

FY2025

Revenue (Profit) Transfer

Priority of Budget Expenditures

1. Current Operations Expense (including normal maint)
2. Bond & Other Debt Service expense
3. Capital Plan - Replacement
- 4a. Franchise Fee (paid to General Fund)
- 4b. In Lieu Taxes (paid to General Fund)
5. Capital Additions and Improvements

Charter Language – Budget Priorities

509. Priority of Budgeted Expenditures.

In order that the Department of Public Utilities can plan and utilize its proceeds for the maintenance, improvement and extension of the utilities system before any part of such proceeds is diverted to general County purposes, all funds derived from the operation of the utilities shall be managed and expended in accordance with the following policies. From the proceeds of the operation of the Department:

1. There shall first be set aside the funds required for current operations.
2. There shall next be set aside the funds required to redeem and pay interest on any bond issue for the utility which shall become due and payable during the next fiscal year.
3. There shall next be provided an adequate reserve to finance replacements required by normal depreciation of the utility plant or equipment as provided in the Schedule of Funds. These reserves may not be used by the County for financing County operations.
4. There shall be paid to the General Fund those amounts set forth in the budget as payments to be made to the County in lieu of franchise fees and taxes that would be normally assessed against privately owned gas and electric utilities.
5. There shall next be a provision for additions and improvements foreseen as necessary to meet future requirements for the utility systems as provided in the Schedule of Funds.
6. All remaining operating profits shall be transferred to the County General Fund.

Chapter 40-63. Budget Revenue Transfer

(b)(4) Designation of any additional specific remaining amounts as operating profits transfers to the general fund beyond those planned for as indicated in subsection (c)(12).

(c)(12) A profit transfer. Charter section 509 anticipates possible profit transfers from the utility system to the general fund. The county as owner should have a return on its investment in the utility system. It is also prudent fiscal management to plan for a specific level of return. Therefore, this paragraph clarifies that expectation and sets the following budget policy:

- a. After providing for the items specified in Charter section 509 1. through 5., the budget shall include an amount for planning purposes for each fiscal year of at least five percent of the electric and gas utilities gross retail revenue and exclusive of that from the county and schools for commodities for their sole use, and an additional amount representing a percentage of the revenue from the department of energy, generated as a result of the department of energy/county joint power pool coordination agreement, for transfer to the general fund as operating profits.
- b. After completion and approval of the county's audit, the profit transfer amount for the current fiscal year shall be calculated based upon actual audited revenues from the previous fiscal year. Those calculated amounts will be presented to council to approve as profit transfers to the general fund in the current fiscal year.
- c. For a five-year period, which may be extended as provided below, and beginning with fiscal year 2023, upon approval of the profit transfer amounts by council, the council may through formal action re-direct some or all of the profit transfer amounts for use within the joint utility system fund for purposes designated by the council. Those purposes may include, but are not limited to, accelerating investment in utility infrastructure, investing in utility infrastructure to facilitate coordination with roads projects, investing in utility infrastructure to facilitate economic development and housing projects, facilitating utility debt restructuring, and transferring funds between individual utility sub-funds.
- d. The above five-year period may be extended by council for one additional year at the time of council's consideration of an annual redirection of a profit transfer so that every year council considers an annual redirection, there is an option for council to add an additional year to the original five-year period.

FY25 BUDGET (April 2024)

1. DPU included revenue transfer in proposed budget of \$721,179 from Electric and \$527,058 from Gas
2. DPU proposed & Council approved budget option of \$1,304,000 for Bathtub Row/Nectar/Peach Water Distribution project.

REVENUE TRANSFER REDIRECT (Feb 2025)

1. FY2024 ACFR Issued
2. DPU proposes & Council considers FY25 Budget Revision based on FY24 ACFR Actual Sales. \$615,309 from Electric & \$362,814 from Gas for a total of \$978,123 to be retained in Joint Utilities for Bathtub Row/Nectar/Peach Water Distribution project.
3. Council considers request to extend the redirection period for an additional year as allowed by County Code 40-63(d)

INCORPORATED COUNTY OF LOS ALAMOS
JOINT UTILITY SYSTEM PROFIT TRANSFER AND IN LIEU PAYMENTS
TO THE GENERAL FUND
LAST TEN FISCAL YEARS

Table 26

Fiscal Year	FRANCHISE FEES [a]		IN LIEU TAX [b]			PROFIT TRANSFER [c]		TOTAL JOINT UTILITY SYSTEM
	ELECTRIC DISTRIBUTION	GAS	ELECTRIC PRODUCTION	ELECTRIC DISTRIBUTION	GAS	ELECTRIC	GAS	
2015	\$ 247,143	107,219	17,208	206,136	77,004	484,485	297,390	1,436,585
2016	279,200	97,940	100,338 [d]	231,536	81,666	524,540	246,867	1,562,087
2017	251,845	107,486	70,055	297,050	97,875	594,681	226,475	1,645,467
2018	241,046	80,107	63,146	248,680	103,080	574,246	207,175	1,517,480
2019	272,331	107,965	59,318	269,828	104,179	567,249	194,513	1,575,383
2020	267,537	91,985	27,082	285,824	101,719	575,620 [e]	254,014 [e]	1,603,781
2021	273,201	112,791	20,037	266,521	96,089	582,224 [e]	217,504 [e]	1,568,366
2022	265,398	138,423	17,245	260,204	276,202	584,290 [e]	264,621 [e]	1,806,383
2023	273,917	210,445	14,179	250,881	91,295	573,617 [e]	324,883 [e]	1,739,218
2024	293,950	177,418	20,346	264,746	113,590	563,200 [e]	490,612 [e]	1,923,860

Sources: County financial records

Notes:

[a] Franchise Fees are 2% of all Electric Distribution and Gas revenue from all rate classes.

[b] In Lieu of Property Tax is the net book value of Electric and Gas fixed assets divided by three, times the Los Alamos County property tax rate.

In Lieu excludes San Juan, El Vado and Abiquiu assets located outside Los Alamos County.

[c] Profit Transfer is 5% of Electric Distribution, Gas, and Water retail revenues excluding sales to schools and the County.

[d] Began paying in lieu tax for solar assets

[e] Per council Ordinance 02-302 Section 40-63 (c)(12), Council approved the redirecting of the DPU profit transfer from the General Fund to remain within the Public Utilities for the purpose of investing in utility infrastructure.

Attachment D

\$4,430,585 revenue transfer retained in Joint Utilities Fund FY20-FY24

Total including FY25 \$5,408,708

Questions?

