

AGENDA ITEM SUMMARY

December 4, 2018

City Council

STAFF

Randy Reuscher, Utility Rate Analyst
Lance Smith, Utilities Strategic Finance Director
Cyril Vidergar, Legal

SUBJECT

Second Reading of Ordinance No. 138, 2018, Appropriating Unanticipated Revenue in the Light and Power Fund for Purchased Power Expenses.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on November 20, 2018, appropriates unanticipated revenue in the Light and Power Fund to offset higher purchased power expenses experienced in 2018. The Light and Power Fund realized \$2.8M of unanticipated revenues in 2018, while purchased power expenses for 2018 have been \$2.9M higher than what was budgeted for this expense. Because purchased power expenses represent 70-72% of all expenses, this appropriation is necessary to ensure the Enterprise Fund remains under budget for the year.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

ATTACHMENTS

1. First Reading Agenda Item Summary, November 20, 2018 (w/o attachments) (PDF)
2. Ordinance No. 138, 2018 (PDF)

AGENDA ITEM SUMMARY

City Council

November 20, 2018

STAFF

Randy Reuscher, Utility Rate Analyst
Lance Smith, Utilities Strategic Finance Director
Cyril Vidergar, Legal

SUBJECT

First Reading of Ordinance No. 138, 2018, Appropriating Unanticipated Revenue in the Light and Power Fund for Purchased Power Expenses.

EXECUTIVE SUMMARY

The purpose of this item is to appropriate unanticipated revenues in the Light & Power Enterprise Fund to offset higher purchased power expenses experienced in 2018. The Light & Power Fund realized \$2.8M of unanticipated revenues in 2018, while purchased power expenses for 2018 have been \$2.9M higher than what was budgeted for this expense. Because purchased power expenses represent 70-72% of all expenses, this appropriation is necessary to ensure the Enterprise Fund remains under budget for the year.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

In previous budget cycles the Light & Power Fund has budgeted expenses more conservatively than the 2017-18 budget cycle, when the Light & Power budgeted expenses before enhancement offers were reduced by 5.3% from 2016. By tightening budgeted expenses to more closely match historical spending, more revenue was made available for enhancements. However, it is also necessary to ensure that revenues are similarly adjusted down so that the enterprise fund is not taking on more risk of spending the full budget without realizing adequate revenue to support those expenses. Hence the budgeted revenues were also reduced in the 2017-18 budget.

Through this October, the 2018 Light & Power revenues have exceeded the budgeted amount by \$2.8M and the purchased power expense has exceeded the budgeted amount by \$2.9M. Appropriating \$2.5M is necessary to ensure that expenditures from the enterprise fund do not exceed the total amount appropriated for the 2018 calendar year as required by City Charter.

The table below summarizes the fund reserve balance through October 2018 with \$5.5M of reserves available for appropriation. This appropriation will leave \$3.0M available for other future appropriations in the Light & Power Fund. The 2019-2020 budget will need to utilize \$0.3M of this balance in 2019 with the 2020 budget showing \$0.3M being added back to reserves.

CITY FINANCIAL IMPACTS

The use of this unanticipated revenue to meet the purchased power obligations will reduce the Light and Power Enterprise Fund available reserves from \$5.2M as of November 1, 2018 to \$3.0M in order to ensure that the enterprise fund remains below the 2018 budget.

With the proposed 5.0% electric service rate increases in 2019 and 2020 this enterprise fund is expected to begin generating positive operating income, which will add to the available reserve balance for future capital needs.

Fund 501 Reserves

	\$M
Reserve Balance 12/31/2017	\$33.5
LESS Minimum Required Reserves	(\$8.4)
LESS Appropriations Prior to 12/31/2017	(\$9.2)
LESS 2018 Budget Use of Reserves	(\$4.5)
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Reserves Available 01/01/2018	\$11.4
LESS 2018 Appropriations to date	(\$8.4)
LESS 2019-20 Budget Use of Reserves	(\$0.3)
PLUS 2018 Unanticipated Revenues	\$2.8
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Reserves Available 11/1/2018	\$5.5
LESS Appropriation Request being made here	(\$2.5)
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Reserve Balance after this appropriation	\$3.0

ORDINANCE NO. 138, 2018
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING UNANTICIPATED REVENUE IN THE LIGHT AND
POWER FUND FOR PURCHASED POWER EXPENSES

WHEREAS, through October 2018, the Light & Power Utility Energy Services Division received unanticipated revenues from retail operation of the electric utility in the amount of \$2,800,000; and

WHEREAS, through October 2018, the Light & Power Utility Energy Services Division also experienced unanticipated purchased power expenses under energy purchase transactions with Platte River Power Authority (in the amount of \$2,900,000), which purchases were necessary for retail operation of the electric utility; and

WHEREAS, Utilities staff recommends aligning unanticipated Light & Power Utility operating expenses and revenues with the approved 2017-2018 budget to reconcile realized differences in budgeted amounts and minimize potential impacts to enterprise fund reserves, which will require an appropriation of \$2,500,000 from unanticipated revenues in the Light and Power Fund received in fiscal year 2018; and

WHEREAS, Utilities staff recommends Council appropriate these unanticipated Light & Power Utility Energy Services Division revenues received through October 2018 to fund the unanticipated excess energy purchase costs necessary to operate the City's electric utility during that period; and

WHEREAS, appropriating unanticipated Light & Power Utility Energy Services Division revenues as recommended will serve the purpose of paying City electric utility operating costs, while maintaining funds for the replacement of depreciated property and the extension, improvement and betterment of said utility for the benefit of electric utility rate payers; and

WHEREAS, Article V, Section 9 of the City Charter permits the City Council, upon recommendation of the City Manager, to make supplemental appropriations by ordinance at any time during the fiscal year, provided that the total amount of such supplemental appropriations, in combination with all previous appropriations for that fiscal year, does not exceed the current estimate of actual and anticipated revenues to be received during the fiscal year; and

WHEREAS, this appropriation benefits public health, safety and welfare of the citizens of Fort Collins and serves the public purpose of supporting the delivery of essential government services, including electric power and emergency communication; and

WHEREAS, the City Manager has recommended the appropriation described herein and determined that this appropriation is available and previously unappropriated from the Light and Power Fund and will not cause the total amount appropriated in the Light and Power Fund to exceed the current estimate of actual and anticipated revenues and reserves to be received in that fund during the 2018 fiscal year.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That there is hereby appropriated from unanticipated revenue in the Light and Power Fund the sum of TWO MILLION FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000) for purchased power expenses.

Introduced, considered favorably on first reading, and ordered published this 20th day of November, A.D. 2018, and to be presented for final passage on the 4th day of December, A.D. 2018.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 4th day of December, A.D. 2018.

Mayor

ATTEST:

City Clerk