2012 Seattle City Council Green Sheet

Approved

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Budget Action Title: Amend and then pass LEG C.B. 117326 directing City Light to transfer certain funds from the Light Fund to the Rate Stabilization Account and suspending SMC 21.49.086.G until 2013.

Councilmembers: Budget Committee

Staff Analyst: Tony Kilduff

Council Bill or Resolution: C.B. 117326 tab 27 in gray notebooks

Budget Committee Vote:

Date	Result	SB	BH	SC	TR	JG	NL	RC	TB	MO
11/08/2011	**Pass 9-**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**

Budget Action description:

This green sheet amends the Legislative Department's (LEG) C.B. 117326 directing City Light to move funds from the Light Fund to the Rate Stabilization Account, and suspending SMC 21.49.086.G in connection therewith until 2013, and recommends passage as amended.

One amendment clarifies that the affected fund is the Light Fund. The other amendments are primarily technical to conform to existing standards and protocols for legislation amending the SMC. A redline version of the proposed amendments is attached to this green sheet.

City Light's rates for 2012 assume it will earn $102 million in net wholesale revenue. However, based on market conditions, it is more likely to earn closer to $60 million. The shortfall ($42 million) will be withdrawn from the Rate Stabilization Account (RSA). This will lower the balance in the Account to the point where surcharges will be imposed automatically. Given the current projections we can expect the surcharges to begin in mid- 2012 and continue into 2013 at least.

City Light expects to end 2011 with approximately $21 million more in the Light Fund than assumed in the Adopted 2011 Budget. Around $12 million is from higher than anticipated retail revenues and another $9 million is from lower than anticipated expenditures. This legislation will move the excess Light Fund balance to the RSA, boosting the Account balance for 2012 from around $104 million (currently projected) to $125 million or more. With a higher starting balance, the expected drawdown of the Account is less likely to trigger a surcharge in 2012, and the size of a surcharge, should one be necessary, is likely to be smaller than otherwise.

SMC 21.49.086.G requires the Council to take explicit action to reduce the balance in the RSA if it exceeds $125 million. The intent of the direction to transfer funds into the RSA is to boost the

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balance as high as possible in 2012 in anticipation of a significant drawdown. SMC 21.49.086.G runs counter to that intent and this legislation suspends it until 2013.

ORDINANCE _____

AN ORDINANCE relating to the City Light Department, directing the transfer of certain funds in the Light Fund into the Rate Stabilization Account in 2011, and amending SMC 21.49.086 (G) relating to the operation of said Account.

WHEREAS, the City established the Rate Stabilization Account within the Light Fund to buffer the City Light Department (City Light) and its customers from deviations of its Net Wholesale Revenue from that assumed in the budget; and

WHEREAS, the Council would like to ensure that the Account is funded at a level that significantly reduces the likelihood of rate surcharges, as provided for in SMC 21.49.086, should wholesale revenue be less than that assumed in the 2012 Budget; and

WHEREAS, City Light anticipates both reduced expenditures and increased revenues relative to the 2011 Adopted Budget; NOW, THEREFORE

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. By December 30, 2011, City Light shall transfer any cash available in the Light Fund for debt service coverage in excess of 1.85 times debt service for 2011 into the Rate Stabilization Account.

Section 2. SMC 21.49.086. ~~(~~G~~)~~, which section was enacted by Ordinance 123260, is ~~hereby~~ amended as follows:

G. Disposition of excess funds in the Rate Stabilization Account:

Effective January 1, 201((~~1~~,))3; whenever the amount in the Rate Stabilization Account exceeds $125 million, the City Council will initiate a rate review, if the Mayor has not already done so, within forty-five days that will decrease rates, allow City Light to cover more of its capital expenditures with cash from operations or defease outstanding debt in order to keep future rates low, increase its expenditures, or a combination of these measures, to bring the amount in the Account down to $125 million within a period of 12 or fewer months.

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Section 3. Any action consistent with this ordinance taken after its passage but prior to its effective date is ~~hereby~~ ratified and confirmed.

Section 4. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _____, 2011, and signed by me in open session in authentication of its passage this _____ day of _____, 2011.

_____

President _____of the City Council

Approved by me this ____ day of _____, 2011.

_____

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2011.

_____

Monica Martinez Simmons, City Clerk

(Seal)