley stated Cal-ISO has a projected in-service date of May 2017 for the new interconnection project but PG&E has a longer timeline and staff is in support of the shorter in-service date.

In response to Council Member Johnson, Mr. Bartlam confirmed that staff provided assistance to PG&E on the interconnection project by way of sharing general knowledge about land identification but the City is not selecting the actual route for PG&E.

In response to Council Member Hansen, Ms. Kirkley stated the price of renewables has gone down, which is good news, and staff is working on projects to help the City meet the 33% goal by 2020.

In response to Council Member Hansen, Business Development Manager Rob Lechner confirmed that the low income for weatherization program is primarily for homeowners although an additional phase includes residential rentals.

In response to Council Member Mounce, Mr. Lechner stated residential rentals for the weatherization program would be identified through the SHARE and rate discount programs.

In response to Council Member Mounce, Mr. Lechner stated that, while the goal of the Energy Orbit program is to process rebates online for efficiency purposes, mail processing, including the availability of rebate forms, will remain for those customers that do not have online access.

In response to Mayor Nakanishi, Mr. Bartlam stated that, if a Proposition 218 protest was successful and the City was unable to raise rates at anytime in the future, the City would have a variety of temporary options including capital project delays and elimination, but would eventually go bankrupt in the future without the revenue to pay for the service.

In response to Mayor Pro Tempore Katakian, Mr. Ayers confirmed that the \$8.2 million debt service amount includes \$5.3 million for a 2002 issue to retire in 2015-2016 and approximately \$3 million for a 2008 issue with a 30-year payoff.

In response to Council Member Mounce, Mr. Bartlam stated the downtown camera has not worked properly since its inception and he has received very few comments about it since it has been in place indicating there is not a strong need for it.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:48 a.m.

ATTEST:

Randi Johl-Olson
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Receive Utility Financial Reports for the First Quarter of Fiscal Year 2013/14
Ending September 30, 2013

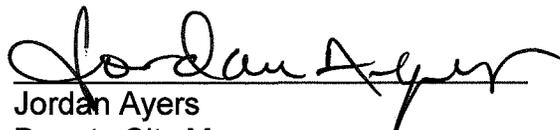
MEETING DATE: November 19, 2013

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the first quarter of the fiscal year 2013/14 ending September 30, 2013.

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 November 19, 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.


Jordan Ayers
Deputy City Manager

APPROVED:


Kohradt Bartlam, City Manager



Electric Utility Department

FY 14 Quarterly Update (Ending September 30, 2013)

City Council Shirtsleeve Session
November 19, 2013



Electric Fund Cash Flow Summary (Ending September 30, 2013)

	Budget	Actuals	% of Budget
Revenue			
Sales Revenues	66,894,140	20,213,743	30%
Development Impact Fees	200,000	47,780	24%
Other Revenues (interest, misc)	4,033,850	62,590	2%
Total Revenues	71,127,990	20,324,113	29%
Expenses			
Purchase Power	39,408,270	10,613,797	27%
Non Power	11,947,910	2,181,428	18%
Capital Projects	2,012,700	100,926	5%
Debt Service	8,241,460	4,751,600	58%
Cost of Service	2,354,000	588,500	25%
In-lieu Transfer to General Fund	6,976,670	1,744,168	25%
Total Expenses	70,941,010	19,980,419	28%
Net Chg in Bal Sheet Accts		(2,237,849)	

Net Increase (Decrease)	186,980	(1,894,156)
Beginning Local Cash Balance	13,235,812	13,235,812
Ending Local Cash Balance	13,422,792	11,341,657
GOR Balance		8,644,250
Total Reserve Balance		19,985,907
Reserve Policy Target		24,432,000
% of Target		82%



Electric Utility Reserve Policy

(Ending September 30, 2013)

Purpose	Basis	Target	Actual
Operating Reserve	90 Days Cash	\$ 17,232,000	\$ 11,341,657
Capital Reserve	Largest Distribution System Contingency	\$ 1,000,000	
NCPA General Operating Reserve	NCPA Identified Items	\$ 6,200,000	\$ 5,152,414
NCPA MPP/GPP Balance	MPP/GPP Security Commitments		\$ 3,491,836
Total Target		\$ 24,432,000	\$ 19,985,907



Electric Funds
Cash Balances
(Ending September 30, 2013)

Operating (160)	\$ 5,347,527
Utility Outlay Reserve Fund (161)	\$ (3,235,617)
Electric Rate Stability Reserve (162)	\$ 2,157,205
Public Benefits Fund (164)	\$ 4,290,761
IMF EU Substation and Transmission (165)	\$ 707,592
Solar Surcharge Fund (166)	\$ 58,612
Environmental Compliance (168)	\$ 2,015,576
NCPA – General Operating Reserve (GOR)	\$ 8,644,250
Total	\$ 19,985,907



Power Sales

(Ending September 30, 2013)

	Budgeted Sales	Year to Date Sales	% Budget
kWh	442,186,628	133,517,527	30%
Revenue	\$ 66,894,140	\$ 20,213,743	30%

	Year	HDD	Normal	CDD	Normal
July	2013	0	0	388	363
August	2013	0	0	319	332
September	2013	6	6	204	222
FY14 Total		6	6	911	917



ECA Revenue

(Ending September 30, 2013)

Customer Class	Q1	Total
Residential	\$ (157,405)	\$ (157,405)
Small Commercial	\$ (154,690)	\$ (154,690)
Large Commercial/Small Industrial	\$ (45,706)	\$ (45,706)
Industrial	\$ (169,465)	\$ (169,465)
Total ECA Revenue	\$ (527,265)	\$ (527,265)



Electric Fund Operating Results

(Ending September 30, 2013)

	FY14 Budget	FY14 Actual	% of Budget
Personnel	\$ 5,862,530	\$ 1,358,003	23%
Supplies, Materials, Services	\$ 3,158,730	\$ 394,211	12%
Equipment, Land, Structures	\$ 1,267,800	\$ 310,899	25%
Other Payments	\$ 1,605,000	\$ 106,459	7%
Utilities	\$ 53,850	\$ 11,856	22%
Total Operating Expenses	\$ 11,947,910	\$ 2,181,428	18%



Power Supply Costs

(Ending September 30, 2013)

	Budgeted	Year to Date	% of Budget
Generation	\$ 32,670,010	\$ 8,523,979	26%
Transmission	\$ 9,544,450	\$ 2,461,081	26%
Management Services	\$ 1,333,500	\$ 419,765	31%
Third Party Revenue	\$ (4,139,690)	\$ (791,028)	19%
Adjustments			
TOTAL	\$ 39,408,270	\$ 10,613,797	27%



Billing Statistics

(Ending September 30, 2013)

Budgeted Sales FY14			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	151,836,774	\$ 25,388,105	\$ 0.1672
Small Commercial	155,602,780	\$ 24,553,085	\$ 0.1578
Large Commercial/Small Industrial	40,860,621	\$ 6,375,542	\$ 0.1560
Industrial	93,886,453	\$ 10,577,408	\$ 0.1127
TOTAL	442,186,628	\$ 66,894,140	\$ 0.1513

Actual Sales FY14			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	49,461,466	\$ 8,442,096	\$ 0.1707
Small Commercial	45,874,943	\$ 7,429,147	\$ 0.1619
Large Commercial/Small Industrial	13,086,687	\$ 1,866,770	\$ 0.1426
Industrial	25,094,431	\$ 2,475,730	\$ 0.0987
TOTAL	133,517,527	\$ 20,213,743	\$ 0.1514



Bad Debt Write Off (Ending September 30, 2013)

	# Of Accounts	Amount	% of Sales
Electric	194	\$39,114	0.20%



FY14 Open Position

FY14

	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 2013		46,698	0.0%		30,581	0.0%		16,117	0.0%
August		47,316	0.0%		31,557	0.0%		15,759	0.0%
September		41,013	0.0%		25,311	0.0%		15,702	0.0%
October		35,726	0.0%		23,458	0.0%		12,268	0.0%
November		33,231	0.0%		21,373	0.0%		11,858	0.0%
December	(5,193)	35,434	-14.7%	(2,886)	21,562	-13.4%	(2,307)	13,871	-16.6%
January 2014	(7,947)	35,494	-22.4%	(4,901)	22,472	-21.8%	(3,046)	13,022	-23.4%
February	(6,467)	31,639	-20.4%	(2,902)	20,396	-14.2%	(3,565)	11,243	-31.7%
March	(8,890)	34,136	-26.0%	(5,240)	21,402	-24.5%	(3,651)	12,734	-28.7%
April	(4,903)	33,625	-14.6%	(1,404)	22,002	-6.4%	(3,499)	11,623	-30.1%
May	(5,456)	37,231	-14.7%	(1,948)	24,076	-8.1%	(3,509)	13,155	-26.7%
June	(5,228)	40,804	-12.8%	(1,050)	26,216	-4.0%	(4,179)	14,588	-28.6%
FY Total	(44,085)	452,347	-9.7%	(20,330)	290,407	-7.0%	(23,756)	161,939	-14.7%
Bal Yr Total	(44,085)	248,362	-17.8%	(20,330)	158,127	-12.9%	(23,756)	90,235	-26.3%



Electric Utility Activities

- 230 kV Interconnection Project
- Environmental Compliance: RPS & GHG
- OH/UG Maintenance Programs
- Energy Theft Diversion Program
- Key Accounts Energy Efficiency Class
- Low Income Weatherization Program
- Financial Model / Cost of Service Study
- Staffing



Public Works Department Water/Wastewater

FY 14 Quarterly Update **(Ending September 30, 2013)**

City Council Shirtsleeve Session
November 19, 2013



Wastewater Fund Cash Flow Summary

(Ending September 30, 2013)

	Budget	Actuals	% of Budget
Revenue			
Sales	14,020,580	3,421,888	24%
Development Impact Mitigation Fees (wastewater & storm)	161,870	4,412	3%
Other (interest, septic, misc.)	174,950	100,707	58%
Total Revenues	14,357,400	3,527,007	25%
Expenses			
Operating	6,158,880	1,556,435	25%
Capital	1,504,210	56,636	4%
Debt Service	6,904,490	(187,424)	(3%)
Cost of Services Payment To General Fund	1,068,000	267,000	25%
Total Expenses	15,635,580	1,692,647	11%
Beginning Cash (Operations Only)		3,167,567	
Ending Cash (Operations Only)		4,329,772	
Days Cash (Excluding Capital)		238	
% of Target		264%	



Wastewater Operating Results

(Ending September 30, 2013)

	Budget	Actuals	% of Budget
Personnel	\$ 3,203,460	\$ 796,051	25%
Supplies, Materials, Services	\$ 1,971,530	\$ 439,555	22%
Equipment, Land, Structures	\$ 79,000	\$ 39,136	50%
Other Payments	\$ 202,630	\$ 111,881	55%
Utilities	\$ 692,260	\$ 169,812	25%
Work for Others	\$ 10,000	\$ -	0%
Total Operating Expenses	\$ 6,158,880	\$ 1,556,435	25%



Wastewater Funds
Cash Balances
(Ending September 30, 2013)

Operating (170)	4,329,772
Utility Capital / Infrastructure Replacement (171)	9,371,503
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(1,509,998)
Wastewater IMF (173)	18,329
Rate Stabilization Reserve (174)	500,000
Storm Drain IMF (175)	596,597
Total	13,306,203



Water Fund Cash Flow Summary

(Ending September 30, 2013)

	Budget	Actuals	% of Budget
Revenue			
Sales	12,694,930	3,627,211	29%
Development Impact Mitigation Fees	149,860	38,519	26%
Other (interest, tap fees, water meters, misc.)	1,640,180	373,188	23%
Total Revenues	14,484,970	4,038,918	28%
Expenses			
Operating	5,811,470	1,664,293	29%
Capital	6,654,260	1,341,446	20%
Debt Service	2,969,610	(178,717)	(6%)
Cost of Services Payment To General Fund	780,000	195,000	25%
Total Expenses	16,215,340	3,022,022	19%
Beginning Cash (Operations Only)		6,780,394	
Ending Cash (Operations Only)		8,875,440	
Days Cash (Excluding Capital)		475	
% of Target		528%	



Water Operating Results

(Ending September 30, 2013)

	Budget	Actuals	% of Budget
Personnel	\$ 2,093,490	\$ 549,516	26%
Supplies, Materials, Services	\$ 1,388,810	\$ 249,854	18%
Equipment, Land, Structures	\$ 82,000	\$ 1,940	2%
Other Payments	\$ 1,382,420	\$ 649,855	47%
Utilities	\$ 754,750	\$ 213,128	28%
Work for Others	\$ 110,000	\$ -	0%
Total Operating Expenses	\$ 5,811,470	\$ 1,664,293	29%



**Water Funds
Cash Balances**
(Ending September 30, 2013)

Operating (180)	8,875,440
Utility Capital / Infrastructure Replacement (181)	(113,031)
Capital Reserve Restricted Assets (181) (Water Plant Bond Remaining Proceeds)	2,349,388
IMF (182)	38,720
PCE/TCE Settlements	11,450,649
PCE/TCE Rates (185)	4,414,925
Total	27,016,091



Bad Debt Write Off (Through September 30, 2013)

	# Of Accounts	Amount	% of Sales
Wastewater	194	\$15,872	0.5%
Water	194	\$23,073	0.6%



Water / Wastewater Utility Activities

Operational

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

Regulatory

- SSO's
- Discharge Violations
- Monitoring and Reporting