

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 25, 2014**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 25, 2014, commencing at 7:00 a.m.

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

Absent: Mayor Pro Tempore Hansen

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

B. Topic(s)

B-1 Second Quarter Fiscal Year 2013/14 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

Deputy Public Works Director Larry Parlin provided a PowerPoint presentation regarding the quarterly update. 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 Johnson, Mr. Parlin stated the Finance Department makes transfers to the utility operations throughout the year.

In response to Council Member Johnson, Mr. Parlin stated hot spots for sewer back-ups due to increased conservation are more likely to occur in commercial areas such as downtown.

In response to Council Member Nakanishi, Mr. Parlin stated costs for sewer back-up calls vary based on the time of call out and whether or not it is after hours.

In response to Council Member Johnson, Mr. Parlin and Mr. Schwabauer confirmed that, while the water report may be distributed electronically per State law, Proposition 218 matters cannot be handled electronically.

In response to Council Member Johnson, Mr. Parlin stated the water for the banking authority project will come from the Mokelumne rivershed.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the quarterly update. Specific topics of discussion included electric fund cash flow summary, reserve policy, cash balances, power sales, Energy Cost Adjustment revenue, operating results, power supply costs, billing statistics, bad debt write off, load coverage, and activities.

In response to Council Member Johnson, Ms. Kirkley stated the utility is required to collect 2.85% of sales revenue for the public benefit fund.

In response to Mayor Katzakian, Ms. Kirkley stated when we buy load for next fiscal year it is accounted for in that next fiscal year because the utility is not charged until the power is delivered.

In response to Council Member Johnson, Ms. Kirkley stated the utility layers in purchases

throughout the year based on a diversified portfolio while monitoring the market in conjunction with Northern California Power Agency and buys the power when the timing is right. Ms. Kirkley stated the open position gap is typical of industry standards.

In response to Council Member Nakanishi, Ms. Kirkley provided an overview of how the natural gas prices are tied to power supply purchases and drought conditions.

In response to Council Member Johnson, Ms. Kirkley confirmed that staff is looking into options for labeling the utility's copper as PG&E has done in response to increased copper thefts.

In response to Council Member Johnson, Mr. Schwabauer stated immunity is not available from PG&E for the 230kV project because the project risk associated with being classified as a transmission operator involves the City directly entering and exiting the system at 230kV versus 60kV. A brief discussion ensued amongst the City Council and Mr. Schwabauer regarding the benefits of the project to the City and PG&E.

In response to Council Member Mounce, Mr. Schwabauer stated with respect to impact fees the project should pay for itself based on the study and existing load profile is already being maximized notwithstanding projected growth in areas such as Reynolds Ranch.

In response to Mayor Katzakian, Ms. Kirkley stated the project will save approximately \$2 million annually.

In response to Council Member Nakanishi, Ms. Kirkley stated the utility is not a part of the grid so there is no revenue generation as a result. Ms. Kirkley stated the transmission operator classification would be based on the utility's direct impact on the grid.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:50 a.m.

ATTEST:

Randi Johl-Olson
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Second Quarter Fiscal Year 2013/14 Water, Wastewater and Electric Utility Department Financial Reports

MEETING DATE: February 25, 2014

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the second quarter of Fiscal Year 2013/14.

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 February 25, 2014.

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 black ink, appearing to read "Jordan Ayers".

Jordan Ayers
Deputy City Manager

APPROVED:

A handwritten signature in black ink, appearing to read "Stephen Schwabauer".

Stephen Schwabauer, Interim City Manager



Electric Utility Department

FY 14 Quarterly Update (Ending December 31, 2013)

City Council Shirtsleeve Session
February 25, 2014



Electric Fund Cash Flow Summary (Ending December 31, 2013)

	Budget	Actuals	% of Budget
Revenue			
Sales Revenues	66,894,140	35,267,506	53%
Development Impact Fees	200,000	75,938	38%
Other Revenues (interest, misc)	4,033,850	381,602	9%
Total Revenues	71,127,990	35,725,046	50%
Expenses			
Purchase Power	39,408,270	20,109,612	51%
Non Power	11,947,910	4,433,848	37%
Capital Projects	2,012,700	253,044	13%
Debt Service	8,241,460	6,494,575	79%
Cost of Service	2,354,000	1,177,000	50%
In-lieu Transfer to General Fund	6,976,670	3,488,335	50%
Total Expenses	70,941,010	35,956,415	51%
Net Chg in Bal Sheet Accts		687,284	

Net Increase (Decrease)	186,980	455,915
Beginning Local Cash Balance	13,235,812	13,235,812
Ending Local Cash Balance	13,422,792	13,691,727
GOR Balance		8,666,719
Total Reserve Balance		22,358,446
Reserve Policy Target		23,232,000
% of Target		96%



Electric Utility Reserve Policy

(Ending December 31, 2013)

Purpose	Basis	Target	Actual
Operating Reserve	90 Days Cash	\$ 17,232,000	\$ 13,691,727
Capital Reserve	Largest Distribution System Contingency	\$ 1,000,000	
NCPA General Operating Reserve	NCPA Identified Items	\$ 5,000,000	\$ 5,844,745
NCPA MPP/GPP Balance	MPP/GPP Security Commitments		\$ 2,821,974
Total Target		\$ 23,232,000	\$ 22,358,446



Electric Funds
Cash Balances
(Ending December 31, 2013)

Operating (160)	\$ 7,730,050
Utility Outlay Reserve Fund (161)	\$ (3,448,739)
Electric Rate Stability Reserve (162)	\$ 2,159,996
Public Benefits Fund (164)	\$ 4,382,334
IMF EU Substation and Transmission (165)	\$ 735,750
Solar Surcharge Fund (166)	\$ 137,878
Environmental Compliance (168)	\$ 1,994,458
NCPA – General Operating Reserve (GOR)	\$ 8,666,719
Total	\$ 22,358,446



Power Sales

(Ending December 31, 2013)

	Budgeted Sales	Year to Date Sales	% Budget
kWh	442,186,628	234,356,847	53%
Revenue	\$ 66,894,140	\$ 35,267,506	53%

	Year	HDD	Normal	CDD	Normal
July	2013	0	0	388	363
August	2013	0	0	319	332
September	2013	6	0	204	222
October	2013	83	91	2	54
November	2013	310	360	0	0
December	2013	637	603	0	0
FY13 Total		1036	1054	913	971



ECA Revenue

(Ending December 31, 2013)

Customer Class	Q1	Q2	Total
Residential	\$ (157,405)	\$ 302,855	\$ 145,450
Small Commercial	\$ (154,690)	\$ 308,120	\$ 153,431
Large Commercial/Small Industrial	\$ (45,706)	\$ 94,584	\$ 48,879
Industrial	\$ (169,465)	\$ 151,243	\$ (18,222)
Total ECA Revenue	\$ (527,265)	\$ 856,803	\$ 329,537



Electric Fund Operating Results

(Ending December 31, 2013)

	FY14 Budget	FY14 Actual	% of Budget
Personnel	\$ 5,862,530	\$ 2,736,602	47%
Supplies, Materials, Services	\$ 3,158,730	\$ 768,137	24%
Equipment, Land, Structures	\$ 1,267,800	\$ 498,967	39%
Other Payments	\$ 1,605,000	\$ 406,052	25%
Utilities	\$ 53,850	\$ 24,090	45%
Total Operating Expenses	\$ 11,947,910	\$ 4,433,848	37%



Power Supply Costs

(Ending December 31, 2013)

	Budgeted	Year to Date	% of Budget
Generation	\$ 32,670,010	\$ 18,176,505	56%
Transmission	\$ 9,544,450	\$ 4,033,620	42%
Management Services	\$ 1,333,500	\$ 745,662	56%
Third Party Revenue	\$ (4,139,690)	\$ (2,846,175)	69%
Adjustments			
TOTAL	\$ 39,408,270	\$ 20,109,612	51%



Billing Statistics

(Ending December 31, 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	81,535,738	\$ 13,797,436	\$ 0.1692
Small Commercial	83,701,884	\$ 13,510,340	\$ 0.1614
Large Commercial/Small Industrial	23,725,146	\$ 3,402,794	\$ 0.1434
Industrial	45,394,079	\$ 4,556,936	\$ 0.1004
TOTAL	234,356,847	\$ 35,267,506	\$ 0.1505



Bad Debt Write Off (Ending December 31, 2013)

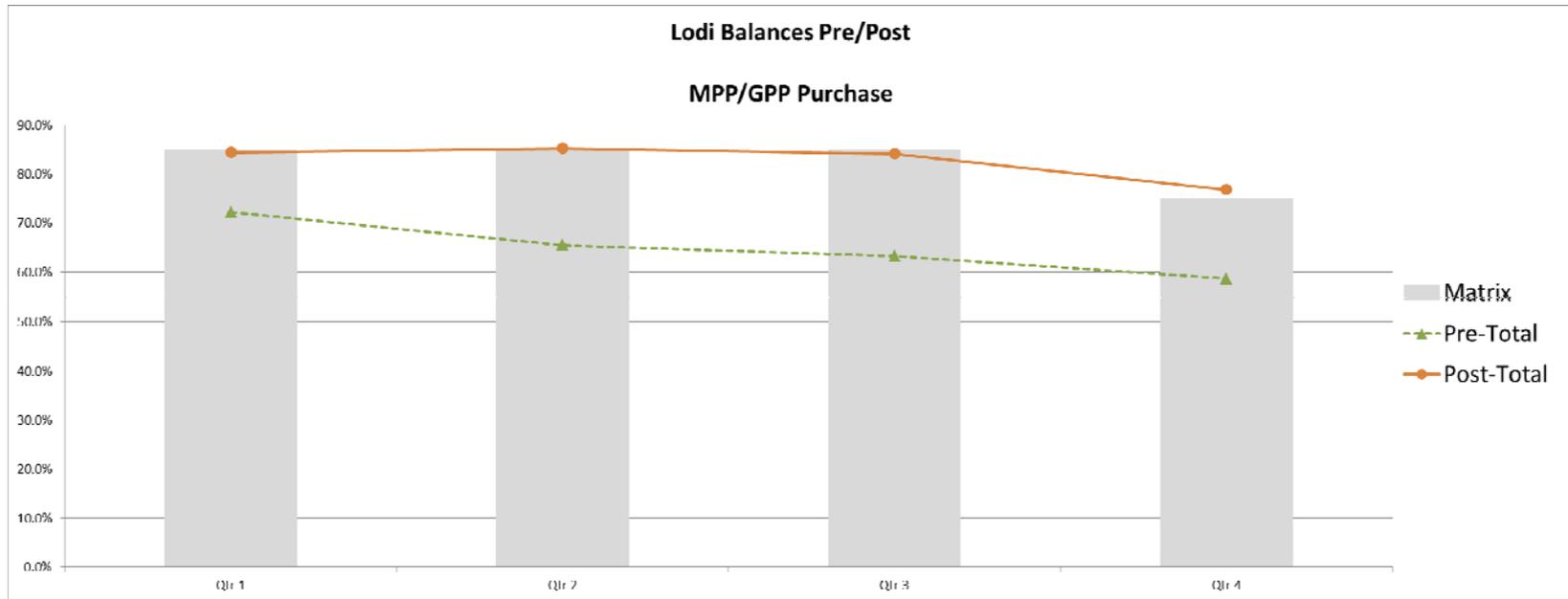
	# Of Accounts	Amount	% of Sales
Electric	432	\$77,645	0.22%



CY 14 Load Coverage

	MWh Load	Load Coverage Before Feb Purchases	ROC Matrix Target	Load Coverage After Feb Purchases
Q1 – 2014*	34,136	72.2%	85.0%	84.4%
Q2 – 2014	111,660	65.5%	85.0%	85.2%
Q3 – 2014	136,228	63.2%	85.0%	84.1%
Q4 – 2014	106,025	58.6%	75.0%	76.8%

*Includes March 2014 Only





Electric Utility Activities

- Staffing
- Safety Program
- Street Lights
- UG / OH Maintenance
- Distribution Capacity Program
- Financial Model / Cost of Service
- 230 kV Interconnection Project
- NERC Compliance



Public Works Department Water/Wastewater

FY 14 Quarterly Update (Ending December 31, 2013)

City Council Shirtsleeve Session
February 25, 2014



Wastewater Fund Cash Flow Summary

(Ending December 31, 2013)

	Budget	Actuals	% of Budget
Revenue			
Sales	14,020,580	6,910,855	49%
Development Impact Mitigation Fees (wastewater & storm)	161,870	22,546	14%
Other (interest, septic, misc.)	174,950	186,763	107%
Total Revenues	14,357,400	7,120,164	50%
Expenses			
Operating	6,283,980	3,049,168	49%
Capital	1,589,514	233,673	15%
Debt Service	6,904,490	3,522,301	51%
Cost of Services Payment To General Fund	1,068,000	534,000	50%
Total Expenses	15,635,580	7,339,142	47%
Beginning Cash (Operations Only)		4,329,772	
Ending Cash (Operations Only)		5,055,217	
Days Cash (Excluding Capital)		128	
% of Target		142%	



Wastewater Operating Results

(Ending December 31, 2013)

	Budget	Actuals	% of Budget
Personnel	\$ 3,203,460	\$ 1,532,698	48%
Supplies, Materials, Services	\$ 2,096,630	\$ 945,531	45%
Equipment, Land, Structures	\$ 79,000	\$ 63,689	81%
Other Payments	\$ 202,630	\$ 179,924	89%
Utilities	\$ 692,260	\$ 327,326	47%
Work for Others	\$ 10,000	-	0%
Total Operating Expenses	\$ 6,283,980	\$ 3,049,168	49%



Wastewater Funds
Cash Balances
(Ending December 31, 2013)

Operating (170)	5,055,217
Utility Capital / Infrastructure Replacement (171)	9,144,240
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(3,931,805)
Wastewater IMF (173)	32,078
Rate Stabilization Reserve (174)	500,000
Storm Drain IMF (175)	593,510
Total	11,393,240



Water Fund Cash Flow Summary

(Ending December 31, 2013)

	Budget	Actuals	% of Budget
Revenue			
Sales	12,694,930	6,766,440	53%
Development Impact Mitigation Fees	149,860	59,735	40%
Other (interest, tap fees, water meters, misc.)	1,640,180	818,757	50%
Total Revenues	14,484,970	7,644,932	53%
Expenses			
Operating	5,824,036	2,696,707	46%
Capital	7,472,494	3,311,242	44%
Debt Service	2,969,610	893,626	30%
Cost of Services Payment To General Fund	780,000	390,000	50%
Total Expenses	17,046,140	7,291,575	45%
Beginning Cash (Operations Only)		8,875,440	
Ending Cash (Operations Only)		10,805,906	
Days Cash (Excluding Capital)		489	
% of Target		543%	



Water Operating Results

(Ending December 31, 2013)

	Budget	Actuals	% of Budget
Personnel	\$ 2,106,056	\$ 1,165,284	55%
Supplies, Materials, Services	\$ 1,388,810	\$ 500,635	36%
Equipment, Land, Structures	\$ 82,000	\$ 6,581	8%
Other Payments	\$ 1,382,420	\$ 658,459	48%
Utilities	\$ 754,750	\$ 365,748	48%
Work for Others	\$ 110,000	-	0%
Total Operating Expenses	\$ 5,824,036	\$ 2,696,707	46%



**Water Funds
Cash Balances**
(Ending December 31, 2013)

Operating (180)	10,805,906
Utility Capital / Infrastructure Replacement (181)	(1,863,635)
Capital Reserve Restricted Assets (181) (Water Plant Bond Remaining Proceeds)	2,349,388
IMF (182)	60,025
PCE/TCE Settlements	11,397,499
PCE/TCE Rates (185)	4,407,294
Total	27,156,477



Bad Debt Write Off (Through December 31, 2013)

	# Of Accounts	Amount	% of Sales
Wastewater	432	\$32,806	0.5%
Water	432	\$38,777	0.6%



Water / Wastewater Utility Activities

Operational

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

Regulatory

- SSO's
- Discharge Violations
- Monitoring and Reporting