

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, DECEMBER 7, 2010**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, December 7, 2010, commencing at 7:00 a.m.

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

Absent: None

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

B. Topic(s)

B-1 First 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.

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

In response to Mayor Johnson, Mr. Bartlam stated the energy costs are not the only costs in the communication and transportation line item budget wide and there could be some consideration to separate that out.

In response to Council Member Hansen, Mr. Bartlam stated the proposed wind turbine could have an impact on energy costs although he is not sure about the time frame for the project.

In response to Council Member Hansen, Mr. Swimley stated staff will ask the Council to award the dewatering contract on December 15, which will encumber \$5 million.

In response to Council Member Hansen, Mr. Swimley stated the life expectancy for pipes at White Slough is approximately 20 years.

In response to Council Member Nakanishi, Deputy City Manager Jordan Ayers stated the debt service amount for the utility is approximately \$4 million.

In response to Council Member Nakanishi, Mr. Swimley stated the 7% decrease in wastewater is likely the result of the economy.

In response to Council Member Hansen, Mr. Swimley stated that, with respect to the status of the permit, it is an ongoing process for the five-year permit with some permit cycles being more aggressive than others. Mr. Swimley stated staff is winding down on the reports for the old permit and getting ready for the new permit reporting, which is due in late 2011.

In response to Myrna Wetzel, Mr. Swimley stated the service water rules require certain levels of chlorine in the system on an ongoing basis and some residents may smell or taste the chlorine

based on their sensitivity but it is very rare.

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

In response to Mayor Johnson, Ms. Kirkley stated the biggest employee vacancy concern has been taken care of with the filling of the principal resource manager position. Ms. Kirkley stated there is still some difficulty in filling the electric technician position because the demand is higher than the supply of qualified candidates.

In response to Mayor Johnson, Ms. Kirkley stated the loads are down generally throughout the various utilities and not just Lodi.

Council Member Nakanishi requested range numbers for loads and demands for the past five years as well as the rate comparisons with other utilities.

In response to Council Member Nakanishi, Ms. Kirkley stated the NCPA GOR number reflects only Lodi and not the entire NCPA pool.

In response to Mayor Johnson and Mayor Pro Tempore Mounce, Ms. Kirkley stated the utility always looks at the best possible prices for purchases from other utilities and Lodi itself does not sell because it does not have an extra supply. She stated she was not sure of who the utility purchased from last year.

In response to Council Member Nakanishi, City Attorney Schwabauer stated Electric Utility has always purchased natural gas through NCPA; although, previous Electric Utility Director Alan Vallow did want to procure it directly, which the Council declined. Ms. Kirkley stated there may be some changes with the new Lodi Energy Center coming on line with procurement as well.

B-2 Revised Electric Reserve Fund Policy (EUD)

Electric Utility Director Liz Kirkley provided a PowerPoint presentation regarding the electric reserve fund. Specific topics of discussion included background, initial target adopted by Council, reserve policy, reserve status, updating initial target, Northern California Power Agency (NCPA) member survey, and the new reserve recommendation.

In response to Mayor Pro Tempore Mounce, Deputy City Manager Jordan Ayers stated the matter was brought before the Budget and Finance Committee, there was no quorum, and some comments were received through a workshop format.

In response to Mayor Johnson, Mr. Ayers stated the current ratings are a B+++ from Fitch, an A from Moody's, and an A- from Standard and Poors.

In response to Council Member Nakanishi, Mr. Ayers and City Manager Bartlam explained that the exact effect of the ratings is unknown until the next borrowing with respect to interest rates and overall benefit.

In response to Mayor Pro Tempore Mounce, Mr. Ayers stated the next borrowing will likely not occur for another few years.

In response to Mayor Pro Tempore Mounce, Mr. Bartlam stated rating agencies take into account

not only the reserve amount for the utility but also the NCPA general operating reserve (GOR). Mr. Schwabauer stated the ratings are also relevant when purchasing gas and power, which is done three to four years out.

Mayor Pro Tempore Mounce requested the ratings for NCPA member survey agencies, including Roseville.

In response to Mayor Johnson, Ms. Kirkley stated the master chart provided in the staff report packet reflects GOR recommendations from NCPA. Mr. Ayers stated the current policy is 45 days and the recommendation is 60 days.

In response to Council Member Katzakian, Ms. Kirkley stated at mid-year review staff will be bringing forward for Council consideration options associated with increasing the cash days on hand. Mr. Bartlam stated there may be ways to increase the amount by approximately \$5 million through savings, without rate increases, although there are no further reimbursements due on the Lodi Energy Center.

A brief discussion ensued amongst the City Council, Mr. Bartlam, and Ms. Kirkley regarding reserve amount versus cash days on hand, infrastructure replacement and maintenance, and deferral of needed repairs.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:06 a.m.

ATTEST:

Randi Johl
City Clerk