

# Businesses could face higher electric rates

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Tallahassee city commissioners will hold a public hearing Wednesday and likely vote on increasing utility rates for commercial users up to 5.7 percent, based on the size of the operation and utility consumption.

No utility rate increase is being proposed for residential customers. Also being considered is an across-the-board 5.3 percent rate increase for water usage for commercial and residential customers.

The public hearing begins at 6 p.m. Wednesday at City Hall.

The commercial utility rate increase comes after the city of Tallahassee hired the Leidos Engineering consulting firm to review the city's utilities operations, expenses and financial health. The consultants determined that the current rates were insufficient in producing enough revenue to cover

the budget and will result in a loss in the city's electric fund for the sixth consecutive year.

Maintaining a healthy utilities fund is important in that a portion of the money it generates goes toward the city's general operating budget to pay for police, parks and recreation and public works operations. In addition, funds are used for critical maintenance upgrades to public utilities operations.

According to the city, the fiscal year 2015 general fund budget is approximately \$142 million. Property taxes go toward 23 percent of the general government funding and utilities provide about 29 percent, or nearly \$42 million toward these government services.

Increasing commercial utility rates, the city determined, was a better option than seeking an increase in property taxes.

"For the sixth consecutive year not enough money was coming in from existing rates to the Electric

Utility Fund, meaning the fund would not have enough revenues to cover its expenses or meet its budget," said Reese Goad, the city's general manager of utility services. "It's important that you balance the fund to maintain the financial health of the utility system."

Goad said the city approved a "modest" commercial rate increase in 2013, but it has not been enough to keep the utility from experiencing an annual shortfall.

Without the commercial rate increase, the Electric Utility Fund would experience a shortfall of about \$8.2 million for the upcoming fiscal year.

With the rate increase, large commercial customers such as the state of Florida, big-box retailers and institutional customers will see a 5.7 percent increase beginning Nov. 1. Medium-sized customers like a McDonald's also would face a 5.7 percent increase. Small businesses, which make up the ma-

majority of commercial customers, would see a 4.9 percent increase. Examples of those businesses would be accounting or attorney offices or even an ice-cream retailer.

Goad said even with the rate increase, the cost for utilities for small businesses in Tallahassee remains the lowest in the state. For instance, small businesses in Gainesville pay 61 percent higher electric rates, Goad said.

Reggie Bouthillier, a local attorney and chairman of the Greater Tallahassee Chamber of Commerce's business advocacy committee, said his committee only became

aware of the proposed rate increases earlier this month. The committee has been working diligently to get information on the rates from the city and to pass that information on to chamber members. The timing doesn't give the chamber time to survey its members to see what kind of impact it will have.

"We haven't been able to mobilize on this issue," he said.

While understanding the need to balance the overall budget, Bouthillier said the city is looking to make up for the shortfall "on the backs of small businesses."

"Part of the exercise is to ask why is there a shortfall and are there other options to make up for the shortfall? The city has said this is the best approach."

Bouthillier said one concern is the Nov. 1 increase gives business owners little time to prepare for the extra costs.

"Our perspective is we are just climbing out of the recession but it's far from where it needs to be," he said. "We need to ask: What is the city doing to be cognizant of the business community's needs? They are obviously making a tough decision."