



August 18, 2017

Memo to: City Council
From: Brian Carlson, Finance Director
Re: 2018 Budget Topic: Energy Assistance

SUMMARY:

For several years Council has funded the **Energy Assistance** program, which has been a \$550 payment on behalf of each household, paid directly to the utility providers. Total annual program cost is \$700K. Staff is requesting Council direction in advance of the October budget work sessions, so as to plan and schedule the related administrative work, which begins in September/October. The needed funding would be included in the 2018 Budget as a transfer from General Fund to *Reserve Funds / Energy Assistance Reserve*.

BACKGROUND:

- The program in its current format benefits approximately 1,300 households.
- Pursuant to City Code, beneficiary payments are first applied to any delinquent taxes or fees owed to the City. This is typically \$30k - \$40k.
- Remaining payments are typically allocated to CVElectric (\$330K), Crowley (\$200K), and PetroStar (\$130K)
- Beneficiaries must show proof of a current utilities account as of year-end, and must complete an application, which provides census data to other departments, unrelated to the program itself.
- Though payments are made directly to the utilities providers, they are taxable income to the beneficiaries. The City would be obligated to issue an **IRS Form 1099** if the payment is \$600 or greater.

ANALYSIS:

- The program provides nominal relief from status-quo energy usage via direct subsidy. Its costs are not leveraged so as to change the status-quo model of energy consumption or energy efficiency.
- It is not tied to underlying energy costs or other costs of living, though it was initially funded in reaction to a spike in energy costs. See the attached **Alaska Economic Trends, July, 2017** for additional regional cost-of-living data.

- Any City-funded support/subsidy program can pay for itself if it increases (or retains) the population. For example, each addition to Valdez' population increases the statutory **revenue cap** by approximately \$350,000, i.e. moves the "green line" by adding to what the City may retain for operations. The program is not structured around this dynamic.
- If the program is changed in such a way that triggers issuance of IRS Form 1099, Finance Department would likely need temporary staff to absorb the additional workload.

CONCLUSION / RECOMMENDATIONS:

This report is only a cursory review of the Energy Assistance program, and is meant to initiate two conversations among Council Members:

1. Whether and to what extent to fund the status-quo program in 2018, so as to enable Finance staff to budget and prepare accordingly, and
2. How to align this and other City support-programs so as to attain maximum leverage with respect to overall City goals, and efficiency with respect to program costs.

ATTACHMENTS:

Alaska Economic Trends, July, 2017