

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MARCH 17, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 17, 2009, commencing at 7:01 a.m.

Present: Council Member Hitchcock, Council Member Johnson, Mayor Pro Tempore Katakian, Council Member Mounce, and Mayor Hansen

Absent: None

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

B. Topic(s)

B-1 Second Quarter Fiscal Year 2008-09 Water, Wastewater, and Electric Utility Department Financial Reports (PW/EUD)

City Manager King and Deputy City Manager Jordan Ayers provided a brief introduction to the quarterly update for Public Works and Electric Utility.

Charlie Swimley, Water Services Manager, provided a PowerPoint presentation regarding the Public Works Department Water/Wastewater fiscal year 2009 quarterly update. Specific topics of discussion included wastewater operating results, wastewater fund cash flow summary operations, wastewater funds cash balances, water operating results, water fund cash flow summary operations, water funds cash balances, and water/wastewater utility accomplishments including valve program.

In response to Mayor Hansen, Mr. Swimley stated the \$44,000 amount that was budgeted will be transferred and shown as a zero by the end of the year.

In response to Mayor Hansen, Mr. Swimley stated the ongoing operating deficit is \$917,286.

In response to Council Member Hitchcock, Mr. Swimley stated staff has gotten control of some of the deficit and will be bringing forth a plan to address the same on March 31.

In response to Mayor Hansen, Public Works Director Wally Sandelin stated that, with respect to PCE/TCE costs and clean-up, the current status is that bids are out for a monitoring program, the first phase for design and construction for extraction wells is in place, equipment should be in the ground this year, and intermediate remedial actions are going forth as well. Mr. Schwabauer stated staff is looking into stimulus funding opportunities also.

In response to Council Member Hitchcock, Mr. Sandelin stated the annual collection for PCE/TCE was approximately \$2.5 million. Mr. Sandelin stated the expenses may be less than the original report and rate model indicated, an adjustment may be applicable, and the information will be coming forward for Council consideration on March 31.

In response to Mayor Hansen, Mr. Swimley stated staff is in the process of preparing a required sewer management plan, which is required as the City can be audited at any time. Mr. Swimley stated the order is relatively new and staff wants to ensure that it is in compliance with all regulations in the event that an audit occurs.

In response to Mayor Hansen, Mr. Swimley stated there is no State funding available for this mandate and the City is required to file a report with the State every time there is a spill. Mr. Swimley stated the State in turn keeps a database of all these reports, which is accessible to various agencies.

In response to Council Member Hitchcock, Mr. Swimley stated underreporting by agencies may be a concern and one reason for the State to create and maintain this database for spills.

In response to Council Member Mounce, Mr. King stated the State does not give any provisions for cities that cannot pay for the enhanced infrastructure as a standard is a standard.

In response to Council Member Johnson, Mr. Swimley stated there was a meeting last Thursday, staff does not believe that the State Board will move from its current position on the order, and the best the City can hope for is some revised language. Mr. Swimley stated a footnote referencing disposal and recycle practices would be preferred.

In response to Council Member Johnson, Mr. Swimley stated the decision should be made today. Mr. Schwabauer clarified that the State Board will likely uphold the order of its staff, send the order back to the Regional Board with its findings, and in turn tie the Regional Board's hands to finish the permitting process with the findings of the order in place. Mr. Schwabauer stated a writ of mandate may be an option and provided a brief overview of the legal process for the same.

In response to Mayor Hansen, Mr. Swimley stated the order may cost more money because the City may need to line the ponds per Title 27, change land application practices, and there may be an impact on the cannery.

In response to Council Member Hitchcock, Mr. Swimley stated lining the ponds would cost about \$1 million and will be mentioned in the March 31 presentation.

In response to Mayor Hansen, Mr. Swimley stated there are approximately 4,500 valves in the City.

George Morrow, Electric Utility Director, provided a PowerPoint presentation regarding the fiscal year 2009 quarterly update. Specific topics of discussion included mid-year summary, budget versus quarter actual, financial results, electric expenses by series, power supply, quarter sales, billing statistics, energy cost adjustment by customer class, Northern California Power Agency (NCPA) general operating reserve, Lodi Energy Center, unrestricted reserves, electric reserve policy, days cash, Fitch ratings, and open position.

In response to Council Member Hitchcock, Mr. Morrow stated the 92.1% is a combination of revenue and expense numbers. Mr. Morrow stated it is likely normal because other quarters may be in the negative and therefore the numbers will even out throughout the year.

In response to Council Member Hitchcock, Mr. Morrow stated the total operating expenses should even out by the year as well and generate some revenue if the numbers are low now. Mr. King stated he does have some concern about maintenance and sustaining operating numbers as compared with where other electric utilities are in these numbers for the quarter.

In response to Council Member Johnson, Mr. Morrow stated there is a good correlation between power use and billing because if the utility purchases power for March it will generally pay for the costs in March after it goes through NCPA or related process. Mr. Morrow stated the billing for the customers will not come until shortly thereafter because of the meter reading cycles.

In response to Council Member Mounce, Mr. Morrow stated the reserve policy was set in 2007

with a goal of 2010 and the discussion regarding reserves should be on line with that time period, although it may occur earlier.

In response to Council Member Hitchcock, Mr. Morrow stated the goal since the policy has been set is to focus on the target number rather than the basis for that number as outlined by the consultant. Mr. Morrow stated his understanding was that once that number is reached, or before that time, there may be a discussion about what to do next.

In response to Council Member Hitchcock, Mr. King stated some of the concerns at the time the policy was adopted included financial ratings and standing, getting everyone on the same page as to what the goal was, the necessity of rate adjustments in the near future, equipment replacement, and operating costs.

In response to Council Member Johnson, Mr. King stated ratings equal credit score for power purchases. Mr. Morrow stated the largest factor for the Electric Utility to have a good rating is for credit purposes and he is not aware of any insured based ratings since the demise of the bond market. Council Member Johnson requested some information on how much it would cost to purchase power at the various letter ratings (i.e., A+, A, A-, BBB+, etc.). Mr. Morrow stated he does not have the information readily available but will forward it.

In response to Council Member Hitchcock, Mr. Morrow stated rating agencies will say that days cash is important; although, there are factors such as management of the utilities and power supply portfolio. Mr. Morrow stated the Lodi focus has been days cash because that was previously the weakest factor.

In response to Mayor Hansen, Mr. Morrow stated the next open position power purchase is tomorrow for the high load and winter period.

C. Comments by Public on Non-Agenda Items

Lori Laney, a resident of the City, spoke in regard to her utility bill increasing significantly when an older meter was removed and a new meter was installed. Ms. Laney had concerns regarding an invoice she received for \$1,200 covering an eight-month period during which her old meter may not have been working.

In response to Mayor Hansen, Ms. Laney stated the new meter was installed in February. Mr. King stated he had a similar situation occur to him personally and suggested it may be a good time for the City Council to look at variance information at large.

In response to Council Member Katzakian, Mr. Morrow stated the estimate is based on historical usage and after the new meter is installed they can look forward. Mr. Morrow stated there are a handful of older faulty meters still remaining; although, most have been phased out and provided an overview of how the meters were malfunctioning. Mr. Morrow stated they will look at the specifics of this situation and work with the customer accordingly.

Council Members Johnson and Mounce and Mayor Hansen expressed concerns about going back and creating an estimate based on past usage and looking forward.

In response to Council Member Hitchcock, Mr. Morrow stated the \$1,200 figure covers approximately eight months.

In response to Council Member Hitchcock, Mr. Morrow stated no one has 10 to 20 faulty meters and staff does do its best to catch the faults as soon as possible, although the system is not fail safe.

Mayor Hansen suggested staff research and bring forth information regarding the meter and variance policy.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:34 a.m.

ATTEST:

Randi Johl
City Clerk