

GRU rates to generate less utility tax revenue for city

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For the second year in a row, Gainesville Regional Utilities' budgetary moves to limit electric rate increases will mean less utility tax revenue for the city and Alachua County.

With the fuel charge on customers' bills rising for the second consecutive year because of the biomass contract, GRU has tried to partially offset electric rate hikes by lowering the base rate portion of customer bills.

Both the city and county levy a utility tax, officially known as the public municipal services tax, on the base rate portion of the bills for GRU electric customers' bills in the city limits and for GRU customers in the unincorporated area. Each entity will see less revenue from that tax in the upcoming 2014-15 budget year.

GRU's \$413.7 million proposed 2014-15 budget includes rate increases for electric, water, wastewater and natural gas customers. For residential customers using 1,000 kilowatt-hours a month, the monthly electric bill will rise by \$2.25, from \$139.15 to \$141.40, which is much lower than the \$9.85 increase that GRU had projected.

Last year, the loss of utility tax revenue because of the base rate reduction caught city staff and commissioners off guard. On the eve of their summer budget meetings in July 2013, they realized it opened a \$712,000 budget gap they needed to fill.

At the time, that news didn't sit well with Mayor Ed Braddy. At the city's first budget meeting last year, Braddy said it was a "major" accounting mistake that resulted from unprecedented "financial gymnastics" that GRU finance staff had been required to perform in order to deal with the rate and financial impact of the biomass plant.

This year, city budget staff was prepared. Finance Director Mark Benton said the utility tax revenue for the general fund for the 2014-14 fiscal year is now estimated to be \$638,000 less than initially projected and that number is already plugged into next year's proposed budget.

The city estimates the general fund will bring in a combined \$10.1 million next budget year from the utility taxes levied on all services, with 75 percent of that coming from electric customers.

That's more than \$300,000 less than this budget year's expected utility tax revenues of \$10.41 million.

The utility tax is just one example of the city's general fund reliance on GRU and the impact that the utility's finances has on general government coffers as GRU looks to cut expenses in other areas to limit rate increases from the biomass plant.

The transfer of revenues from GRU, the single largest piece of the city's general fund, is also planned to decline in the upcoming budget year to provide some relief to upward electric rate pressure.

The proposed transfer for 2014-15 is almost \$34.9 million, so it remains the single largest piece of the city's general fund. Still, it is more than \$3 million below the budgeted transfer amount for this current fiscal year, \$38.1 million, or the updated projected actual amount of \$37.3 million. The actual transfer has declined by several hundred thousand dollars from the budgeted amount because of lower than expected utility sales.

As for county government's utility tax revenues, Office of Management and Budget Director Tommy Crosby said there will be a financial impact from GRU reducing base rates but staff does not yet have an estimate on what it will be.

Crosby said the county's situation is complicated because there are several electric utilities with customers in unincorporated Alachua County and the county levies a utility tax on the customers of each one.

The utility tax has been a point of contention in recent months. GRU customer Jim Konish, a critic of the city on utility issues, has filed a complaint with the volunteer, nonprofit consumer protection group Seniors vs. Crime alleging the tax is levied on portions of the bill that should not legally be subject to a tax. On behalf of Konish and other GRU customers, Seniors vs. Crime requested a refund of up to \$10.4 million in June, saying the tax should only be levied on usage or consumption and not the customer charge for availability.

In a response to Seniors vs. Crime's initial complaint, the City Attorney's Office said that the only portion of an electric bill that state law specifically exempts from the public service tax is the fuel adjustment charge, or the price charged customers for the utility's fuel costs.

In the response, City Attorney Nicolle Shalley said her office "found no legal authority or factual basis to support that the Public Service Tax has been applied and collected by GRU and remitted to the city in violation of Florida law."