

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MARCH 22, 2011**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 22, 2011, commencing at 7:00 a.m.

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

Absent: Council Member Nakanishi, and Mayor Pro Tempore Mounce

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

B. Topic(s)

B-1 Second Quarter Fiscal Year 2010/11 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager Bartlam provided a brief introduction to the subject matter of the utility financial reports.

Electric Utility Director Liz Kirkley provided a PowerPoint presentation regarding the second quarter electric utility update. Specific topics of discussion included an overview, financial results, non-power operating expenditures, power supply, power sales, billing statistics, bad debt, Energy Cost Adjustment (ECA) revenue, Northern California Power Agency (NCPA) general operating reserve, open position, and conclusion.

In response to Mayor Johnson, Council Member Hansen stated that the initial projections from the California Independent System Operator did not turn out to be as ominous as expected; however, there is always the concern that something could negatively affect costs. City Manager Bartlam pointed out that the City was able to purchase power at a lower cost than expected.

In response to Mayor Johnson, Mr. Ayers stated that the bad debts are primarily from residential and commercial customers, as well as bankruptcies. In 2007, Council made a decision to cease referring accounts to the credit bureau; however, that practice was resumed with accounts typically being addressed on a quarterly basis, and in 2009, staff further tightened the collection cycle, which has resulted in a reduction in the volume of accounts sent to collection.

In response to Myrna Wetzel, Mr. Ayers stated that the City offers low-income programs and staff routinely refers customers to the Salvation Army for additional assistance in paying their utility bill. The dollar figure for bad debt, however, represents closed accounts with a remaining balance that staff has unsuccessfully been able to collect.

In response to Mayor Johnson regarding the City's open position, Ms. Kirkley stated that on a daily basis NCPA is buying and selling power for the pool, it is prudent to have a diversified portfolio and not have excess on hand, and the rule of thumb is a 10% closure for the upcoming year.

Council Member Hansen added that once the new energy center is on line the City will be even less vulnerable in the market and will have greater control.

In response to Myrna Wetzel, Mr. Ayers stated that the current ratings from the agencies are AA-

from Standard and Poors and Fitch and AA from Moody's, which are up from BBB+ from two to three years ago.

Mr. Bartlam stated that the April 5 budget workshop will further discuss the credit ratings and various reserve policies.

Deputy Public Works Director Charlie Swimley provided a PowerPoint presentation regarding the water and wastewater second quarter utility update. Specific topics of discussion included water and wastewater cash flow summary for operations, operating results, cash balances, bad debt write off, and accomplishments.

In response to Mayor Johnson, Mr. Swimley stated that the City is charging a premium to the various wineries for wastewater capacity. Further, Mr. Swimley responded that the cost for supplies is low this quarter due to the fact that the money has not yet been spent and some consultant services will carry into the next fiscal year. The amount spent is consistent with the same quarter from last year.

In response to Council Member Hansen, Mr. Swimley confirmed that the City currently pumps water into the Woodbridge Irrigation District (WID) canal during storms and that it charges the City a set rate one time a year. Parks near canals are available to provide storage during wet water events, and the City does not have the capacity to pump water into the river, which would also be quite costly. Mr. Swimley further responded that there is no current plan for stormwater discharge; although, staff is looking at utilizing the WID water purchase to irrigate parks.

Mr. Bartlam stated that the City has begun to move from the combination park/basin to full-scale retention basins that would hold water for longer periods and have some recharge capability.

In response to Council Member Katzakian, Mr. Swimley stated there may be an opportunity in the future to use water at White Slough to pump back into town. Mr. Bartlam added that the two power plants near White Slough are using treated water in an efficient way and there could be further opportunities to use the water in that area.

In response to Myrna Wetzels, Mr. Swimley confirmed that the City is paying WID for the raw water supply.

In response to Council Member Hansen, Mr. Bartlam stated there is no Council approved reserve policy for wastewater, but the rule is 25%.

Mayor Johnson suggested that a formal policy be adopted, to which Mr. Bartlam replied that staff is heading in that direction.

In response to Council Member Hansen, City Attorney Schwabauer stated that only the Central Plume has been completed and there is still further work needed on the Northern, Southern, and Central-Western Plumes, but he was hopeful the costs would not be dollar intensive. In regard to Busy Bee, 85% to 90% of the work has been completed to satisfaction of the State Board.

In response to Mayor Johnson, Mr. Ayers stated that the PCE/TCE monies are set aside in stand-alone accounts and are earning 55 basis points, the bulk of the accounts are held with the Local Agency Investment Fund (LAIF) and earning 44 basis points, and the monies are safe and secure. Staff has not looked at outside investments other than LAIF. Mayor Johnson suggested that staff look into ways to be more aggressive while the cash is sitting in these accounts. Mr. Ayers replied that staff could look into carving out a portion of the money and investing it with an outside investor, and Mr. Bartlam added that staff has been discussing this possibility and he would bring the matter back at a Shirtsleeve Session in May in conjunction with budget

discussions.

In response to Myrna Wetzel, Mr. Schwabauer stated that profits on investments would stay within the same fund from which the money came.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:53 a.m.

ATTEST:

Jennifer M. Robison
Assistant City Clerk