

MEMORANDUM

TO: OGDEN CITY
FROM: LRB PUBLIC FINANCE ADVISORS
DATE: May 28, 2024
RE: 2024 UTILITY FUND TRANSFER ANALYSIS

LRB Public Finance Advisors (LRB) was retained by Ogden City (City) to perform an analysis of the utility transfers currently utilized by Ogden City's General Fund. The General Fund utility transfer analysis sought to address two components: 1) Determine whether five percent of utility revenues transferred to the General Fund covers administrative services (HR, accounting, legal, etc.) related to the cost of services allocated to water, sewer, and storm utility operations; and 2) Analyze the impact on the General Fund and utility funds if utility transfers were discontinued.

ADMINISTRATIVE FEE ANALYSIS OBJECTIVES

The following objectives were identified by the City, which served as the foundation of the administrative fee analysis:

1. Analyze whether the transfer equaling five percent of projected revenue to cover administrative services—HR, accounting, legal, etc.—related to water, sewer, and storm sewer utility operations is:
 - approximates the actual cost of services provided; or
 - less than the actual cost of services provided; or
 - more than the actual cost of the services provided.

ANALYSIS

Table 1.1 illustrates the overhead costs for each administrative service as well as the FTE count for each applicable department. Overhead costs related to administrative services total **\$9,857,175** and a total FTE count of **70.39**.

TABLE 1.1: ADMINISTRATIVE OVERHEAD

	FY 2024 BUDGET	FTE
Mayor	\$858,150	5.13
Council	\$1,568,025	16.37
Administration	\$1,749,475	6.29
Human Resources	\$712,575	5.04
Comptroller	\$1,117,950	9.08
Fiscal Operations	\$845,500	5.01
Purchasing	\$390,575	4.00
Recorders	\$569,625	4.85
Attorney	\$2,045,300	14.62
TOTAL OVERHEAD	\$9,857,175	70.39

Each department is then allocated the administrative cost based on department size, utilizing the proportion of the total budget or employment.

TABLE 1.2: PROPORTION OF BUDGET AND FTE BY DEPARTMENT

	% OF TOTAL (BUDGET)	% OF TOTAL (FTE)
Total Overhead	\$9,857,175	70.39
Community and Economic Development	6.40%	11.76%
Fire	8.31%	13.07%
Justice Court	1.47%	2.48%
Police	21.41%	34.23%
Public Services	10.49%	19.33%
Refuse	5.74%	3.20%
Sanitary Sewer	12.09%	2.30%
Storm Sewer	5.39%	2.54%
Water	28.70%	11.09%

Table 1.3 illustrates the calculated administrative overhead based on the proportion of demand and compares each allocation against the calculated five percent transfer for each utility. The calculated transfer falls somewhere between the two calculations, with the overhead costs based on the proportion of the total budget being higher than the transfer amount and the proportion of employment being less than the transfer amount.

TABLE 1.3: ALLOCATED COST COMPARISON

	CALCULATED ADMIN ALLOCATION (\$ (FY24))	CALCULATED ADMIN ALLOCATION (FTE) (FY24)	CALCULATED 5% TRANSFER AMOUNT (FY24)
Water	\$2,829,181	\$1,093,362	\$1,256,550
Storm	\$531,149	\$250,566	\$309,000
Sewer	\$1,192,194	\$226,979	\$720,050
Refuse	\$565,915	\$315,002	\$365,000

UTILITY TRANSFER ANALYSIS

OBJECTIVES

The following objectives were identified by the City, which served as the foundation of the utility transfer analysis:

1. Analyze the impact on the General Fund if financial transfers equaling six percent of projected revenue as a property tax equivalent and six percent as a franchise fee equivalent from the water, sewer, and storm sewer utilities were discontinued.
2. Analyze the impact on water, sewer, and storm rates, if the financial transfers equaling six percent of projected revenue as a property tax equivalent and six percent as a franchise fee equivalent from the water, sewer, and storm sewer utilities were discontinued.

GENERAL FUND IMPACT

LRB gathered data on the 2023 certified tax rate value and identified the current transfers to the City's General Fund from each utility fund to determine the estimated tax impact to mitigate lost revenues.

TABLE 1.4: TAX RATE DETERMINATION

	WATER	SEWER	STORM	REFUSE	TOTAL
2023 Certified Tax Rate Value	\$8,511,090,220	\$8,511,090,220	\$8,511,090,220	\$8,511,090,220	\$8,511,090,220
Exempt Parcel Value	\$1,329,241,719	\$1,329,241,719	\$1,329,241,719	\$1,329,241,719	\$1,329,241,719
Baseline Transfer Amount	12%	12%	12%	12%	12%
Transfer Amount (2024)	\$3,015,000	\$1,728,125	\$741,600	\$876,000	\$6,360,725
Estimated Tax Rate to Generate Lost Revenue	0.000354	0.000203	0.000087	0.000103	0.000747

The needed tax rate increase shown in **Table 1.4** represents a 33 percent increase to the General Fund 2023 Certified Tax Rate of 0.002239. The estimated tax impact of the proposed transfer amounts on a residential and non-residential can be found below. The table illustrates the general impact based on land use and market value.

TABLE 1.5: TAX IMPACT

PRIMARY RESIDENTIAL		COMMERCIAL/SECONDARY HOME	
MARKET VALUE	TAX IMPACT	MARKET VALUE	TAX IMPACT
\$100,000	\$41.09	\$100,000	\$74.70
\$200,000	\$82.17	\$200,000	\$149.40
\$300,000	\$123.26	\$300,000	\$224.10
\$400,000	\$164.34	\$400,000	\$298.80
\$500,000	\$205.43	\$500,000	\$373.50
\$600,000	\$246.51	\$600,000	\$448.20
\$700,000	\$287.60	\$700,000	\$522.90
\$800,000	\$328.68	\$800,000	\$597.60
\$900,000	\$369.77	\$900,000	\$672.30
\$1,000,000	\$410.85	\$1,000,000	\$747.00

The General Fund property tax is not assessed to all water users such as exempt government properties (see **Table 1.4**). The table below examines the tax levy increase required to mitigate the revenue impact, assuming an average home value of \$500,000. The result is a difference of **\$4.23**.

TABLE 1.6: IMPACT TO RESIDENTIAL HOME OF \$500K

Average Utility Bill	\$107.42
Monthly Admin Cost [1]	\$12.89
Required Monthly Property Tax [2]	\$17.12
Difference	\$4.23

¹ Total equals 12 percent of the average utility bill.

² Calculated by dividing the total tax impact found in Table 1.7 and dividing it by 12 [months].

UTILITY RATES IMPACT

If the City opted to discontinue the financial transfer from the enterprise funds (to the General Fund), the City could reduce or eliminate the need for the additional rate increase but may need to continue the projected annual inflationary increases. Additional analysis would be required to determine the impact on the water, sewer, storm, and refuse rates since these models are not yet finalized.

ADDITIONAL CONSIDERATIONS

It is important to note that the evaluation of transfers is ultimately an evaluation of the impact on the customer. If the transfers are discontinued, the City would need to increase the property tax levy to mitigate the revenue loss, resulting in a net increase to the average residential utility bill and a decrease to other customers. This is due to a change in the customer base under each revenue tool – utility rates reach a broader customer base, whereas the property tax is limited to taxable value. In addition, the utility rate method is tied directly to utility demand, whereas the property tax method is tied to taxable values. Furthermore, the enterprise funds provide for a singular service and the revenue determination is tied to meeting those objectives, whereas the general fund provides for several differing services which often creates a funding challenge when determining revenue policies. These factors may influence the efficacy of one strategy over another.