

**Discussion ~ Direction** on the funding  
source for the FY17 Electric Fund  
subsidization

# Memo

**Thru:** Mark Gorman, Municipal Administrator

**To:** City and Borough of Sitka Assembly

**From:** Jay Sweeney, Chief Finance and Administrative Officer

**Date:** April 17, 2017

**Re:** **Source of Funding For Supplemental FY2017 Electric Utility Subsidization**

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Mayor Hunter and Assembly Members,

In previous testimony and presentations to the Assembly, Administration has consistently advised that an additional supplemental subsidization of the Electric Fund in FY2017, in addition to the \$1,650,000 already appropriated, would likely be required. The extended public process surrounding the passage of a 15% user fee increase this spring has made the necessity for an additional subsidy now a certainty.

Given both revenue and expense data through March 31<sup>st</sup>, coupled with projected additional electricity revenue for May and June anticipated in conjunction with passage of a rate increase on 3<sup>rd</sup> reading of the ordinance on April 25<sup>th</sup>, Administration estimates that an additional subsidy of \$235,000 will be required.

It is important to emphasize, however, that the exact amount of an additional subsidy can't be estimated precisely in advance, as the subsidy is dependent on electricity consumption through the remainder of the year.

Given the above, Administration recommends that (1) the Assembly appropriate \$400,000 as an additional subsidy, in order to afford Administration the latitude to meet covenant requirements if the \$235,000 estimate proves too conservative, and (2) that the General Fund be the source of the additional funding for the appropriation. It is important to note that while a larger appropriation would provide the legal authority to transfer up to the appropriation limit, only the amount necessary to meet the minimum covenant will be actually transferred.

While Administration is recommending that General Fund unassigned fund balance be used as the source of the appropriation, other options do exist. These options include the Bulk Water Fund, Southeast Alaska Economic Development Fund, LID Revolving Fund and LID Guarantee Fund. An ordinance will be required to affect the required transfer appropriation, and, Administration plans to introduce that ordinance for 1<sup>st</sup> reading at the May 9<sup>th</sup> Assembly meeting. The appropriation ordinance will specify the General fund as the funding source for the appropriation unless the Assembly directs otherwise; hence, that is the reason this topic has been scheduled for Assembly discussion and direction.