



Budget FY 2013-14

Other Highlights Explained

Utility Fund Transfers <u>and</u> Certain Other Payments (In Millions)	FY2013 Projection	FY2014 Recomm. Budget
Utility extension in Phase V annexation areas	\$2.53	\$3.79
Fleet maintenance services	4.80	5.00
Payment on behalf of Fort Bragg for the water service contract	0.95	0.97
Electric franchise tax resulting from new power supply contract	0.50	0.50
Purchasing services	0.29	0.44
Black and Decker agreement and prior annexation debt service	0.41	0.41
Fiber services (estimated)	0.20	0.20
Total	\$9.68	\$11.31

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Utility extension in Phase V annexation areas	\$2.53	\$3.79

There is an operational memorandum between the City and PWC setting out the method of calculating the annual contribution to the General Fund based on 3.1% of the net asset value of the electric fund. A separate, but related agreement to fund Phase V requires the City to rebate any growth in this payment in excess of 0.85% per year to PWC to support Phase V capital costs. As you can see above, the rebate is growing as the funding that the General Fund can keep is held to a small growth rate.

This schedule was adjusted during the FY13 budget process to support Police hiring.



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Fleet maintenance services	4.80	5.00

The operational agreement on this item discusses agreed rates to cover direct costs, but the practice in recent years has been for PWC to establish a budget without City involvement. That budget is then incorporated into the City’s budget and the City has been required to pay a “true up” cost if the rates set by PWC do not fully cover the fully loaded fleet internal service fund annual costs. Capital, labor, and overhead charges are increasing the projected cost to the General Fund.

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Payment on behalf of Fort Bragg for the water service contract	0.95	0.97

With the annexation of Fort Bragg, the City became eligible to receive a gross receipts tax on electric sales in that annexed area. Fort Bragg wanted wholesale water service, but didn’t want to pay for the extension of the water main. A three party agreement was executed requiring the City to contribute 75% of the tax derived from the annexed area to PWC until the cost of the water main extension is paid.



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Electric franchise tax resulting from new power supply contract	0.50	0.50

When PWC recently decided to enter into a full requirements contract with Progress Energy (Duke Energy Progress), it was recognized that this change would increase the amount of gross receipts tax the City would receive. This tax is collected by the State on non-municipal utilities. PWC requested and received a commitment for the City’s General Fund to rebate 31.25% of the growth in this tax back to PWC for the benefit of its Water Services fund. The purpose being to subsidize utility capital costs associated with Phase V. The amount of the annual transfer will be fixed and the transfer is scheduled to continue until PWC’s commitment to Phase V Annexation project funding is fulfilled.

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Purchasing services	0.29	0.44

The purchasing function was centralized under PWC management under the terms of an operational memorandum that provides for the annual cost reimbursement from the General Fund to PWC be established annually through consultation between the City Manager and PWC General Manager. The General Fund contribution has remained fixed for a number of years, but PWC placed a significant increase in the General Fund contribution in their recommended budget this year.



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Utility Fund Transfers <u>and</u> Certain Other Payments (In Millions)	FY2013 Projection	FY2014 Recomm. Budget
Black and Decker agreement and prior annexation debt service	0.41	0.41

When Black and Decker (B&D) ceased operating, it would have owed PWC an early termination penalty for an energy purchase agreement. In an agreement between B&D, PWC and the City, the early termination penalty was waived in exchange for B&D requesting voluntary annexation of its property. Under the agreement, the City must remit 83% of property taxes received through the end of FY 2014 to the Electric Fund.

Under the Phase V funding agreement, the PWC transfer to the City is scheduled to be reduced by \$385,200 annually through FY 2021. That funding reduction relates to a share of debt service payments for prior annexation area projects.

Utility Fund Transfers <u>and</u> Certain Other Payments (In Millions)	FY2013 Projection	FY2014 Recomm. Budget
Fiber services (estimated)	0.20	0.20

PWC has installed a fiber network to support utility operations. Other operations have requested access to this system for data communication. PWC charges a \$425/month per connection rate to General Fund operations.