

**MEMORANDUM**

8-A)

TO: Mayor and Council

FROM: James R. O'Connor, City Manager  
Cynthia D. Lawson, Finance Director  
Ted Fletcher, Electric Utility Operations Director

DATE: February 9, 2016

SUBJECT: Discussion Regarding Potential Elimination of Electric Utility Impact Fees

**BACKGROUND:**

The City of Vero charges electric utility impact fees for new development, in addition to various other new account fees. The attached approved PSC rate sheet shows the current electric impact fees for residential and commercial development. According to the City's electric utility rate consultants, PRMG, impact fees are allowable under the City's home rule authority but are not a common electric utility industry practice; the City appears to be the only municipal electric utility in the State which currently charges impact fees for new development.

Staff and the City's rate consultant intended to present elimination of impact fees for consideration during adoption of the final rate study, currently planned for completion by October 2016. Increased development due to the improving economy has, however, made it advisable to bring this issue forward for consideration now.

For FY 15-16 the City has budgeted for \$250,000 in impact fees to support capital projects. The five year history of actual impact fees collected is as follows:

	Five Year Average	FY 14-15	FY 13-14	FY 12-13	FY 11-12	FY 10-11
<b>Total Impact Fees</b>	\$159,276	129,110	140,610	62,315	253,720	210,625

This represents only 0.2 % of total annual utility revenues. Eliminating this funding could have a rate impact, but it is likely to be extremely minor and would be addressed as part of the rate study completion.

Staff would like Council direction regarding eliminating impact fees immediately. If Council directs this action, staff will bring back the appropriate document for approval at a subsequent Council meeting.

On 1/12/16, the Utilities Commission voted unanimously to support the elimination of impact fees and on 2/8/16 the Finance Commission also voted unanimously in support of this recommendation.

## **ANALYSIS:**

Strengths: Eliminating impact fees would bring the City into conformance with current electric utility industry practices.

Weaknesses: Elimination of impact fees would reduce annual revenues by approximately \$160,000 on average.

Opportunities: Eliminating impact fees would reduce the cost burden on new development, particularly commercial development.

Threats: Elimination of impact fees could affect rates, but any adjustment is anticipated to be extremely minor.

MISCELLANEOUS

ELECTRIC SYSTEM IMPACT FEES - In addition to the New Customer Charge and the Initial Permanent Service Charge, a new customer requesting an initial new permanent service at a new location shall pay the following fee:

<u>Type of Service</u>	<u>Electric System Impact Fee</u>
Residential and Commercial Nondemand:	
Single Phase Service .....	\$ 550.00
Three Phase Service .....	1,650.00
Commercial Demand and Industrial Service .....	\$ 115.00 per kW of expected peak load

As required by Subsection (4) of Section 366.041 of the Florida Statutes, the Electric System impact fee will be collected from the ultimate utility customer of record at such time as or after permanent electric service is provided.

For customers requesting new Commercial Demand or Industrial service, the kilowatt (kW) of expected peak load shall be determined by the City. After a customer connects to the Electric System and in the event the customer's observed peak load varies significantly from the estimated peak load originally used to calculate the customer's impact fee, the City shall reserve the right to make an adjustment to the impact fee initially charged.

Issued by: Thomas Klaric  
City Manager/Director of Utilities

Effective: October 1, 1991