



Legislation Details (With Text)

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Title: Discussion of Municipal Public Services Tax
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Attachments: 1. Gas MPST Pinellas, 2. Water MPST Pinellas

Date	Ver.	Action By	Action	Result
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Summary

To: Finance Board
From: Stefan Massol
Date: 7/16/2020

Subject:

Discussion of Municipal Public Services Tax

Summary:

Staff will provide an overview of the Municipal Public Services Tax (MPST) and impacts to customers and the Town of extending the levy to gas and water utility sales.

Background/Problem Discussion:

The Municipal Public Services Tax (MPST) is a levy on gas utility, electricity or water utility sales that cities and towns in Florida may adopt for their jurisdictions. The maximum allowed levy is 10% and may not be applied to any “fuel adjustment charge”, meaning any rate increase passed along to customers resulting from fuel cost increases affecting the utility provider (F.S. 166.231). Enacting a new MPST would require an ordinance change for the Town, including two readings with approval by Town Commission.

The Town currently has a MPST levy of 10% for sales of electricity by Duke Energy. This is one of the revenue sources dedicated to service the bonded debt in the Infrastructure Fund. Additionally, the Town has the option to set an MPST of up to 10% on eligible non-fuel charges for water and gas services. Other communities in Pinellas County have MPST levies on gas and water. Of the 20 communities with Clearwater Gas customers in their limits, 13 have levied a MPST on eligible charges, and all but two of these communities set the maximum rate of 10%. With respect to water sales, 14 out of the 24 municipalities in Pinellas County have levied a MPST and again, all but two of these communities have the maximum 10% levy. Charts are provided for reference purposes.

Staff is providing information on the MPST as a potential alternative revenue source for the Infrastructure Fund. COVID-19 is expected to significantly reduce Sales Tax-driven revenues such as the Penny for Pinellas surtax in the Infrastructure Fund. Those revenues are needed to sufficient revenue coverage of the Town’s

bonded debt for infrastructure improvement projects. As all of the Town's major roadway and drainage projects have included utility line replacements, this funding source would ensure that those additional costs are adequately funded despite other revenue challenges anticipated over the next year.

Additionally, the Strategic Plan process found addressing infrastructure challenges to be the main priority for the community. Extending MPST levy to water and gas sales would also reinforce the financial standing of the Town by maintaining its borrowing capacity amidst receding investment returns and state revenue sources. Although the Town is still considering the long-term future of the Town's water supply, the Town may retain the levy and continue to receive MPST revenues in the future regardless of which entity manages the Town's water supply.

Financial Implications: Impacts of a 10% MPST for gas customers would apply only to non-fuel portions of a customer's utility bill. This would amount to approximately a 6-7% increase to a typical customer's total bill from Clearwater Gas, which for the average residence would be less than \$2 per month. The estimated resulting revenue from a 10% levy on gas services is \$26,000 per year.

For the water utility, a 10% MPST applied to water base and usage charges would equate to an increase of \$2.08 per customer per month for those single-family residences using 4,000 gallons. The cost would increase by \$0.65 for each additional 1,000 gallons used for consumption up to 25,000 gallons. Most residences average less than 11,000 gallons per month. Estimated revenue from a 10% MPST on water would be \$175,000 annually.

Recommendation: None, this item is for discussion purposes only.

Proposed Motion: N/A