

SURCHARGE WORKSHOP

**BOARD OF COUNTY COMMISSIONERS
ALACHUA COUNTY**

AGENDA

TUESDAY, JANUARY 20, 1998

1:30 p.m.

- I. Purpose of the Workshop
- II. History
- III. Legal Background
- IV. Current Financial Impact and Issues
- V. Board Deliberation and Direction

SURCHARGE WORKSHOP

**PURPOSE: AS PART OF THE COUNTY'S 1998 WORK PLAN,
TO REVIEW THE HISTORY AND ISSUES RELATED TO THE
GRU UTILITY SURCHARGE AND DETERMINE THE BOARD'S
DIRECTION.**

PUBLIC SERVICE TAX (UTILITY TAX):

- GRANTED TO MUNICIPALITIES AND CHARTER COUNTIES
- INCLUDES ELECTRICITY AND WATER SERVICES
- FOR CITY - ONLY PURCHASES INSIDE CITY LIMITS
- FOR COUNTY - ONLY PURCHASES OUTSIDE CITY LIMITS
- CANNOT EXCEED 10%

SURCHARGE:

- ALLOWED MUNICIPAL ELECTRIC UTILITIES
- ON PURCHASES OUTSIDE CITY LIMITS
- MUST EQUAL PUBLIC SERVICE TAX PERCENTAGE ON ELECTRICITY
- SEPARATE AUTHORIZATION FOR UP TO 25% ON WATER AND WASTEWATER

HISTORY

- **SURCHARGE IMPLEMENTED MARCH 31, 1941.**
- **ON SEPTEMBER 1, 1987, COUNTY HELD PUBLIC HEARING ON IMPLEMENTING UTILITY TAX.**
- **WASTEWATER SURCHARGE IMPLEMENTED SEPT. 26, 1988. WATER SURCHARGE INCREASED FROM 10% TO 25%.**
- **GRU CITIZEN STUDY GROUP FORMED TO EVALUATE COUNTY UTILITY TAX IMPLEMENTATION. ON MAY 7, 1990, GROUP RECOMMENDED THAT GRU PHASE OUT ITS SURCHARGE AND THE COUNTY PHASE IN ITS UTILITY TAX.**
- **10% COUNTY UTILITY TAX IMPLEMENTED OCTOBER 1, 1992. ✓**
- **COUNTY REDUCED MSTU MILLAGE FROM 5.9046 TO 3.4949 (2.4097 MILLS) EFFECTIVE OCTOBER 1, 1993.**

HISTORICAL OVERVIEW OF THE SURCHARGE

- 1) **March 31, 1941** - City adopted Ordinance 259 implementing the surcharge.
- 2) **1947** - City electric surcharge was increased to 15%.
- 3) **April 4, 1949** - City adopted Ordinance 479 setting a water surcharge at 25%.
- 4) **1967** - City electric and water surcharges were reduced to 10%.
- 5) **December 19, 1972** - Gainesville/Alachua County Regional Electric, Water, and Sewer Utilities Board created through interlocal agreement ("RUB Agreement").
- 6) **August 18, 1975** - City adopted Ordinance 2065 specifying that costs for the public street light system outside the corporate limits would be paid with surcharge funds derived from the sale of electricity and water outside the corporate limits of the City.
- 7) **December 5, 1979** - City adopted Ordinance 2445, containing essentially the same provisions as the "RUB Out" agreement described in number 8 below.
- 8) **December 19, 1979** - City and County approved the agreement dissolving the Gainesville/Alachua County Regional Electric, Water, and Sewer Utilities Board ("RUB Out" agreement).
 - a) "RUB Agreement" (number 5, above) cancelled.
 - b) Legal rights mutually relinquished in court case between County and City.
 - c) No differences in charges between retail customers inside and outside city limits, except that City could continue to levy a surcharge as long as it was legal. City could charge a higher surcharge than utility tax to recover the cost of any County franchise fee.
 - d) Formula established for transfer from GRU to the City's General Fund. Transfer could not increase more than 3% per year without a public hearing.
 - e) City to reimburse County for street light and fire hydrant payments in exchange for the benefits of City utility property located within Alachua County. Amount paid not to exceed surcharges collected.
 - f) Agreement to expire September 30, 1986.

HISTORICAL OVERVIEW OF THE SURCHARGE. CONT'D

- 9) **June 14, 1983** - Florida Public Service Commission Rule 95.0525 took effect, specifying that municipal utilities could impose a surcharge on customers outside municipal boundaries equal to the utility tax imposed within municipal boundaries.
- 10) **January 27, 1987** - amendment to "RUB Out" agreement approved. Amendment extended termination date to September 30, 1987 and changed formula for the transfer of funds from GRU to the City's General Fund. Limitation on annual increase of transfer to the City's General Fund (3%) was deleted.
- 11) **September 1, 1987** - County held a Public Hearing on implementing a utility tax.
- 12) **October 1, 1987** - County paid street light and fire hydrant charges in the unincorporated area from its General Fund in Fiscal Year 1987-88.
- 13) **1988** - City changed formula for transfer of revenues from GRU to the City's General Fund. Transfer to include current year electric, water, and wastewater surcharges; and 14.65% of all utilities gross revenues for the second preceding fiscal year. "less fuel" omitted
- 14) **September 26, 1988** - City adopted Ordinance 3467 which implemented wastewater surcharge of 25%, and Ordinance 3468 which increased water surcharge from 10% to 25%.
- 15) **October, 1988** - With adoption of their 1989 budget, the City adopted a policy to operate all utility systems (including water and wastewater) as profit making public enterprise operations similar to the electric system, including a strategy to increase the level of profit over a three-year period to a level consistent with that of the electric system.
- 16) **December 12, 1988** - City adopted Ordinance 3495. This Ordinance changed the source of payment of street light and fire hydrant costs and charges from the surcharge to "the local government which has authorized the provision of such public street light services."
- 17) **Fiscal Year 1988-89** - First Fire Hydrant and Street Lighting Services Agreement in effect. City paid all costs and charges for the period 10/01/88-03/31/89 and County paid all costs and charges for the period 04/01/89-09/30/89.

HISTORICAL OVERVIEW OF THE SURCHARGE, CONT'D

- 18) 1990 - City acquired gas system and confirmed that profitability policy (detailed in number 15 above) applied to this utility.
- 19) **February 21, 1990** - Fire Hydrant and Public Street Lighting Services Agreement approved.
 - a) Agreement effective October 1, 1989 and continues until terminated .
 - b) Details the extent of the City's obligation to install street lights and fire hydrants in the unincorporated area.
 - c) City reimburses the County from its general fund for the charges paid by the County (except for first fiscal year of agreement, 1989-90, when the County is not reimbursed).
- 20) **May, 1990** - The GRU Study Group (comprised of eleven citizens) presented recommendations to the Legislative Delegation.
 - a) Name General Manager of GRU as a charter officer for the City, reporting directly to the City Commission. **Implemented.**
 - b) Ask Legislative Delegation to encourage local City and County ¹⁹⁹² governments to phase out the 10% electric surcharge and phase in a 10% County Utility Tax. (Study group discussed a five-year period for the phase out/phase in.) **Not Implemented.**
- 21) **October 1, 1992** - County adopts Public Service Tax ("Utility Tax").
 - a) 10% tax upon electricity, gas, and water in unincorporated area.
 - b) \$0.04 per gallon tax on fuel oil effective October 1, 1996 in unincorporated area.
 - c) 10% tax on monthly recurring service charges for local telephone service until October 1, 1996 in unincorporated area. Effective October 1, 1996, tax changes to 7% of total amount charged for any telecommunication service in unincorporated area.
- 22) **October 1, 1993** - County reduces Municipal Services Taxing Unit (MSTU) millage from 5.9046 to 3.4949 (2.4097 mills) as a result of revenues received from the Utility Tax (number 21 above). *not dollar for dollar*