



**CITY OF BELLE ISLE, FLORIDA
CITY COUNCIL AGENDA ITEM COVER SHEET**

Meeting Date: June 2, 2020

To: Honorable Mayor and City Council Members

From: B. Francis, City Manager

Subject: Budget Committee Recommendation to substitute Franchise Fee for Utility Fee for Electric Utility

Background: The Budget Committee discussed substituting the current utility fee of 3% for a franchise fee of 3%. This is to provide a “wash” for residents paying the utility fee; however those entities currently exempt from paying a utility fee would not be exempt from paying the franchise fee. For example, CCA currently does not pay a utility fee but would be required to pay the franchise fee. It would involve an ordinance to rescind the utility tax and institute a franchise fee. In 2019, Electric Sales Revenue for the City was \$8,861,422. Of that \$2,584,132 was exempt resulting in the 3% Utility Tax being applied to \$6,277,290. After minor miscellaneous adjustments to this revenue, the City received \$186,570. If the 3% was applied to the entire \$8.8 million, the City would have received (with minor adjustments) \$264,095, an increase of \$77,525. For the current year, (October 2019-April 2020), the Electric Sales Revenue received is \$4,619,522. Of that \$1,222,205 is exempt resulting in the 3% Utility Tax being applied to \$3,397,317. After minor adjustments, the City has received \$103,931. If 3% was applied to the entire sales revenue of \$4.6 million, the revenue received by the City would be \$138,586, and increase of \$34,655.

Staff Recommendation: Council to discuss. Council should also discuss whether to keep the same % or consider raising the % another point or two. For every 1% raised, it will bring approximately \$88,600 in additional revenue (this is revenue is in addition to the aforementioned \$77,525 increase).

Suggested Motion: I move that we initiate the process to replace the electrical utility tax with an electrical franchise fee at the rate of 3%.

Alternatives: Do not accept the recommendation of the Budget Committee or accept the recommendation of the Committee and raise the tax from 3% to another %. Utility tax is capped at 10%.

Fiscal Impact: Increase TBD based on the percentage of tax. The 6% Franchise Fee is calculated by Duke to be over \$500,000.

Attachments: Email from Budget Committee Chair.

Franchise Fee

Rick Miller <rmiller1970@gmail.com>
To: Bob Francis <bfrancis@belleislefl.gov>

Mon, Jun 1, 2020 at 11:15 AM

Commissioners-

The Budget Advisory Committee (BAC) is recommending proceeding with the Franchise Fee with the following recommendations.

The BAC has recommended the Belle Isle City Commission repeal and replace the current Utility Tax with a new Franchise Fee. The reason for this action is that we have many "exempted" entities within the city that are currently not paying the Utility Tax, but would be subject to a Franchise Fee. In order to raise revenues and level the playing field (all entities and citizens would be taxed the same), the BAC made the following recommendation.

- Repeal the current 3% Utility Tax
- Replace with a 3% Franchise Fee

The net result will be a zero-cost change to homeowners. The change will allow us to collect taxes from currently exempted entities. Estimates have collections at nearly \$2.5m from currently exempted entities. By instituting a Franchise Fee equal to the current Utility Tax the city will be able to collect nearly \$75,000 annually in additional revenue.

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