

American Water Works Association
 6666 W. Quincy Ave., Denver, CO 80235 USA
 Phone: 303.934.7337 Fax: 303.937.8804 Email: customers@awwa.org



ACKNOWLEDGEMENT

Date: 24-Jun-2014
 Ship-To: 00124308-0

Order Number: 7008841269
 Order Date: 24-Jun-2014

AWTX1308

Mr. Richard D. Gaudin
 Webb & Webb
 211 E 7th St Ste 712
 Austin, TX 78701-3218

Invoice No	Product	Field Status	Status	Qty	Unit Price	Unit Discount	Compan	Adjustment	Total
		Next Due Date	Next Due Amount						
	30001-05-241 Principles of Water Rates, Fees and Charges, 4th Edition	Not Fulfilled	Active	1	95.00	0.00	0.00	0.00	95.00
Shipping & Handling:									
Tax:									
Order Total: 104.50 ✓									
Paid or already charged to CC: -104.50									
Scheduled Payment in Future: 0.00									
Credit cards are charged only after shipping.									

Credit Card Information:
 *****9512



1031 S. Caldwell Street
Suite 100
Charlotte, NC 28203

Phone 704.373.1199
Fax 704.373.1113

www.raftelis.com

Gwendolyn Webb
Webb & Webb, Attorneys at Law
211 East Seventh St., Suite 712
Austin, TX 78701

August 06, 2014

Invoice No: AUTX1308-10.

Project R-AUTX1308.00 R-AUTX1308.00 Austin Water Rate Case Support

Professional Services from July 01, 2014 to July 31, 2014

Professional Personnel

	Hours	Rate	Amount	
Exec Vice President				
Giardina, Richard	32.00	290.00	9,280.00	
Sr. Consultant				
Craley, Casey	9.50	185.00	1,757.50	
Totals	41.50		11,037.50	
Total Professional Fees				11,037.50

Project Expenses

Project Travel Expenses			969.12	
			969.12	969.12

Contract

	Current	Prior Billings		
Total Billings	12,006.62	62,072.52	74,079.14	
Original Contract Ceiling			100,000.00	
Additional Scope			75,000.00	
Adjusted Contract Ceiling			175,000.00	
Remaining			100,920.86	
			Total this Invoice	\$12,006.62

Outstanding Invoices

Number	Date	Balance
AUTX1308-09.	7/7/2014	12,810.75
Total		12,810.75

	Current	Prior	Total	Received	A/R Balance
Billings to Date	12,006.62	62,072.52	74,079.14	49,261.77	24,817.37

With Billing inquiries, please contact Carrie Warren at cwarren@raftelis.com or 704.910.8962

Project	R-AUTX1308.00	R-AUTX1308.00 Austin Water Rate Case	Invoice	AUTX1308-10.
Billing Backup			Wednesday, August 06, 2014	
Raftelis Financial Consultants		Invoice AUTX1308-10. Dated 8/6/2014	3:20:02 PM	

Project	R-AUTX1308.00	R-AUTX1308.00 Austin Water Rate Case Support
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Professional Personnel

			Hours	Rate	Amount
Exec Vice President					
182	15 - Giardina, Richard	7/1/2014	6.00	290.00	1,740.00
	prepare PFT				
182	15 - Giardina, Richard	7/2/2014	3.00	290.00	870.00
	prepare testimony				
182	15 - Giardina, Richard	7/7/2014	2.00	290.00	580.00
	prepare PFT				
182	15 - Giardina, Richard	7/9/2014	2.00	290.00	580.00
	prepare PFT				
182	15 - Giardina, Richard	7/10/2014	3.00	290.00	870.00
	prepare PFT				
182	15 - Giardina, Richard	7/11/2014	8.00	290.00	2,320.00
	prepare PFT and meeting with G Webb				
182	15 - Giardina, Richard	7/12/2014	1.00	290.00	290.00
	prepare PFT				
182	15 - Giardina, Richard	7/13/2014	3.00	290.00	870.00
	prepare PFT				
182	15 - Giardina, Richard	7/14/2014	2.00	290.00	580.00
	prepare PFT				
182	15 - Giardina, Richard	7/25/2014	2.00	290.00	580.00
	review testimony and related documents				
Sr. Consultant					
137	5 - Craley, Casey	7/11/2014	9.50	185.00	1,757.50
	profile testimony all day meeting				
	Totals		41.50		11,037.50
	Total Professional Fees				11,037.50

Project Expenses

Project Travel Expenses

EX	000000004267	6/30/2014	Giardina, Richard / 7-11-14 Austin Trip	509.00
EX	000000004316	7/10/2014	Giardina, Richard / Mileage - attend client meeting / attend client meeting	32.48
EX	000000004316	7/10/2014	Giardina, Richard / taxi- airport to hotel	27.72
EX	000000004316	7/10/2014	Giardina, Richard / dinner	5.85
EX	000000004316	7/11/2014	Giardina, Richard / Hotel	240.35
EX	000000004316	7/11/2014	Giardina, Richard / breakfast / prep for meeting	42.72
EX	000000004316	7/11/2014	Giardina, Richard / dinner / attend client meeting	12.00
EX	000000004316	7/11/2014	Giardina, Richard / tolls; Home-DIA-Home	10.40
EX	000000004310	7/11/2014	Craley, Casey / Testimony Meeting	47.60
EX	000000004316	7/11/2014	Giardina, Richard / Parking at DIA	41.00
				969.12
				969.12

With Billing inquiries, please contact Carrie Warren at cwarren@raftelis.com or 704.910.8962

Page 2

Project	R-AUTX1308.00	R-AUTX1308.00 Austin Water Rate Case	Invoice	AUTX1308-10.
		Total this Project		\$12,006.62
		Total this Report		\$12,006.62

Flight: Denver to Austin
Economy Class (3 seats), Lunch, Overhead Binoculars, JET-100
Start 055

Total duration: 770 m (1233 km)

Fri 11-Jul-14
Austin (AUS) to Denver (DEN)
Depart 058 pm Arrive 8:15 pm
Duration 2h 17m

Operating: Denver, Colorado, United States
Operating: Denver, Colorado, United States

Total duration: 770 m (1233 km)

UNITED
Flight: 3473
Operating: DENVER / AUSTIN
Operating: DENVER / AUSTIN

Total duration: 2h 17m

Airline rules & regulations

Tickets are non-refundable.
Ticket changes may incur penalties and/or increased fares.
Passengers are responsible for their own baggage and must comply with airline regulations.
Passengers are responsible for their own baggage and must comply with airline regulations.
Passengers are responsible for their own baggage and must comply with airline regulations.

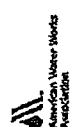
See Summary

The following services have been charged in association with the items contained in this itinerary.
Click on the name of the fee for a more detailed description.

Agent assisted air purchase fee

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American Water Works Association
444 N. Quincy Ave. Denver, CO 80205, USA
Phone: 303.733.7277 Fax: 303.733.7061 Email: enquiries@awwa.org



ACKNOWLEDGEMENT

AUTX1308

Date: 24-Jun-2014
Ship-To: 001230049

Order Number: 700881269
Order Date: 24-Jun-2014

Mr Richard D. Gardina
Webb & Webb
211 E 7th St Ste 712
Austin, TX 78701-3218

Invoice No	Product	Form Status	Status	Qty	Unit Price	Unit	Amount	Adjustment	Total
		Next Due Date	Next Due Date						
		Not Paid	Active	1	95.00	0.00	0.00	0.00	95.00
Shipping & Handling									
Tax									
Order Total: 104.50									
Paid or already charged to C/C: -104.50									
Scheduled Payment in future: 0.00									

Credit order may change only after shipping.

Credit Card Information
*****5512

* copy *
Lone Star Cab
Lone Star Cab
Cab #49

208 West Powell LN
Austin, TX
(512)836-4900

Start Date: 07/10/14
Start Time: 22:27

End Date: 07/10/14
End Time: 22:41

Date: 07/10/14
Time: 22:41:41

Distance: 7.70mi

FARE.....\$ 22.10
EXTRAS.....\$ 2.00
TIP.....\$ 3.62

TOTAL.....\$ 27.72✓

Visa
XXXX XXXX XXXX 9512
MID 445100028999
Authorization 043330

Signature:

AUTX 1308

CHECK: 5522
TABLE: 13/1
SERVER: 1005 WENDY
DATE: JUL11'14 8:05AM
CARD TYPE: VISA
ACCT #: XXXXXXXXXXXX9512
EXP DATE: XX/XX
AUTH CODE: 058310

RICHARD RIARDINA

SUBTOTAL: 35.72
GRATUITY 7.00
TOTAL 42.72✓

CUSTOMER SIGNATURE

AUTX 1308

HMSHOST
STARBUCKS COFFEE & UPPER
DENVER AP

285312 Gerard

CHK 5388. GST 1
JUL10'14 5:59PM

TO GO

1 CRNL MACCH @ 5.20
ADD SOY 0.65
Trn: 116721
STA MSR COUPON 5.85✓

CASH 0.00
--285312 Closed JUL10 05:59PM---

THANK YOU FOR YOUR BUSINESS!

TELL US ABOUT YOUR EXPERIENCE

LESLIE GORDON
303-342-6736
LESLIE.GORDON@HMSHOST.COM

AUTX 1308

DENVER INTERNATIONAL
AIRPORT

8500 Peña Blvd.
Denver, CO 80249
Customer Service:
303-342-4083

Card Account: XXXXXXXXXXXX9512
Card Type: Visa
Authorization Code: 019990

Cashier: 237 Seg # 2162
License Plate: 649JZM
Ent: 15:38 07/10/14 Lane 2
Exit: 20157 07/11/14 Lane 41
Duration: 10(s) 6H(s) 15M(s)
Rate Code: 49 Shift: 40

FEE \$ 41.00
AMOUNT TEND \$ 41.00
CASH \$ 0.00
CREDIT CARD \$ 41.00
CHECK \$ 0.00
CHANGE CALC \$ 0.00

PAID AT CT \$ 41.00✓
*** Thank You ***

*** Customer Copy ***

OMNI HOTELS & RESORTS
 downtown | austin
 700 San Jacinto St. 6th Street
 Austin, TX 78701
 Phone: 512-476-3700 • Fax: 512-397-4888
 Reservations: 800-843-6664
 700 SAN JACINTO
 AUSTIN TX 78701
 Tele- 512-476-3700 Fax- 512-397-4888

AUTX1308

GIARDINA, RICHARD

Room Number: 1602
 Daily Rate: \$209.00
 Room Type: KN
 No. of Guests: 2 / 0

ARRIVAL DEPARTURE CHECK CARD			DATE CODE	MARK GROUP	ACCOUNT
7/10/2014	7/11/2014	XXXXXXXXXXXX9008	BAR4	BAR4	13601159603
DATE	ROOM NO.	DESCRIPTION	REFERENCE	AMOUNT	
7/10/2014	1602	ROOM CHARGE	#1602 GIARDINA, RICHARD	\$209.00	
7/10/2014	1602	CITY OCCUPANCY TAX 9%	CITY OCCUPANCY TAX 9%	\$18.81	
7/10/2014	1602	STATE OCCUPANCY TAX 6%	STATE OCCUPANCY TAX 6%	\$12.54	
7/11/2014	1602	AMERICAN EXPRESS	AMERICAN EXPRESS	(\$240.35)✓	

TOTAL DUE: \$0.00

1-800-421-10-10 THE OMNI

TERMS: DUE AND PAYABLE UPON PRESENTATION. I AGREE THAT MY LIABILITY FOR THIS BILL IS NOT WAIVED AND AGREE TO BE HELD PERSONALLY LIABLE IN THE EVENT THAT THE INDICATED PERSON, COMPANY OR ASSOCIATION FAILS TO PAY FOR ANY PART OR THE FULL AMOUNT OF THESE CHARGES.



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Fax 704 . 373 . 1113

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Gwendolyn Webb
Webb & Webb, Attorneys at Law
211 East Seventh St., Suite 712
Austin, TX 78701

September 03, 2014

Invoice No: AUTX1308-11.

Project R-AUTX1308.00 R-AUTX1308.00 Austin Water Rate Case Support

Professional Services from August 01, 2014 to August 31, 2014

Professional Personnel

	Hours	Rate	Amount
Exec Vice President			
Giardina, Richard	11.50	290.00	3,335.00
Consultant			
Wadsworth, Robert	.50	160.00	80.00
Administrative			
Warren, Carrie	.50	60.00	30.00
Totals	12.50		3,445.00
Total Professional Fees			3,445.00

Contract	Current	Prior Billings	
Total Billings	3,445.00	74,079.14	77,524.14
Contract Ceiling			175,000.00
Remaining			97,475.86
		Total this Invoice	\$3,445.00

	Current	Prior	Total	Received	A/R Balance
Billings to Date	3,445.00	74,079.14	77,524.14	74,079.14	3,445.00

With Billing inquiries, please contact Carrie Warren at cwarren@raftelis.com or 704.910.8962

Project	R-AUTX1308.00	R-AUTX1308.00 Austin Water Rate Case	Invoice	AUTX1308-11.
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Billing Backup

Wednesday, September 03, 2014

Raftelis Financial Consultants

Invoice AUTX1308-11, Dated 9/3/2014

9:54:37 AM

Project	R-AUTX1308.00	R-AUTX1308.00 Austin Water Rate Case Support
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Professional Personnel

			Hours	Rate	Amount
Exec Vice President					
182	15 - Giardina, Richard	8/4/2014	2.00	290.00	580.00
	read testimony of other witnesses-prep for call				
182	15 - Giardina, Richard	8/5/2014	4.00	290.00	1,160.00
	read testimony of other witnesses-prep for call				
182	15 - Giardina, Richard	8/11/2014	.50	290.00	145.00
	request for production				
182	15 - Giardina, Richard	8/12/2014	1.50	290.00	435.00
	prepare draft response re. Table 104; discuss with Gwen				
182	15 - Giardina, Richard	8/15/2014	1.50	290.00	435.00
	request for production				
182	15 - Giardina, Richard	8/21/2014	1.00	290.00	290.00
	review latest document requests				
182	15 - Giardina, Richard	8/22/2014	1.00	290.00	290.00
	review latest document requests				
Consultant					
189	6 - Wadsworth, Robert	8/7/2014	.50	160.00	80.00
	Data transfer to Master Drive.				
Administrative					
158	8 - Warren, Carrie	8/6/2014	.50	60.00	30.00
	Accounting support				

Totals	12.50	3,445.00
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Total Professional Fees	3,445.00
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Total this Project	\$3,445.00
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Total this Report	\$3,445.00
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Response to
Request
No. 3-62



CITY OF EL PASO

COST ALLOCATION AND BEST
PRACTICES REVIEW

JULY 30, 2013



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Executive Summary

The City of El Paso (City) engaged Raftelis Financial Consultants, Inc. (RFC) to perform a Cost Allocation and Best Practices Review (Study). The primary objectives of the Study were to review the existing transfers, direct, and indirect costs between the City and El Paso Water Utilities (EPWU) and conduct a benchmarking analysis to determine industry best practices. Specifically, the Study looked at five key areas:

- Transfers
- Irrigation Rates
- Billing Charges
- Public Fire Hydrant Maintenance
- Proceeds from Land Sales

The Executive Summary highlights the principle findings of the Study. The following additional sections provide detailed discussions of the Study components:

- Section 1: Introduction
- Section 2: Utility Transfers
- Section 3: Irrigation Rate Analysis
- Section 4: Sanitation Billing
- Section 5: Fire Hydrant Maintenance Costs
- Section 6: Land Sales Analysis

A. Section 2: Utility Transfers

Several types of General Fund transfers exist in the water and wastewater industry. There are two main categories: 1) transfers for being a municipally-owned utility and 2) transfers for services rendered from the municipality.

There are several types of annual transfers that occur between a utility and the municipality that strictly relate to the circumstance of being municipally-owned. Municipalities may require just one or a combination of more than one. Also, different municipalities and utilities may use some of these interchangeably. The most common types are:

- Payment in lieu of taxes (PILOT or PILT)
- Franchise Fee
- Street Rental or Right of Way Fee
- General Fund Transfer or Other

There are almost always additional transfers between the utility and the municipality that are based on services rendered. These transfers are called direct and indirect costs that result in funds exchanged between the two entities.

The benchmarking analysis for this Study shows that most utilities transfer some type of payment to the municipality. In many cases, a combination of transfers is used. There appears to be no clear trends for what type or combination of transfers are implemented nor the specific level or basis of transfers, regardless of size, organization type, governance type, or geographic region. The type and amount of transfers appear to be unique between the cities and respective utilities.

The City and EPWU currently have an arrangement such that EPWU pays the City 10% of the total water sales revenue received by EPWU. EPWU also pays the City for direct costs, including two human resources personnel, insurance, and paving expenses for inspection. While the City at one time considered the feasibility of transitioning to a PILOT and franchise fee instead of a payment based on a fixed percentage of revenue, it was determined that revenues generated under a different type of revenue sharing arrangement such as those identified would not be materially different from the methodology under the current revenue sharing arrangement.

B. Section 3: Irrigation Rate Analysis

EPWU assesses the City for irrigation at the General User Block 1 rate for all of the City's irrigation usage. This is a special rate designated for the City based on a 1995 PSB Resolution. Benchmarking results suggest that charging a municipality the same or different rates as other existing customers and to which classes rates should be based appears to be entirely at the discretion of the utility and municipality.

C. Section 4: Sanitation Billing

When a utility owns their own billing system, they may choose to provide billing services for other municipal services, such as trash collection. This arrangement is made for efficiency. This is the case in El Paso. EPWU owns and maintains a billing system and support staff to bill customers for water, wastewater and stormwater services. In addition to billing for their own services, EPWU provides billing services for the City's Environmental Services Department for sanitation collection. EPWU assesses the City a certain charge per sanitation bill for this assistance.

The "2012 Sanitation Billing Cost Analysis", created by EPWU, provides the groundwork for the sanitation billing fee. After review and evaluation, the per bill fee for sanitation billing appears reasonable and appropriate according to industry accepted methodology. The City may elect to pursue one area that may net a savings anywhere from \$0.000 to \$0.081 per bill, but that would require an examination of customer service call center records to determine if the current allocation factor is accurate.

Most benchmarked utilities indicated they provide billing for non-utility services, and most charge for such service. There appears to be no set standard fee per bill. The costs for billing services among benchmarked utilities appear to have been derived following a cost allocation methodology, similarly employed by EPWU, but the differences in fees are most likely attributable to differences in the level of costs among different utilities and municipalities and how costs are allocated among services. While the methodology may be similar, costs and allocation factors are unique to each utility.

D. Section 5: Fire Hydrant Maintenance Costs

The City is currently assessed public fire hydrant maintenance fees to recover costs borne by EPWU for hydrant maintenance and repair. The City benefits from a rate calculated using a lower per unit maintenance cost and count of fire hydrants in the system that has not been updated despite the addition of additional hydrants over the last several years. The assessment of hydrant fees to a municipality is not common among several of the City's peers according to the benchmarking analysis. Therefore, the City has decided to pursue an approach with EPWU where these fees, a total of \$474,972 per year, are not assessed to the City but recovered from the rates assessed to all of EPWU's customers to be consistent with industry best practices.

E. Section 6: Land Sales Analysis

The City receives 5.0% of the net proceeds from the sale of any land owned by EPWU. The City requested analysis of the agreement and the potential additional revenue recovered transitioning to 5.0% of the *gross* instead *net* proceeds from the sale of land. The analysis determined that in the past 5 years, this difference in what the City has received versus potentially could have received amounted to only \$7,000. Significant difference between gross proceeds and net proceeds in future land sales is not expected. Benchmarking provided no industry basis for transfer of a portion of land sales proceeds because none of the benchmarked utilities have such an arrangement with their respective City.

1. Introduction

A. Background

The City of El Paso is the sixth largest and westernmost city in the state of Texas. The City has approximately 700,000 residents and is on the border of Mexico along the Rio Grande River. El Paso Water Utilities (EPWU) provides water, wastewater, and stormwater service to the City of El Paso (City) residents, businesses and municipality. While owned by the City, EPWU is an autonomous utility in that EPWU is governed by a separate board, the Public Service Board (PSB), created in the 1950's.

Being municipally owned, EPWU provides a payment to the City, which involves a percentage of water sales. The City also incurs cost by providing a level of service to EPWU and is compensated by EPWU for these services through several separate payments. The City, in return, pays for water, wastewater, and stormwater service and an annual assessment for fire hydrant maintenance. The City engaged Raftelis Financial Consultants, Inc. (RFC) to perform a Cost Allocation and Best Practices Review (Study).

B. Scope of Services

The primary objectives of the Study were to review the existing transfers, direct, and indirect costs between the City and EPWU and conduct a benchmarking analysis to determine industry best practices. Specifically, the Study looked at five key areas:

- Transfers
- Irrigation Rates
- Billing Charges
- Public Fire Hydrant Maintenance
- Proceeds from Land Sales

The scope of services was detailed in the proposal and honed during the kick-off meeting with City staff. The scope included the following tasks:

- Review existing payments exchanged between EPWU and the City, specifically related to the five key areas stated above.
- Conduct an extensive benchmarking analysis of both in state and national peers;
- Document the Study in a formal report; and
- Communicate the Study results to the City.

C. Benchmarking Analysis

The benchmarking analysis was broken down into two sample groups, Texas peers and national peers. RFC worked with City staff to develop an appropriate group of survey communities for comparing exchange of payments between city and utility. The final comparison included the following cities and utilities:

Texas Utilities		National Utilities
• Arlington	• Garland	• Charlotte, NC
• Austin	• Houston	• Little Rock (CAW), AR
• Corpus Christi	• Laredo	• Mesa, AZ
• Dallas	• Plano	• Oklahoma City, OK
• Fort Worth	• San Antonio	• Phoenix, AZ
		• Tucson (Tucson Water), AZ

Comparing transfers with those of other representative communities may provide insights into city transfer policies, as detailed later in the report, but based on industry knowledge, many factors affect the level of costs and the methodology employed to recover these costs. Some of the most prevalent factors include governmental structure, utility structure, customer constituency, allocation of costs, level of taxation, and policies. These factors are most often unique to each utility and municipality.

D. Report Organization

This report is organized in six sections to efficiently discuss the process used to address the Study key areas and objectives. Section 2 provides the analysis for transfers from a utility to municipality. Section 3 discusses rates for water service. Section 4 analyzes billing charges. Section 5 addresses public fire hydrant maintenance practices. Section 6 focuses on the proceeds from land sales by the utility.

2. Utility Transfers

A. Overview

Several types of General Fund transfers exist in the water and wastewater industry. There are two main types: 1) transfers for being a municipally-owned utility and 2) transfers for services rendered from the municipality. This first category of transfers is discussed in detail in the next subsection, 2-B, and the second category will be discussed in Subsection 2-C.

B. Transfers for Municipally-Owned Utilities

There are several types of annual transfers that occur between a utility and the municipality that strictly relate to the circumstance of being municipally-owned. Municipalities may require just one or a combination of more than one. Also, different municipalities and utilities may use some of these interchangeably. The most common types are:

- Payment in lieu of taxes (PILOT or PILT)
- Franchise Fee
- Street Rental or Right of Way Fee
- General Fund Transfer or Other

Payment in lieu of Taxes (PILOT or PILT)

The 2000 edition of the M1 Manual produced by the American Water Works Association (AWWA) defines payment in lieu of taxes (PILOT or PILT) as "a payment made to a governmental entity by the government-owned utility instead of taxes." M1 also states that "although municipally owned water utilities are generally not subject to taxation by the local, state, or federal governments, municipal water utilities sometimes make payments in lieu of property taxes to the local municipalities that own them."

Many utilities are subject to this form of payment. The payment to the municipality or General Fund is most often linked to the assessed value of the utility property or assets located within the jurisdiction of the taxing authority as though the utility is privately-owned and operated. In other words, the amount of the transfer is determined by multiplying the tax rate per \$100 of assessed asset value by the total property value. In Texas, property taxes are assessed on both above ground and below ground utility assets (pipelines, underground transmission and distribution systems, etc.). It is not standard as to whether the total asset value would be gross book value or net book value, after accumulated depreciation. In some cases, an annual amount less than the calculated PILOT may be agreed upon by the municipality and utility.

Franchise Fee

Franchise fees may also be collected from municipally-owned utilities in a similar manner as they are collected from local privately-owned natural gas, electricity, or telecommunications utilities. A franchise tax may be a flat fee or based on the utility's gross or net revenues.

Street Rental or Right-of-Way (ROW)

Connections for customers are defined as the line, tap, and other infrastructure that must be constructed from the property line to the main in the street or right-of-way. This is true for all means of utility services, such as water, wastewater, natural gas, electricity, and telecommunications. In some cases, municipalities will assess the utility a street rental or right-of-way fee that is a payment for the use of the public streets for service connections. In many cases, a street rental or right-of-way fee is based on a percentage of gross or net utility revenues, similar to a franchise fee. There appears to be no cost justified methodology for the determination of this fee. Also, the franchise fee or street rental fee may be used interchangeably instead of additive based on industry benchmarking.

General Fund Transfer or Other

Some utilities provide transfers to the General Fund that do not fit in one of the above categories or are named something different, such as General Fund Transfer or simply Transfer. While these 'other' transfers are not called one of the above, they serve the same function to provide revenue to the municipality that owns the utility. These transfers may be set as a flat fee or based on a percentage of gross or net utility revenues.

C. Direct and Indirect Costs

There are almost always additional transfers between the utility and the municipality that are based on services rendered. These transfers are called direct and indirect costs that result in funds exchanged between the two entities. The level of funds typically depends on the utility, governing style and relationship with the municipality. For example, a utility that is very integrated into the municipal government that requires services from the finance department, legal department, billing department, etc. would likely pay the General Fund more money than a utility that is basically autonomous, governed by a separate board. Still, it is important to remember that both direct and indirect costs and cost allocations indicate that a level of service is being provided to the utility by the municipality or vice versa. The two types of costs are described in more detail below.

Direct Cost

Many utilities pay direct costs to the General Fund for specific services. These costs may directly relate to personnel assigned to utility functions. They may also represent a certain level of legal hours billed to the municipal legal department. In addition to personnel costs, direct costs services may relate to a certain amount of materials used or the use of equipment or vehicles owned by the municipality.

Indirect Cost

The majority of utilities pay an indirect cost allocation to the General Fund. These costs are not directly attributed to one specific cost center. They may include costs classified as overhead, such as administrative salaries, administrative supplies, and employee fringe benefit programs. Indirect costs for utilities are typically determined by a cost allocation study of all of the municipal departments.

D. Transfers between EPWU and the City

Several transfers occur between EPWU and the City, highlighted below.

Transfer

The City and EPWU have an arrangement such that EPWU pays the City 10% of the total water sales revenue received by EPWU. In FY 2012, the transfer amount was nearly \$11,000,000.

Direct Costs

As previously mentioned, EPWU is an autonomous utility that is governed by a separate board. Therefore, EPWU requires little assistance from the City for its daily operation. Still, EPWU pays the City for a few minor direct costs. Those direct costs include:

- Two human resources positions. EPWU covers 100% of the salary and overhead for these two positions.
- Vehicle and property insurance for EPWU's fleet and properties.
- 3% of EPWU's paving expenses to cover City costs for inspection.

Additional Transfers for Service

There are a few additional exchanges of funds throughout the year between EPWU and the City, and many are discussed in greater detail later in the report, as indicated.

- EPWU pays the City for sanitation service.
- The City pays EPWU for water and wastewater service. (Irrigation rates are discussed in Section 3)
- The City pays EPWU \$0.38 per bill for sanitation billing. (Section 4)
- The City pays EPWU for public fire hydrant maintenance. (Section 5)
- 5% of the net proceeds from the sale of land owned by EPWU is paid to the City. (Section 6)

E. Benchmarking Results of Transfers

According to benchmarking results, while all peer communities responded with some form of transfer, utilities and municipalities use a wide variety of approaches regarding the types of transfers and the level of funds transferred.

Transfer to the General Fund

Exhibit 2.1 and Exhibit 2.2 present the benchmarking results of Transfers for the Texas and National benchmarking analyses, respectively, completed for this study. Most utilities show a transfer of some kind to the municipality. In many cases, a combination of transfers is used. As stated above, while many of the transfers from the benchmarking results can be classified as PILOT, franchise fee, or street rental, there are a few that are simply termed "transfer".

The methodologies of the transfers are also presented. Many appear to be based on a percentage of gross or net revenue or operating revenue. Others, such as the PILOTs, are based on the tax rate and some level of utility assets.

Exhibit 2.1 – Texas Benchmarking Analysis of General Fund Transfers

Texas Utilities/Cities	Transfer(s)
Arlington	PILOT - based on Water Utility assets & property tax rate; Franchise Fee - 5.8% of Revenue less Impact fees and interest
Austin	Rate of Return - 8.2% of revenue (based on 3 yrs); Sustainability - 1% of Revenue
Corpus Christi	
Dallas	PILOT - based on Water Utility assets & property tax rate; Street Rental - 5% of Revenue
El Paso	Transfer of 10% of Water Sales Revenue
Fort Worth	PILOT - based on Utility assets & property tax rate; Street Rental - 5% of Revenue
Garland	PILOT - based on Utility plant & equipment; Street Rental - 5% of Operating Revenue
Houston	
Laredo	
Plano	Transfer of 7% of budgeted revenue
San Antonio	Transfer of 2.7% of gross Utility revenue (option to go to 5%)

Exhibit 2.2 – National Benchmarking Analysis of General Fund Transfers

National Utilities/Cities	Transfer(s)
Charlotte	
El Paso	Transfer of 10% of Water Sales Revenue
Little Rock (CAW)	PILOT - based on assets; Franchise Fee - 10% of inside city water sales of Little Rock and 6.9% of inside city water sales of North Little Rock - shown on bill
Mesa*	Transfer of approx. \$52 mil (of approx. \$110 mil revenue)
Oklahoma City	Lease Payment - 1% of Revenue; PILOT/Franchise Fee (used interchangeably) - 2% of inside city sales revenue
Phoenix	PILOT - based on value of plants - land and building;
Tucson (Tucson Water)	Utility Tax - 4% of sales revenue; PILOT - based on 65% of the assets

*The city of Mesa, AZ uses transfer for funding city services and does not have a primary property tax.

In reviewing the benchmarking results and general industry research, there appears to be no clear trends for what type or combination of transfers are implemented nor the specific level or basis of transfers, regardless of size, organization type, governance type, or geographic region. Within certain industry accepted guidelines as discussed above in Subsection B, the type and amount appear to be unique to the utility and city in question.

Direct and Indirect Costs

Exhibit 2.3 and Exhibit 2.4 present the benchmarking results of Transfers for the Texas and National benchmarking analyses completed for this study. While benchmarking this is helpful in that it shows that other utilities pay direct and indirect costs to the General Fund and provides insight into the level that the utility relies on the municipality for service, little value is gained in comparing the dollar amount of the costs transferred since direct and indirect costs, in general, are very unique and specific to the utility and city in question, similar to the transfers previously discussed.

Exhibit 2.3 – Texas Benchmarking Analysis of Cost Transfers

Texas Utilities/Cities	Cost Transfer(s) for Services
Arlington	Direct Costs - approx. \$2.25 mil and Indirect Costs - approx. \$3.37 mil
Austin	Direct Services - approx. \$12.3 mil Admin Support, A few additional miscellaneous transfers for services
Corpus Christi	Direct Costs - based on full cost allocation - approx. \$3.5 mil
Dallas	Indirect Costs
El Paso	Direct Costs for 2 HR positions and insurance
Fort Worth	Indirect Costs - based on cost allocation - approx. \$4 mil
Garland	Direct and Indirect costs, General and Admin based on 13.43% of Utility salaries
Houston	Direct and Indirect Costs based on allocation - approx. \$44 mil
Laredo	Direct Costs - land rental, vehicles, street cut - approx. \$1.05 mil, Indirect Costs - based on allocation - approx. \$2.85 mil
Plano	Indirect Costs - varies
San Antonio	None

Exhibit 2.4 – National Benchmarking Analysis of Cost Transfers

National Utilities/Cities	Cost Transfer(s) for Services
Charlotte	Direct Costs - billed directly and varies yr to yr, Indirect Costs - based on allocation - approx. \$9.8 mil, plus \$1 mil for street cuts
El Paso	Direct Costs for 2 HR positions and insurance
Little Rock (CAW)	None
Mesa	Direct and Indirect Costs based on allocation - updated annually
Oklahoma City	Indirect Costs - approx. \$4.19 mil for admin and mgmt services
Phoenix	Indirect Costs - based on Central Services allocation - approx. \$14.2 mil
Tucson (Tucson Water)	Direct Costs - largely determined by City Manager's office - varies, Indirect Costs - based on allocation - approx. \$7.3 mil

