

Garland Power and Light

Transfers and Support to Other City Funds

August 21, 2008

GP&L Support of the General Fund

Balance Between

*Low Property Tax Rate
Quality City Services*



*Competitive Electric Rates
L-T Financial Health of Utility*

GP&L Support and Transfers

Funding Support

- *Return on Investment (ROI).*
- *Services Provided at Discounted Rate or for No Reimbursement.*

Reimbursement of Expenditures

- *G&A Charges.*
- *Support Service Charges.*

Return on Investment (ROI)

- Applies a percentage rate to the three-year moving average of the Electric Utility's revenue.
- The three-year moving average consists of revenues from the three most recently completed fiscal years.
- Current ROI rate is 7.4% - yields a transfer of \$18,168,500 in the 2008-09 Proposed Budget.
- City of San Antonio's City Public Service – 14.0% ROI.
City of Austin's Austin Energy – 9.1% ROI.

[Other GP&L Supports]

(1) Intra-City Power Rate	\$ 3,032,800
(2) Street Light Maintenance	2,174,200
(3) Ball Park Lighting	61,500
(4) Tree Trimming	50,000
(5) Christmas on the Square	<u>39,000</u>
Total Services Provided	\$ <u>5,357,500</u>

GP&L also provides community support and sponsorships of approximately \$60,000 a year.

[Total Support from GP&L]

■ Return on Investment	\$ 18,168,500
■ Services Provided	<u>5,357,500</u>
Total GP&L Support	\$ <u>23,526,000</u>

Equates to 8.4% of GP&L's 2008-09 Projected Revenue.

Subsidy Portion of GP&L Transfers

■ If GP&L Were an Investor-Owned Utility (IOU)

Payments to the City of Garland for the following:

○ City Property Taxes	\$ 1,647,000
○ City Franchise Fees	<u>4,671,000</u>
Total Payments to City as IOU	\$ <u>6,318,000</u>

■ Calculation of GP&L Subsidy

○ Total Support of General Fund	\$ 23,526,000
○ Payments by GP&L as IOU	<u>(6,318,000)</u>
Net Subsidy	\$ <u>17,208,000</u>

Tax-Exempt Benefit to GP&L

Annual Benefit

City, School and County Property Taxes	\$ 5,931,000
City Franchise Fees	4,671,000
Federal Income Tax	1,358,000
State Franchise Tax	833,000
PUC Assessment Fees	377,000
Tax-Exempt Debt v Taxable Debt Service	2,623,000
Foregone Annual Dividends	<u>4,029,000</u>
Total Benefit of Tax-Exempt Status	<u>\$19,822,000</u>

General and Administrative Charges

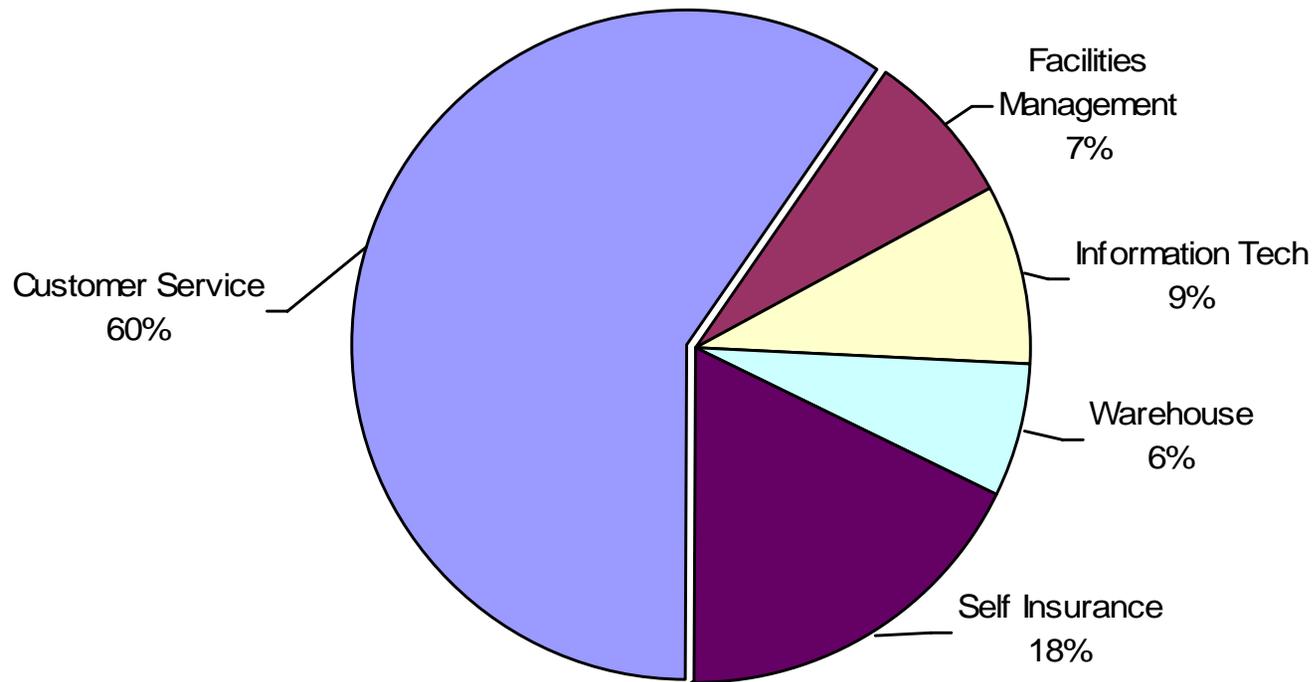
- General and Administrative (G&A) –
Services provided by Financial Services, Budget, Purchasing, Human Resources, Internal Audit, and the City Attorney's Office, as well as others.
- All City Funds are Assessed a G&A Charge –
13.25% of each fund's salary and benefit costs.
- FY 2008-09 Proposed Budget - G&A charges to GP&L –
\$3.0 million.

[Support Service Charges]

- Support Service Departments provide services to other City departments. Recover their expenditures through an allocation of costs to user departments.
- Customer Service, Facilities Management, Information Technology, Warehouse, and Self Insurance recover their cost through an annual Allocation Plan.

Support Services Allocation

GP&L's Allocated Support Service Charges - \$9.5 million
\$5.7 million (60%) Customer Service which is within the oversight of GP&L



Impact of GP&L Subsidies

- Subsidies borne by GP&L are \$17.2 million a year.
Equates to approximately .0083 cents per kWh.
- Assuming subsidies are spread equally across kWh usage.
- Assuming the average residential usage is 1,300 kWh per month (15,600 kWh per year).
- Subsidies for average GP&L residential ratepayer.
\$129.50 per year (\$10.79 a month).

Disproportionate Share of Subsidy

- Approximately 15% of Garland is served by other power providers.
These individuals and businesses do not bear any portion of the \$17.2 million in subsidies.
- The disproportionate share of subsidies borne by GP&L ratepayers is \$2.6 million.
\$17.2 million x 15% = \$2.6 million.
- For the average homeowner on GP&L, the disproportionate share of the subsidies:
\$19.42 a year (\$1.62 a month).

If GP&L Subsidies Were Replaced with Property Taxes

- **Property Tax Rate Increase**

16-Cent increase required to fund the \$17.2 million in subsidies.

- **Impact of the 16-cent Tax Rate Increase**

\$188.68 a year for a home valued at \$128,182.

(average value of homestead properties)

- **Reduce Services - \$17.2 million**

Equivalent to eliminating the Parks and Recreation, Library, Code Compliance, Building Inspections, and Community Relations Departments.

Property Taxes v. GP&L Subsidies

- **\$17.2 million Funded as Subsidies through GP&L**

Cost average GP&L residential customer \$129.50 a year.

- **\$17.2 million Paid through Property Taxes**

Cost average homeowner \$188.68 a year.

\$59.19 (45%) more than funding as GP&L subsidies.

There is an advantage to the average residential homeowner – even those serviced by GP&L – for the \$17.2 million to be funded as subsidies rather than through property taxes.

Homestead properties represent 42% of the tax base.

Homeowners consume an estimated 34% of GP&L's kWh usage.

Very Important to Note

- Funding through GP&L subsidies shifts a portion of the cost from residential homeowners to commercial businesses and those entities and individuals that do not pay property taxes, such as not-for-profit organizations and renters.
- Property taxes are deductible from Federal income tax for those who itemize deductions, whereas utility payments are not. Assuming a 15% tax rate – the net benefit of funding the \$17.2 million as subsidies would be reduced from \$59.19 a year to \$50.31 for the average homeowner.
- Calculations are based on averages. The advantage to any specific individual homeowner is dependent on their actual electric usage and the assessed property value of their residence. There could be situations where it is more costly to a specific homeowner for the subsidies to be funded through GP&L.

[Questions]

Balance Between

*Low Property Tax Rate
Quality City Services*



*Competitive Electric Rates
L-T Financial Health of Utility*