was that we did not want to do anything until it was absolutely necessary. This is now an issue that needs to be addressed, however due to Proposition 218 raising it has become more difficult to adjust Stormwater rates.

Issue Number Three: Municipal Utilities Department Supplemental Financial Report

Mark Madison, Director Municipal Utilities Department presented to the Committee a PowerPoint presentation (Attachment #1) regarding Municipal Utilities Department’s Supplemental Financial Report. Balanced budget approach for Water: revenues exceed O&M expenditures; revenues do not exceed O&M plus CIP; payment of $2.5 million can be made to reserve; projected ending fund balance remains positive; rates will be adjusted with Delta Water Supply Project. Balanced budget approach for Wastewater: Revenues exceed O&M expenditures; Budgeted CIPs returned to fund balance; critical CIPs have been deferred; projected ending fund balance will be positive. Balanced budget approach for Stormwater: revenues do not exceed O&M expenditures; all CIPs will be deferred; selected regulatory compliance items will be deferred; lease payments to General Fund will be reduced; projected ending fund balance will be positive. Future funding requirements: additional Capital Project expenses; reserve funding obligations; debt service requirements; additional operational requirements; rate adjustments necessary for all three utilities. Capital improvements needs: regulatory compliance; aging infrastructure; future CIP funding to be in proportion to plant depreciation. Major CIP projects: Water – replacement wells, main line replacements, non-potable water for conservation projects; Wastewater – wastewater ponds dredging & cleaning, digesters rehabilitation, headworks & sewer line repairs; Stormwater – pump station upgrades, storm line rehabilitation. MUD tries to look out and has a five-year repair/replacement plan for CIP needs. Hiring plan developed with the Transition Oversight Committee, which was presented to Council on December 11, 2007, Phase I additions have been approved, ready for Phase II. Increased responsibilities – Phase II staffing: Construction Management & Inspection; implementation of a Fats, Oils & Grease Inspection Program; enhance reliability of the Wastewater Facility; maintenance management; additional maintenance & repairs; system expansion. We have done a comparison with local agencies of existing rates for Water, Wastewater and Stormwater. If we do not do the Delta Water Supply Project, the City would have to purchase water, which would be very costly. Rate adjustment factors: CIP Funding; Debt obligations; increase responsibility and reserve funding. Rate adjustment process: solicit proposals from consultants; perform rate study; conduct Prop 218 processes – Stormwater – Majority vote and Wastewater – protest vote. Recommendation to Council to approve issuance of RFP’s of Wastewater and Stormwater rate studies.

Vice-Chair Miller inquired regarding the increased staffing for Phase II, what type of research has been done in terms of possibly outsourcing the inspections.

Mr. Madison responded a significant amount of research has been done regarding the staffing plan. Relative to Phase II most of those positions are not outsourceable, they are positions we need to have in-house especially in the maintenance division. Phase III
staffing does have some possible outsourcing positions, which will be researched before requesting this level of staffing.

Vice-Chair Miller commented regarding postponing CIP projects, they need to be reviewed there are some projects that get to a point that they can not be deferred anymore.

Mr. Madison commented in his opinion starting in 1995 when there was fervor for the public/private partnership there was a conscience attempt to hold down Capital Improvements, these improvements can not be ignored forever. The City will need to invest in Capital Improvement Projects over the next 5-10 years to catch up and invest in our utilities.

Chair Fritchlen inquired from Ms. Montes if there was anything new to report about the stimulus or anything else.

Ms. Montes responded there was nothing new to report today.

Vice-Chair Miller commented two of the questions she asked during the meeting were received from the public via on-line.

There being no further discussion, Chair Fritchlen adjourned the meeting at 4:54 p.m.

COUNCIL BUDGET/FINANCE/ECONOMIC DEVELOPMENT COMMITTEE

________________________
Councilmember Dale Fritchlen, Chair

________________________
Vice Mayor Katherine Miller, Vice Chair

________________________
Councilmember Elbert Holman, Committee Member
CITY COUNCIL COMMITTEE
NOTICE

BUDGET/FINANCE/ECONOMIC DEVELOPMENT

DATE: April 27, 2009 TIME: 3:00 p.m.
PLACE: City Hall, Second Floor, Council Chambers

COMMITTEE MEMBERS:
Dale Fritchen, Chair
Elbert Holman, Member

Katherine Miller, Vice Chair
Susan Talamantes Eggman, Alternate Member

STAFF NOTICED:
J. Gordon Palmer, Jr., City Manager
Ren Nosky, City Attorney
Deputy City Managers
Department Heads
Connie Cochran, Public Information Officer
Budget Staff
Florence Low, Program Manager III
Kindelberg Morales, Administrative Aide I
Patty Vasquez, Recorder

RESPONSIBLE DEPARTMENT
AND STAFF FOR ITEMS ON THE
AGENDA:
Joe Maestretti, Budget Officer
Mark Moses, Chief Financial Officer
Mark Madison, Municipal Utilities Director

OTHERS INVITED:
The Record

PUBLIC COMMENT

ISSUE(S) TO BE DISCUSSED:
1. Uncollectible Receivables
2. Department 2009-10 Budget Reviews
   • Internal Service Funds
   • Municipal Utilities Department
3. MUD Supplemental Financial Report

cc: City Council
For information contact Carolina Luces at 209-937-8215.
**PLEASE SIGN IN**

Budget/Finance/Economic Development Committee  
City Hall – Council Chambers  

April 27, 2009 – 3:00 p.m.

<table>
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<th>COMPANY/ORGANIZATION</th>
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<td>Erin Mettler</td>
<td>COS/PEW</td>
<td>937-8794</td>
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<tr>
<td>Patti Johnson</td>
<td>COS/IT</td>
<td>931-8355</td>
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<tr>
<td>Mary Monley</td>
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<td>Jack Smokey</td>
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<td>Rick Butterworth</td>
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<tr>
<td>Carl Mautz</td>
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<td>Dianna Garcia</td>
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<td>Di Smith</td>
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<td>Kim Trammel</td>
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<td>Tom Heunic</td>
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Budget/Finance
Economic Development Committee
April 27, 2009

Agenda Items

- Proposal to Revise Collection Strategies and Reporting
- Budget 2009-10 proposals
  - Internal Service Funds
    - Fleet
    - Information Technology
    - Risk Management
    - Employee Benefits
  - Municipal Utilities Department
- Municipal Utilities Fund - Supplemental Financial Report
PROPOSAL TO REVISE COLLECTION STRATEGIES AND REPORTING

Budget/Finance/Economic Development Committee
Presented by Mark Moses, Chief Financial Officer
April 27, 2009

What is Prompting the Recommended Changes?

- Difficulty in properly reflecting the value of accounts receivable in the City's financial reports

- Recognition that writing off receivables for the purpose of financial reporting is not the equivalent of an expenditure and does not waive or inhibit our collection efforts

- Inability to accept settlements of debts is not in the interest of the City
What do SMC 3-133 and Council Policy 700-3 cover?

- Provide criteria for determining that an account (debt or claim) is uncollectible
- Provide authority to remove the account from the City’s financial reports

What are the Recommended Changes?

- Streamline the process to allow for the timely write off of uncollectible accounts
- Authority to accept settlement of debts that are in the interest of the City
- Authority to sell (factor) accounts when all other collection efforts are exhausted
- Allows immediate adjustment of incorrectly billed charges
What We Will Be Exploring in the Future

- Pilot program outsourcing collections to several agencies to identify most successful agency
- Possibility of factoring old receivables that collection agencies will not pursue
- Renegotiate existing contract with CB Merchants to reduce their commission (40%) to 15 - 20%; obtain additional services
- Identify / implement online payment processor for Misc. A/R accounts to facilitate payments (no added expense to City)
- Research feasibility of outbound auto-dialing system to leave messages for delinquent Misc. A/R customers to call us about their account

Bad Debt Write-Off History

- Misc Accts Rec
- Utilities

Avg Annual Write-Off 2002-2008

08 - 09 Pending Write-Off

[$0, $50,000, $100,000, $150,000, $200,000, $250,000, $300,000]
Recommendation

That the Committee forward the recommended changes to SMC 3-133 and Council Policy 700-3 for approval, in order to facilitate the proposed improvements to reporting and collecting of accounts receivable.

Internal Service Funds
2009-10 Budget Proposal

Presented by: Joe Maestretti
## Fleet Fund

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<td><strong>Ending Balance</strong></td>
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### Fleet Fund

#### Cash Reserve Projection

(Amounts in Thousands)

![Graph showing Fleet Fund Cash Reserve Projection](image)

Preliminary Reserve Target: $6 million