CITY OF ROCK HILL, SOUTH CAROLINA
RESOLUTION ESTABLISHING A POLICY GUIDELINE FOR THE
REDUCTION OF OPERATING TRANSFERS FROM THE UTILITY FUND
TO THE GENERAL FUND

WHEREAS, the City of Rock Hill, South Carolina (the City) has traditionally made operating transfers from the Utility Fund to the General Fund, and

WHEREAS, the City Council desires to continue the competitiveness of the utility system and to reduce the General Fund’s need for Utility Fund transfers to a level supportable by current utility business practices, and

WHEREAS, if utility services had been provided by a privately-owned utility instead of the City’s publicly owned utility, such utility would have paid municipal ad valorem taxes and a franchise fee to the General Fund of the City and the utility’s investors would have been entitled to a return on their investment,

THEREFORE, BE IT RESOLVED by the City Council of Rock Hill, South Carolina, that the following policy guideline regarding franchise fees, payments in lieu of taxes, rates of return and operating transfers from the utility system is hereby adopted:

Section 1. Franchise Fees. The City shall budget annually a franchise fee from the Utility Fund that equals the franchise fee that would have been paid had electric, water and sewer services been provided by an investor-owned utility. The franchise fee shall be calculated by multiplying all gross revenues of the electric, water and sewer systems made within the City’s corporate boundaries by the current franchise fee the City charges to private utility providers. The franchise fee shall be reported as an expense of the electric, water and sewer system and as a revenue of the General Fund.

Section 2. Payment in Lieu of Taxes. The City shall budget annually a payment in lieu of taxes from the electric, water, and sewer systems to the General Fund that approximates the amount of ad valorem taxes that would have been paid had utility services been provided by an investor-owned utility. The payment in lieu of taxes shall be calculated by multiplying the gross fixed assets of the system reported in the City’s most recent audited financial statements by the appropriate assessment ratio and then by the City-wide tax rate included in the City’s most recent budget ordinance. The resulting product shall be multiplied by the estimated percentage of electric, water and sewer fixed assets that are located within the City’s corporate boundaries. The payment in lieu of taxes amount calculated under this section shall be reported as an expense of the electric, water and sewer system and as a revenue of the General Fund.
Section 3. **Rate of Return.** The City may budget annually a rate of return on the gross operational revenues of the electric, water and sewer systems. This rate of return will be based on 3% of gross utility revenues and may be adjusted by City Council to meet the current competitive utility business environment. The rate of return amount calculated under this section shall be reported as an expense of the electric, water and sewer system and as a revenue of the General Fund.

Section 4. **Limitations.** Before Sections 1, 2 and 3 take effect, the City must reduce the total percent of General Fund expenses covered by Utility Fund transfers. The goal will be a 2% annual reduction in General Fund expenses covered by Utility Fund revenues until the total transfer equals the amounts of the payments from the franchise fees, the payments in lieu of taxes, and the rate of return.

Section 5. **Exceptions.** The amount to be paid from the electric, water and sewer systems under this resolution may be increased or reduced upon approval of the City Council.

Adopted this 11th day of December, 1995.

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Elizabeth D. Rhea, Mayor

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A. Douglas Echols, Jr., Councilmember

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Maxine K. Gill, Councilmember

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Hugh L. Harrelson, Councilmember

______________________________
Osbey Roddey, Councilmember

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Winston Searles, Councilmember

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Kevin H. Sutton, Councilmember

ATTEST:

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Gerald E. Schapiro
Municipal Clerk
Dear Barbara:

The Rock Hill City Council has adopted the enclosed utility fund transfer policy. This policy will serve as a guide for all future City budgets. I thought that having this information for future rating purposes might be useful to you. The City does anticipate being in the market in 1996.

As the policy states, the intent of the City is a 2% annual reduction in the transfer until the amount of the transfer meets the goals of the policy. This will allow an orderly transition to the terms of the policy.

If you have any questions, please feel free to call me at 803-329-5557. I will be happy to cover any questions that you may have.

Sincerely,

David Vehaun
December 23, 1995

Ms. Mary Colby
Standard & Poor’s
25 Broadway
New York, New York 10004

Dear Ms. Colby:

The Rock Hill City Council has adopted the enclosed utility fund transfer policy. This policy will serve as a guide for all future City budgets. I thought that having this information for future rating purposes might be useful to you. The City does anticipate being in the market in 1996.

As the policy states, the intent of the City is a 2% annual reduction in the transfer until the amount of the transfer meets the goals of the policy. This will allow an orderly transition to the terms of the policy.

If you have any questions, please feel free to call me at 803-329-5557. I will be happy to cover any questions that you may have.

Sincerely,

David Vehaun