

**LODI CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MAY 13, 2008**

A. CALL TO ORDER / ROLL CALL

The Special City Council meeting of May 13, 2008, was called to order by Mayor Mounce at 7:01 a.m.

Present: Council Members – Hansen, Hitchcock, Johnson, Katzakian, and Mayor Mounce

Absent: Council Members – None

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

B. REGULAR CALENDAR

B-1 "Review of the 2008-09 Draft Budget"

City Manager King briefly introduced the subject matter of the 2008-09 draft budget.

The review of individual departmental budget presentations for the Fire Department and the Electric Utility Department, as set forth in the presentation documentation, including the summary sheet, current year accomplishments, and future year goals, continued from the May 7, 2008, regularly scheduled City Council meeting.

Fire

In response to Council Member Johnson, Fire Chief Mike Pretz stated the \$2 million in addition to the \$500,000 coming from the development agreement for the Reynolds Ranch project should cover the costs associated with building Fire Station No. 5 and purchasing equipment for the same. He stated that, while some costs may have gone up over the interim four-year period, the goal is to construct a building that is green at minimal costs.

In response to Council Member Johnson, Chief Pretz stated they are looking at possibly constructing a modular building.

In response to Council Member Johnson, Chief Pretz stated the \$500,000 should cover the purchase of the engine for the proposed Fire Station No. 5.

In response to Mayor Pro Tempore Hansen, Chief Pretz stated that, based on his understanding of the development agreement, at the end of the year a portion of the entire \$2 million sum will be available along with a letter of credit for the entire \$2 million. He stated the money for the engine purchase is supposed to be available in 2009.

In response to Mayor Pro Tempore Hansen, Mr. King stated that, with respect to a deadline for the opening of the proposed Fire Station No. 5, it is important to manage the opening in a manner to ensure staffing will also be in place.

In response to Mayor Pro Tempore Hansen, Chief Pretz stated that, with respect to salary savings and overtime, typically when there are four vacancies or more, it is cheaper to hire individuals rather than paying overtime.

In response to Council Member Hitchcock, Mr. King stated the development agreement provides for an in-kind contribution whereby the developer will construct the facility for a specific amount and pay impact fees. He stated the City can provide additional funding if desired for the same and it is anticipated that the building will be constructed in conjunction with the rest of the development.

In response to Mayor Mounce, Mr. King stated the development agreement simply requires the developer to participate in the community facilities district and pay the fees, which are capped, regardless of the type of housing that is built.

In response to Mayor Mounce, Mr. King stated a senior care home facility will likely be considered residential.

In response to Council Member Hitchcock, Chief Pretz stated the supplies and costs line item included a mid-year budget addition for the Telestaff programming and related software.

In response to Council Member Hitchcock, Chief Pretz stated the \$20,000 for professional services includes the Citygate contract.

In response to Council Member Hitchcock, Chief Pretz stated they are anticipating some repairs to vehicles that cannot be handled by the Municipal Service Center.

In response to Mayor Mounce, Chief Pretz stated the overall costs for medical for four new employees did not go up much in light of the less expensive alternative and combined coverage for spouses. Deputy City Manager Krueger stated Finance provides the numbers to all departments for the 100 series with respect to personnel and benefits.

In response to Council Member Hitchcock, the line item on Page 76 was reduced because the plan checks are no longer sent out by the Fire Department because the service is provided by Community Development.

In response to Council Member Johnson, Chief Pretz stated the revenues from the plan check services are also reflected in the budget.

In response Council Member Hitchcock, Chief Pretz stated they have seen a decrease in overtime if all the positions are filled; although, they struggle with the overtime budget when they are not.

In response to Council Member Hitchcock, Mr. Krueger confirmed that the \$700,000 salary savings amount is not specific and is across the board for the General Fund. He stated the mid-year budget review will be important to monitor that amount.

In response to Mayor Mounce, Chief Pretz stated some of the reasons for employees leaving are more pay and bigger departments. He stated reduced training may be a consideration; although, many fire departments in other jurisdictions are facing the same budget challenges as the City.

Electric Utility

In response to Mayor Mounce, Electric Utility Director George Morrow stated staff will return to Council with the comparison data for other jurisdictions in the near future after the budget hearings wind down.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated in the south west part of town there is a significant amount of line that needs to be replaced; although, there is still good reliability. He stated the goal is trying to stay ahead of the curve and making phased improvements on an ongoing basis.

In response to Council Member Johnson, Mr. Morrow stated staff is trying to move forward both the power line and design pieces together. He stated there is some design work that can be completed regardless of where the line is located.

In response to Mayor Mounce, Mr. Morrow stated that some meters are being replaced because they were underreading due to a design flaw.

In response to Council Member Johnson, Mr. Morrow stated a package of information was sent to Standard and Poors, the current rating is a B+++ with a stable outlook, and there is hope for a higher A- rating. Mr. King stated the matter of refinancing the Electric Utility 2002 bonds will be coming before Council shortly and the higher rating will assist with that as well.

In response to Council Member Katzakian, Mr. King stated anything below a B- rating is less than investment grade.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated that, based on the third quarter report, they are hoping to end with a \$6.9 million amount and are looking for about \$12 million for reserves if the Roseville deal is completely closed by the end of the year.

In response to Council Member Katzakian, Mr. Morrow stated the current open position carries through the current fiscal year. He stated power was recently bought to close the gap to 13% for next year and the base load goes until 2010.

In response to Mayor Pro Tempore Hansen, Mr. King stated staff is seriously reviewing the options and specifics of details associated with refinancing the bonds to a fixed rate and will be coming back to Council within the next few weeks regarding the same. Mr. Krueger stated it will likely be within the next 45 days.

In response to Council Member Johnson, Mr. King stated a successful increase in the rating could be beneficial with the refinancing.

In response to Council Member Johnson, Mr. Krueger stated that, while there has not been any debt put back to the City since early March, some review will need to be done in January.

In response to Mayor Mounce, Mr. Morrow stated staff is exploring other options for debt collection in light of the frustration with the current service provider and process.

In response to Mayor Mounce, Mr. Morrow stated the information systems software line item includes a software program that does short circuit analysis.

In response to Mayor Mounce, Mr. Morrow stated staff will provide additional information regarding the sublet contracts line item increase from \$19,000 to \$35,000.

In response to Mayor Mounce, Mr. Morrow stated contract employee salaries include salaries for the construction of the Killelea station and the expansion of services to Reynolds Ranch.

In response to Mayor Mounce, Mr. Morrow stated some contract employees receive a stipend for medical insurance. He also stated some pieces may have been moved around along with cost center realignments to get a better understanding of the budget. Mr. Krueger confirmed that the 100 series numbers are provided to the departments by Finance.

Discussion ensued between Mayor Mounce, Mr. Morrow, and Mr. King regarding medical for contract employees, fully loaded numbers in the contract line items to indicate entire cost of employee, and the history of contract employees within the Electric Utility Department, which has decreased.

In response to Council Member Hitchcock, Mr. Morrow stated some change and costs of benefits accounts for the personnel cost increases and the Department is essentially fully staffed after making the proposed adjustments to existing positions.

In response to Council Member Hitchcock, Mr. Morrow stated the project number of 46 for the cost of power is based on the market, geothermal debt service increases, which will be paid off in a few years, Independent Service Operator increases for managing the grid, increases in gas and electric, and the decrease in the combustion turbo project.

In response to Council Member Katzakian, Mr. Morrow stated the geothermal debt service has a schedule that has dips and increases built into it.

In response to Council Member Hitchcock, Mr. Morrow stated the Northern California Power Agency (NCPA) invoice includes all power related costs including fees and project management costs.

In response to Council Member Katzakian, Mr. Morrow stated the NCPA invoice also includes the energy cost adjustment.

In response to Council Member Hitchcock, Mr. Krueger stated the \$488,000 transfer amount and line item is a method to allocate personnel costs to the departments, and sometimes includes project allocation.

In response to Mayor Mounce, Mr. Krueger confirmed that lines 7188 and 7189 are offsetting line items.

In response to Council Member Hitchcock, Mr. Morrow stated the debt service line item with respect to the NCPA is going down because there was a big spike and it will now be going down.

In response to Council Member Hitchcock, Mr. Morrow stated that, although there may not be as much put in reserves as hoped, the overall situation with respect to the bonds should be fine.

MOTION / VOTE:

There was no Council action taken on this matter.

M. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 8:25 a.m.

ATTEST:

Randi Johl
City Clerk