

Rochester Public Utility Board Policy

POLICY 27: Payment in Lieu of Taxes

POLICY OBJECTIVE:

The Rochester Public Utility Board operates utility enterprises owned by the City of Rochester for the benefit of its consumer ratepayers. The Board's responsibility is to deliver adequate, reliable service to these ratepayers at an economic cost. The Board recognizes, however, that the services of City government are used in the operation of a utility enterprise. Accordingly, the Board desires to contribute to the City general fund annually a "fair share" amount of money which represents the cost of City government to be paid by the Board's consumer ratepayers. This amount of money will be designated as a "Payment in Lieu of Taxes."

POLICY STATEMENT:

The Board desires to establish a method of determining the "Payment in Lieu of Taxes" which fairly compensates the City for services provided, which can be estimated for budget purposes, and which eliminates the potential use of utility enterprise funds for meeting the revenue requirements of City government. Recognizing that any policy which affects the financial operation of the utility enterprises must be reviewed periodically with respect to changing conditions, the Board establishes the following guidelines for determining the annual "Payment in Lieu of Taxes" to the City general fund:

1. "Payment In Lieu of Taxes" will be computed on commodity sales of the electric and water utilities.
2. Commodity sales units are defined as kilowatt-hours (kWh) for the electric utility and one-hundred cubic feet (CCF) for the water utility.
3. The base unit amount for calculation of the payment will be \$0.00959/kWh for the electric system and \$0.08132/CCF for the water system.
4. The base unit would be increased by the percentage increase in the Consumer Price Index (CPI) from the previous January through December reporting period. The effective date of base unit change will be January 1 of each year.

RELEVANT LEGAL AUTHORITY:

The City of Rochester, MN Home Rule Charter
Chapter 15.05, Subd. 3 and Section 15.07, Subd. 1

EFFECTIVE DATE OF POLICY:

January 1, 1984

DATE OF POLICY REVISION:

August 27, 2024

EFFECTIVE DATE OF POLICY REVISION:

January 1, 2024

8/28/2024 | 10:36:09 CDT

Signed by:

Melissa Johnson

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POLICY REVIEW:

Board President

Date