

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, APRIL 15, 2008**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, April 15, 2008, commencing at 7:01 a.m.

A. ROLL CALL

Present: Council Members – Hitchcock, Hansen, Johnson, and Katakian

Absent: Council Members – Mounce

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

B. TOPIC(S)

B-1 "Presentation of Electric Utility Third Quarter (Fiscal Year 2007-08) Financial Reports"

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the electric utility third quarter financials. Specific topics of discussion included an overview, projected and actual financial results, 2008 fiscal year budget versus third quarter actual numbers, electric expenses, operating expenditures, power supply, sales, billing statistics, energy cost adjustment (ECA) billing statistics, Northern California Power Agency (NCPA) general operating reserve, open position, cash balance, and summary.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated approximately \$3.25 million of the increase is from the Roseville sale and the remaining is from the NCPA reserve and operating costs.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated there may be more of a savings in operating by the end of the year as projected.

In response to Council Member Hitchcock, Mr. Morrow stated the line item for other payments includes public benefit programs, including rebates, and there will be some catch up when the application process is completed.

In response to Council Member Johnson, Mr. Morrow stated there is not something specific in the budget for solar as the intent was to match straight expenses with revenues. He stated the solar program will likely be sold out with full subscription.

In response to Mayor Pro Tempore Hansen, Mr. Morrow and Mr. King stated staff will look into the possibility of absorbing the building fee costs in light of the citizen complaint; although, there is a concern regarding staying competitive.

Discussion ensued between Council Member Johnson, Mayor Pro Tempore Hansen, and Mr. King regarding the cost of solar programs in the State, the average cost to citizens to participate in solar programs, a first-time citizen complaint regarding building fees, the process of installing the solar equipment, and other cities doing similar solar projects. Council Member Hitchcock stated it appears to be a non-issue because there is not a big cost difference in the project even if the applicable solar-related building fees are reduced.

In response to Council Member Johnson, Mr. Morrow stated staff will research whether public benefit monies could be used to assist with the cost of installing solar and return with the information. Mr. King also reiterated that he has been informed that the code sections for solar installations are being revised.

A brief discussion ensued between Council Member Hitchcock and Mr. Morrow regarding citizen response to a 24 cent rate increase in the press and the need to present accurate information in response by the City through the press or by other means to inform the public at large.

In response to Council Member Johnson, Mr. Morrow stated the three major electric companies in the State, which provide service to approximately 75% of the State, all have tiered systems and the City's rates are low.

In response to Council Member Johnson, Mr. Morrow stated that, while they can do a comparison, the blocks will be different because PG&E rates are lower at the low usage rate and the City's rates are lower at the highest usage rate. Mr. King provided a brief overview of the transfer of the three-tier system to the five-tier system, high-end users, and interpreting the rate overall with taxes and fees included.

In response to Mayor Pro Tempore Hansen, Mr. Morrow confirmed that, with the new project, the long-term goal is to be more competitive with the City's economic goals and overall usage costs. Council Member Hitchcock suggested preparing a small rate comparison cheat sheet for easy reference.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated staff can look into methods to be more competitive on the lower tiers; although, in a zero sum game it is difficult to lower one tier's rate because that would mean an increase adjustment in another tier's rate. He stated there may be room for an adjustment with a new factor such as the new Lodi project.

In response to Council Member Katzakian, Mr. Morrow stated the tiers only apply to residential users.

In response to Council Member Katzakian, Mr. Morrow stated he signed off on a few residential solar programs recently and the program appears to be doing well in light of the overall costs.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated solar has gone down some over the last five years; although, the theory of a million solar homes was more of a public relations piece.

In response to Council Member Hitchcock, Mr. Morrow stated the projected figures combine the ECA and base, which is the difference between projected and actual figures.

In response to Council Member Johnson, Mr. Morrow stated the average year cost of the ECA was projected as 8.99 cents and is closer to 9.1 cents, which is on target for what was projected to industrial users. He stated that, while the ECA is applied uniformly across the board, the actual affect may be different based on a variety of factors.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated that, at the last snapshot, the industrial user rate for the City was approximately 26% less than PG&E.

In response to Mayor Pro Tempore Hansen, Mr. Morrow confirmed that the numbers do not include the recent sale of the property. Mr. Morrow stated the \$2 million figure may be accounted for at the end of this budget cycle or the next.

B-2 "Presentation of Water and Wastewater Utility Third Quarter (Fiscal Year 2007-08) Financial Reports"

Deputy City Manager Krueger provided a PowerPoint presentation regarding the water and wastewater quarterly update. Specific topics of discussion included a summary, water and wastewater financials ending March 31, 2008, water and wastewater operating expenses by series, and cash balances for both water and wastewater.

In response to Mayor Pro Tempore Hansen, Mr. Krueger stated the difference of \$3 million is due to the impact mitigation fees, which will affect the overall numbers. He also discussed the cash flow for revenues and expenses, sales revenues of 76.7%, and overall revenues of 72.1%.

In response to Council Member Hitchcock, Mr. King provided an overview of the previous Shirtsleeve Session discussion regarding the subject matter of the deficit in operations and maintenance for infrastructure and the options associated with the same.

In response to Council Member Katakian, Mr. Krueger indicated some money was spent on infrastructure replacement and the PCE/TCE litigation did have an affect.

In response to Council Member Hitchcock, Mr. Morrow stated how quickly the \$6.9 million will be reduced is dependent upon the mitigation efforts, which will need to be reviewed and brought back.

In response to Mayor Pro Tempore Hansen, Mr. King confirmed that staff is not recommending a rate increase for the Council meeting the following night.

Discussion ensued between Mayor Pro Tempore Hansen, Council Member Hitchcock, and Mr. King regarding the different options for consideration at the Council meeting, including retroactivity, combining funds to address both operations and infrastructure replacement, the need for adjustments going forward from this point on into the future, and possibly rebalancing at this point with a possible increase in the future.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:21 a.m.

ATTEST:

Randi Johl
City Clerk