

Transfer of Enterprise Funds to Another Fund

UTAH STATE CODE § 10-6-135.5

JUNE 10, 2020

PUBLIC HEARING



Is this legal?

Utah State Code Section 10-6-135.5

“...a city may transfer money in an enterprise fund to another fund to pay for a good, service, project, venture, or other purpose that is not directly related to the goods or services provided by the enterprise for which the enterprise fund was created.”

A city can transfer from an enterprise fund to another fund for any reason.

West Jordan enterprise funds are water, wastewater (sewer), solid waste (garbage/recycling), storm water, and streetlight.



Utah State Code Section 10-6-135.5

NOTICING REQUIREMENTS

1. Provide notice of the intended transfer
2. Clearly identify the transfer in the budget
3. Provide notice of an enterprise fund hearing
4. Hold a public hearing

PUBLIC HEARING REQUIREMENTS

1. Hearing must be separate and independent
2. Explain the intended transfer
3. Provide enterprise fund accounting data to the public
4. Allow comment

Isn't this just a tax?

Yes.

It is the same as the franchise tax that every utility customer pays on their electric, natural gas, cable, and telecom bills.

A franchise tax is an amount paid to the City for the use of the City's property to provide a service.





Isn't this just a tax?

It's renting the City's space for a business.

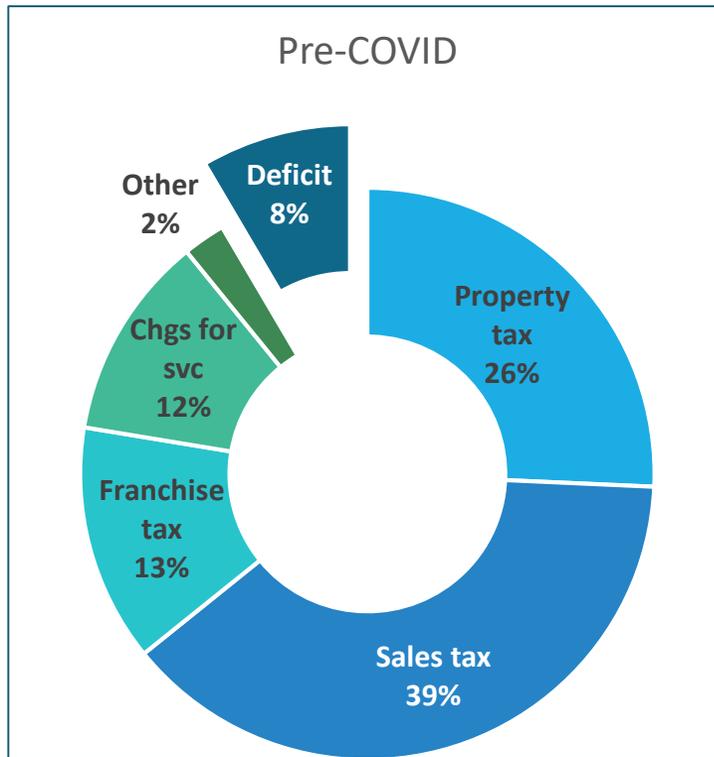
The water, sewer, solid waste, storm water, and streetlight utilities are considered businesses just like the power company.

These businesses use the City's space to provide their services.

This transfer pays for use and wear and tear on the City's roads.that space.



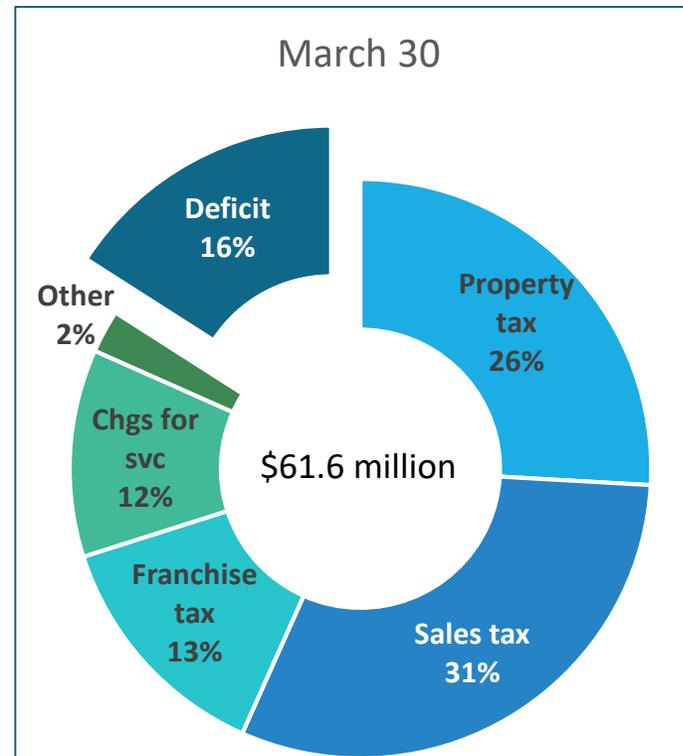
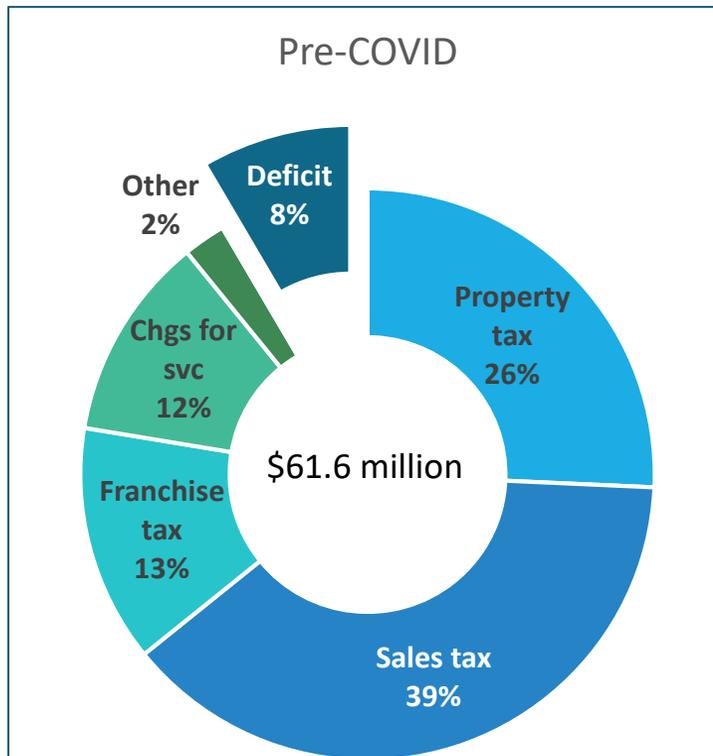
Why is the City doing this transfer?



General Fund Budget was imbalanced before COVID

Revenues:	\$56,403,954
Expense:	<u>(61,601,162)</u>
8% Deficit:	(\$ 5,197,208)

Reasons behind the transfer



COVID made things worse...

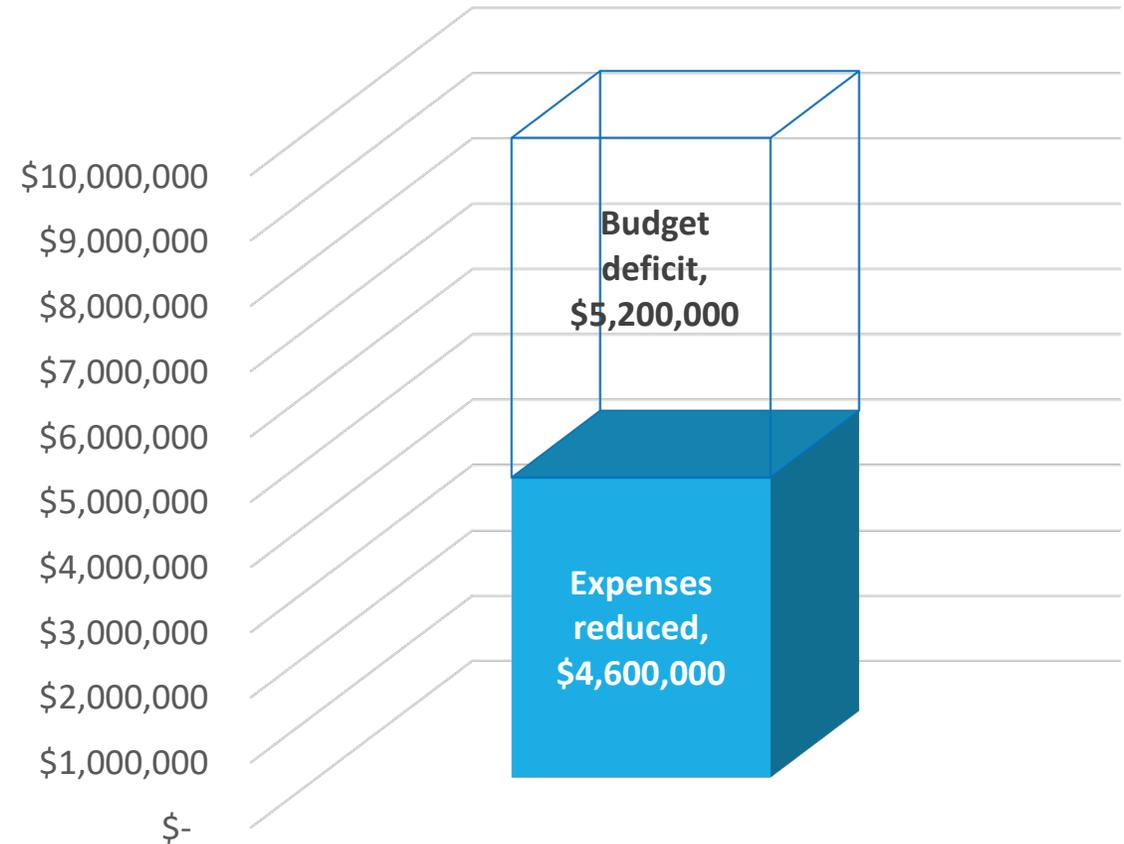
Revenues:	\$51,786,604
Expense:	<u>(61,601,162)</u>
16% Deficit:	(\$ 9,814,558)

Reasons behind the transfer

Reduced expense

(\$4.6 million)

1. Removed all wage increases
2. Personnel reductions
3. Reduced operations
4. Extended life on vehicles & equipment
5. No capital

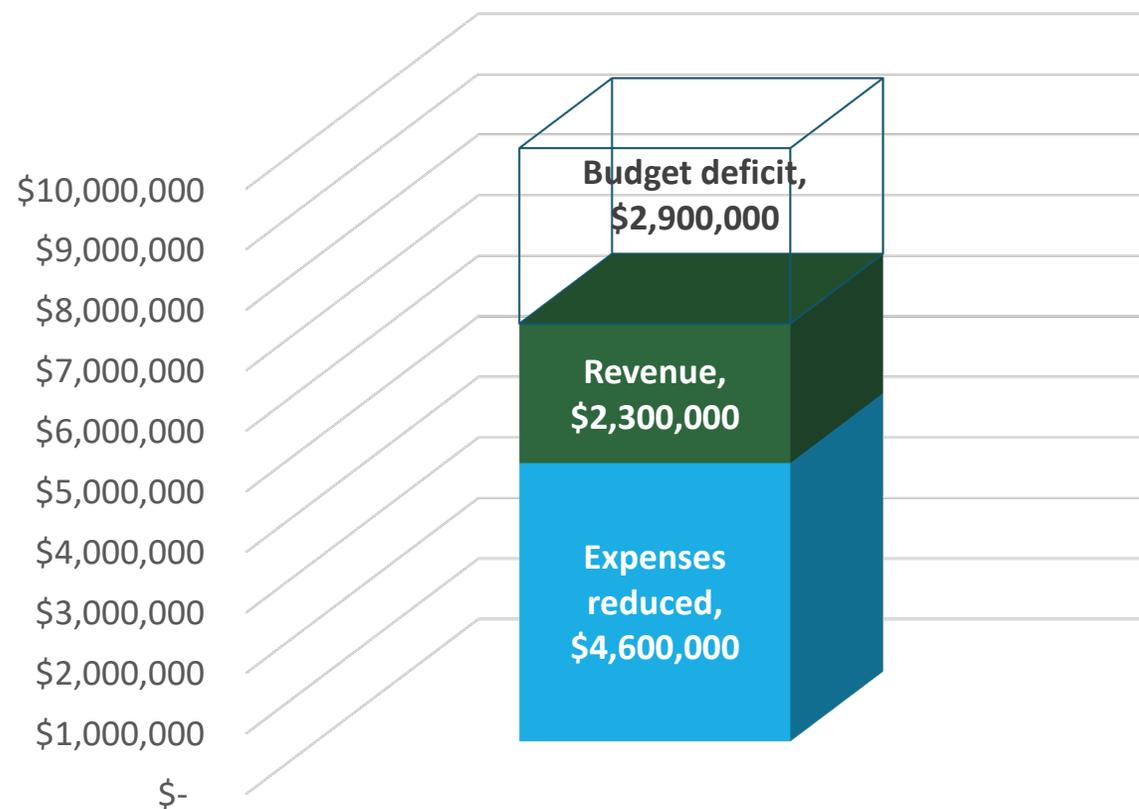


Reasons behind the transfer

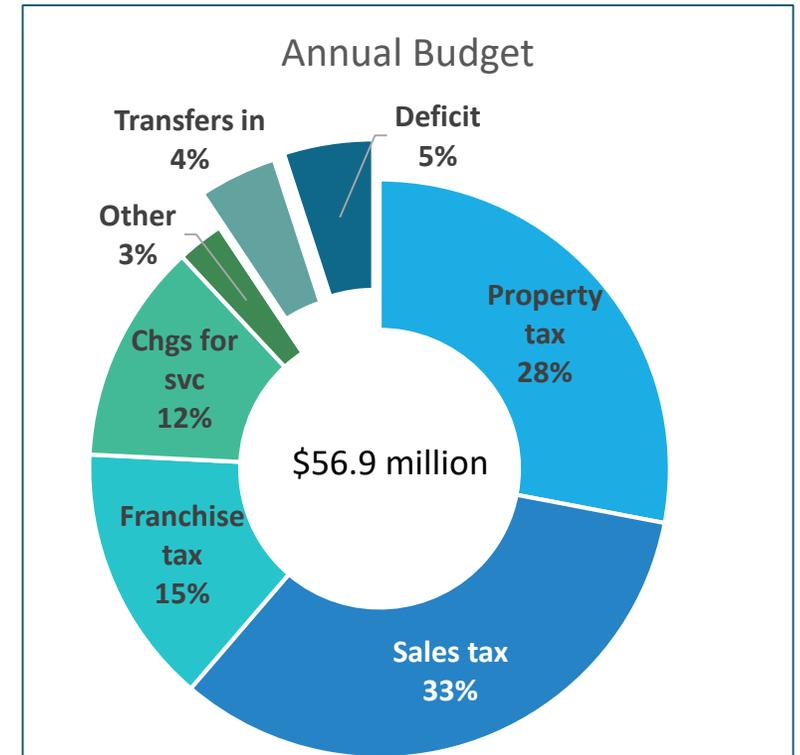
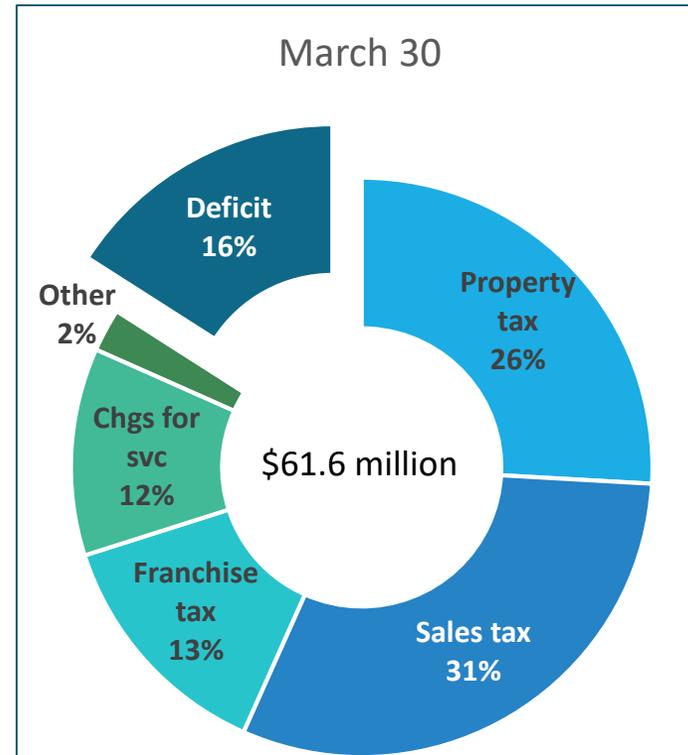
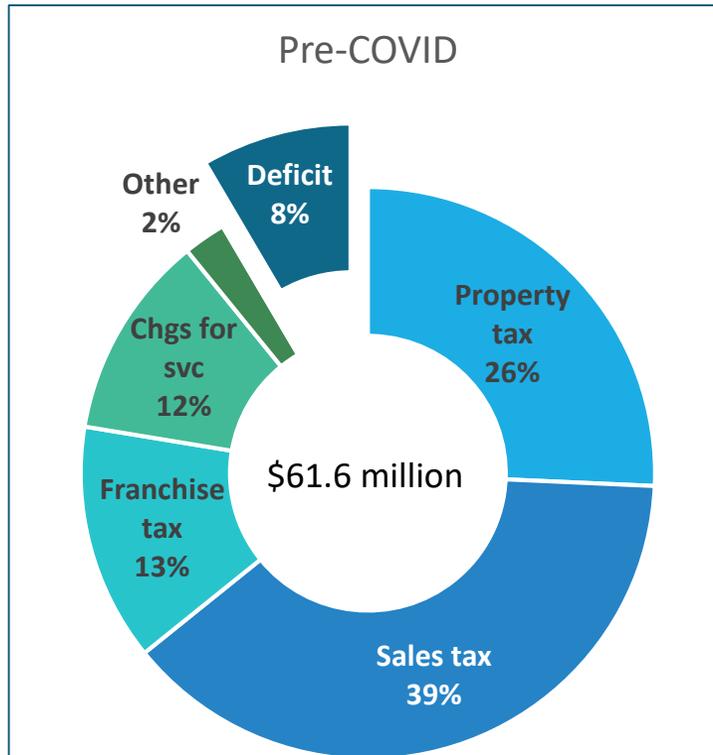
Reduced expense
(\$4.6 million)

Increased revenue
(\$2.3 million)

Property tax or utility transfer?



Reasons behind the transfer



Explain the intended transfer

Utility transfer

Property tax increase



Pro's and Cons

UTILITY TRANSFER

Pros:

- Less financial impact to residents
- No property tax increase
- Consumption tax
- All properties provide revenue for services (including airport, schools, churches, other gov't)
- Diversification of General Fund revenue

Cons:

- Perceived as a hidden tax
- Resident concern about source of funds

PROPERTY TAX INCREASE

Pros:

- Truth-in-taxation process encourages public communication and education
- Property tax is a stable revenue source and does not fluctuate with weather patterns

Cons:

- Financial impact to residents
- Required tax based on property value vs consumption
- Tax-exempt properties immune from increase

How much will this cost me?

UTILITY TRANSFER (5%)

Average Resident	Per month	Per year
Water	\$ -	\$ -
Garbage/Recycling	0.80	9.64
Sewer	1.22	14.65
Storm Water	0.28	3.35
Streetlight	-	-
Total	\$ 2.30	\$ 27.60

PROPERTY TAX INCREASE (15.75%)

Average Resident	Per month	Per year
Home value of \$335,700		
2019 Property tax	<u>\$29.25</u>	<u>\$350.99</u>
15.75% increase	\$ 4.60	\$ 55.28



Will this transfer happen every year?

Yes, this transfer will become a stable revenue source for the General Fund.

If this transfer were to go away, a property tax increase would be needed.





**THE
ELEPHANT
IN THE ROOM**

The City raised our water rates and told us it was because the water fund didn't have enough money and now you're telling us there is enough to transfer over a million dollars to the General Fund.

How can both things be true?



Water Rate Plan Modification

OCTOBER 2018

The Water Utility doesn't have enough money

1. Bonds are in jeopardy
2. System requirements aren't being met

External Rate study

Rate increase: 33%

Future rate increases: 8%

JUNE 2020

The Water Utility can transfer \$1.3 million to the General Fund

Internal Rate study

Rate restructure

Future rate increases: 2-5%

Water Rate Plan Modification

GOALS

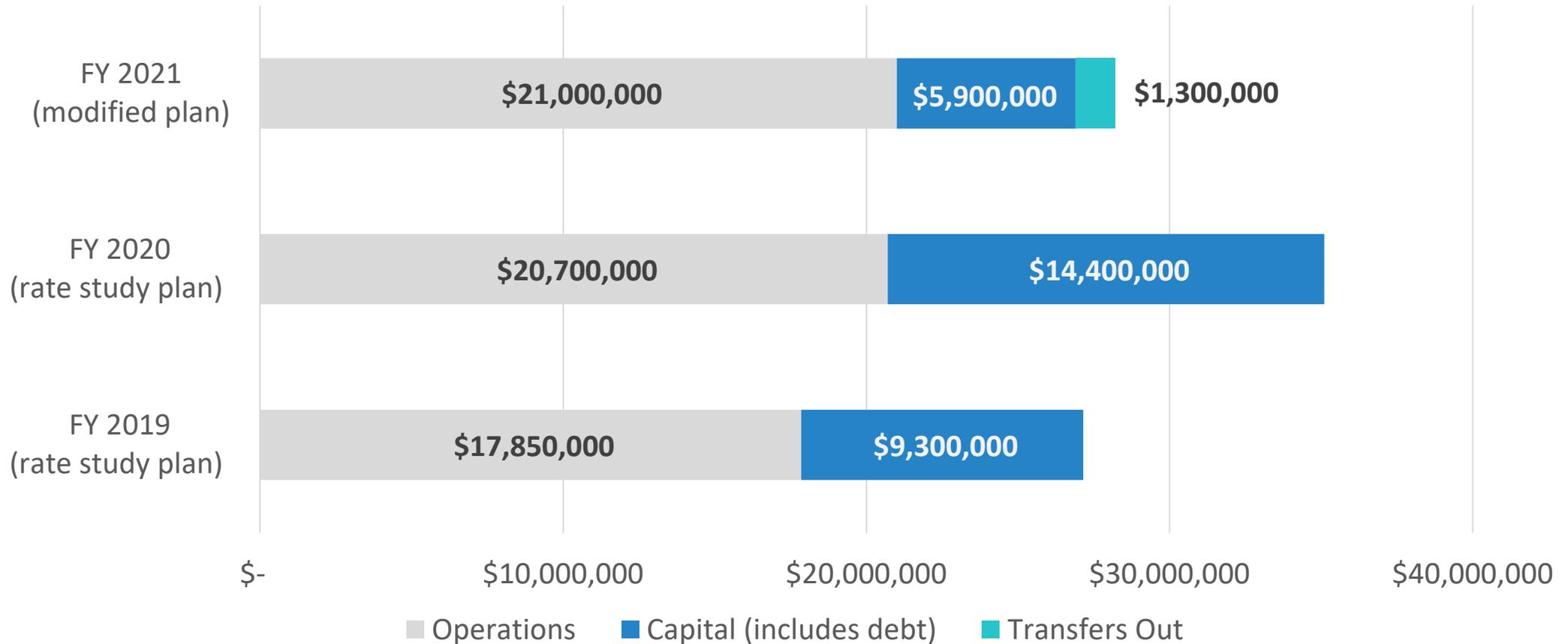
1. No revenue increase this year
2. Future rate increases below 5%
3. Equity between water users
4. Conservation



ACTION

1. Rates modified to provide equity between residential and commercial customers
2. Base rate reduced
3. 5-tier rate structure that encourages conservation
4. Project schedule normalized to less than \$6 million per year (including debt)

Water Rate Plan Modification





Water Rate Plan Modification

	Avg Gallons Used	Current Plan	Modified Plan	Savings
Oct-18	21,000	\$86.47	\$86.85	(\$0.38)
Nov-18	8,000	53.21	39.40	13.81
Dec-18	5,000	46.30	31.25	15.05
Jan-19	6,000	48.49	33.50	14.99
Feb-19	5,000	46.30	31.25	15.05
Mar-19	5,000	46.30	31.25	15.05
Apr-19	5,000	46.30	31.25	15.05
May-19	7,000	50.68	35.75	14.93
Jun-19	9,000	55.74	43.05	12.69
Jul-19	24,000	95.17	97.80	(2.63)
Aug-19	39,000	138.67	155.35	(16.68)
Sep-19	29,000	109.67	116.85	(7.18)
		<u>\$823.30</u>	<u>\$733.55</u>	<u>\$89.75</u>

The Modified Plan rates will be effective October 1, 2020.

Gallons used is based on the average residential usage for the months indicated. This represents water rates only.

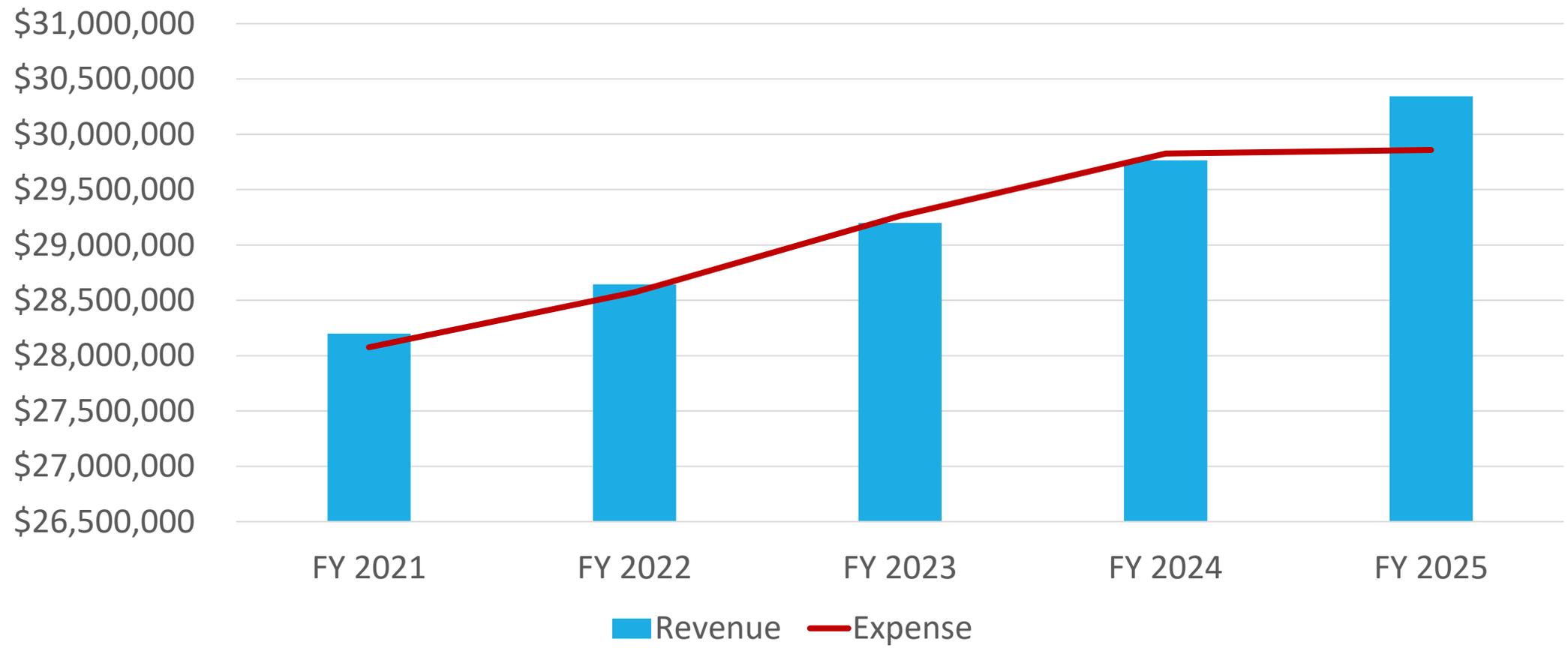


Accounting Data – Water Fund

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue	\$ 28,200,000	\$ 28,644,000	\$ 29,198,880	\$ 29,764,856	\$ 30,342,155
Expense					
Operations	(20,892,438)	(21,402,824)	(21,925,971)	(22,462,195)	(23,011,826)
Capital	(5,870,780)	(5,781,780)	(5,920,780)	(5,920,780)	(5,373,780)
Transfer Out	(1,312,500)	(1,387,200)	(1,414,944)	(1,443,243)	(1,472,108)
	(28,075,718)	(28,571,804)	(29,261,695)	(29,826,218)	(29,857,714)
Contribution (Use) of Reserves	124,282	72,196	(62,815)	(61,362)	484,441
Beginning Reserves	\$ 620,412	\$ 744,694	\$ 816,890	\$ 754,075	\$ 692,713
Ending Reserves	744,694	816,890	754,075	692,713	1,177,154



Accounting Data – Water Fund

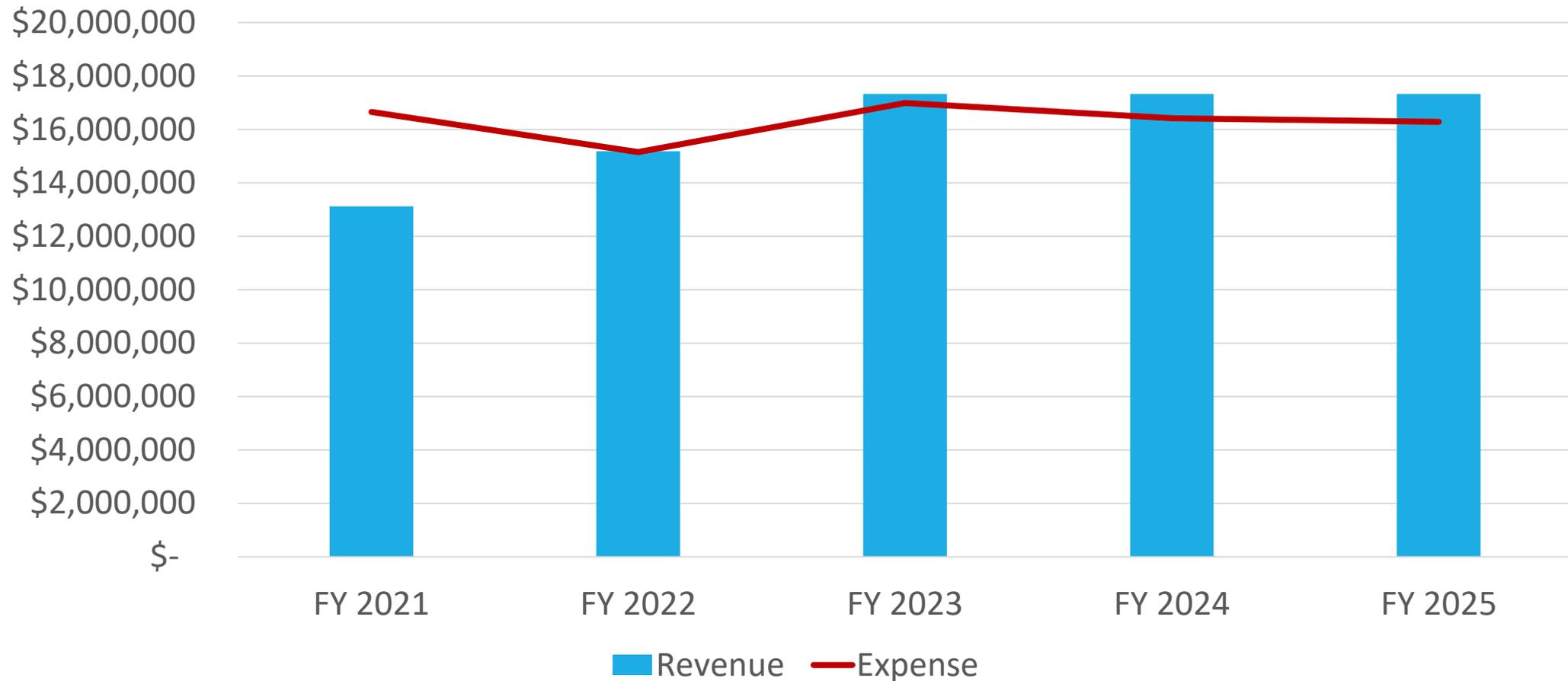




Accounting Data – Sewer Fund

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue	\$ 13,120,000	\$ 15,183,000	\$ 17,325,450	\$ 17,325,450	\$ 17,325,450
Expense					
Operations	(9,778,348)	(10,218,941)	(10,680,233)	(11,163,220)	(11,668,947)
Capital	(6,253,752)	(4,214,166)	(5,483,404)	(4,432,693)	(3,795,642)
Transfer Out	(621,000)	(714,150)	(821,273)	(821,273)	(821,273)
	(16,653,100)	(15,147,257)	(16,984,910)	(16,417,186)	(16,285,862)
Contribution (Use) of Reserves	(3,533,100)	35,743	340,540	908,264	1,039,588
Beginning Reserves	\$ 3,892,235	\$ 359,135	\$ 394,878	\$ 735,419	\$ 1,643,683
Ending Reserves	359,135	394,878	735,419	1,643,683	2,683,270

Accounting Data – Sewer Fund

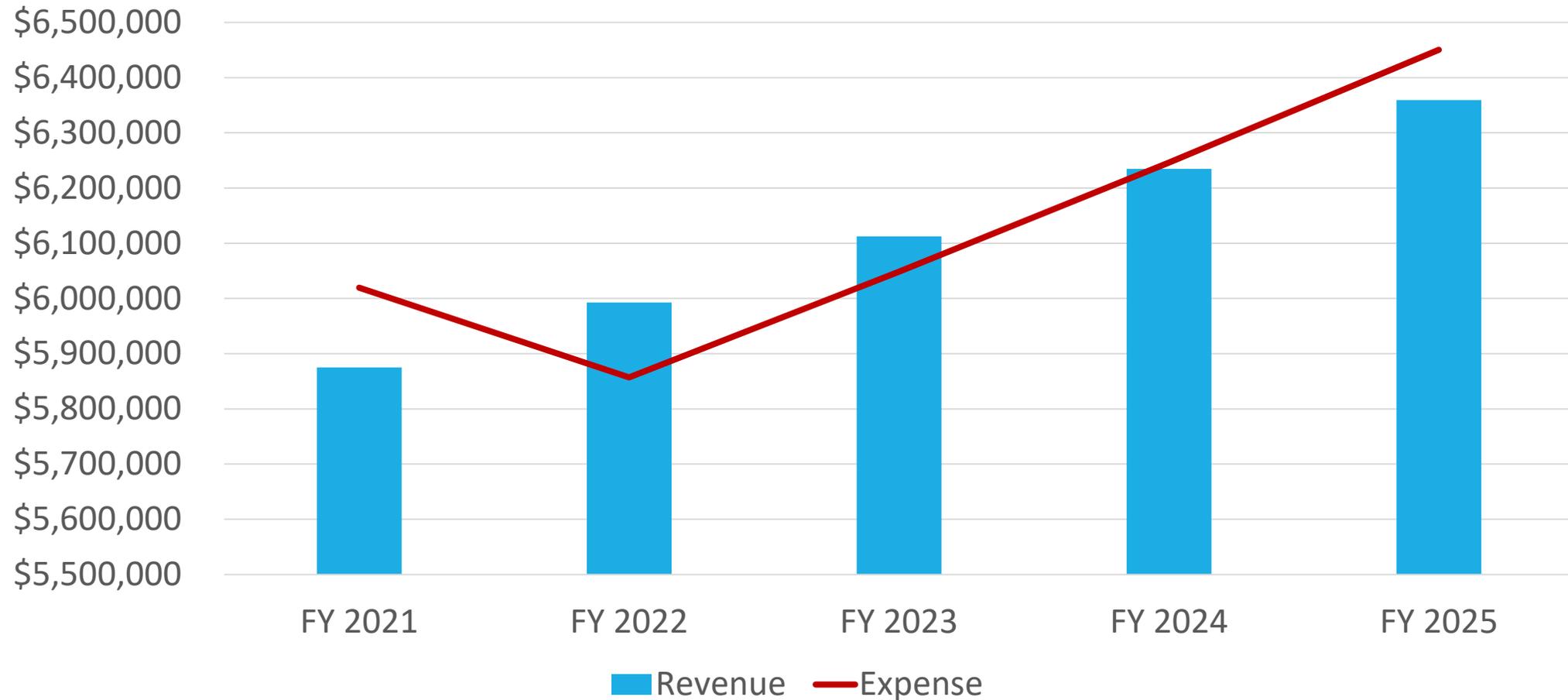




Accounting Data – Solid Waste Fund

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue	\$ 5,875,000	\$ 5,992,500	\$ 6,112,350	\$ 6,234,597	\$ 6,359,289
Expense					
Operations	(5,728,354)	(5,557,423)	(5,742,682)	(5,934,345)	(6,132,634)
Transfer Out	(291,250)	(299,625)	(305,618)	(311,730)	(317,964)
	(6,019,604)	(5,857,048)	(6,048,300)	(6,246,075)	(6,450,598)
Contribution (Use) of Reserves	(144,604)	135,452	64,050	(11,478)	(91,309)
Beginning Reserves	\$ 422,857	\$ 278,253	\$ 413,705	\$ 477,755	\$ 466,277
Ending Reserves	278,253	413,705	477,755	466,277	374,968

Accounting Data – Solid Waste Fund

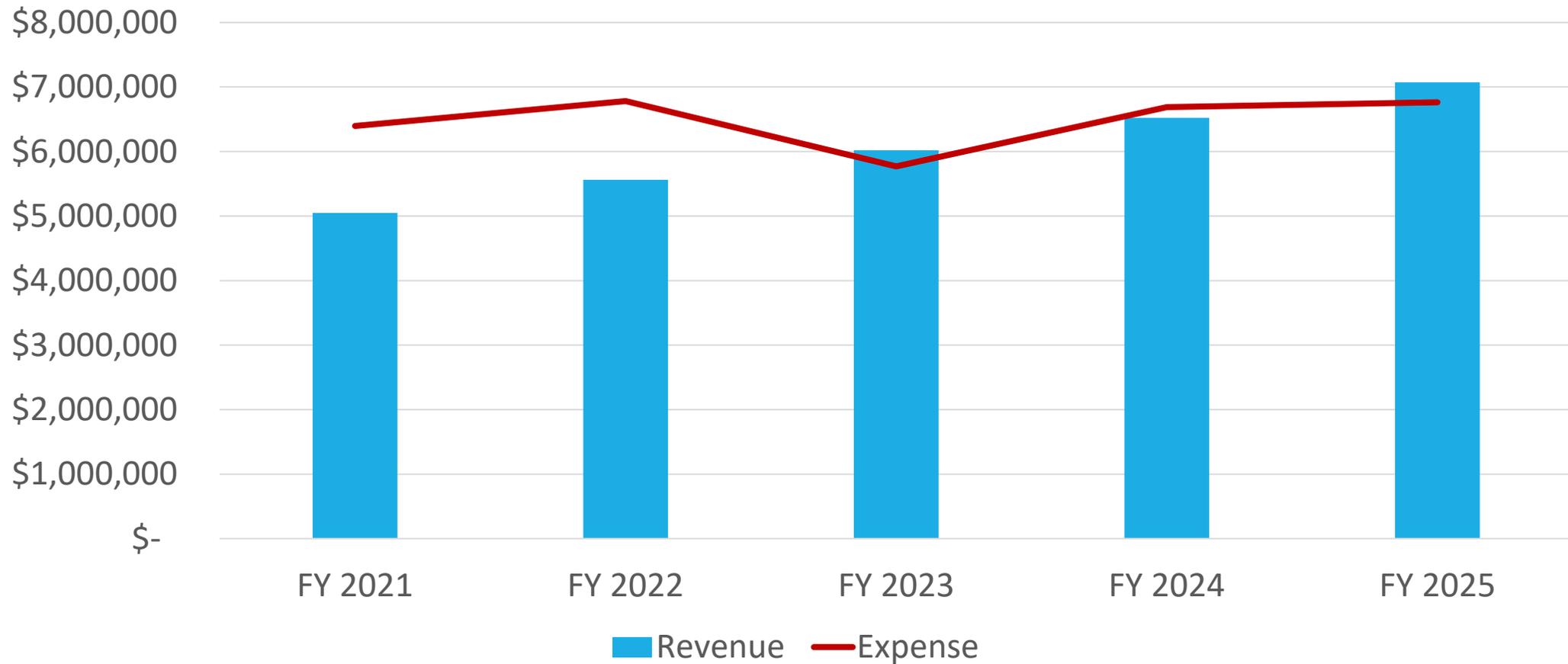




Accounting Data – Storm Water Fund

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue	\$ 5,047,500	\$ 5,562,250	\$ 6,018,475	\$ 6,520,323	\$ 7,072,355
Expense					
Operations	(2,989,867)	(3,053,712)	(3,119,153)	(3,186,230)	(3,254,983)
Capital	(3,200,011)	(3,499,011)	(2,400,011)	(3,225,011)	(3,205,011)
Transfer Out	(207,375)	(228,113)	(250,924)	(276,016)	(303,618)
	(6,397,253)	(6,780,836)	(5,770,088)	(6,687,257)	(6,763,612)
Contribution (Use) of Reserves	(1,349,753)	(1,218,586)	248,387	(166,934)	308,742
Beginning Reserves	\$ 4,702,899	\$ 3,353,146	\$ 2,134,560	\$ 2,382,948	\$ 2,216,013
Ending Reserves	3,353,146	2,134,560	2,382,948	2,216,013	2,524,756

Accounting Data – Storm Water Fund

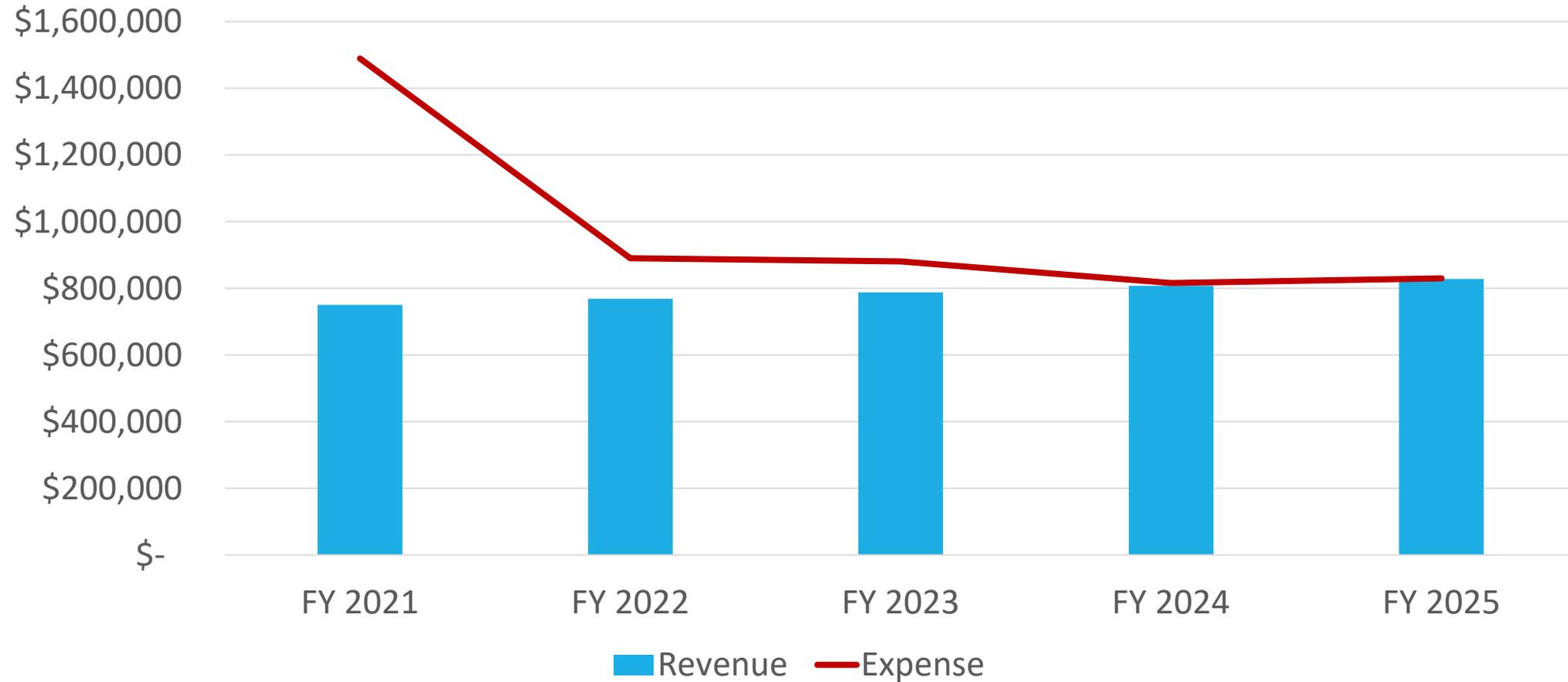




Accounting Data – Streetlight Fund

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue	\$ 750,000	\$ 768,750	\$ 787,969	\$ 807,668	\$ 827,860
Expense					
Operations	(438,031)	(451,639)	(461,684)	(475,968)	(488,649)
Capital	(1,014,000)	(400,000)	(380,000)	(300,000)	(300,000)
Transfer Out	(37,500)	(38,438)	(39,398)	(40,383)	(41,393)
	(1,489,531)	(890,077)	(881,083)	(816,351)	(830,042)
Contribution (Use) of Reserves	(739,531)	(121,327)	(93,114)	(8,684)	(2,183)
Beginning Reserves	\$ 1,379,542	\$ 640,011	\$ 518,685	\$ 425,571	\$ 416,887
Ending Reserves	640,011	518,685	425,571	416,887	414,704

Accounting Data – Streetlight Fund



PUBLIC
COMMENT

