

REQUEST FOR CITY COUNCIL CONSIDERATION

Meeting Date: October 6, 2008

Agenda Item:	3 (B)	Prepared By: William P. Harrison
		Date: September 18, 2008
Agenda Section:		
Business:	DISCUSSION	
Subject:	L.C.E.C. ELECTRIC FRANCHISE FEE	Department: Finance

BACKGROUND: In October 2004, the City Council adopted Ordinance 04-18, establishing a franchise with Lee County Electric Cooperative (LCEC) and providing for a five percent (5%) franchise fee to be collected from customers of the electric system on Marco Island and remitting those fees to the City. At the meeting of September 15, 2008, Council directed staff to develop the steps necessary to reduce that franchise fee this year. This action would potentially include the elimination from the budget of the pilot underground program scheduled for Fiscal Year 2009.

Section 4 of Ordinance 04-18 in part states: "The City reserves the right, at its sole discretion, to reduce the franchise fee from the initial level of five percent (5%), upon ninety (90) days written notice to LCEC." Council on September 15th discussed the potential of reducing the franchise fee to a level of 3.6%. That amount would provide funding during Fiscal Year 2009 to eliminate the current deficit cash position in the fund caused by expenditures for street lighting as part of the Collier Boulevard reconstruction program, if the underground pilot program were to be removed from the budget.

A revised budget summary for the Electric Franchise Fee Fund is attached. With the 90-day notice requirement to LCEC, the 5% franchise fee would remain until the end of December 2008, and would continue at the rate of 3.6% for the balance of the fiscal year. If City Council wishes to proceed with these changes to the fund, Council should direct the City Manager to prepare the required letter to LCEC reducing the franchise fee and approve the changes to the Electric Franchise Fee Fund outlined in the attached fund summary.

Staff recommends that we continue with the completion of the pilot area design and bid the project to accurately determine the costs of an undergrounding program, should a future council wish to move forward with the program.

BUDGET IMPACT: The fund will continue in balance with both the reduction in franchise fee revenue and the elimination of the pilot underground program from the budget.

RECOMMENDED ACTION: Discussion and direction to City Manager to provide written notice to LCEC reducing the franchise fee; approval of the amended budget for the Electric Franchise Fee Fund for Fiscal Year 2009; and, direction to continue to design and bid the pilot underground area..

POTENTIAL MOTION: "I move to direct the City Manager to provide written notice to LCEC to reduce the electric franchise fee to 3.6% under the terms of the franchise agreement, authorize the amendment to the Electric Franchise Fee Budget for 2009, and direct staff to complete the design and bid the underground power pilot area".

Reviewed by Department Director

Reviewed by City Manager

Council Action: Motion by:

Second by: