

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MAY 14, 2013**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, May 14, 2013, commencing at 7:00 a.m.

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

Absent: Council Member Johnson

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

B. Topic(s)

B-1 Receive Presentation Regarding Fiscal Year 2013/14 Budget (CM)

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding the Fiscal Year 2013/14 Budget. Specific topics of discussion included the utility fund overview with revenues, expenses, capital projects, and fund balances and reserves for the electric utility, water utility and wastewater utility.

In response to Council Member Hansen, Electric Utility Director Elizabeth Kirkley stated the power supply costs have increased due to CallSO and the increase is projected for the entire year.

In response to Mayor Pro Tempore Katzakian, City Manager Bartlam stated CalPERS costs, including smoothing, are allocated to the individual departments based upon the employee.

In response to Mayor Nakanishi, Mr. Bartlam stated the cost of service citywide has decreased approximately \$1.4 million primarily due to the decrease in the number of employees over the last few years.

In response to Council Member Hansen, Ms. Kirkley stated there is a need to maintain a 90-day cash flow balance in the Public Benefit Fund and funding is still being put together for the \$2 million citywide lighting energy efficiency project.

In response to Council Member Hansen, Mr. Ayers stated he is also frustrated with the decrease in interest the City will receive from the federal government for the Build America Bonds despite a fixed rate.

In response to Mayor Nakanishi, Mr. Bartlam and Mr. Ayers confirmed that 25% is the water reserve amount based on City policy and cities vary greatly with respect to their specific reserve amounts.

In response to Council Member Mounce, Mr. Ayers stated 2017 is the first call opportunity for debt service bonds for the wastewater utility. Mr. Ayers stated he will provide the account code for tracking the Parks and Recreation loan to Council Member Mounce.

In response to Council Member Hansen, Mr. Ayers and Mr. Bartlam reviewed the debt service investment and payment procedure. Deputy Public Works Director Larry Parlin stated the five-year permit is expected to be adopted by the regional board at its September meeting.

A brief discussion ensued between Council Member Mounce, Council Member Hansen, and Mr. Ayers regarding the reserve amounts in the utilities being drawn down based on future infrastructure needs and project completion.

B-2 Third Quarter Fiscal Year 2012/13 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

Deputy Public Works Director Larry Parlin and Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the third quarterly utility update. Specific topics of discussion for electric utility included cash flow summary, operating results, cash balances, power supply costs, power sales, Energy Cost Adjustment (ECA) revenue, billing statistics, bad debt write off, Northern California Power Agency reserve, open position, and departmental activities. Specific topics of discussion for water/wastewater utility included cash flow summary, operating results, cash balances, bad debt write-off, and departmental activities.

In response to Mayor Nakanishi, Mr. Parlin stated the bad debt write off has decreased due to the shortened time period for billing and payment for service.

In response to Council Member Mounce, Mr. Parlin stated some complaints were received regarding the taste of water from the plant and the primary reasoning is that, while the actual water from the plant tastes good, the distribution system in the City in some of the older homes that are 40 years or older still have galvanized piping that has never been flushed, which helps tremendously.

In response to Mayor Pro Tempore Katzakian, Mr. Parlin stated there is a savings in power from not running the wells although the same amount of water is being pumped through the plant.

In response to Council Member Mounce, Mr. Bartlam stated the ECA will not start to go down because the 90-days cash on hand is a minimum target, the City currently has 108 days which is well below the overall reserve policy, the ECA is tied directly to power costs and not the reserve, and PG&E is being mandated by CalISO to do a project on the east side for which the City will have to complete a system upgrade for approximately \$30 million.

In response to Mayor Pro Tempore Katzakian, City Attorney Schwabauer stated having a reserve is considered the cost of doing business and is included in Proposition 218 considerations as the assessed costs must be directly related to cost of providing the service.

In response to Mayor Nakanishi, Mr. Schwabauer stated there is no set number for reserve amount although it must be reasonable based on pending projects and other related factors. Mr. Bartlam stated that, if the City did not have an ECA, rate increases would need to be considered several times a year based on cash flow.

In response to Council Member Hansen, Ms. Kirkley stated the line to the west will increase capacity, voltage, and reliability for the City and result in a \$2.5 million savings annually, which will also help offset the debt service for the City's portion of the system upgrade. Ms. Kirkley also briefly explained the history of the project to date.

In response to Council Member Mounce, Ms. Kirkley stated that the City is obligated to undergo the California Public Utility Commission audit, but it is not required to comply with the results of the audit.

In response to Mayor Pro Tempore Katzakian, Mr. Bartlam stated the City does not directly pay for the audit.

In response to Mayor Nakanishi, Ms. Kirkley stated developer impact fees for the utility are based on new business activities anticipated to take place in the budget year. Mr. Bartlam stated from a physical development perspective there is more construction and generally the City is doing better than it was during the current time last year.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:15 a.m.

ATTEST:

Randi Johl
City Clerk