

REQUEST FOR CITY COUNCIL CONSIDERATION

Meeting Date: June 18, 2007

Agenda Item: 6 (B)	Prepared By: A. William Moss, City Manager Date: June 5, 2007
Agenda Section: Business: Ordinance – 1 st Reading	
Subject: An Ordinance to Adopt a Public Service Tax	Department: City Council

This subject was scheduled for consideration on June 4, 2007 and deferred to this meeting.

City Council is asked to consider an ordinance on first reading to adopt a Public Service Tax on the purchase of electricity, metered natural gas, liquefied petroleum gas, and manufactured gas.

BACKGROUND:

On May 21, 2007 City Council considered the Five-year Capital Improvement Program and discussed alternatives to diversify revenues to reduce reliance upon the property tax. City Council agreed to consider a Public Service Tax as an alternate means to raise revenue while reducing the property tax. Chapter 166.231 F.S. provides that a municipality may levy a tax on the purchase of electricity, metered natural gas, liquefied petroleum gas, either metered or bottled, and manufactured gas, either metered or bottled. The tax shall not exceed ten percent (10%) of the payments received by the seller of the taxable item from the purchaser for the purchase of such service. The tax may not be applied against any fuel adjustment charge. For LCEC, the current fuel adjustment charge represents about 35% of a utility bill. Government properties and recognized church property used exclusively for church purposes are exempt from the tax.

The attached Ordinance Authorizing the Levy of a Public Service Tax in the amount of 7% is presented for consideration on first reading.

Florida Statutes require that a Public Service Tax be implemented as of the first of the month of any quarter. Furthermore, the Statute requires notification of at least 120 days following adoption of the Public Service Tax. To meet both conditions, it is recommended that the Public Service Tax be adopted upon second reading with implementation as of January 1, 2008. The proposed tax rate is 7%. However, since this rate only applies to about 65% of an LCEC utility bill, the effective rate is 4.5% on electric service. A 7% Public Service Tax would yield approximately \$1.2 million annually. The estimated revenue from the property tax would be reduced from \$14.3 million to approximately \$13.1 million, a 9% reduction based upon the FY07 taxable value.

RECOMMENDED ACTION:

Adopt ordinance on first reading.

Reviewed by Department Director	Reviewed by City Manager: <i>A. William Moss</i>
Council Action: Motion by:	Second by: