



# Payment in Lieu of Tax (PILOT)

JANUARY 26, 2021  
ROCHESTER PUBLIC UTILITY BOARD



# History

- Policy adopted January 1, 1984
  - Last updated June 29, 1999
- Based on Commodity sales
  - Electric – kilowatt-hours (kWh)
  - Water – hundred cubic feet (CCF)
- Payment for City Services
- Return to the residents of Rochester for Ownership (Not in Policy)
- Rates are indexed by Consumer Price Index when
  - a rate increase is approved.
- Designed to give consistency and discourage government using Enterprise funds for City Government requirements.
- Water & Electric PILOT as percent of Property Tax Revenue –
  - 2019: 17.2%
  - 2020: 16.0%

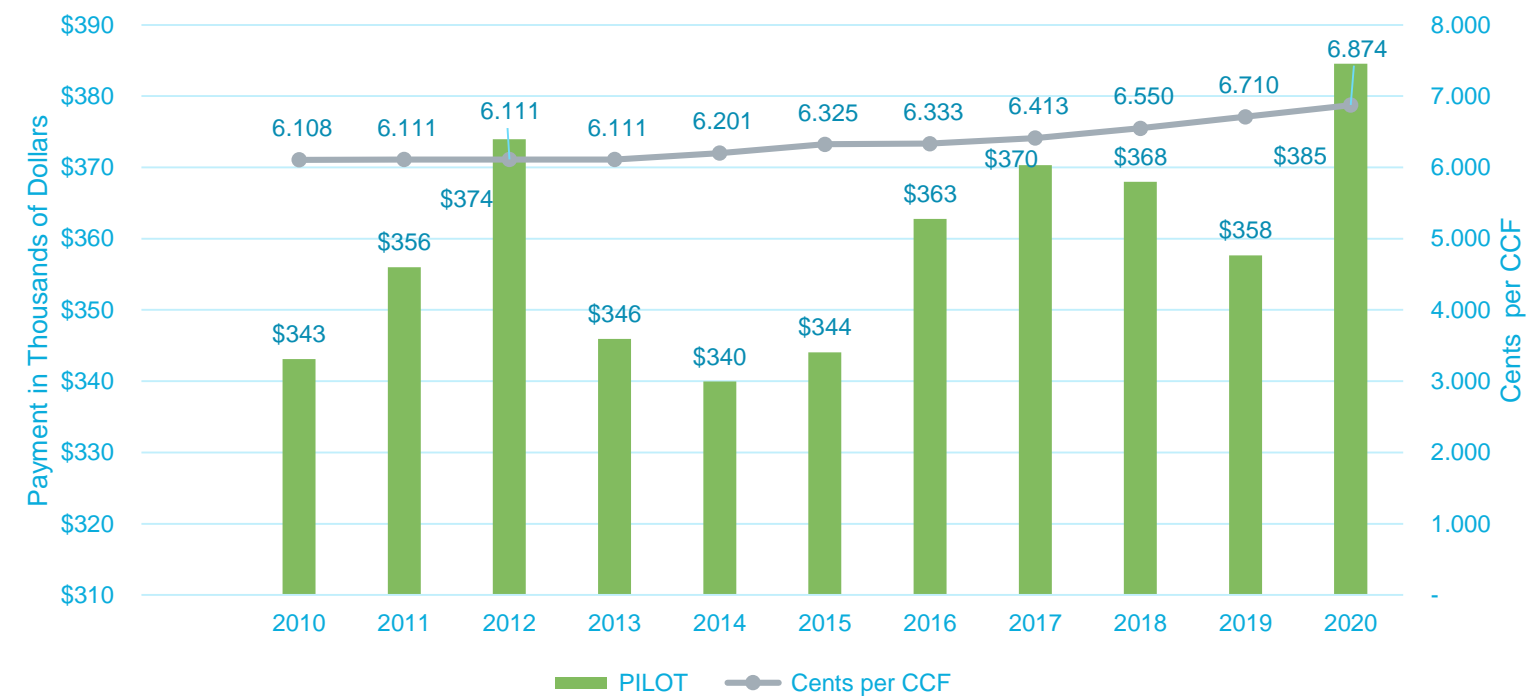


# Water Utility

## Impacts

- CCF Sales.
- Customer growth
- Conservation
- Weather (hot and dry summer)

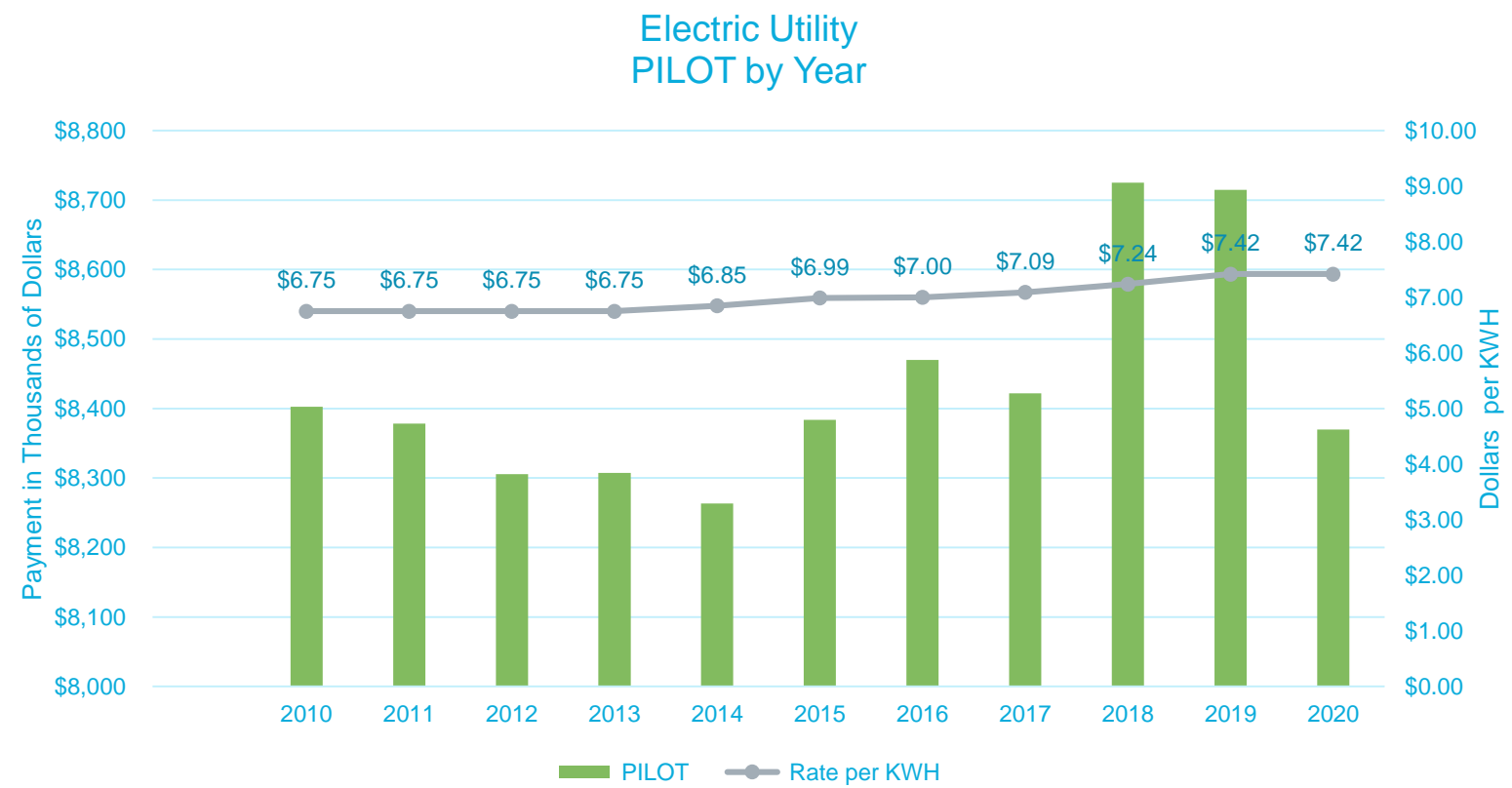
Water Utility  
PILOT by Year



# Electric Utility

## Impacts

- kWh Sales.
- Customer growth
- Conservation - Rebates
- Weather (hot and humid summer)
- Pandemic impact in 2020



# Comparison

- Electric Utilities rated by Fitch
- AA and AAA rated Utilities (67)
- Range 0 to 16.7%
- Portfolio Median 4.3% of sales
  - Electric Utility – 5.3% of gross sales
  - Water Utility – 3.2% of gross sales

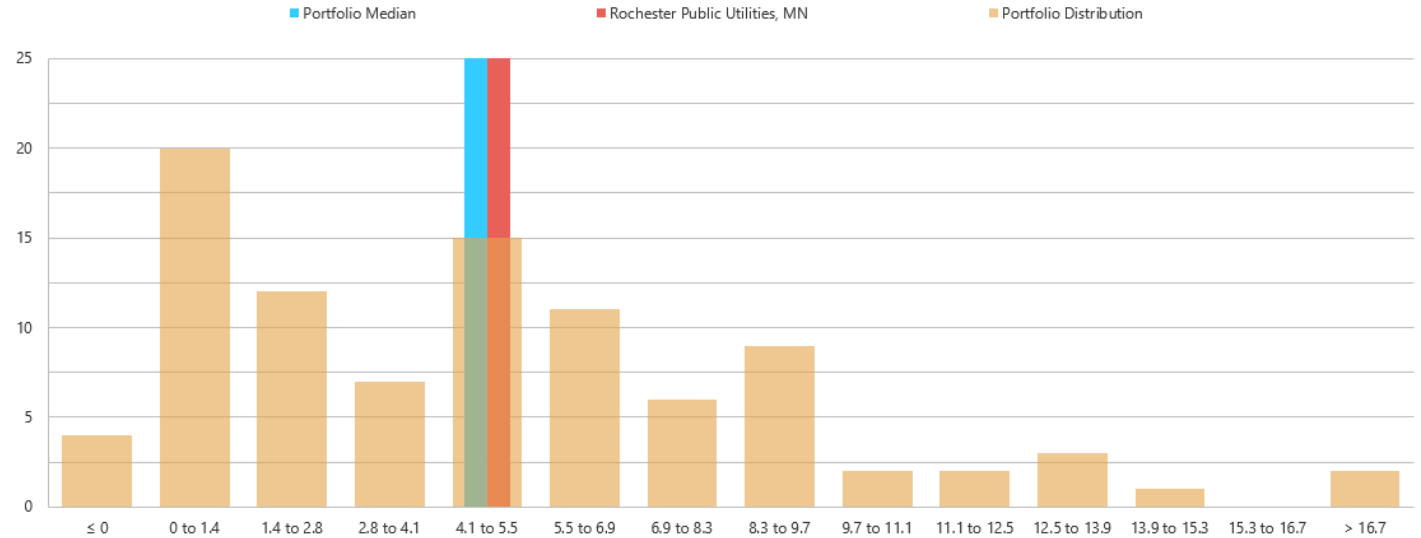
Note: Gross sales includes contributed assets which do not contribute any cash.

APPA Survey National Average 5.4%  
 Investor Owed National Average 4.8%  
 (property tax)

## Metric Analysis: Transfers, PILOT & Tax/Total Operating Revenue

Metric:  Year:  Compare to:  Fitch Portfolio  Selected Peer Group  
 Rating Category  Region  System Type

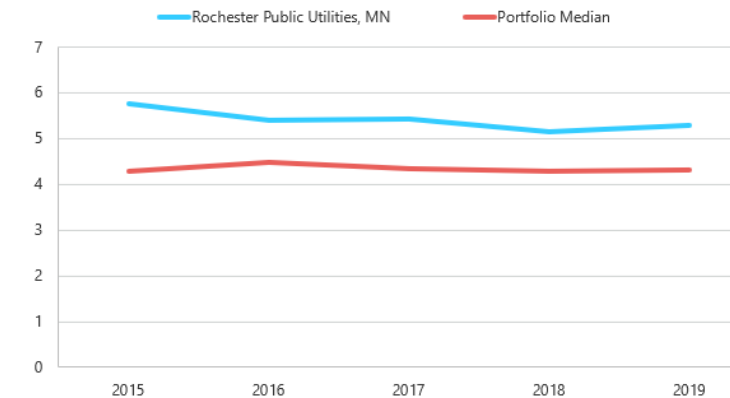
Distribution of Transfers, PILOT & Tax/Total Operating Revenue: 2019



Transfers, PILOT & Tax/Total Operating Revenue	2015	2016	2017	2018	2019
Rochester Public Utilities, MN	5.8	5.4	5.4	5.2	5.3
Portfolio Median	4.3	4.5	4.3	4.3	4.3

Indicates the degree to which a utility provides financial support to host city, county, members or owners.

Source: Fitch Ratings.



**Questions?**

**THANK YOU**

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