



# STAFF REPORT

## CITY OF GREEN COVE SPRINGS, FLORIDA

**TO:** City Council, Regular Session

**MEETING DATE:** July 1, 2025

**FROM:** Mike Null, Asst. City Manager

**SUBJECT:** Second and Final Reading of Ordinance No. O-12-2025, amending City Code Chapter 90, Article III, Electric Utility, section 90-122 entitled “rate schedule for electricity furnished”; and section 90-123 entitled “fees for capital installation in the electric department”; and section 90-61, “security and night-lights”; and section 90-62 “meters, generally, a new service connection charge; temporary service, generally”. *Mike Null*

### BACKGROUND

While the public’s focus and most of the discussion on this ordinance has been on the electric rate increases, it is important to remember that there are other important components in the ordinance that address fees designed for new development to pay for itself.

The Electric Department completed a rate study with Leidos in July 2024. Following the completion of the FY 2023 Audit report and the FY 24-25 budget process, staff felt it was best to immediately update the rate study with the most recent information as the rate study had used unaudited 2023 numbers as the base year. Over the last several months, city staff has worked closely with Leidos and staff from FMPA to update the July 2024 rate study as well as establishing certain assumptions to ensure the financial health of the Electric Department enterprise fund and the physical health of the electric system moving forward. The rate increases that were passed in October 2023 and October 2024 were also considered as part of the update.

This update was presented to City Council in a Special Session on March 25, 2025. Council direction was to move forward with the study update recommendations which included implementing a 14% base rate increase immediately and an additional 6% base rate increase effective October 1, 2025. Council direction also included setting rates to accomplish an annual transfer to the General Fund of 13% of revenues and setting aside an annual Renewal and Extension reserve contribution of 3% of revenues. Historically, the transfer to General Fund has averaged 7% and there has not been a budgeted set aside for Renewal and Extension or reserves in the Electric Fund.

This ordinance was heard at two public hearings on May 6 and May 20, 2025. After significant public comment and evaluation of several alternate rate scenarios, Council was unable to reach a consensus and the ordinance did not pass. Unfortunately, the need for a rate increase still exists in order to maintain the level of service and reliability that our customers have become accustomed to and to improve the financial stability of the Electric Fund. Additionally, the other items covered in this ordinance still need to be addressed.

City staff has continued to review alternate scenarios and engage with some of those who spoke out against the rate increases, with a focus on more precisely and effectively communicating the need for the rate increase and to continue to explore options to reduce the rate impact on our customers, while maintaining a consistent quality of service and safeguarding the financial position of the Electric Fund.

Also in this same time frame, the city's FY 23-24 annual audit was completed and presented to the City Council. The audit highlighted the need to:

1. Increase the annual operating income in the Electric Fund.
2. Increase / restore the unassigned Electric Fund balance, which has been depleted from \$12 Million to \$3 Million in recent years.
3. Increase / restore the unassigned General Fund balance to 3 to 4 months of operating expenses, or approximately \$3,000,000.

General Fund is mentioned here because it has two revenue sources that we can control; millage rate and transfers from utilities. Approximately 30% of the properties in Green Cove Springs are non-taxable; City-owned property, County-owned property, School Board property and churches. Adjusting the millage rate does not impact these property owners, which can adversely affect the remaining citizens and businesses who do pay taxes. By capturing a "profit" or transfer from the utilities, the impact on our citizens and property owners is decreased and spread onto these non-taxable entities as well.

One concern raised by the citizens about the transfer to the General Fund is that there are no controls or limitations on how that transfer is allocated or expended. Staff is currently developing the proposed City budget for FY 26. The budget will be reviewed in all-day special session(s) with the City Council on August 7 and 12 (if needed). Our citizens and utility customers are encouraged to attend these budget session(s) to see and hear the budget process, see how your monies are being spent, and ask questions. As we move forward with the budget process, staff intends to identify how the transfer for FY 26 will be utilized in the General Fund in FY 26. For example, the transfer may be used to fund general operations, specific projects, reserves, etc.

The consideration presented to Council at the June 17, 2025 Council meeting incorporated rates sufficient to provide a 12% revenue increase for the Electric Fund to be effective July 2, 2025 with no consideration for additional rate increases. It is important to note that to implement all policies as directed by Council, a 20% rate increase is still needed by October 1, so this 12% proposal is well short of that, which means policies will have to be compromised. While the rate study update does project the need for future annual rate increases, these increases will be considered one year at a time and adjusted based on performance of the fund and rates at that time.

The rates presented on June 17, in keeping with the concern about our fixed income residents, were proposed as a 9% increase on the <1,000 kWh residential tier and 20% increase on the >1,000 kWh residential tier. The result was that customers using 1,000 kWh or less would have only seen a 9.1 or 9.2% increase in their electric bill. Customers using between 1,000kWh and 1,400 kWh will see an increase of 10% - 12%. This tiered rate only affects residential consumption. The residential customer charge and all non-residential rate elements would have been increased by 12%.

Based on Council direction at the June 17 meeting, the ordinance proposed this evening for adoption on second and final reading contains a flat 12% increase on all rate components and all rate classes.

As referenced above, it is important to note that this 12% proposal reduces the revenues as projected in the rate study by over \$1,000,000. As we move forward with the FY 26 budget process, these decreases in projected revenues will likely:

- Reduce the 3% R and R contribution directed by City Council back in March to 0%, an impact of about \$500,000.
- Reduce the 13% transfer to the General Fund to approximately 9%, an impact of over \$600,000.

Following is discussion on the remaining components of this ordinance:

It is also necessary to increase the per lot fee paid by the developer of a subdivision. The fee was \$1,300 per lot from 2015 through 2024. In 2024, Council raised that fee to \$2,200. Given the continuing increase in material costs, it is now necessary to increase that fee to \$2,600. This fee is used to cover the cost of installation of wire and transformers in new developments where the developer has installed conduit and transformer pads. This helps to ensure that new development pays for itself instead of being funded by existing customers.

The next item this ordinance addresses is streetlights and area lights. The current fees for area lights were established in 2015. Since then, many streetlights and area lights have been converted to, or installed as, LEDs, which use less electricity. Additionally, the current city code does not address any policy regarding the installation of new streetlights. The proposed changes in this ordinance establish guidelines for installation of streetlights and area lights, as well as set rates that take into consideration LED lights. This evening, for the second hearing, staff has added a \$25 fee for relocation of area lights. This language is in the existing code and was inadvertently omitted from the new language.

The last item addressed in this ordinance is the new electric service connection fee. The current fee of \$125 was established in 2015. Since then, the cost of meters has increased significantly. Therefore, staff recommended increasing this fee to \$200 at the June 17 meeting. Council direction at the June 17 meeting was to increase this fee to \$300 for the second and final reading. Staff was also requested to gather comparative information on fees from other utilities. This information is attached for Council review and discussion. Any time we set rates and fees, they should be defensible. In some cases, it is required by Florida Statute. Staff's recommendation to increase our new service fee from \$125 to \$200 is supported by the cost of purchasing and installing the new meter. Based on the comparative information, there does not appear to be a comparative basis upon which to increase the charge to \$300. Staff will implement the new fee as directed by council upon final approval of this ordinance. Again, this is another effort to ensure that new development pays its own way instead of the existing customers.

## **FISCAL IMPACT**

As described in the ordinance.

## **RECOMMENDATION**

Approve on Second and Final Reading Ordinance No. O-12-2025, to amend City Code Chapter 90, Article III, Electric Utility.