

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Adoption of Resolution 5110 Approving a Revised Methodology for Determining the Contribution in Lieu of Tax Payment on Electricity Sales from the Eugene Water & Electric Board

Meeting Date: July 14, 2014
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 3D
Staff Contact: Kristie Hammitt
Contact Telephone Number: 541-682-5524

ISSUE STATEMENT

This item is a follow-up to the information the City Manager presented to the Budget Committee related to an alternative CILT methodology as part of the FY15 Proposed Budget Strategies on February 26, 2014. This resolution will replace previous Contribution in Lieu of Taxes (CILT) agreements around the amount and methodology for calculating CILT payments.

BACKGROUND

The Eugene Water and Electric Board (EWEB) has made CILT payments to the City since 1943. In 1976, when a new City Charter was approved, the CILT rate was set at 1976 rates (generally 6%) to be changed in the future only with mutual approval by both the EWEB Board and the City Council. Over time the CILT calculation has evolved and become more complex particularly in the area of wholesale power sales. While wholesale power sales have historically been volatile and unpredictable, changes in the electric power market in recent years have made it more challenging to determine net revenues from some electric generating sources. These changes have made it difficult to predict future CILT payments which have created uncertainty for both the City and EWEB when preparing forecasts and budgets.

This resolution simplifies the payment methodology and creates stability in future cash flows by creating two components: a retail percentage of operating revenues from retail electric sales set at 6% and an annual payment of no less than \$825,000, to be inflated over time. The new methodology would begin January 1, 2015.

The EWEB Board is scheduled to take action on the new CILT methodology on July 22, 2014.

RELATED CITY POLICIES

City Council Goals and Outcomes: Effective, Accountable Municipal Government
A government that works openly, collaboratively, and fairly with the community to achieve measurable and positive outcomes and provide effective, efficient services.

- Stronger partnership between government entities.

COUNCIL OPTIONS

The council may:

1. Adopt the proposed resolution as submitted or with modifications.
2. Take no action.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends adopting the resolution to provide a revised methodology for determining future CILT payments.

SUGGESTED MOTION

Move to adopt Resolution 5110 approving a revised methodology for determining the CILT payment on electricity sales from the Eugene Water & Electric Board.

ATTACHMENTS

A. Resolution 5110

FOR MORE INFORMATION

Staff Contact: Kristie Hammitt
Telephone: 541-682-5524
Staff E-Mail: kristie.a.hammitt@ci.eugene.or.us