

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JUNE 9, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 9, 2009, commencing at 7:02 a.m.

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

Absent: Council Member Hitchcock, and Mayor Pro Tempore Katzakian

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

B. Topic(s)

B-1 Third Quarterly Fiscal Year 2008-09 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager King briefly introduced the subject matter of the third quarter fiscal year 2008-09 Water, Wastewater, and Electric Utility Department financial reports.

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the third quarter Electric Utility quarterly update. Specific topics of discussion included an overview, 2009 budget versus third quarter actuals, third quarter financial results, Electric expenses by series, third quarter power supply, third quarter sales, billing statistics, Energy Cost Adjustment (ECA) by customer class, Northern California Power Agency general operating reserve, open position, and quarter summary.

In response to Council Member Johnson, Mr. Morrow stated the increase in debt service is due to the refinancing.

In response to Mayor Hansen, Mr. Morrow stated the Utility may purchase some electricity over the next year but it will be a small amount. He stated the budgeted and actual numbers for purchases is different due to recent purchases and the corresponding price.

In response to Council Member Mounce, Mr. Morrow stated for the slide on projected and actuals the 352 number should be positive and not negative.

In response to Mayor Hansen, Mr. Morrow stated the department has tightened up on delinquencies through the collection and deposit policies and programs. Further, Mr. Morrow stated there has been an increase in the CARE and Public Benefits programs and there is a tendency for the money to be used up by the end of the year.

In response to Council Member Johnson, Mr. King confirmed that the Pay Point subject matter will be brought to Council for consideration in the near future. Deputy City Manager Ayers stated there is a fairly large infrastructure behind the pay points, there is a 6 to 8 week development cycle once a contract is approved, and staff is in contact with the company working out details. In response to Myrna Wetzels, Mr. Ayers stated there is a surcharge through the processing company of approximately one dollar. Mr. King stated the pay points will offer one more choice for consumers.

In response to Mayor Hansen, Mr. Morrow stated it may be time to reevaluate the Electric Utility reserve number by doing some analysis to determine the next level plateau needed to bring the

utility up to an A rating. Further, Mr. Morrow confirmed that the Utility will have an opportunity to get some reimbursement for the new Lodi Energy Center project.

In response to Council Member Johnson, Mr. Morrow stated the Utility is currently at approximately 50 days cash on hand and the average is roughly 100 days; therefore, a \$20 million reserve appears to be reasonable.

In response to Mayor Hansen, Mr. Morrow stated the hope is that the Utility will be more competitive when the new Lodi Energy Center comes on-line for customers. He stated the reason that PG&E is lower in some tiers is because of the State's deregulation and related legislation.

In response to Council Member Mounce, Mr. Morrow stated PG&E does not have an ECA but addresses the same matter through annual or semi-annual reviews of its total cost bundle. He stated in a 22-month period, the ECA has given back twice.

Water Services Manager Charlie Swimley provided a PowerPoint presentation regarding the water/waster quarterly update. Specific topics of discussion included wastewater operating results, cash flow summary for operations, wastewater fund cash balances, water operating results, water cash flow summary for operations, water fund cash balances, and water/wastewater accomplishments.

In response to Mayor Hansen, Mr. King stated IMF stands for Impact Mitigation Fund. He further responded that he is not sure when the improvements for Fire Station 4 will be paid off because the cost recovery was related to development and indexing.

In response to Council Member Mounce, Mr. Swimley stated there is significant costs related to the treatment plant upgrades, retaining water quality, and cleaning efforts. Mr. Swimley stated on average the filter class have a lifespan of five years and must be cleaned regularly through a highly labor-intensive process.

In response to Mayor Hansen, Mr. Swimley stated Replacement Project No. 4 should be completed in approximately two months.

In response to Mayor Hansen, Mr. Swimley confirmed that the State went back to 2001 again to enforce minimum mandatory penalty standards because there may have been some oversight previously. Mr. King stated there are some efforts being made at the State level to address this issue through legislation.

Council Members Johnson and Mounce briefly provided general comments regarding the statute of limitations for the State to come back and financially address violations as even the Internal Revenue Service is limited to three years for tax audits.

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:

Randi Johl
City Clerk