

**Oppose Municipal Utility Legislation
SB 1380/HB 1331**

- Florida has 33 municipal electric utilities. Collectively they serve 14% of the state's population. They provide reliable, efficient, and clean electricity to more than four million Floridians at a cost that's affordable.
- Florida's municipal electric utilities range in size from large cities like Jacksonville and Orlando to small cities like Newberry and Wauchula. They extend from cities located in Florida's panhandle like Blountstown, Chattahoochee and Havana, all the way down to South Florida to include Clewiston, Homestead and Key West.
- Historically, municipal utilities have, under their constitutional Home Rule Authority, transferred enterprise fund revenue from assets owned and operated by the local government to the general government budget. The transfer rate varies city by city based on operating expenses, debt service costs, and the desired level of reinvestment in the assets owned. Contrary to private sector corporations who distribute dividends to shareholders, municipal utilities focus on reinvestment in their communities.
- In small and rural communities, transfers from enterprise funds are often utilized to make up for a lack of tax base. Enterprise funds help ensure the adequacy of life and safety services such as police and fire, and other health, safety, recreation, and welfare expenditures by a city.
- Methodologies of transfers vary, but some municipalities utilize a payment-in-lieu-of-taxes theory as the basis of a transfer. A payment-in-lieu-of-taxes is approximate to the amount a city government would receive if the utility were privately owned and operated and subject to property taxes and franchise fees. Some use a transfer to the general fund as the equivalent of a reasonable profit, others transfer a fixed percentage of the revenues of the utility.
- Current rates of municipal electric utilities in Florida highlight that cities' control over their own electric rates, where the local governing body is politically accountable to the local community, is a working and workable practice. Municipal electric utilities consistently outperform their counterparts in reliability, outage times, and rates. On average, per 1,000 kWh, municipal electric utilities are \$16 cheaper than investor-owned utilities (IOUs).
- As the legislation is currently drafted, rural communities who own and operate their own utilities will be devastated by the caps of general fund transfers imposed. These communities disproportionately have larger non-taxable parcels within their boundaries. Without the tax base of their larger, urban counterparts, significant portions of rural community budgets will be lost. Millage rates in these communities are already stressed and, in some instances, raising millage a half point only produces a couple thousand dollars. An exemption should be made for those rural governments.
- The legislation provides that additional reductions in transfer amounts could be exempt if the municipal utility has a separate elected utility authority board that is proportionate to the percentage of customers outside of municipal boundaries. However, the formation of a separate governing board for a small utility could be an extraordinary expense given the number of utility employees required to staff and operate a separate governing utility authority.
- In addition, to require a utility authority board to have a proportionate representation of outside city limits customers, in some instances, could result in a majority stake of that utility board being controlled by a population who doesn't own the asset. This could have significant, negative ratings impacts. Currently in Florida, only seven municipal electric utilities are governed by a separate utility authority, with only one having an elected body. Many of Florida's municipal electric utilities already provide for representation of outside city limits customers in some manner.