Item 6G: Transfer from Enterprise Funds

Topic: Resolution No. 26-022 Authorizing the Transfer of Monies from Enterprise Funds to Other City Funds in Fiscal Year 2027

Staff Contact: Danyce Steck, Administrative Services

AUTHORITY TO TRANSFER

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."

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

A FRANCHISE TAX

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

The water, sewer, and stormwater utilities are considered businesses just like the power company or a telecom provider.

The transfer is based on 5% of utility sales (compared to utility franchise taxes which are 6% of sales).

RECURRING TRANSFER

Will this transfer happen every year?

Yes, the transfer is a more equitable and progressive revenue source than property tax in that it is based on consumption versus ownership.

If this transfer were to go away, an <u>additional 12.5%</u> property tax increase would be needed to sustain a balanced budget.

FINANCIAL IMPACT

GENERAL FUND REVENUE

* Transfer from the Streetlight Fund discontinued due to changes in legislation for transportation utility funds

	With transfer	Tax Increase	Without transfer	Tax Increase
Certified property tax	$ 22,167,144		$ 22,167,144	
New growth	750,000		750,000	
Tax increase	500,418	2.26%	3,270,418	14.76%
Transfers in	2,770,000		-	
Other revenue	55,756,560		55,756,560	
	$ 81,944,122		$ 81,944,122	

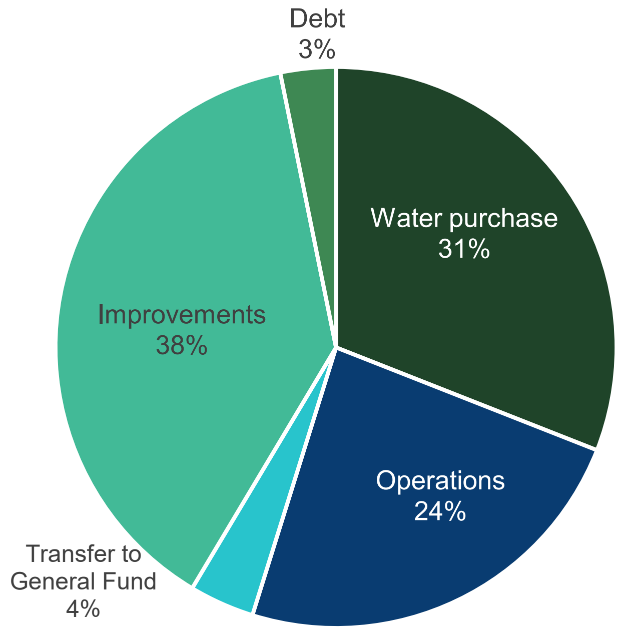
	Transfer Amount	Tax Increase
Water	$ 1,575,000	7.1%
Sewer	895,000	4.0%
Stormwater	300,000	1.4%
Streetlight*	--	--
	$ 2,770,000	12.5%

WEST JORDAN CITY COUNCIL

ITEM 6G: TRANSFER FROM ENTERPRISE FUNDS

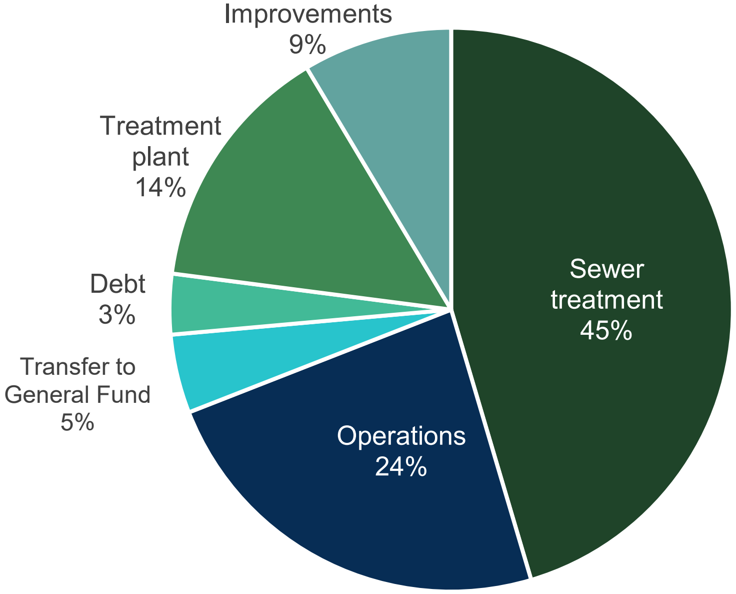
ACCOUNTING DATA – WATER FUND

FY 2027 Budget	
Operations	
Water sales	$ 27,835,000
Water purchase	(13,000,000)
Operations	(10,009,633)
Transfer to General Fund	(1,575,000)
	3,250,367
Capital	
Base fees	4,740,000
Impact fees and other revenue	2,502,000
Improvements	(16,050,000)
Debt	(1,339,240)
	(10,147,240)
Beginning reserve balance	$ 36,994,599
Net change	(6,896,873)
Ending reserve balance	$ 30,097,726



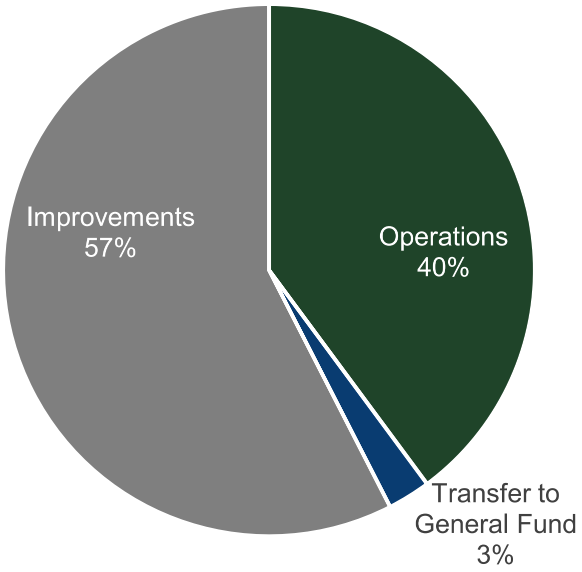
ACCOUNTING DATA – SEWER FUND

FY 2027 Budget	
Operations	
Sewer fees	$ 17,925,000
Sewer treatment	(9,000,000)
Operations	(4,687,274)
Transfer to General Fund	(895,000)
	3,342,726
Capital	
Impact fees and other revenue	996,981
Improvements	(1,700,000)
SVWRF - Debt & improvements	(2,848,713)
Debt	(687,312)
	(4,239,044)
Beginning reserve balance	$ 10,421,417
Net change	(896,318)
Ending reserve balance	9,525,099



ACCOUNTING DATA – STORMWATER FUND

FY 2027 Budget	
Operations	
Stormwater fees	$ 6,000,000
Operations	(4,586,973)
Transfer to General Fund	(300,000)
	1,113,027
Capital	
Impact fees and other revenue	750,000
Improvements	(6,620,000)
	(5,870,000)
Beginning reserve balance	$ 19,460,037
Net change	(4,756,973)
Ending reserve balance	14,703,064



DIFFERENCE BETWEEN TRANSFERS & ADMINISTRATIVE COSTS

TRANSFERS OUT

Calculation based on **5% of revenue** of each utility

Franchise or 'use' tax, other utilities that use City-owned space to deliver services pay 6% for the use of that space

Budget: $2.77 million

Contributes approximately 3.4% of the General Fund revenue

ADMINISTRATIVE COST ALLOCATION

Calculated based on a % of **actual cost** of administration

Pay for centralized administrative and professional services including but not limited to legislative, legal, finance, IT, and human resources

Estimated cost: $5.25 million

ADMINISTRATIVE COST ALLOCATION

Legislation requires “a cost accounting breakdown of how money in the enterprise fund is being used to cover administrative and overhead costs of the city attributable to the operation of the enterprise fund”

(USC §10-6-135.5)

	Water Fund	Sewer Fund	Stormwater Fund	Total Allocation % of cost
City Council	15.00%	3.75%	3.75%	**22.50%**
Mayor	10.00%	5.00%	5.00%	**20.00%**
City Recorder	30.00%	7.50%	7.50%	**45.00%**
Emergency Management	15.00%	3.75%	3.75%	**22.50%**
Administrative Services	17.50%	7.00%	7.00%	**31.50%**
Utility Billing	25.00%	25.00%	25.00%	**75.00%**
City Attorney	15.00%	3.75%	3.75%	**22.50%**
Human Resources	15.00%	3.75%	3.75%	**22.50%**
Public Affairs	15.00%	3.75%	3.75%	**22.50%**
Facilities	10.00%	3.00%	3.00%	**16.00%**
Public Works Administration	10.00%	10.00%	10.00%	**30.00%**
GIS	30.00%	15.00%	15.00%	**60.00%**
Public Utilities Administration	30.00%	20.00%	20.00%	**70.00%**
Non-Departmental (limited)	15.00%	3.75%	3.75%	**22.50%**

ADMINISTRATIVE COST ALLOCATION

	Total administrative costs	% of utility budget
Water Fund	$ 2,732,082	6.5%
Sewer Fund	1,258,347	6.3%
Stormwater Fund	1,258,336	10.9%
	$ 5,248,765	

CONCLUDING INFORMATION

Staff recommends approval of Resolution No. 26-022 authorizing the transfer of monies from the enterprise funds to other city funds in FY2027

Questions?