
MEMORANDUM



TO: City Council
FROM: Robert Barbian, City Administrator
RE: Princeton Utilities Payment in Lue of Tax reduction
DATE: May 14, 2020

Background:

Princeton Public Utilities has stopped paying the Payment in Lue of Taxes (PILOT) to the City. The last payment was received in February. The PILOT payments for the balance of the year would have been 43,750.00 generating a budget short fall to revenues. To elevate matters, next year's budget discussion anticipated an increase not a decrease from the 52,500.00.

The City received a Payment "in Lieu of" Tax from the Princeton Utilities to offset the taxes that a private electric company, such as Excel would pay if they provided electric service to a City. A private company like Excel Energy, Center Point Energy and Coops like Connexus, East Central Energy and Great River Energy pay taxes based upon the value of the electric infrastructure necessary to operate the businesses as well. In the case of the Princeton Utilities an amount agreed to in 1997 was 4,375/ month or 52,500/per year. Previously the Princeton Utilities paid 10% of revenues to the City as a PILOT. As a point of reference Center Point Energy is a City of Princeton top 10 tax payer.

To clarify a related argument cited by the General Manager. The City Franchise fee is a completely separate fee, not paid by the Princeton Utilities or connected to a tax associated with the value of equipment owned and operated by the Princeton utility. It is not a "TAX" to the rate payers, as has been stated, and is not really different than the multiple "FEES" that they charge their customers (ie; Customer Charge, Electric Service Line Repair Fee and street light fee.) The Franchise fee is a small fee set in place by the City for City Park & Trail improvements. The Great Northern Trail is one of the projects that is funded by the City Franchise Fee. Other Park projects in the works are improvements at the Riverside Park, Civic Center and Riebe Park. These projects are funded by the City Franchise Fee and do not substitute Princeton Utility payment for the value of the equipment Princeton Utilities would pay should they be a privately owned investor company or publicly owned Coop.

Given Princeton Utilities has stopped paying the PILOT and these are uncertain budget times with COVID-19 the supervisors have assembled a few areas where steps to decrease spending are identified. The cuts fall into operational areas and capital areas. It should be noted the capital items are needed but delays could occur if necessary. Staff is delaying Capital items to later in the year if possible, should steps be necessary.

Operational areas where partial saving may be obtained:

- Splash Pad closing or limiting operations, saving approximately 10 to 15K
- Canoe & Kayak Recreational Program closing or limiting program, 6,500.
- Emergency Management Training delay, 5K
- Raise Camping rates at Riverside.
- Trim stipend for Legion field maintenance, 1,600.
- Reduce water offset for Solheim Field, 1K

Capital areas that could be considered to be delayed:

Emergency Management sirens

Corridor Study connecting 21st Avenue to 19th

Emergency Command Center (ECO) improvements 10K

Park Playground Equipment planned for 2020

Building Security & Office Police Dept. approximately 13K 8,500. & 4,500.

City Hall & Office Security approximately 25K

Analysis:

These are potential areas where steps to cut spending could occur although at this time most of the expenses will likely only be postponed. Further it is not believed that these steps need be implemented but only considered should situations elevate or the PILOT not be reinitiated at some time in the near future.

Recommendation:

The most important element is for the City Council to reach out to the Princeton Public Utilities Board and discuss possible changes to the PILOT in an effort to come up with a plan that would work for both parties. The City would still like to work with the Princeton Utilities to establish what is fair and fair and best for the Citizens of the City of Princeton to keep taxes and fees as low as possible.