

# STREETLIGHTS & FIRE HYDRANTS IN THE GAINESVILLE REGIONAL UTILITIES SERVICE AREA

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Consequences that may be anticipated between the City of Gainesville and Alachua County and potential intergovernmental implications based on previous actions related to this issue include:

- A request of interest in franchise fees by the Alachua County Board of County Commissioners.
- A request by the Alachua County Board of County Commissioners for a payment in lieu of taxes
- Discussions about the surcharge and proposals that the surcharge used to pay for unincorporated fire hydrants
- The discussion of consideration for the use of Alachua County right-of-way
- Legal maneuvers and potential actions between Alachua County and the City of Gainesville

## STREETLIGHTS & FIRE HYDRANTS

### 1.0.Executive Summary

A representative of the City of Gainesville fire union, the International Association of Fire Fighters raised the issue of fire hydrant payments at the July 22, 2004, City Commission budget hearing. The union representative proposed that funds that currently pay for fire hydrants could be retained in the Gainesville Fire Rescue Department budget for use for fire rescue expenditures. Public streetlights and fire hydrant costs would be incorporated into the base rates of all customers.

There are consequences of base rate additions for streetlights and fire hydrants. These apply differently to various stakeholders – governments, Gainesville property tax payers, and utility rate payers. Positive impacts to the General Fund and citizens of Gainesville include:

- Reduced expenditures for the City of Gainesville General Fund
- Potential roll back of ad valorem taxes for City of Gainesville tax payers
- Perceived improved equity of payment for services
- The payment for fire hydrants in base rates is a practice in recognized by other utilities in Florida

Consequences and potential impacts for the City of Gainesville and Gainesville Regional Utilities ratepayers include:

- Rate increases to utility customers (approximately 9.5 percent in the water system and 1.3 percent in the electric system)
- Dissatisfied customers due to bill increases
- Less favorable impacts on rate comparisons with other utilities
- Heightened Utilities bond rating agency concerns about the effective utility transfer levels
- Less accountability for the addition of new streetlights and fire hydrants
- The payment for streetlights in base rates is not a common practice in Florida.

Consequences that may be anticipated between the City of Gainesville and Alachua County and potential intergovernmental implications based on previous actions related to this issue include:

- A renewal of interest in franchise fees by the Alachua County Board of County Commissioners.
- A request by the Alachua County Board of County Commissioners for a payment in lieu of taxes
- Discussion about the surcharge and proposals that the surcharge used to pay for unincorporated area streetlights and fire hydrants.
- The discussion of consideration for the use of Alachua County right-of-way
- Legal maneuvers and potential actions between Alachua County and the City of Gainesville

This report summarizes the history, payments and levies between jurisdictions and alternative options for service provision and payment. Benchmarking with peer utilities in Florida shows that it is not customary for streetlights to be paid for by utilities and that host local governments are the responsible party for payment. Fire hydrants are included in the base rates of 11 of 14 utilities surveyed.

The options presented in this report were selected from a summary report and presentation made to the Regional Utilities Committee. Option A is the current situation. Option B proposes that the entire cost of fire hydrants and streetlights are charged in the base rates of the electric and water systems. This would raise rates approximately 9.5 percent in the water system and 1.3 percent in the electric system for all customers. Although no specific rate structure has been developed, a customer using 7,000 gallons of water in the lowest tier and 1,000 kWh of electricity this represents an increase of \$12 annually for water and \$14 annually for electricity. The General Fund would no longer fund fire hydrants and streetlights and benefit by \$3,090,000.

Option C increases rates approximately 9.5 percent in the water system and 1.3 percent in the electric system. Option B proposes that the net proceeds to the General Fund of \$3,090,000 would be used to roll back ad valorem taxes for City of Gainesville taxpayers. The estimated resulting millage would be approximately 0.8 mills lower than the current 4.9416 mills. This estimate is based on the 2004 cost of streetlights and fire hydrants and the 2004 City of Gainesville certified taxable value. A \$125,000 home with homestead exemption would recognize approximately \$80 in ad valorem tax savings annually.

Option D and Option E are revenue neutral to the City of Gainesville General Fund. Option D proposes the payment for fire hydrants from the proceeds from water surcharges collected in the unincorporated area of Alachua County. The payment for streetlights is complicated because the surcharge collected for electric service has been removed as a component of the General Fund transfer formula. It is likely that the General Fund transfer formula would need to be revisited to accomplish this Option. Option E would require the renegotiation of both the water and electric system General Fund transfers to accomplish the reallocation of proceeds, prior to the transfer payment to General Government. Neither of these options would require base rate increases.

Gainesville Regional Utility staff recommends a thorough discussion by the Gainesville City Commission prior to any determination to change the 1990 Street Lights and Fire Hydrant Agreement. The FY 2005-2006 City of Gainesville Financial and Operating Plan, the Gainesville FY 2005-2006 Budget reflects the current situation. Rate changes must be enacted by ordinance and electric rate changes require filing with the Florida Public Service Commission.

## 2.0. Background

Public streets in Gainesville and unincorporated Alachua County, within the GRU Electric Territory, are lit by streetlights served by Gainesville Regional Utilities. Currently the City of Gainesville General Fund pays for streetlights in Gainesville, and through a reimbursement to Alachua County, also pays for the streetlights in the unincorporated area served by Gainesville Regional Utilities. Streetlights beyond the Gainesville Regional Utilities service area are provided by Clay Electric Cooperative and other utilities. The bill for these streetlights is rendered and paid by Alachua County.

Fire hydrants in Gainesville and unincorporated Alachua County are provided by Gainesville Regional Utilities. Currently the City of Gainesville General Fund pays for fire hydrants in Gainesville, and through a reimbursement to Alachua County, also pays for the fire hydrants in the unincorporated area served by Gainesville Regional Utilities.

The City of Gainesville receives a General Fund Transfer from its five utility enterprises. In FY 2004 the General Fund Transfer from Gainesville Regional Utilities was over \$27 million. A surcharge is also levied in the unincorporated area. The electric surcharge on unincorporated Gainesville Regional Utilities customers is 10 percent. The water and wastewater surcharges of 25 percent on unincorporated customers go to the City of Gainesville General Fund. Both Alachua County and the City of Gainesville charge a 10 percent utility tax to all electric water and natural gas customers.

The issue of payment for streetlights and fire hydrants in the unincorporated area has a long history. The current Fire Hydrant and Public Street Lighting Services Agreement ("1990 Agreement"), was adopted February 12, 1990 and is attached in Appendix A. The history prior to the current 1990 Agreement is provided in the Appendices. Two comprehensive chronologies are provided in Appendices B and C, as well as in the preamble to the 1990 Agreement. A chronology of the history of payment for services prior to the enactment of the 1990 Agreement was prepared in 1989. Appendix B contains this chronology in a memorandum prepared by Paul D. White, dated October 27, 1989. In 1995, as the result of the Alachua County Board of County Commissioner request, a surcharge workshop was held. Appendix B contains a chronology of events developed for the workshop.

	\$387,704	\$386,768	\$828,470
2000	\$549,382	\$406,309	\$950,801
2001	\$555,737	\$414,005	\$969,742
2002	\$560,272	\$425,452	\$985,723
2003	\$563,378	\$434,387	\$997,765
2004	\$583,342	\$452,658	\$1,036,000

### **3.0. Benchmarking**

#### **3.1. Streetlights**

In 2004 Gainesville Regional Utilities surveyed other utilities in Florida to determine their methods of payment for streetlights. The results of this survey are shown in Appendix J.

In Florida the survey shows that comparison utilities charge the host local governments for the provision of streetlights. There are no other utilities in Florida with a system similar to GRU. JEA charges the City of Jacksonville for street lights and there are no charges in the base rates. Kissimmee Utilities Authority charges the City of Kissimmee and Osceola County directly for streetlights. Tallahassee does not provide streetlights outside its jurisdiction and charges streetlights to the City of Tallahassee. Orlando Utilities Commission (OUC) charges the City of Orlando directly for incorporated area street lights. OUC bills Orange County and Orange County bills unincorporated area residents for streetlights as part of their taxes. Lakeland Electric bills Polk County for incorporated area streetlights and the \$3 million cost of Lakeland streetlights is incorporated in the General Fund Transfer.

A similar survey completed in 1993 showed that in 14 of 16 utilities surveyed the host local government paid for streetlights. In 1993 streetlights were paid for by the host local government except for Fort Pierce and Ocala where the utility paid for streetlights.

#### **3.2. Fire Hydrants**

In 2004 Gainesville Regional Utilities surveyed other utilities in Florida to determine their methods of payment for fire hydrants. The results of this survey are shown in Appendix G. This information was presented to the Regional Utilities Committee. There are four utilities in the survey that charge for fire hydrants – Gainesville, Lakeland, St Augustine and Tampa. Other utilities include fire hydrant charges in the base rates. These cities are those with higher General Fund Transfer as a percentage of water rates and higher surcharge percentages.

A similar survey completed in 1993 there were 10 of 16 utilities from which information was obtained that charged for fire hydrants in base rates. Over time there has been a trend towards base rate inclusion of fire hydrant charges.



#### 4.0. Historical Costs

##### 4.1. Streetlights

The historical cost of streetlights from FY 1997 to present is shown in the table below. The cost has increased over time as the number of streetlights installed has increased. Electric rates have not increased during this timeframe, and were decreased in FY 2001. Changes in the number of streetlights reflected in the cost by jurisdiction have also been affected by annexation.

Table 1 - Cost of Streetlights by Jurisdiction FY 1997-2004

	City	County	Total
1997	\$ 1,111,995.04	\$ 410,338.69	\$ 1,522,333.73
1998	\$ 1,138,024.52	\$ 419,670.77	\$ 1,557,695.29
1999	\$ 1,157,557.80	\$ 458,016.46	\$ 1,615,574.26
2000	\$ 1,205,535.52	\$ 513,471.08	\$ 1,719,006.61
2001	\$ 1,292,041.49	\$ 570,631.53	\$ 1,862,673.03
2002	\$ 1,252,635.55	\$ 562,905.22	\$ 1,815,540.76
2003	\$ 1,386,952.71	\$ 580,179.45	\$ 1,967,132.16
2004	\$ 1,400,863.48	\$ 605,465.81	\$ 2,006,329.29

##### 4.2. Fire Hydrants

The historical cost of fire hydrants from FY 1997 to present is shown in the table below. The cost has increased over time as the number of fire hydrants installed has increased. Water rates and the cost for fire hydrants have not increased during this timeframe. Changes in the number of fire hydrants reflected in the cost by jurisdiction have also been affected by annexation.

Table 2 - Cost of Fire Hydrants by Jurisdiction FY 1997-2004

Year	City	County	Total
1997	\$530,164	\$360,353	\$890,516
1998	\$533,663	\$370,775	\$904,438
1999	\$541,704	\$386,766	\$928,470
2000	\$549,992	\$400,809	\$950,801
2001	\$555,737	\$414,005	\$969,742
2002	\$560,272	\$425,452	\$985,723
2003	\$563,378	\$434,387	\$997,765
2004	\$583,342	\$452,658	\$1,036,000

Table 3 - Projected Cost of Fire Hydrants by Jurisdiction FY 2005-2012

<b>Year</b>	<b>City</b>	<b>County</b>	<b>Total Revenue</b>
2005	\$638,508	\$495,509	\$1,134,017
2006	\$653,211	\$507,801	\$1,161,012
2007	\$667,177	\$519,561	\$1,186,738
2008	\$681,103	\$531,332	\$1,212,435
2009	\$694,577	\$542,790	\$1,237,366
2010	\$708,010	\$555,496	\$1,263,506
2011	\$721,587	\$567,142	\$1,288,728
2012	\$734,528	\$578,328	\$1,312,855

### 5.0. General Fund Transfer and Surcharge History

Appendix K shows a GRU survey completed in FY 2004 of General Fund transfer collections by other jurisdictions. The Transfer to the General Fund has increased annually and historical General Fund Transfer amounts are shown in the table below. Other municipalities have different methodologies and rate of transfers to their owners. Gainesville Regional Utilities has consistently provided one of the highest General Fund Transfer amounts to comparison municipalities in Florida.

Table 4 - General Fund Transfer Amounts

<b>Year</b>	<b>General Fund Transfer</b>
2004	\$27,175,669
2003	\$26,224,493
2002	\$25,515,599
2001	\$24,330,054
2000	\$23,332,838
1999	\$22,356,811
1998	\$21,406,886
1997	\$20,158,023

A surcharge is charged to the unincorporated areas residents on water, wastewater and electricity. The water and wastewater surcharges are 25 percent. The electric surcharge is 10 percent. The surcharge collection has been challenged and upheld in Court. There have been discussions between the City of Gainesville and Alachua County linking the surcharge levy to the payment for