

# CITY OF REDDING, CALIFORNIA

## Council Policy

SUBJECT	Resolution Number	Policy Number	Effective Date	Page
DEBT REDUCTION FUND	96-218	1405	12-03-96	1

**Background**

The City Council provides financial oversight and fiscal management for the City of Redding Electric Utility and has authority to establish appropriate rates, fees, and charges to guarantee the financial integrity of the Utility. In addition, the City Council has the responsibility and authority to establish special-purpose funds within the Electric Utility fund to provide a means of accumulating proceeds to finance anticipated, major, future expenditures to pay debt or to provide rate stabilization.

In 1996, the state legislature passed AB 1890 which, among other things, will necessitate that the City of Redding is able to lower its rates in 2001. To accomplish that, the City must be able to reduce its total debt and its annual debt payments. As a result, during its regular meeting of November 19, 1996, the City Council voted unanimously to establish a rate reduction account within the rate stabilization fund to be used as the City Council may determine at its discretion in the future.

**Purpose**

It is the purpose of this policy to establish a rate reduction account as a subaccount within the rate stabilization fund (RRF) and to enable the flow of new funds into the RRF to reduce impacts on future electric rates and to enhance Redding's ability to provide competitive electric rates.

**Policy**

1. There is hereby established a rate reduction account as a subaccount within the rate stabilization fund which shall be funded by any revenue collected from a specific rate increase for electric restructuring purposes, benefits resulting from debt restructuring, cost savings in the Electric Utility, competition transition charge, wholesales revenue enhancements, some year-end carryovers, etc.
2. Proceeds from this fund shall be used solely for the purpose of industry restructuring, including, without limitation, debt restructuring or repayment, unless otherwise directed by the City Council; but in no case shall proceeds from this fund be used for non-Electric Utility purposes.

**Procedure**

1. The City Council directs the City's Finance Division to create a rate reduction fund within the Electric Utility fund.
2. Revenue identified by this policy shall be deposited into the RRF unless otherwise directed by the City Council.
3. Any interest earned on the fund shall be applied to the fund balance.

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4. The City Council shall approve, in accordance with this policy, any appropriations to be made from the RRF to reduce debt or lower customer rates.
  
5. The monthly financial report for the Electric Utility shall include a RRF monthly statement reporting all RRF activity, including beginning balance, receipts and expenditures, and ending balance..
  
6. City of Redding utility bills shall include as soon as practicable as a special line item all costs relating to any rate increase initiated for debt repayment associated with restructuring together with the total amount of debt the Utility has on the books.

**Amended on February 18, 1997, by Resolution No. 97-022.**  
**RESCINDED ON JUNE 18, 2002, BY RESOLUTION NO. 2002-98**

RESOLUTION NO. 2002- 98

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDDING ELIMINATING THE 23% INTERIM ELECTRIC RATE SURCHARGE AND RESCINDING COUNCIL POLICY NO. 1405 ENTITLED *RATE REDUCTION FUND*, BOTH EFFECTIVE JULY 1, 2002.**

**WHEREAS**, at its June 4, 2002, meeting, the City Council concluded that the Electric Rate Reduction Program had been completed successfully;

**THEREFORE, BE IT RESOLVED** that the City Council of the City of Redding hereby eliminates the 23% Interim Electric Rate Surcharge, effective July 1, 2002; and that Resolution No. 97-64 establishing the surcharge be rescinded, effective July 1, 2002.

**BE IT FURTHER RESOLVED** that Resolution No. 96-218 adopting Council Policy No. 1405 entitled *Rate Reduction Fund*, governing the use of related proceeds, be rescinded effective July 1, 2002.

**I HEREBY CERTIFY** the foregoing resolution was introduced, read and adopted at a regular meeting of the City Council of the City of Redding on the 18<sup>th</sup> day of June, 2002, by the following vote

<b>AYES:</b>	<b>COUNCIL MEMBERS:</b>	Cibula, McGeorge, Pohlmeier, Stegall and Kight
<b>NOES:</b>	<b>COUNCIL MEMBERS:</b>	None
<b>ABSENT:</b>	<b>COUNCIL MEMBERS:</b>	None
<b>ABSTAIN:</b>	<b>COUNCIL MEMBERS:</b>	None

  
\_\_\_\_\_  
**PAT KIGHT, Mayor**

**Attest:**

  
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**Connie Strohmayer, City Clerk**

**Form Approved:**

  
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**W. Leonard Wingate, City Attorney**