

INTRODUCED: June 26, 2017

A RESOLUTION No. 2017-R049

To request that the Chief Administrative Officer cause the Department of Public Utilities to prepare and submit to the Council a plan to phase out Payments in Lieu of Taxes from the Department of Public Utilities over a ten year period.

Patron – Mr. Agelasto

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: JULY 24 2017 AT 6 P.M.

WHEREAS, the Council of the City of Richmond, by adoption of this resolution, establishes its intent to eliminate Payments in Lieu of Taxes (“PILOT payment”) from the Department of Public Utilities; and

WHEREAS, eliminating or reducing the PILOT payment would require an amendment to section 13.06 of the Charter of the City of Richmond (2010), as amended; and

WHEREAS, the Council believes that the elimination of the PILOT payment would best be accomplished by an approach that gradually phases out the payment over several years to provide for budget adjustments due to the lost revenue; and

AYES: 9 NOES: 0 ABSTAIN: _____

ADOPTED: JULY 24 2017 REJECTED: _____ STRICKEN: _____

WHEREAS, the Council believes that it is in the best interests of the citizens of the City of Richmond that the Council request that the Chief Administrative Officer cause the Department of Public Utilities to prepare and submit to the Council a plan to phase out PILOT payments from the Department of Public Utilities over a ten year period;

NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF RICHMOND:

That the Council hereby requests that the Chief Administrative Officer cause the Department of Public Utilities to prepare and submit to the Council, no later than November 1, 2017, a plan to phase out PILOT payments from the Department of Public Utilities over a ten year period and that contains, at a minimum, the following:

1. A requirement that during the ten year phase out period, the Department of Public Utilities will continue to make PILOT payments to the General Fund and will assess alternative fees to City departments designed to recapture the amount of the PILOT payments.

2. A requirement that the alternative fees collected by the Department of Public Utilities will be used to decrease the utility rates charged to the residential and commercial customers of the Department of Public Utilities.

3. A requirement that the ten year phase out plan will only apply to PILOT payments and all other payments required or assessed by the City shall continue to be paid into the General Fund.

4. A requirement that during the ten year phase out period, the Department of Public Utilities shall submit annual reports showing the fees and taxes on each utility paid through PILOT payments.

5. A requirement that the ten year phase out plan begin in the fiscal year commencing July 1, 2018, and ending June 30, 2019, with the exact amount of the revenue reduction to be determined by the phase out plan schedule and the alternative fees proposed by the Department of Public Utilities.



Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the Council Chief of Staff

Ordinance/Resolution Request **RECEIVED**

TO Allen Jackson, Richmond City Attorney
Richmond Office of the City Attorney

JUN 16 2017

THROUGH Lou Brown Ali *LB*
Council Chief of Staff

OFFICE OF CITY ATTORNEY

FROM William E. Echelberger, Jr, Council Budget Analyst *WE*

COPY Parker C. Agelasto, 5th District Representative
Haskell Brown, Deputy City Attorney
Meghan K. Brown, Deputy Council Chief of Staff *MKB*
Amy E. Robins, 5th District Liaison

DATE June 16, 2017

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TITLE PILOT for Utilities

This is a request for the drafting of an Ordinance Resolution

REQUESTING COUNCILMEMBER/PATRON

Parker C. Agelasto, 5th District Representative

SUGGESTED STANDING COMMITTEE

Finance and Economic Development

ORDINANCE/RESOLUTION SUMMARY

- The Patron requests a resolution establishing the intent of Richmond City Council to phase out the Payments in Lieu of Taxes (PILOT) from the Department of Public Utilities (DPU) over a ten year period. The Department of Public Utilities is to develop a plan for this phase out, and alternative fees and present such plan to Richmond City Council by November 1, 2017. The phase-out plan is also to include a requirement for annual reports on the various fees and taxes that the PILOT is paying on each utility (i.e. federal income tax, etc.).

BACKGROUND

Summary:

- The adopted FY18 budget include \$27,170,096 from Payments in Lieu of Taxes from Enterprise Activities.
- The Department of Public Utilities shall develop a ten-year schedule for phase-out of the current PILOT program. During this period the PILOT payments will continue to be made into the General Fund, but, DPU will assess fees to city departments that are designed to recapture the amount of the PILOT payments. These fees will be used to decrease utility rates charged to DPU residential and commercial customers.
- The phase-out plan will only apply to the PILOT payments. All other payments required or accessed by the City to DPU shall continue to be paid into the General Fund.

- The phase-out plan is also to include a requirement for annual reports on the various fees and taxes that the PILOT is paying on each utility (i.e. federal income tax, etc.).
- Henrico and Chesterfield counties have already undertaken a similar phase-out:
 - Henrico County included PILOT components in its water utility and wastewater utility rates, from at least 1995 until ending the practice in 2007. The total annual PILOT amount collected (for both water and wastewater) was approximately \$4 million.
 - Chesterfield County included a PILOT-type component in its water utility rates from FY 1992 (est.) through FY 2015.
 - Chesterfield's PILOT component was offset by a hydrant rental charge to the County Fire Department in the general fund. Therefore, the utilities fund showed an expense of payment in lieu of taxes and an offsetting revenue of hydrant rental. The general fund showed an expense for hydrant rental, but an offsetting revenue of payment in lieu of taxes. The net effect was zero on both funds.
 - In FY 2015, the last year in which Chesterfield included the PILOT component, the amount was \$589,600.
- There is no impact in FY17 or FY18. City revenues from PILOT from the Department of Public Utilities will begin to be phased out beginning in FY19. The exact amount of the revenue reduction, if any will be determined by the phase-out schedule, and the alternative fees proposed by the Department of Public Utilities.

FISCAL IMPACT STATEMENT

Fiscal Impact Yes No

Budget Amendment Required Yes No

Estimated Cost or Revenue Impact

There is no impact in FY17 or FY18. City revenues from PILOT from the Department of Public Utilities will begin to be phased out beginning in FY19.

Attachment/s Yes No