

# 2024 General Fund Transfers

## Payments in Lieu of Taxes and City Dividend for Utility Ownership

**Nicholas Wolf**  
Manager – Financial Accounting

**Administrative Board**  
May 17, 2024

# Helpful Terms

## General Fund Transfer

- Transfer of monies from LES to the city, county and Lincoln Public Schools

## PILOT

- Payment in Lieu of Taxes, LES is not subject to property tax

## CDFUO

- City Dividend for Utility Ownership

# LES makes two General Fund Transfers

## PILOT

- **Established in 1966 (with the creation of LES)**
- **In City Charter**
- **Requires vote of the people to change**
- **Embedded in LES rates for cost recovery**

## CDFUO

- **Established in 2011 (by City Council Action)**
- **In Lincoln Municipal Code**
- **Requires City Council Action to change**
- **Separate line item on LES customer bills**

# Defined General Fund Transfers are a Best Practice

## Benefits of Defined Formula

- **The Utility can budget appropriately and avoid large surprises**
- **The receiving entity can reasonably estimate transfer amounts**
- **Rating agencies prefer defined general fund transfers**
- **PILOT and CDFUO transfer amounts are defined**

# PILOT: Revenue Based – Distributed by Tax Levy Rates

## Calculation

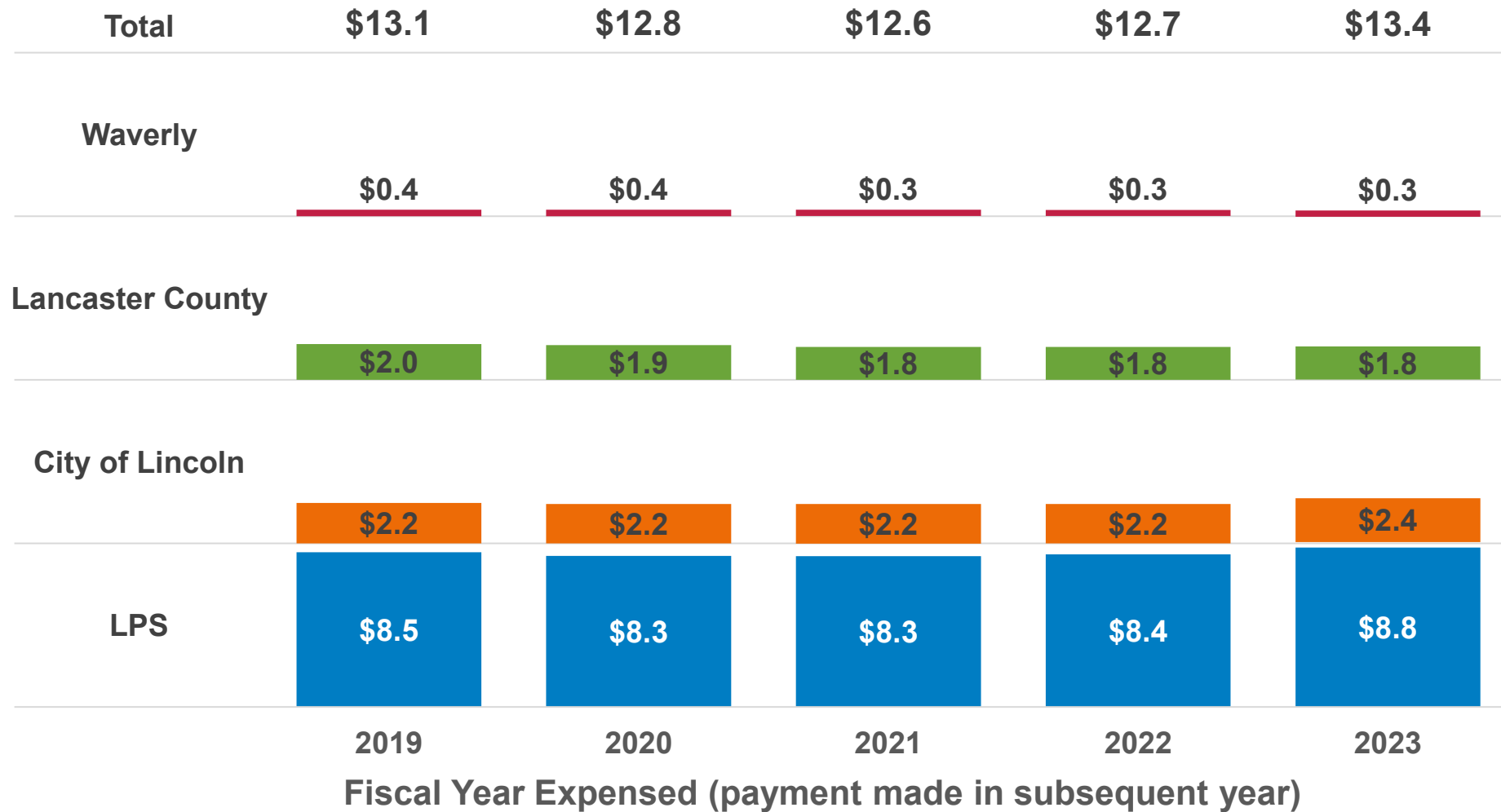
- 5% of Total Gross Revenues from retail sales of electricity within city limits (includes Lincoln, Waverly)
- Approximately 97% of sales are subject to PILOT

## Distributed annually at end of April

- Lincoln
  - Lancaster County
  - Lincoln Public Schools
- } Based on Property Tax Levy Rates
- Waverly (5% of Revenues, quarterly payments)

# Five Year History of PILOT Distribution

(\$ in Millions)



# LES PILOT payments are nearly 4x that of the largest Lincoln property taxpayer in 2023

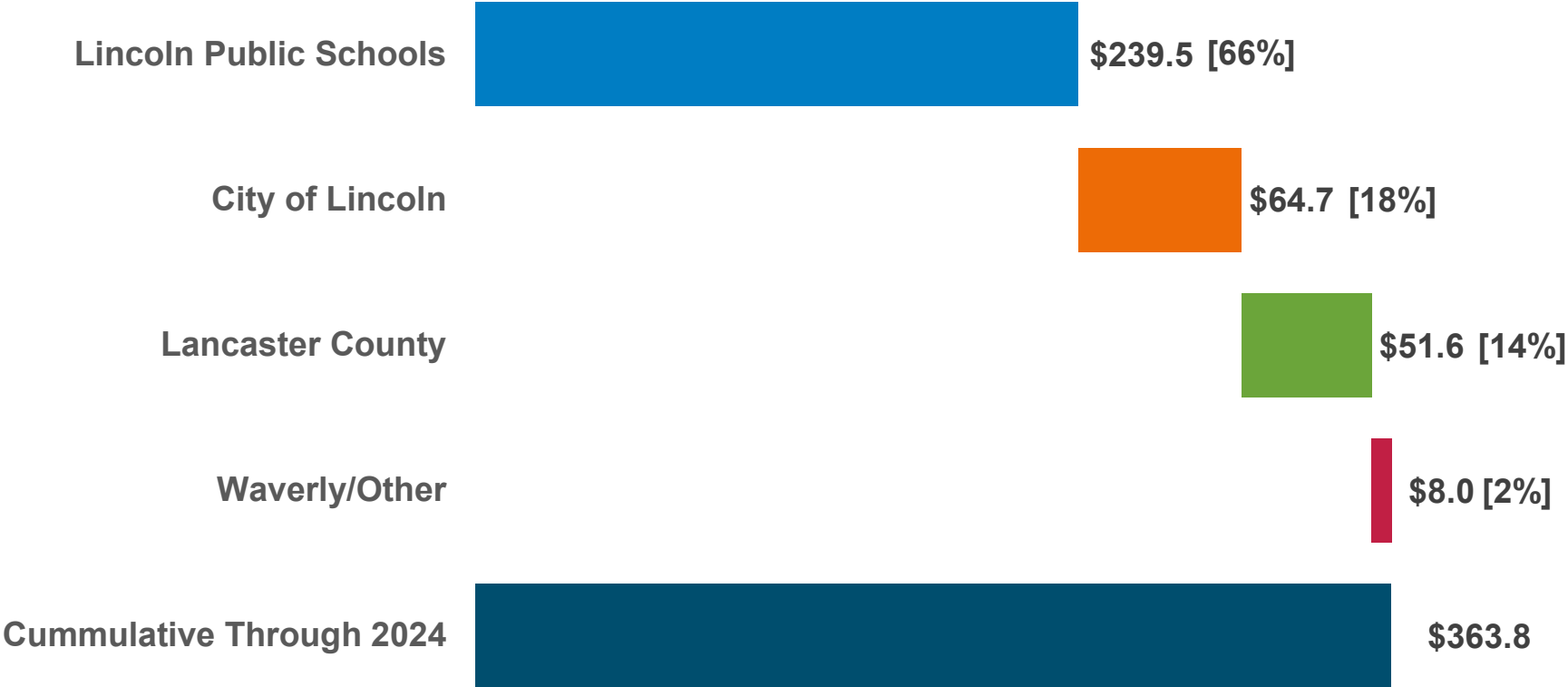
## The largest property taxpayers in Lincoln\*

Property Owner	Assessed Value	Tax Rate	Calculated Tax Bill
B & J Partnership Ltd.	\$191,469,400	1.74%	\$3,326,781
Burlington Northern	\$163,818,339	1.74%	\$2,846,344
Windstream	\$160,189,706	1.74%	\$2,783,296
ALLO Communications	\$157,265,193	1.74%	\$2,732,483
NEBCO INC	\$112,983,571	1.74%	\$1,963,090

*\*Based on Analysis completed by LES Financial Services*

# Lincoln Public Schools receives the majority of the PILOT payment

(\$ in Millions)



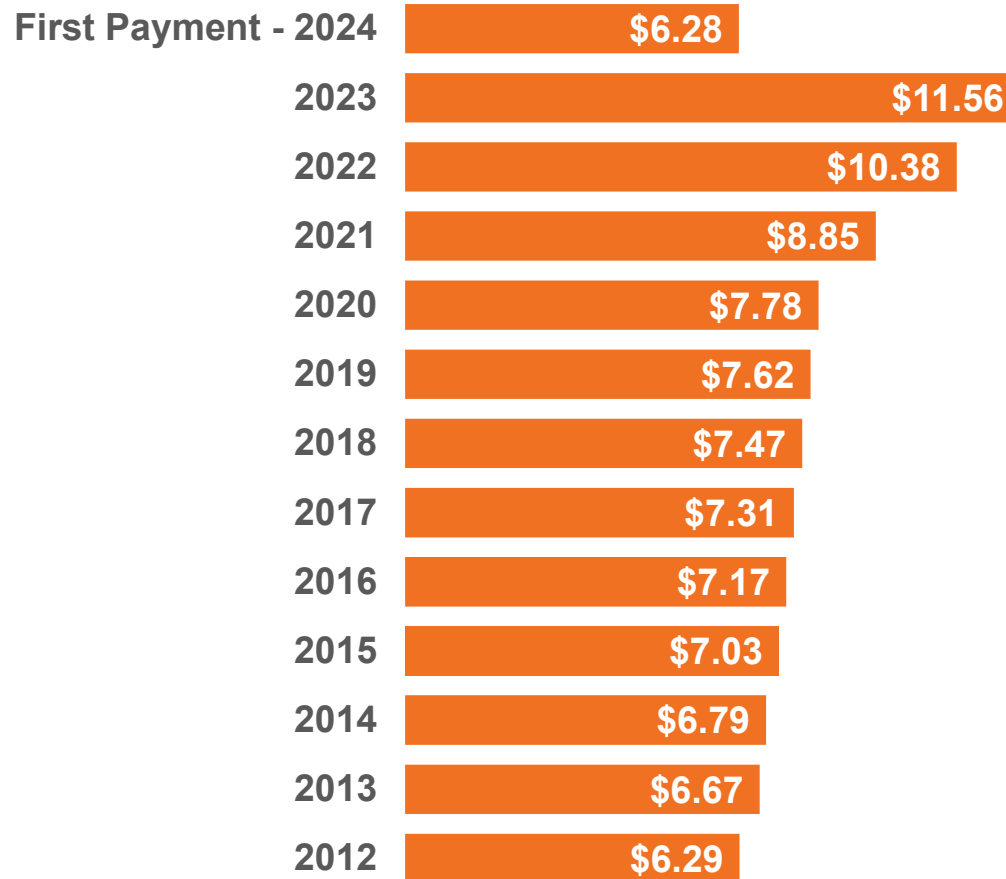


# CDFUO represents the City's ownership of LES

- Ordinance effective September 1, 2011
  - 2.4% of year-end Equity (Net Position) – until payment reached \$7M
  - CDFUO rate adjusted each September
- 
- On August 3, 2020, an amendment removed the \$7M cap
  - Effective September 1, 2020, the CDFUO payment was set at \$8.85M
  - Effective September 1, 2021, 2.4% of year-end Equity (Net Position)

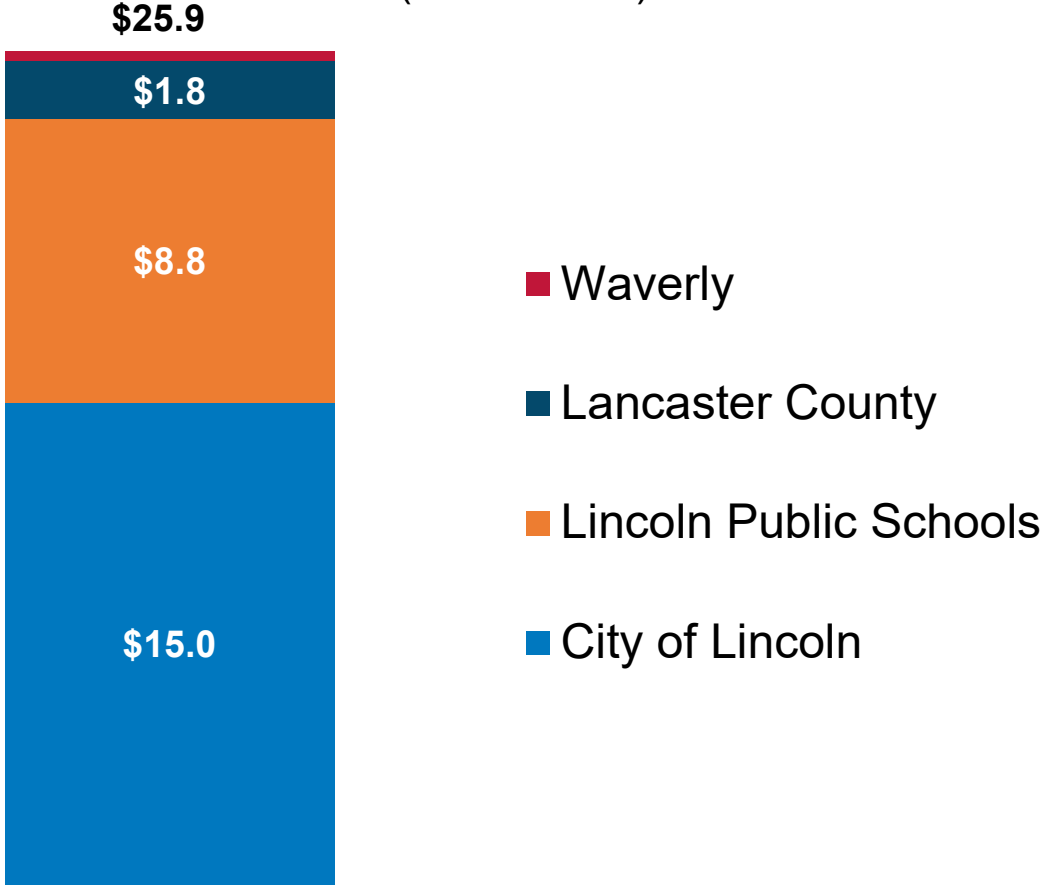
# CDFUO paid semiannually (Feb & Aug) and solely to City of Lincoln, \$101.2M To Date

(\$ in Millions)



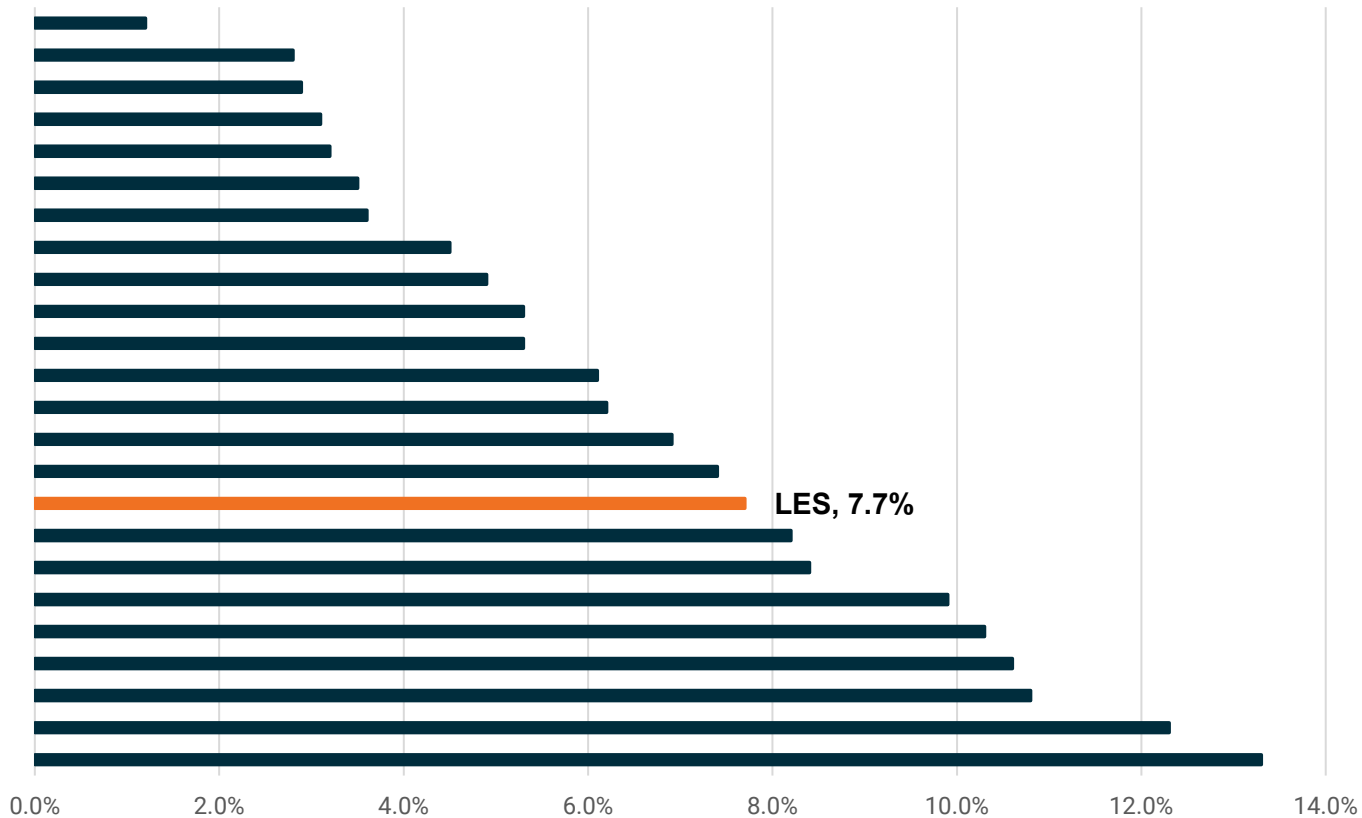
# LES' general fund transfer payments are of great benefit to the local community

2024 Transfer Payments  
(PILOT & CDFUO) Recipients  
(\$ in Millions)

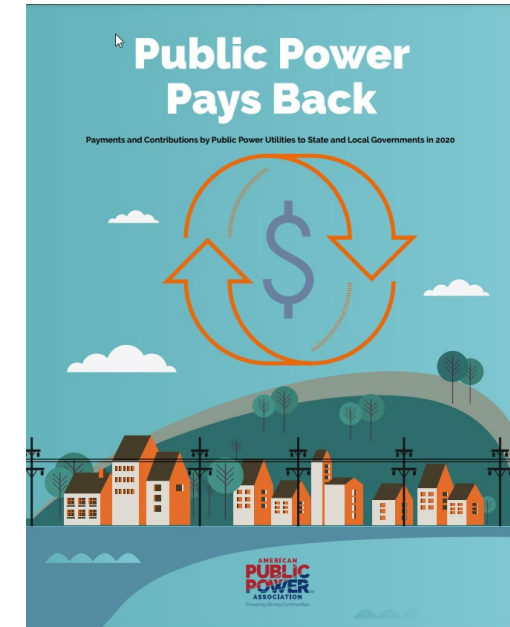


# Total general fund transfers are in line with peer utilities

Transfer Payment as % of Operating Revenue  
(largest public power utilities)



Source: APPA 2024 Public Power Statistical Report  
Source: Fitch Ratings 2023 U.S. Public Power – Peer Review



APPA Public Power Pays Back  
(General Fund Transfer Survey, Published May 2022)

West North Central Region Median = 5.6%

Class Size (Revenues \$100M and higher) Median = 6.9%