

2011 - 2012 Seattle City Council Green Sheet

Approved

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Budget Action Title: Reduce City Light's rate revenue in 2011 by \$11.7 million to reflect lifting the surcharge; reduce tax payments to the GSF by \$702,000 and GSF appropriation for streetlights by \$272,000 accordingly

Councilmembers: Budget Committee

Staff Analyst: Tony Kilduff

Council Bill or Resolution:

Budget Committee Vote:

Date	Result	SB	BH	SC	TR	JG	NL	RC	TB	MO
11/12/2010	Pass 9-	Y	Y	Y	Y	Y	Y	Y	Y	Y

Summary of Dollar Effect

See the following pages for detailed technical information

	2011 Increase (Decrease)	2012 Increase (Decrease)
General Subfund		
<i>General Subfund Revenues</i>	(\$702,000)	\$0
<u><i>General Subfund Expenditures</i></u>	(\$272,000)	\$0
<i>Net Balance Effect</i>	(\$430,000)	\$0
Other Funds		
<i>City Light Fund</i>		
<i>Revenues</i>	(\$11,700,000)	\$0
<u><i>Expenditures</i></u>	(\$702,000)	\$0
<i>Net Balance Effect</i>	(\$10,998,000)	\$0
Total Other Funds	(\$10,998,000)	\$0
Total Budget Balance Effect	(\$11,428,000)	\$0

Budget Action description:

This green sheet would reduce City Light's retail revenue by \$11.7 million in 2011 reflecting lifting the 4.5% current rate surcharge on January 1, 2011, instead of August 1, 2011 as originally assumed. It reduces utility tax payments to the GSF by \$702,000, reflecting City Light's lower retail revenue, and reduces the GSF appropriation for streetlights by \$272,000, reflecting lower electricity rates.

The net effect of this action will be to reduce the GSF by \$430,000 in 2011.

The rate surcharge was put in place in May, 2010 to help fund the utility's newly created Rate Stabilization Account. The surcharge is to be lifted once the Account reaches a balance of \$100

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million. The 2011-2012 Proposed Budget assumes the surcharge would have remained in place until mid-2011. However, City Light now believes that by diverting some 2010 operating cash to the Account and realigning its 2011 cash flows, it will be able to get the Account to the required \$100 million by January 1, 2011. Once the target amount is reached, City Light will lift the surcharge.

It should be noted that diverting operating cash to the Account in 2010 will cause City Light's debt service coverage ratio to drop from the target of 1.8 set by the Council, to 1.7. The rating agencies and bonds markets may view this negatively when City Light next attempts a bond sale—likely early 2011.

Although current financial conditions allow City Light to lift the surcharge by January 1, receipts of net wholesale revenue in 2011, relative to the amount assumed in the budget, will determine whether it will be re-imposed, and if so, at what level.

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Budget Action Transactions

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#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
1	Reduce retail revenue from lifting 4.5% surcharge				SCL	Energy Sales to Customers	443310	41000	2011	(\$11,700,000)	
2	Reduce appropriation for tax payments				SCL	Taxes	SCL820	41000	2011		(\$702,000)
3	Increase transfers from Light Fund to balance				SCL	Transfers from Construction Fund	379100	41000	2011	\$10,998,000	
4	Reduce GSF revenue reflecting lower City Light tax payments				GSF	Utilities Business Tax - City Light (100%)	516410	00100	2011	(\$702,000)	
5	Reduce appropriation for streetlights reflecting lower City Light rates				FG	Reserves	2QD00	00100	2011		(\$272,000)