

TO: The Palm Coast City Council and City Manager  
FROM: Vincent A. Liguori

Subject: Alternative Solutions To The Proposed Electric  
Utility Franchise Fee and Public Service Tax

The attached material is part of the presentation I will be giving at the June 5, 2012 city council meeting. My purpose in giving this to you prior to the meeting, is to enable you to properly evaluate the alternatives.

This analysis could not have been accomplished without the invaluable assistance of Ms. Michelle Udell, Flagler County Property Appraiser's Office, Chris Quinn, Finance Director, Virginia Smith, City Clerk, Florida -Department of Revenue, various city managers of sister cities and David Klayman, Former Treasurer-Home Rule Coalition.

Please reference the attached Year-To-Date ERU Unit Categories schedule. Hopefully, the footnotes will clarify the methodology used to generate revenue estimates. I firmly believe that the city should retain the integrity of the stormwater fees currently used and concentrate on the alternative funding mechanisms that can be used to eliminate the deficit of \$2.4 million. Here are my proposals:

- 1) Use a portion of the 1/2 cent sales tax for road resurfacing \$2.0 million
- 2) Ask the county to activate the 1/2 cent local option sales tax. \$2.0 million.
- 3) Increase the ERU fee.
- 4) Establish a new stormwater availability fee for exempt properties.
- 5) Privatization- Utilizing professional stormwater companies.
- 6) Appropriating dollars from other funds-walkways, golf course,etc.
- 7) Use the 2nd local option gas tax-.05 cents is available. Each .01 cent increase for Flagler county generates \$340,000 per year or \$1.7 million at the full .05cents,

I do realize that some of these options may not be doable, however, my goal is to retain the integrity of our current stormwater fee configuration and to eliminate the deficit. I feel strongly that we can accomplish this via the following:

Split the stormwater fee into two parts-the first part now exists-fees based on the ERU standard, call it-MAINTENANCE. Nothing would change. Establish an annual fee for capital improvements-new pipe, projects, etc. This fee can be priced to completely absorb the deficit and would be charged to all units (including exempt units).Using the total estimated unit count of 52,868 units divided into the deficit of \$2.4 million would amount to an annual fee of slightly less than \$45. Advantages derived from this are:

Capital costs should decrease year-to-year and new units added will lower the annual cost.

The fee could be included on the annual property tax bill as a non-ad valorem item and be administered by the Flagler County Tax Collector.

The fee will go into bank escrow accounts and citizens who pay in full will receive discounts.

Full utilization of the 1/2 cent sales tax for road resurfacing.

The CAPITAL FEE is far superior and fairer than a 30year utility franchise fee.

**JUSTIFICATION:**

Section 403 089 3(1)-Florida statutes authorize a municipality to create one or more stormwater utilities and adopt stormwater utility " fees" sufficient to plan, construct operate and maintain stormwater systems. Capital improvements are for the benefit of all potential users and are an equitable cost. Florida courts have upheld fees based on the cost of making the stormwater system available to potential or exempted users without regard to whether the customer actually uses or desires to use the service.

In conclusion, I believe the citizens will rally to the innovation of the annual capital fee.

Respectfully,

Vincent A Liguori  
May 25, 2012