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	39,000
	Total Services Provided	$ 5,357,500

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	5,357,500
Total GP&L Support	$ 23,526,000

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	4,671,000
Total Payments to City as IOU	$ 6,318,000

- **Calculation of GP&L Subsidy**

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

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	4,029,000
Total Benefit of Tax-Exempt Status	$19,822,000

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

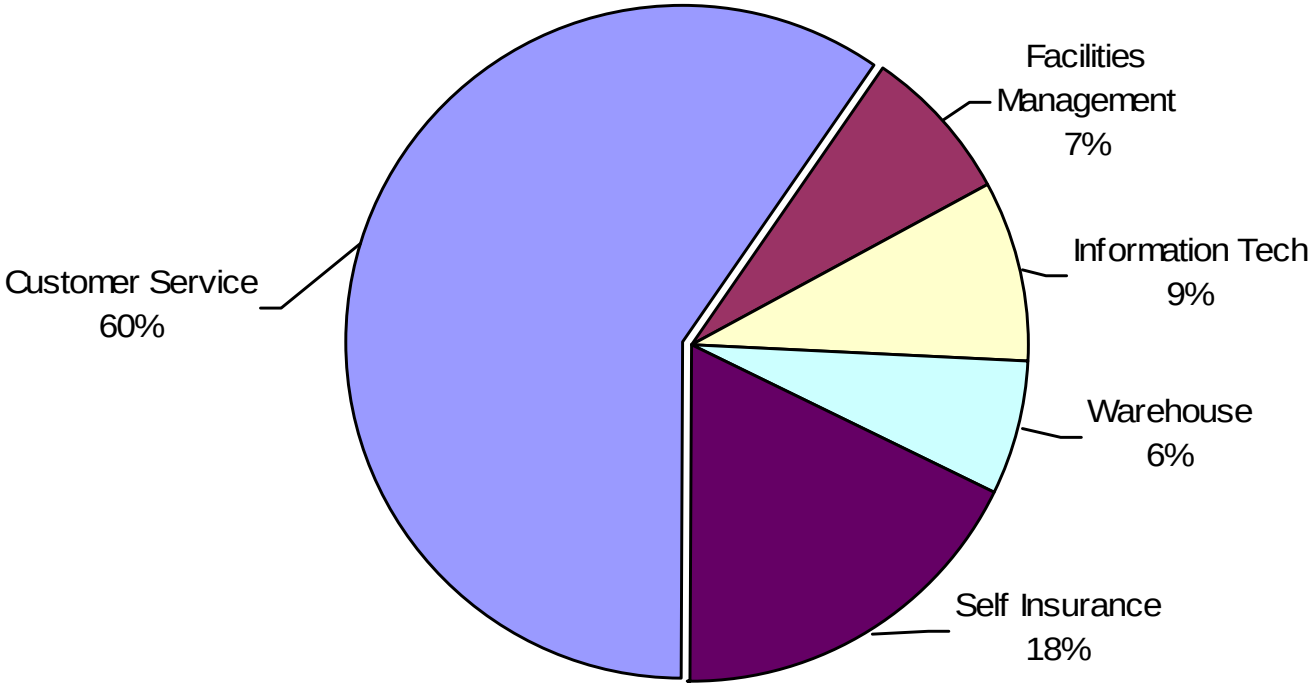
- Support Service Departments provide services to other City departments. Recover their expenditures through an allocation of costs to user departments.

- 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. <u>There could be situations where it is more costly to a specific homeowner for the subsidies to be funded through GP&L.</u>

Questions

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