Utilities Advisory Board
Regular Meeting

Agenda

September 28, 2021 @ 12:00 pm

Virtual

welcome

Agendas and all backup material supporting each agenda item are accessible via the city's website at cityofwinterpark.org/bpm and include virtual meeting instructions.

assistance & appeals

Persons with disabilities needing assistance to participate in any of these proceedings should contact the City Clerk's Office (407-599-3277) at least 48 hours in advance of the meeting.

"If a person decides to appeal any decision made by the Board with respect to any matter considered at this hearing, a record of the proceedings is needed to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based." (F.S. 286.0105).

please note

Times are projected and subject to change.

agenda	time

1. **Call to Order**
2. **Consent Agenda**
   a. Minutes for August 24, 2021 — 1 Minute
3. **Staff Updates**
   a. Water & Wastewater Utility – David Zusi — 10 Minutes
   b. Electric Utility - Dan D'Alessandro — 5 Minutes
   c. Performance Measurement - (attachment only) — 5 Minutes
   d. Financial Report August 31, 2021 - Wes Hamil — 5 Minutes
4. **Citizen Comments (for items not on the agenda): Three minutes allowed for each speaker**
5. **Action Items**
   a. Time of Use Recommendation to the City Commission - Wes Hamil — 10 Minutes
   b. Recommendation to Hire a Consultant to Address Governance by the UAB - Michael Poole — 20 Minutes
   c. Recommendation to Raise Electric Rates to Ensure Undergrounding of Total System - Dan D'Alessandro — 10 Minutes
   d. Election of Vice-Chair — 10 Minutes
6. **Discussion Items**
   a. Broadband and Smart City Ad-Hoc Committee — 10 Minutes
7. **Board Comments**
8. **Adjournment**

Utilities Advisory Board

agenda item

item type Consent Agenda	meeting date September 28, 2021
prepared by Karen Hood	approved by
board approval	
strategic objective	

subject
Minutes for August 24, 2021

motion / recommendation

background

alternatives / other considerations

fiscal impact

ATTACHMENTS:
UAB Minutes 08242021-Draft1.pdf

Utilities Advisory Board
Draft Minutes

August 24, 2021 at 12:00 p.m.

Virtual | Winter Park, Florida

Meeting called to order

Jack Miles called the meeting to order at 11:59 p.m.

Present

Jack Miles (Chair), Michael Poole (Vice Chair) Paul Conway, Mary Dipboye, Frederic Guitton, Leon Huffman, Linda Lindsey

City of Winter Park Staff

Dan D'Alessandro, Director of Electric Utility

Justin Isler, Operations Manager

Michael Passarella, Engineer Electric Utility

David Zusi, Director of Water & Wastewater Utility

Jason Riegler, Asst. Director of Water & Wastewater Utility

Wes Hamil, Director of Finance

Vanna Lawitzke, Chief Accountant

Clarissa Howard, Director of Communications

Agnieszka Tarnawska, Sustainability Specialist

Vanessa A. Balta, Sustainability Program Manager

Karen Hood, Recording Secretary

Guest

Navid Nowakhtar, FMPA

Craig Shepard, Leidos

Absent

Approval of minutes

Motion made by Paul Conway and seconded by Leon Huffman to approve the minutes from the July 27, 2021 meeting. Motion carried 6-0

Michael Poole was not present at the July 27th meeting; he did not vote.

Staff Updates

A. Electric Utility – Dan D'Alessandro reviewed the highlights of the report. Questions were asked and a discussion ensued.

B. Water & Wastewater Utility – David Zusi spoke about the shortage of liquid oxygen because of hospital demands with Covid, that it is used for water treatment and may cause a shortage of potable water. Clarissa Howard asked the UAB to assist by sharing the City's press release, news clips, and social media post with neighbors and friends, to help conserve water. All of the communications media will be emailed to the UAB following the meeting. Questions were asked and a discussion ensued.

C. Performance Measurements – report was attached.

D. Financial – Wes Hamil will discuss the financial report later in the meeting under the action items.

E. Sustainability Action Plan – Vanessa Balta reviewed the plan and asked for questions or comments.

Citizen Comments

None

Action Items

A. Time of Use Rate Discussion - Wes Hamil presented the report. Questions and discussion ensued regarding setting criteria to be a Time of Use Rate customer and opening it up to others who qualify. Craig Shepard recommended a conversation take place with the Utilities Commission about changes to Time of Use Rates because the Commission has jurisdiction over the rate structure. Michael Poole made a motion to direct City staff to have a conversation with the Utilities Commission and get their feedback. Paul Conway seconded the motion. Motion carried 7-0. Jack Miles stated someone from the UAB should participate in that conversation and have some agreement on how that conversation is presented and on what the discussion will be. Michael Poole will participate with the staff in that conversation. Michael Poole made another motion for staff to work parallel to come with criteria that would continue a Time of Use customer category. Define what would that criteria be and how would we go about opening it up to new customers that meet the criteria. Mary Dipboye seconded the motion. Motion carried 7-0.

B. Proposed Rate Increase for Water & Wastewater - discussion was led by Wes Hamil. Questions were asked and a discussion ensued. This topic will be taken up each year once we know the Florida Public Service Commission index increase for the ensuing fiscal year and have developed a proposed budget and capital improvement plan.

C. Review Financial Report Format & Additional Information Regarding Key Performance Measures – Wes Hamil presented reports. Discussion and comments were made.

D. Service Drop Discussion – Dan D'Alessandro discussed his proposal to provide a program that give customers a choice for how they would finance the cost to underground service to their location. It would however, eliminate their choice to opt-in or out. After discussion with board members, Michael Poole made a motion to endorse overall plan with the understanding that it will be more granular. A plan to be worked on by City staff, brought back to the UAB for approval, and then presented to City Commission. Paul Conway seconded the motion. Motion carried 7-0. Dan D'Alessandro will work on the proposal with Michael Poole to have ready to present to UAB next month.

Board Comments

A. Michael Poole would like to see something added in the future related to the potential impact of usage by EV vehicles. Dan D'Alessandro will work with Vanessa A. Balta to bring information back to the board.

Adjournment

Chmn. Miles adjourned the meeting at 2:33 p.m. Next meeting is September 28, 2021.

Respectfully Submitted,
Karen Hood
Recording Secretary
Approved _____

Utilities Advisory Board

agenda item

item type Staff Updates	meeting date September 28, 2021
prepared by David Zusi	approved by
board approval	
strategic objective	

subject

Water & Wastewater Utility – David Zusi

motion / recommendation

background

alternatives / other considerations

fiscal impact

Utilities Advisory Board

agenda item

item type Staff Updates	meeting date September 28, 2021
prepared by Daniel Dalessandro	approved by
board approval	
strategic objective	

subject
Electric Utility - Dan D'Alessandro

motion / recommendation

background

alternatives / other considerations

fiscal impact

ATTACHMENTS:
SEP MTG DD-Aug21 Electric Utility.pdf

Monthly Electric Utility Update 9/9/21

Miles of Undergrounding performed

- Project G: 4.1 miles (98% complete) *anticipate finish 09/30/21*
- Project I: 6.9 miles (100% complete)
- Project J: 1.9 miles (1% complete)
- Project Q: 1.85 miles (60% complete) Reliability project
- Project R: 4.31 miles (21% complete) Commission approved advancement
- Project U: (New York, Webster to Beloit) 0.34 miles (100% complete) Reliability project
- Project O (Rapidan Trl): 0.15 miles (Completed) Reliability project
- Project O (Mandan Trl): 0.15 miles (Completed) – Reliability (deteriorated line)
- Project U: (Oaks Blvd. n/o Beloit): 0.11 miles (Completed) Reliability project

TOTAL so far for FY 2021- 7.9 miles

OH/UG Budget update

2021 Undergrounding budget = 5M

- FYTD = 4.613M

Total Project Review

- Total Citywide Project Miles- 127.5
- Total Miles Completed- 87
- Percentage Completed- 68.1 %
- Total miles remaining- 40.5

Notes of Interest

- The Commission directed the Utility to move project R up to facilitate the Progress Point improvement and trail as well as mitigate reliability issues in the Mead Garden area.
- RFP for solar was withdrawn and will be resubmitted… There were issues with multiple applicants that necessitated cancellation.

Issues/Concerns

- Materials are going up exponentially (especially anything resin based like conduit) and the lead-time is extending.
- We have had no applicants for lineman.
- Still have one lineman out on Short Term Disability

2021 Goals

- Zero personal injuries within work group
  - We had an employee injure his shoulder requiring light duty
- Zero controllable vehicle accidents within work group
  - We had an employee bump into a parked vehicle causing damage to customer vehicle
- Complete 8 miles (to include stretch goal) of underground conversions on the projects as designed
  - G and H , I & J
- Identify and complete areas with poor reliability for targeted undergrounding advancement (stretch goal of 2 miles) Project "Q" is our first target.
- We will utilize targeted overtime with Heart crews to accomplish the additional 2 mile stretch goal
- Negotiate and secure a 2nd interconnection with OUC
  (Obviously depends on appropriate deal)

- Green indicates goal has been met
- Red indicates goal will not be met
- Orange indicates still underway

Utilities Advisory Board

agenda item

item type Staff Updates	meeting date September 28, 2021
prepared by Peter Moore	approved by
board approval	
strategic objective	

subject

Performance Measurement - (attachment only)

motion / recommendation

background

alternatives / other considerations

fiscal impact

ATTACHMENTS:

SEP MTG PM-Utility PM Sept2021.pdf

Utility Monthly Performance Measurements

The Utility Advisory Board identified performance measurements for the Electric and Water Utilities. These are activity and profitability measures used as management tools to set baseline performance measures to be reviewed monthly to implement strategies for improved performance on those baselines. This report organizes the performance measurements by service type.

Water Sewer Utility

Service **Type**	**Measure**	**Goal**	**May**	**June**	**July**	**On Target**
Environment	Count of Rebates Processed		0	1	4	
	Total MWh generated from Aloma solar system	>15 MWh	20.37	15.93	17.41	Met Goal
Operational	Average % Water meters reporting	>98.50%	98.75%	98.45%	97.56%	Near Goal
	Count of Wastewater Incidents	0	0	0	0	Met Goal
	Wastewater Incident Overflow in 1,000s Gallons	0	0	0	0	Met Goal
	Water pumped compared to CUP allocation	<12.4 mgd	10.30	11.53	10.29	Met Goal

Both

Service **Type**	**Measure**	**Goal**	**May**	**June**	**July**	**On Target**
Customer Service	Call Abandonment Rate		No data	No data	No data	
	Utility Billing Call Average Wait Time		No data	No data	No data	
	Volume of calls to City Utility Billing		No data	No data	No data	
	Number of disconnects for non-pay		119	155	202	
Financial	Accounts receivable/billed revenue – FYTD	<10%	6.66%	6.52%	6.64%	Goal Met
	Average cost of purchased power per kWh - FYTD	<$0.05	$0.0426	$0.0451	$0.0458	Goal Met
	Average revenue per kWh – FYTD	>$0.10	$0.1055	$0.1042	$0.1050	Goal Met
	Bad debt expense/billed revenue – FYTD	<0.25%	0.16%	0.17%	0.11%	Goal Met
	Debt service coverage ratios - W&S - FYTD	>1.5	2.49	2.72	2.66	Goal Met
	Debt service coverage ratios - Electric - FYTD	>1.5	3.93	3.45	3.89	Goal Met
	Percentage of utility accounts receivable over 60 days outstanding		2.15%	1.95%	2.84%	
	Utility accounts receivable over 60 days outstanding		$130,926	$118,580	$177,818	

**Technical issues in our call reporting system caused no collection of data during system interruption. Working towards resolution.*

Index Key- the monthly data text is colored green when the change from the previous month is an improvement, and red when it is not. The On Target column is highlighted comparing the most recent monthly data to the Goal: Red if below, Yellow if Near, Green if Above.

Electric Utility

Service **Type**	**Measure**	**Goal**	**May**	**June**	**July**	**On Target**
Efficiency	Rate Comparison to Duke	<100%	80.9%	81.2%	81.9%	Met Goal
	Rate Comparison to State Avg	<105%	95.6%	95.6%	96.2%	Met Goal
Environment	Electric Car Charger kWh use		5,960	5,391	5,801	
	Solar Net new metering Customers		3	1	1	
Financial	Rolling 12 month kWh	407 (FY21)	423,237,618	28,529,113	426,043,017	Met Goal
Operational	Heart of Florida United Way Emergency Utility Assistance Program: Assistance provided to customers		$250	$1,107	$1,270	
	Heart of Florida United Way Emergency Utility Assistance Program: Available balance		$68,460	$67,109	$65,839	
	Heart of Florida United Way Emergency Utility Assistance Program: Number of customers approved for assistance		1	4	5	
	Underground System Complete (%)		67.00%	67.60%	68.24%	
Reliability	CAIDI		131.7	123.25	118.06	
	L-Bar		140.9	103.4	104.6	
	L-Bar Rank to Peers (12 mo rolling)	Top 5	16th/22	16th/22	11th/17	Below Goal
	Outage Occurrences		13	28	19	
	SAIDI		3.1	13.0	6.1	
	SAIDI Rank to Peers (12 mo rolling)	Top 5	6th/18	3rd/17	3rd/18	Met Goal
	SAIDI Sum	< 19 Annually	36.3	32.3	36.9	Below Goal

**FMPA and FMEA data often lag 1or2 months.*

Translation Table

L-Bar	*Measures the average length of a single outage*
SAIDI	*Measures the average frequency of momentary interruption events for the average customer*
KWH	*Kilowatt hour*
CUP	*Consumptive Use Permit*
YTD	*Year to Date*
MWh	*Megawatt hour*

Utilities Advisory Board

agenda item

item type Staff Updates	meeting date September 28, 2021
prepared by Wes Hamil	approved by
board approval	
strategic objective	

subject

Financial Report August 31, 2021 - Wes Hamil

motion / recommendation

background

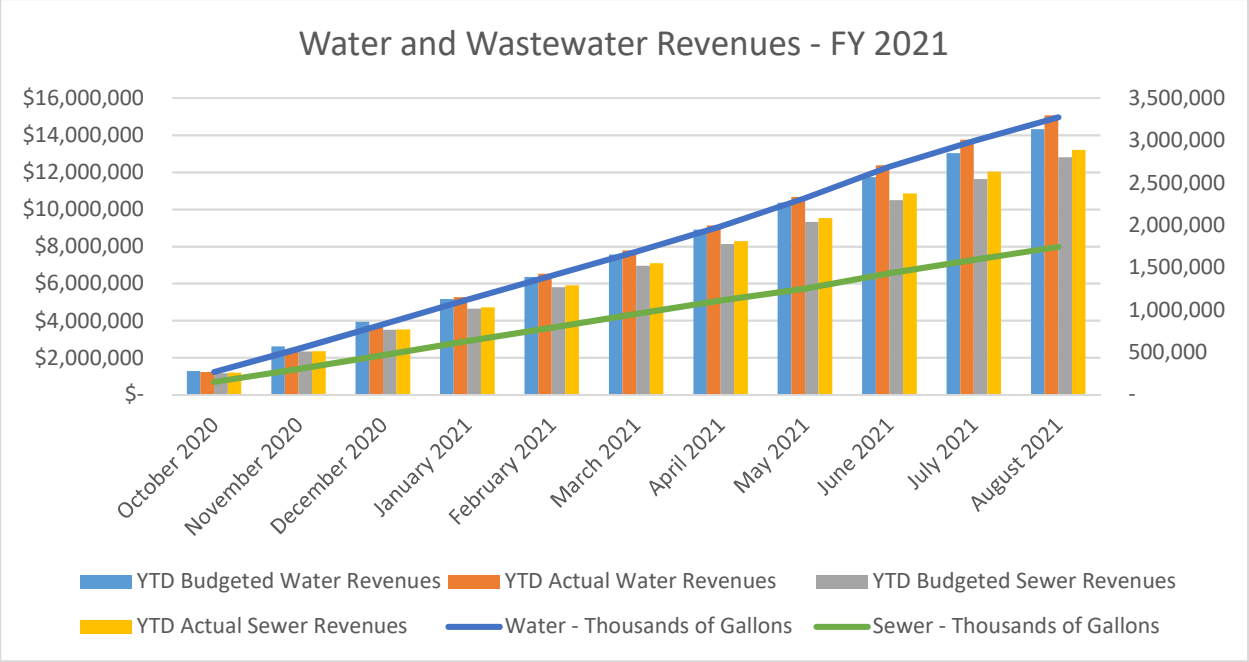
alternatives / other considerations

fiscal impact

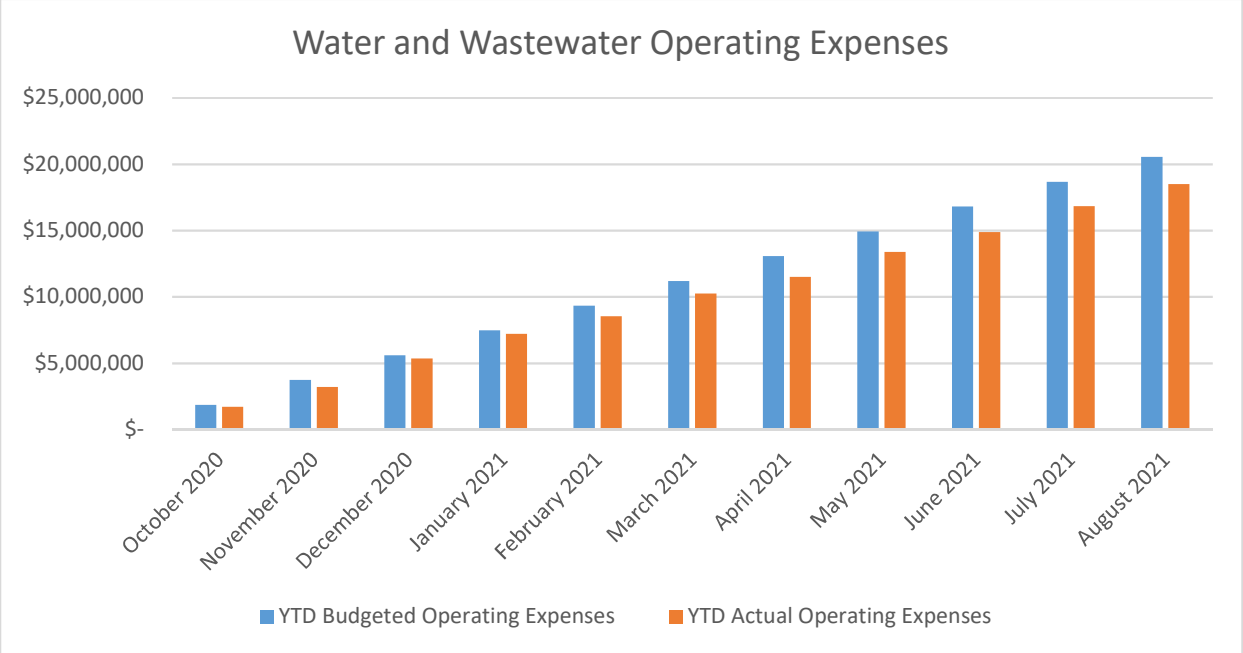
ATTACHMENTS:

Financial_Report_-_August_31__2021.pdf

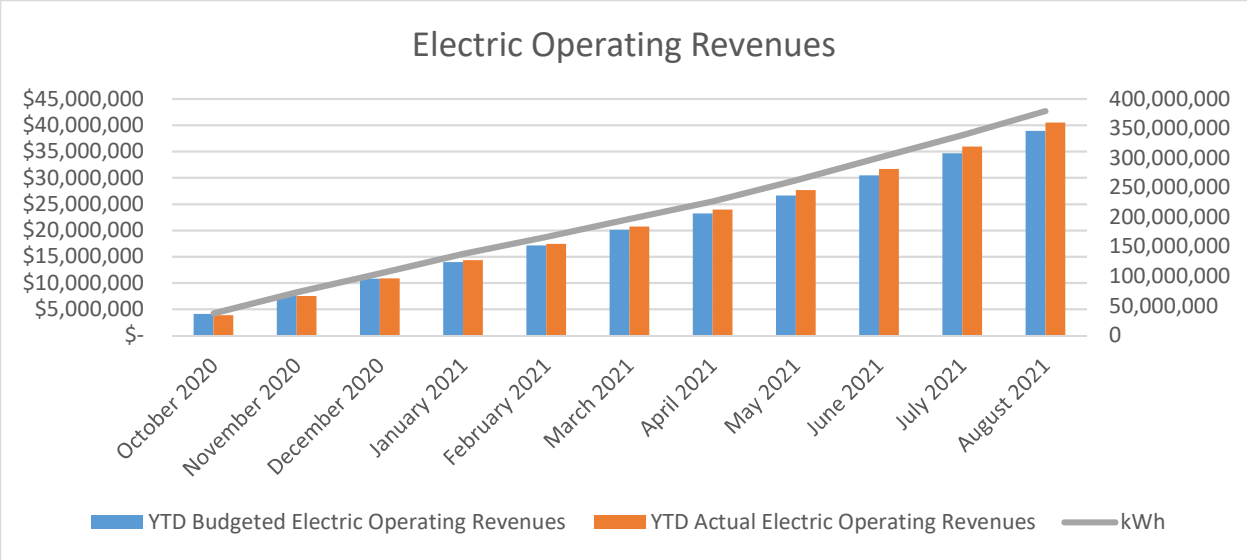
Key Financial Performance Indicators



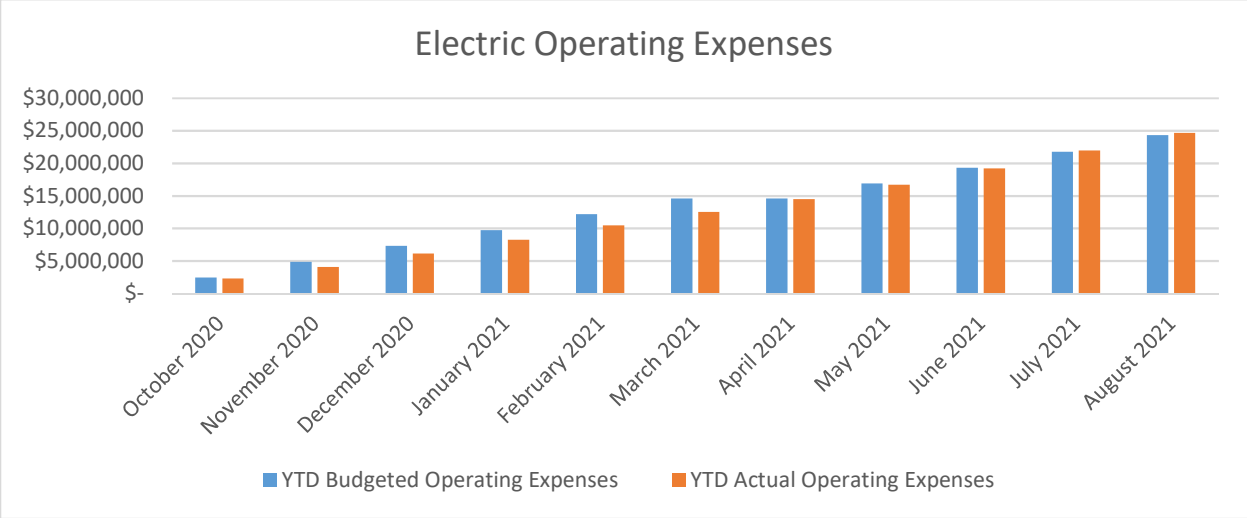
After being behind budget for the first quarter, water and wastewater revenues are exceeding the YTD budget each month.



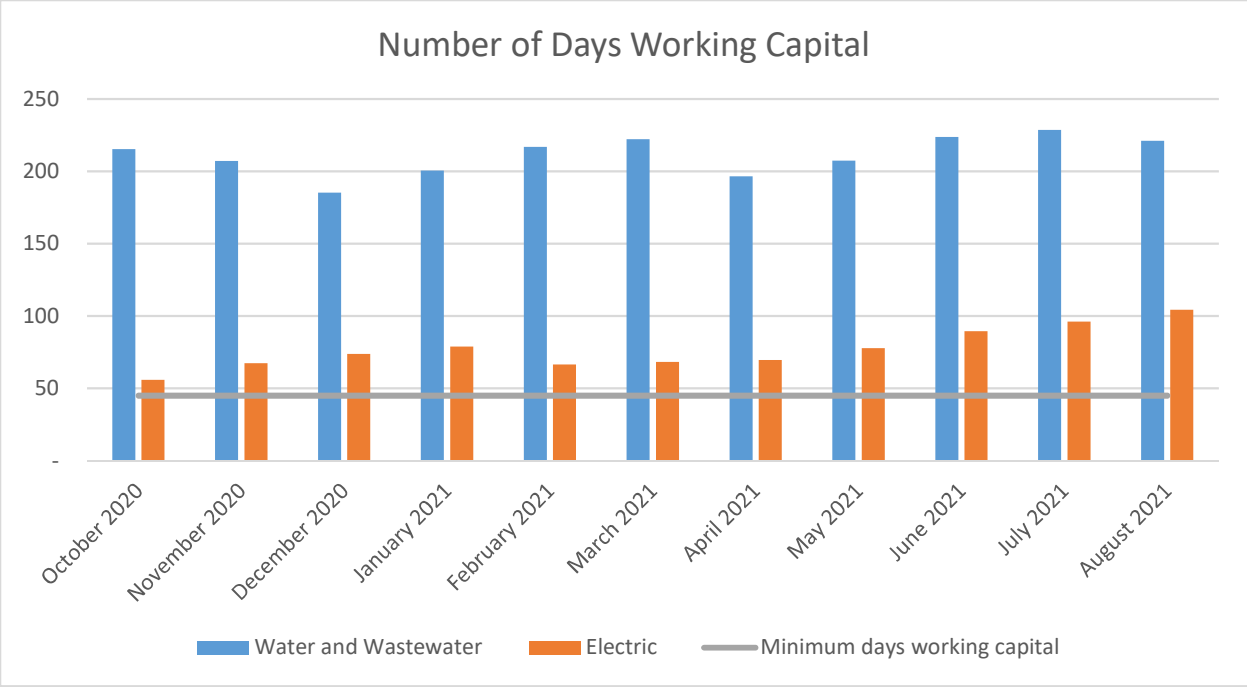
Water and wastewater operating expenses are within budget each month



Electric operating revenues are exceeding budget projections. Total kWh sales were projected at 407,000,000 but will likely exceed 420,000,000 for the fiscal year.



Increasing costs of fuel are causing expenses to exceed budget. Savings in vacant positions, purchase of meters, tree trimming, and street lighting are offsetting some of the purchased power overage.



Number of days of working capital exceed the minimum of 45 days in both Water and Wastewater and Electric.

Management's Discussion and Analysis (Unaudited)

The following discussion and analysis provides an overview of Winter Park's unaudited and preliminary financial position and results of operations in comparison to the approved budget and prior year equivalent period.

Operating Revenues Analysis:

	As of August 31				Variances			
	Actual 2021	YTD Budget 2021	Actual 2020		Actual vs Budget		2021 vs 2020	
Water	14,825,815	14,318,495	14,504,018		507,320	3.54%	321,797	2.22%
Wastewater	13,227,013	12,797,641	12,805,373		429,372	3.36%	421,640	3.29%
Electric	40,097,958	38,626,093	38,396,542		1,471,865	3.81%	1,701,416	4.43%
Other - Water and Wastewater	1,530,114	1,498,550	1,622,683		31,564	2.11%	(92,569)	(5.70%)
Other - Electric	705,092	706,292	1,069,758		(1,200)	(0.17%)	(364,666)	(34.09%)

Budget Analysis:
Both water and wastewater and electric revenues were higher than budget. Water and wastewater sales to date were 5,019,587 thousands of gallons as compared to a YTD budget of 4,904,000, a variance of 2.36%. Electric sales in particular were forecasted conservatively. YTD sales in kWh were 379,583,174 as compared to a YTD budget of 366,018,868, a variance of 3.71%.

Prior Year Analysis:
Water and wastewater rates were increased by 1.79% effective October 1, 2020. Electric sales in kWh are 1% higher than the prior year. Other water and wastewater revenues were lower than the prior year due to the suspension of industrial waste charges (grease trap charges) during the pandemic (resumed April 2021) and less backflow testing. Fuel rates were increased January 1, 2021 and again on July 1, 2021 which is driving the increase in electric revenues. Other electric revenues in the prior year included $356,942 from FEMA and the State in reimbursements for Hurricane Irma recovery costs.

Operating Expenses Analysis:

	As of August 31				Variances			
	Actual 2021	YTD Budget 2021	Actual 2020		Actual vs Budget		2021 vs 2020	
Water:								
Admin	1,731,619	1,898,314	1,802,625		166,695	8.78%	(71,006)	(3.94%)
Operating	16,922,322	18,979,487	17,827,630		2,057,165	10.84%	(905,308)	(5.08%)
Depreciation and amortization	3,266,270	0	3,207,730				58,540	1.82%
Electric:								
Admin	1,818,560	2,152,631	1,854,517		334,071	15.52%	(35,957)	(1.94%)
Operating	23,195,528	23,105,450	25,017,612		(90,078)	(0.39%)	(2,039,627)	(8.15%)
Depreciation and amortization	3,598,815		3,429,935				168,880	4.92%

Budget Analysis:
Water and Wastewater:
Administrative budgetary savings are largely in engineering studies that have not been completed yet. Costs for wastewater treatment by City of Orlando have not been as significant as anticipated in the budget. Vacant positions are another significant cause of budgetary savings.

Electric:
Significant areas where spending to date has been less than budgeted are meter replacements (will be completed in FY 2022 after go live of new utility billing system), street lighting, tree trimming, and vacant positions. Offsetting these savings is the extra cost of purchased power due to higher fuel costs.

Prior Year Analysis:
Water and Wastewater:
Spending has been less in the current year on water line maintenance and personnel costs due to vacant positions.

Electric:
Operating expenses were $2.7M higher in the prior year due to the undergrounding of power lines on Fairbanks Avenue. These lines are in Duke Energy's service territory which is why the costs were expensed vs being capitalized. The City's net investment in this $15,450,000 project was $1,168,166 which came from the Electric Fund. This is the net cost that was not reimbursed by Florida Department of Transportation. Purchased power and transmission costs were $1,040,798 higher in the current year due to higher fuel costs.

Other items of Note:

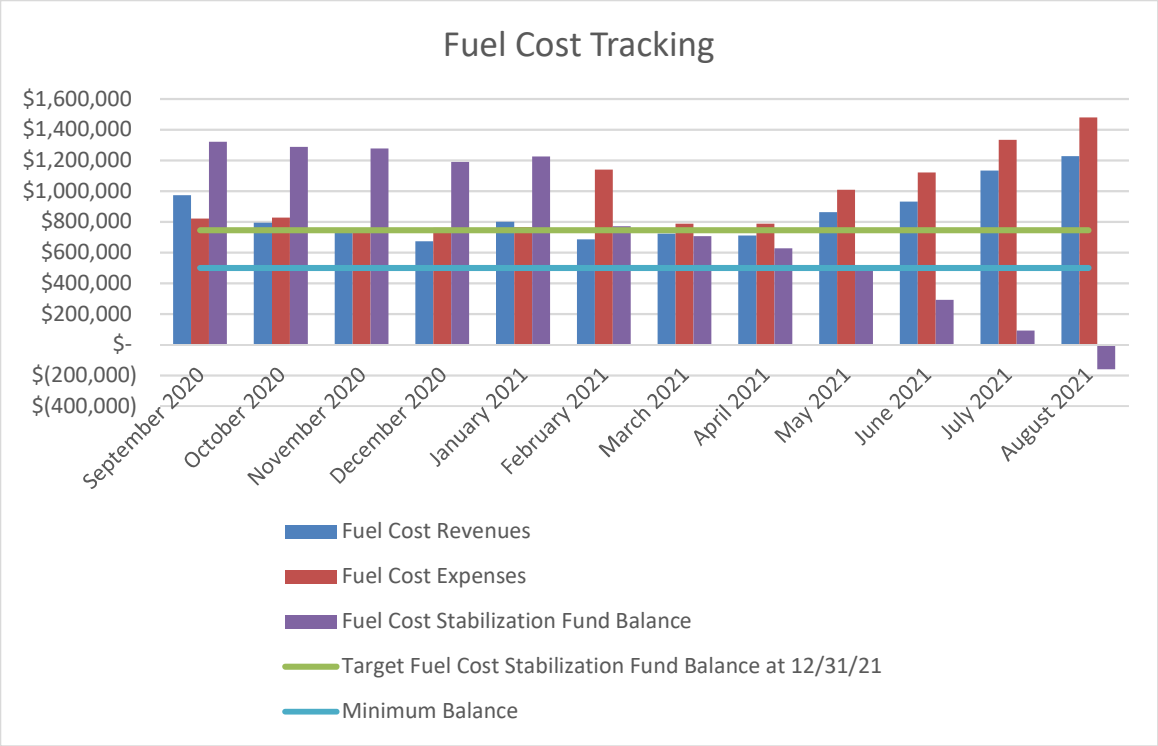
Unrestricted cash in the Electric Fund has improved from a deficit of $2,796,776 as of August 31, 2020 to a positive balance of $2,735,662 at August 31, 2021. This improvement results from savings in the purchase of bulk power as well as payment from Florida Department of Transportation for undergrounding power lines on Fairbanks Avenue.

Implementation of the new contact center program is being delayed while efforts are focused on completion of the MUNIS utility billing application. Target go live date is February 2022. Contact center program will be taken up afterwards.

For Future Consideration:

The Water and Wastewater Fund has some large capital expenditures totaling $12M to be funded over the next five years. The normal Public Service Commission index increases will not be adequate to accommodate these costs. Proposed additonal rate increases will be presented to the Utility Advisory Board for recommendation to the City Commission in the coming fiscal year budgets.

Increasing natural gas prices are severely depleting the fuel cost stabilization fund balance. The City's target range is $500,000 on the low end and 10% of projected fuel costs rounded up to the nearest $100,000 on the high end. Although fuel rates were increased July 1, 2021 and again September 1, 2021, a third increase will be implementated October 1, 2021. Staff will keep the UAB apprised of any adjustments. The table below tracks the fuel revenues, fuel costs and the stabilization fund balance over the current fiscal year:



Impact to 1,500 kWh/month residential customer:

	01/01/2021	07/01/2021	09/01/2021	10/01/2021
Total monthly electric charges, plus taxes	$192.04	$199.84	$207.91	$227.97
Difference from January 1, 2021 costs		$7.80	$15.87	$35.93
Percentage change		4.06%	8.25%	18.71%

The City of Winter Park, Florida
Statement of Net Position
Proprietary Funds
August 31, 2021
Unaudited

	Water and Wastewater		Electric	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
ASSETS				
Current Assets:				
Cash, Cash Equivalents and Investments	$ 9,456,796	$ 12,046,262	$ 2,735,662	$ (2,796,776)
Restricted Cash, Cash Equivalents and Investments	7,316	40,842	-	-
Accounts Receivable - Net	1,255,896	1,389,582	3,349,215	3,403,209
Unbilled Service Charges	2,474,880	2,210,333	3,826,036	3,719,094
Accrued Interest Receivable	39,911	55,121	-	-
Inventories	962,081	1,023,399	3,681,993	3,024,020
Prepaid Items	81,403	80,455	-	-
Advances to Other Funds	2,800,000	-	-	-
Total current assets	17,078,283	16,845,994	13,592,906	7,349,547
Non-Current Assets:				
Restricted Assets:				
Cash, Cash Equivalents and Investments:				
Sinking/Debt Reserve Funds	2,842,482	2,730,777	3,487,120	3,444,594
Renewal and Replacement Funds	4,970,490	3,883,508	-	-
Impact Fee Funds	17,165,440	17,184,804	-	-
Capital Project Funds	15,164	15,592	-	-
Customer Deposits	1,799,616	1,669,754	2,015,452	1,827,704
Accrued Interest Receivable:				
Impact Fee Funds	58,160	77,025	-	-
Renewal and Replacement Funds	13,196	18,102	-	-
Special Assessments Receivable	-	-	20,238	53,980
Capital Assets:				
Non-depreciable	3,502,333	4,407,851	10,134,277	10,000,000
Depreciable - Net	95,897,632	93,107,995	83,721,357	81,073,033
Other Assets:				
Deposits	274,000	274,000	-	-
Total non-current assets	126,538,513	123,369,408	99,378,444	96,399,311
Total Assets	143,616,796	140,215,402	112,971,350	103,748,858
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Expense on Refunding Bonds	3,712,625	4,199,023	3,642,252	4,101,663
Deferred Expense Other Postemployment Benefits Obligation	39,723	23,215	15,005	8,760
Total Deferred Outflows of Resources	3,752,348	4,222,238	3,657,257	4,110,423
LIABILITIES				
Current Liabilities:				
Accounts Payable	401,970	876,513	2,611,041	2,273,201
Accrued Liabilities	107,035	132,596	20	-
Due to Other Governments	31,430	10,603	212,577	61,820
Accumulated Unused Compensated Absences	202,738	210,636	71,815	68,643
Accrued Interest Payable	313,096	453,093	727,952	772,511
Current Portion of Revenue Bonds Payable	3,365,000	3,040,000	3,010,000	2,915,000
Customer Deposits	1,799,616	1,669,754	2,015,452	1,827,704
Total current liabilities	6,220,885	6,393,195	8,648,857	7,918,879
Noncurrent Liabilities:				
Bonds Payable	45,654,348	48,969,129	50,969,527	54,048,188
Other Postemployment Benefits	1,591,431	1,449,136	607,858	554,031
Accumulated Unused Compensated Absences	496,687	411,060	118,706	98,256
Total noncurrent liabilities	47,742,466	50,829,325	51,696,091	54,700,475
Total Liabilities	53,963,351	57,222,520	60,344,948	62,619,354
DEFERRED INFLOW OF RESOURCES				
Other Postemployment Benefits Related Deferred Inflows	150,007	169,154	58,419	65,662
NET POSITION				
Net Investment in Capital Assets	54,108,406	49,721,332	43,518,359	38,211,508
Restricted for:				
Capital Projects (expendable)	17,216,401	17,254,858	-	-
Renewal and Replacement (expendable)	4,934,026	3,858,782	-	-
Unrestricted	16,996,953	16,210,994	12,706,881	7,005,283
Total Net Position	**$ 93,255,786**	**$ 87,045,966**	**56,225,240**	**$ 45,216,791**

Note: the information above does not include all journal entries that would be completed for the comprehensive annual financial report

The City of Winter Park, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
August 31, 2021
Unaudited

	Water and Wastewater			Electric		
	Actual August 31, 2021	YTD Budget August 31, 2021	Actual August 31, 2020	Actual August 31, 2021	YTD Budget August 31, 2021	Actual August 31, 2020
Operating Revenues:						
Water	$ 14,825,815	$ 14,318,495	$ 14,504,018	$ -	$	$ -
Wastewater	13,227,013	12,797,641	12,805,373	-		-
Electric	-	-	-	40,097,958	38,626,093	38,396,542
Other	1,530,114	1,498,550	1,622,683	705,092	706,292	1,069,758
Total Operating Revenues	**29,582,942**	**28,614,686**	**28,932,074**	**40,803,050**	**39,332,384**	**39,466,300**
Operating Expenses:						
General and Administrative	1,731,619	1,898,314	1,802,625	1,818,560	2,152,631	1,854,517
Operations	16,922,322	18,979,487	17,827,630	23,195,528	23,105,450	25,017,612
Depreciation and Amortization	3,266,270	-	3,207,730	3,598,815		3,429,935
Total Operating Expenses	**21,920,211**	**20,877,801**	**22,837,985**	**28,612,903**	**25,258,081**	**30,302,064**
Operating Income	**7,662,731**	**7,736,885**	**6,094,089**	**12,190,147**	**14,074,304**	**9,164,236**
Nonoperating Revenues (Expenses):						
Investment Losses	48,102	164,450	753,482	(48,549)	(27,500)	(57,125)
Gain on Disposal of Assets	39,874	-	-	11,815	22,917	51,800
Interest and Fiscal Charges	(1,645,240)	(4,267,458)	(2,023,143)	(1,973,720)	(4,381,289)	(2,098,732)
Miscellaneous Revenue	25,475	9,167	20,443	76,540	-	34,655
Total Nonoperating Revenues (Expenses)	**(1,531,789)**	**(4,093,842)**	**(1,249,218)**	**(1,933,914)**	**(4,385,872)**	**(2,069,402)**
Income Before Contributions and Transfers	**6,130,942**	**3,643,044**	**4,844,871**	**10,256,233**	**9,688,431**	**7,094,834**
Contributions and Transfers:						
Capital Contributions	855,892	-	2,820,734	-		-
Transfers In	462,000	423,500	-			-
Transfers Out	(2,634,342)	(2,634,341)	(2,596,083)	(2,784,655)	(2,746,155)	(2,567,583)
Total Contributions and Transfers	**(1,316,450)**	**(2,210,841)**	**224,651**	**(2,784,655)**	**(2,746,155)**	**(2,567,583)**
Change in Net Position	**4,814,492**	**1,432,202**	**5,069,522**	**7,471,578**	**6,942,277**	**4,527,251**
Total Net Position - Beginning, as Restated	**88,441,294**		**81,976,444**	**48,753,662**		**40,689,540**
Total Net Position - Ending	**$ 93,255,786**		**87,045,966**	**56,225,240**		**45,216,791**

Note: the information above does not include all journal entries that would be completed for the comprehensive annual financial report

Utilities Advisory Board

agenda item

item type Action Items	meeting date September 28, 2021
prepared by Wes Hamil	approved by
board approval	
strategic objective	

subject
Time of Use Recommendation to the City Commission - Wes Hamil

motion / recommendation
Discussion

background

alternatives / other considerations

fiscal impact

Utilities Advisory Board

agenda item

item type Action Items	meeting date September 28, 2021
prepared by Karen Hood	approved by
board approval	
strategic objective	

subject

Recommendation to Hire a Consultant to Address Governance by the UAB - Michael Poole

motion / recommendation

background

alternatives / other considerations

fiscal impact

ATTACHMENTS:
Governance Action Item.pdf

ATTACHMENTS:
Governance Draft Scope of Services.pdf

ATTACHMENTS:
1101_Cruz_Managing_Public_Utilities.pdf

ATTACHMENTS:
Public-Power-Governance-Survey-2021.pdf

Action Item

1. Conduct a governance review of the utilities' operation. The purpose is to establish the framework of rules, relationships, systems, and processes within and by which authority is exercised and controlled by the City Commission.

   The purpose of the governance review would make recommendations to clarify the governance of the utility operations.

   Attached are documents to help further the discussion on the recommendation.

   a. Draft Scope of Services
   b. Managing Public Utilities: Lessons from Florida – a University of Florida research paper on the three basic management models for Florida utilities.
   c. Public-Power Governance Survey 2021 – A survey conducted by the American Public Power Association (Winter Park is a member) https://www.publicpower.org/periodical/article/excellence-public-power-governance

Purpose:

Consultant will perform a high-level study of the Winter Park Electric and Water Utility ("Winter Park") Governance Structure and the various alternative governance structures available to perform these functions.

Scope of Services:
The services performed by the Consultant will include the following:

- Review publicly available information regarding municipal utility governance and identify the various governance structures:
  - Those used for electric and water utility service
  - Those used by the most highly rated municipal utility entities
  - Those typically utilized for utilities with sizes and customer bases similar to Winter Park
- Summarize advantages and disadvantages of each governance structure identified
- Review management and governance information Winter Park chooses to provide for assistance with Consultant's review
- Conduct personal interviews with individuals identified by Winter Park that are integral to the governance and decision-making processes and may include
  - Managers
  - Advisors
  - Stakeholders
- Consultant will perform up to 30 interviews
  - Consultant will provide sample questions/survey to the designated individuals for their preparation prior to the interview
  - Consultant will summarize the results of the interview process without identification of the origin of responses
- Recognizing Winter Park will fall into one of the primary governance structures, Consultant will:
  - Identify how Winter Park's application of the structure functions (key practices and approaches) and how that application compares to other utilities using the same governance structure. Consultant will identify key aspects in which Winter Park is consistent or different in its practices from other utilities that govern utilities with a similar structure.
  - Identify key decision-making practices:
    - Who are the decision makers?
    - What is the chain of command in the decision making process?
    - Identification and role of utility advisory functions in this process
    - How these decision-making responsibilities are delineated:
      - Charter
      - By Laws
      - Organizational documentation

- Assess how effectively the Winter Park governance structure works in supporting the utilities' operational responsibilities
    - How are the operating departments organized?
        - Who develops and recommends Winter Park's strategic plan?
            - Infrastructure development
            - Operational performance
            - Rate design and implementation
        - Who manages the implementation of the plan?
        - Who is responsible for maintaining reliability of supply?
    - How are the support services functions organized?
        - How does reliance on support services affect utility functions?
    - What are the financial approval level thresholds in the decision making and approval process?

Deliverables:
Consultant will include one meeting to make a verbal presentation to Client that provides:

- Summary of the scope of service results
- Summary of interview process observations
- Summary of findings and conclusions

Consultant will provide a power point summary of results and findings upon the request of Winter Park

Consultant will provide additional presentations as requested by Winter Park as "Additional Services" at agreed upon additional pricing at that time

Schedule:

Consultant expects the Scope of Services discussed herein to require up to 4 months to complete, depending in part upon the actual number of interviews performed, the availability of interviewees, any Additional Services provided (as noted above). and any interaction between Consultant and Winter Park representatives as this project progresses.

Budget:

Consultant expects the Scope of Services discussed herein to be completed within a range of budget of $75,000 to $95,000 (excluding any travel expenses and any Additional Services that Consultant may provide at Winter Park's request) depending in part upon the final agreed upon scope of work, actual number of interviews performed, in-person or virtual interviews, and any interaction between Consultant and Winter Park representatives as this project progresses.

Managing Public Utilities:

Lessons from Florida

Forthcoming 2013, , *LEX Localis—Journal of Local Self Government,* Vol. 11, No. 2, pp. 101-118

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Managing Public Utilities:

Lessons from Florida

Abstract:

This paper considers the institutional and regulatory framework of local infrastructure services in Florida and examines how decision-makers perceive the governance structures of publicly-owned utilities in this state. It should be of interest to a broad audience, particularly to European practitioners that are unfamiliar with the rules and practices that frame municipal utilities in the U.S. Many countries pursued reforms that were mainly rooted in the New Public Management ideas where setting targets, measuring performance and applying rewards or sanctions are standard procedures. However, as our paper suggests, it seems that there are other ways of protecting the public interest and promoting efficiency and accountability. After reviewing the theory, the study describes the current system in terms of rate setting, investments, consumer protection and quality of service. A state-wide survey was developed to identify potential sources of tension between managers and politicians. The responses were supplemented by interviews with managers, enabling the authors to identify good practices of local governance, including the de-politicization of the decision-making and the managerial attention to sustainable approaches to funding infrastructure.

Keywords: Florida; local governance; public ownership; public utilities.

1. Introduction

The concept of 'services of general interest' [COM(2004)374], usually employed within the European Union to refer to essential services subject to specific public-service obligations, also finds its counterpart in the United States (Defeuilley, 1999). In particular, the availability of affordable utility services (services of general economic interest, such as electricity, drinking water, wastewater collection and treatment, urban waste collection and treatment and urban transport) with an acceptable quality is a legal requirement in both jurisdictions (Clifton et al., 2005).

In Europe, the transference of general-interest services to local governments, driven by the subsidiarity principle, has been broadly documented (Baker et al., 2011). In the U.S., in addition to providing drinking water, wastewater, urban transport and waste services, cities are also responsible for many other types of services. Even the smallest U.S. cities may provide services that are unfamiliar to most municipalities in other countries (e.g. electricity, communications and police services). The broad range of competencies required for delivering these services and the growing budget restrictions facing local governments pose an important challenge to local decision-makers everywhere: 'how to curb costs while meeting public-service obligations?' Utility services are particularly problematic since they involve large investment outlays in specialized infrastructure and, quite often, local governments struggle with the economic sustainability of the systems (Pendovska & Veljanovski, 2009). Furthermore, pressures towards resource conservation and environmental awareness represent new challenges to utility managers around the globe. We know that organizations matter (Menard, 1996) and that governance structures 'must arise for some reason' (Arrow, 1999: vii). Hence, to cope with these requirements it is important that local political leaders make thoughtful choices regarding the utilities' governance models.

The aim of this paper is twofold. The first goal is to identify patterns and discuss the regulatory and institutional framework of utility governance in Florida. The second goal is to analyse how the utility managers see and respond to this framework (i.e. the performance incentives, oversight processes, funds transfers, and operations of the utilities). Using survey information, this paper sheds light on the sources of tension between utility managers and elected city officials and on the instruments/mechanisms (i.e. the rules) in place to separate managerial decision-making from political interference. We address these issues and study the approaches used in Florida to the provision of fair and efficient services. Being the fourth state both in terms of population

(18,830,632) and GDP ($729,500,000,000 in 2009), Florida is important within the U.S. context and also capable of presenting relevant insights for practitioners, policy makers and academics of other international jurisdictions.

This study is organized as follows. Section two briefly reviews the theory on infrastructure services and governance models. Section three describes the framework of local administration in Florida, including the regulatory environment of municipal utilities. Afterwards, section four summarizes the analysis of the data gathered from 31 Florida municipal utilities. Finally, section five concludes the paper.

2. Delivering Utility Services

According to the principles of EU legislation, utility services are regarded as essential (i.e. crucial for the socio-economic cohesion of the population) and should be subject to certain public service obligations. These services would not be produced (or would be produced under different conditions) if there was no intervention by the competent public authorities (even if it only takes the form of a written contract or it is achieved through dedicated legislation). In theory, there are eight main principles that these services should respect, namely (Marques, 2010): accessibility, adaptability, conflict resolution, continuity, equality, participation, transparency, and universality.

Utility services can be provided directly by the municipality (in-house production), or indirectly through delegation to other structures. If a municipality chooses to deliver the services itself, it can establish a municipal department or create a structure with some degree of financial and administrative autonomy. If, on the other hand, a municipality chooses to deliver the services through an autonomous entity, the array of options deepens. Figure 1 displays the various 'ideal-typical' alternatives of local governments. The two most common models of indirect provision of local infrastructure services are the public (municipal) company and the private (concessionary) company. In the former, the municipality is the owner of the company while the latter is an investor-owned enterprise. Recently, another 'hybrid' mode of provision arose in Europe (Cruz & Marques, 2012) and in several countries in South America (Marin, 2009): mixed (municipal) companies are institutionalized public-private partnerships (PPPs) where the public and private partners are equity owners. Table 1 summarizes the major features of each ideal-typical governance model.

[Figure 1]

[Table 1]

The process of moving from direct provision to public indirect provision is usually labelled as 'corporatization'. Moving from public provision (direct or indirect) to indirect private provision is called privatization. While the benefits and drawbacks of privatization continue to be debated, the empirical evidence on the effects of corporatization is also mixed. Despite some reports stating that the corporatization of services might result in higher cost-efficiency and increase output, revenues, and employee productivity (Bilodeau et al., 2007), there is also evidence that moving from municipal services with autonomy to municipal companies may result in lower overall productivity (Cruz & Marques, 2011).

In theory, the higher the degree of corporatization (moving from left to right in figure 1), the lower the involvement of governments in the management of the utilities. The entrepreneurial approach towards utility management (higher efficiency, flexibility and accountability) requires a different relationship with elected officials (a notion of a freer market, with more rules). This process is frequently associated with several tools that emerged from the (now unfashionable) New Public Management ideas, including performance-based contracts, binding the utilities (and/or utility managers) and the municipalities (Osborne, 2006).

3. Local government in Florida

To appreciate the reasoning of municipal authorities in aligning incentives and creating governance structures that fit their needs, one has to understand the rules of the game (i.e. the political economy of local government, Dollery & Wallis, 2001). The detailed description of the institutional and regulatory framework of public utilities in the U.S. may be relevant for policy-makers and scholars from other international jurisdictions. In this section we discuss the local administration framework and the features of utility governance.

3.1 Administrative bodies and regulatory agencies

Although there is no reference to local governments in the U.S. Constitution, in practice, there are three levels of government: national, state and local. At the local level, beyond counties and cities (here we use this term to refer to general-purpose municipal governments) one can also find special-purpose governments. These special-purpose governments are responsible for a variety of services (e.g. airport, education and also utility services–the

so-called Utility Authorities, see governance structure Type III in the following subsection). According to ICMA (2011), about 48.7% of municipalities in the U.S. are of the council-manager type while the mayor-council form of government accounts for around 43.8% (a residual amount of municipalities have other forms: the Commission–10.9%, Town Meeting–4.7% and representative Town Meeting–0.86%). In Florida (411 municipal governments) there are approximately 100 municipalities with the weak mayor-council form of government, 30 cities with the strong mayor-council form and 270 cities with the council-manager form.

City mayors, city or county commissioners or council members are selected via non-partisan elections. Candidates run for each position individually and in different time frames (usually elected local officials serve terms that range from two to four years with term limits). Hence, the elected team of officials responsible for regulating the activities of utilities might suffer considerable changes over time. Furthermore, since the Council-Manager form of government is widespread, elected officials make policy decisions while the city staff, led by the City Manager, is responsible for implementing those decisions.

States encompass a number of cities and counties. Each state has one regulatory agency for utilities (Littlechild, 2009). In Florida this entity is the Public Service Commission (PSC). These commissions have the mission to ensure that every customer has access to safe, reliable and affordable services while allowing the utilities to earn a fair return on investment, promoting the overall public interest. Commissions oversee regulated utilities through certification, regulation of rates and services, dispute resolution, and consumer protection services. They carry out quasi-legislative and quasi-judicial functions when performing the duties assigned to them by statute. However, the PSC's regulatory authority is limited: it only has fully rate base/economic regulation power over investor-owned utilities. Regarding publicly-owned utilities, the PSC's activity mainly encompasses the monitoring of safety and reliability issues. Municipal utilities are not fully regulated because they have a statutory right to be exempted.

3.2 Patterns in the utility industry

In the U.S., the governance models of publicly-owned utilities (traditionally called municipal utilities) are not categorized as easily as in figure 1. The utilities observed in Florida often present variations of those 'pure models'. We identified three different types of utility governance (see figure 2). In Type I schemes, utility services are provided by a department under the City Manager (in a council-manager form of government) or a

division under a department head. The utility still has a designated top-manager (e.g. an Assistant City Manager or Director/Supervisor) and it retains some degree of autonomy (being similar to the pure model of 'municipal services with autonomy'). Type II utilities are separate entities that answer directly to the city council or mayor. In this model, elected officials define policies and utility managers implement them. Typically there is no difference between utility employees and city employees. These utilities have a governance structure standing between the 'municipal services with autonomy' and the 'municipal company' pure models. Finally, Type III utilities are the ones that better resemble the 'municipal company' model. The utility top-manager (CEO or General Manager) does not interact directly with city officials but rather with an independent commission (Utility Authority) composed of specialists or citizens with broad public experience. Usually, the city mayor chairs this commission although he/she is not allowed to vote.

[Figure 2]

Vertical integration is widespread in Florida utilities. However, small municipalities may purchase electricity from investor-owned wholesale companies and some cities occasionally purchase water from other cities during periods of drought. The multi-utility strategy is also prevalent. Publicly-owned utilities in Florida often provide an impressive range of services. As the next section indicates, contrasting with electricity and natural gas, other services are not significantly subject to the monitoring of the PSC. Given the differences in the regulatory environment, it is interesting to observe how the utilities manage to jointly deliver the services.

3.3 The rules of the game

Rates

If an investor-owned utility seeks to raise its prices, it must first obtain approval from the PSC. Upon an extensive investigation, rates are tested for fairness (enabling a reasonable return to equity investors while being affordable for customers). At the end of the process, the PSC approves the new rates. The Florida PSC does not have this kind of regulatory power over municipal utilities (Pfaffenberger & Sioshansi, 2009). Publicly-owned utilities have absolute discretion regarding rate levels. Thus, in Florida, two customers with similar consumption patterns can have quite different utility bills. However, PSC has authority over the territorial boundaries of gas and electric utilities and the rate structure of electricity services (avoiding rate discrimination over different territories served by the same utility) regardless of the governance model.

In governance structures Type II the utilities' top managers propose the rates of the services to the city council/mayor and present the technical justifications for the amounts and structures considered, seeking for their approval. In Type I utilities, the policies first need to be submitted to the City Administrative Officer who may have some requests and/or recommendations. He/she will then present the case to the city council or city mayor. In Type III utilities the approval body may not be elected by citizens/customers.

It is common to have city-owned utilities operating outside the cities' limits. Gas and electricity boundaries are defined by the PSC. Concerning water and wastewater services, the utilities operate in unincorporated areas upon negotiation with the counties. It is understandable that counties wish to hand over these services to cities. Network services are known for having substantial economies of scale. Those citizens in less dense parts of a county might seek cross-subsidization from citizens whose cost of service is lower. This jurisdictional arrangement often creates complex systems where the territorial boundaries of a utility depend on the service in question. Since the PSC has no control over the rates of these services, the utilities often charge higher rates outside city limits (FLC, 2011). These customers do not have the same rights of the ones living within city limits: they do not have the power of 'voice' (there are no political repercussions for differential pricing), nor can they choose another provider. Occasionally, the city may hold *referendums* in areas adjacent to the city limits to determine whether the citizens wish to be part of the city (annexations). Recent (1990-2005) municipal annexations included over one million people and about 4.6 million acres (Edwards, 2011).

Municipal utilities make payments *in lieu* of taxes to local governments (Beecher, 2009). This is beneficial for local elected officials because the funds are not dispersed throughout different levels of government (state, county, school board, etc.) as would happen with taxes paid by a private utility. Instead, publicly-owned utilities make transfers directly to the city general fund. In Florida, an investor-owned utility pays the city a franchise fee of 6% of the sales, while a municipal utility does not have a fixed threshold. Furthermore, a municipal utility may have other advantages for local governments, such as providing free or discounted service to the cities, leverage for annexation initiatives, and assistance in other city projects.

Investments

The decisions on what and when specific investments on infrastructure should be undertaken go through a process similar to what was described for rate approvals. The major difference between publicly-owned U.S. utilities and the ones elsewhere resides in the financing method. In the U.S., utilities raise capital in a project-by-project basis using the bond market. Traditionally, European utilities use the same general-purpose bank loans of local governments (and, lately, the project finance schemes provided by PPPs). Hence, to be able to sell bonds with low interest rates, U.S. utilities need to be financially healthy and they are frequently scrutinized by credit rating agencies (Allen & Dudney, 2008). This source of finance requires operating cash flows that ensure the economic sustainability of the long-term investments. Budget deficits that affect many utilities worldwide are unacceptable for Florida municipal utilities. Financial covenants detail the obligations the utility has towards the buyers of the bonds. These requirements force the utilities to raise tariffs if they fall under the required debt-to-equity indicators or interest coverage ratios. For investor-owned utilities, raising tariffs is not so straightforward. They are required to justify all of their operating expenses; an expense that the PSC determines to be unnecessary is not allowed to be taken into account in the rate calculation.

Note that the framework gives a bias towards public ownership of utilities, as capital costs are lower for municipal utilities (whose interest payments to bond-owners are tax exempt for income tax purposes, Cebula, 2004). Unlike what happens with private investors, the federal government cannot tax cities' revenue. Thus, tax laws affect the mix of private and public activity in local infrastructure.

Quality of service and consumer protection

As was pointed out, the PSC regulates the quality of service of utility services. However, municipal utilities are not required to inform the PSC regarding consumer complaints. During the 1970s and 1980s in the U.S., consumer advocates were appointed on behalf of utility consumers (Holburn & Bergh, 2006). In Florida, the Office of Public Counsel (OPC) was established in 1974. Among other activities, the main purpose of this entity is to represent the consumers' interests in rate cases. Hence, the scope of action of the OPC coincides with the PSC jurisdiction, which obviously exempts municipal utilities. On the bright side, Florida's 'Sunshine Law' promotes transparency and access to all documents and meetings, protecting the public interest.

Municipal utilities' customers may bear the negative risks of price fluctuations of raw materials; however, monthly fuel adjustment surcharges are also allowed for private utilities (Littlechild, 2009). On the other hand, the customers of municipal utilities are more exposed to other sources of risk, e.g. bad managerial decisions regarding strategies to overcome drought or low availability of particular capacity investments. Investor-owned utilities are unlikely to obtain approval of a rate increase request to be compensated for 'poor' decisions. So prices would not go up. The comparable residual (equity) owners of a municipal utility are the customers themselves, so the consequence of a poor decision would be higher prices if otherwise interest payments could not be met.

4. Sources of Tension: Survey Results

Given the context described above, we sought information from municipal utility decision-makers regarding their perceptions on institutions, processes, and monitoring instruments. To gather data we developed a survey that was distributed to a sample of utility top-managers in Florida.[1] Managers were asked to strongly 'disagree', 'disagree', 'agree' and 'strongly agree' with the statements. We received input from 31 utilities: 18 of these entities provide electricity services, 21 water, 20 wastewater, five gas and three telecommunications services; occasionally, the utilities provided other services (such as chilled water or outdoor lightning). These data were complemented with face-to-face structured interviews with utility managers from Gainesville (GRU), Ocala (OUS) and Orlando (OUC), where their assessment of the framework and follow-up questions were sought. Each of these utilities corresponded to one of the basic schemes identified in figure 2 (type II, I and III, respectively).

In the following subsections we analyse the results. Our narrative is based on the relative frequencies of each question and on the several comments written by the respondents on the open-ended section of the questionnaire (quoted in the paper). The analysis of the survey was complemented with several Mann–Whitney U tests on the following groups of respondents: corporatized (Type II or Type III) and non-corporatized utilities (Type I), and bigger (serving more than 60,000 inhabitants, corresponding to 16 utilities in our sample) and smaller utilities. We organized the results of this analysis in the Appendix for all statistically significant differences (at the 5% level) between the medians of the groups.

4.1 Organizational features

In the beginning of the survey, utility managers were asked to rank the priorities of the utilities and they replied as follows:

1. Improve quality standards;
2. Reduce operations and maintenance costs;
3. Reduce the rates for final users;
4. Exceed legal environmental standards.

This prioritization was not surprising. The regulatory framework for municipal utilities in Florida emphasizes quality issues (reliability, safety and public health) and this is categorically the main objective of utility management. For the remaining objectives, there is no unanimity. It is interesting to note that public ownership is not necessarily a synonym of lower prices for customers.

Utility managers tend to agree that they should have effective power over policy objectives (61% of respondents) and the ability to carry out investments to meet them (68% of respondents). However, this is not a strong statement (less than 30% strongly agree with this) and, in fact, one manager stated: 'Long-term objectives are the prerogative of the community through elected officials'; another manager wrote that 'as a department of the city, the utility should recommend policy objectives and the governing body should set long-term policy objectives and investments'. As shown in Appendix, we were able to determine some statistically significant differences between the answers of corporatized (Type II and Type III) and non-corporatized utilities (Type I). Apparently the most autonomous structures seek even more independence. Moreover, while bigger utilities (more than 60,000 customers) do believe that autonomy to decide is important, smaller utilities disagree.

Most managers (90%) agree that the multi-utility strategy is beneficial for the community. However, as it was possible to discern in the follow-up interviews, they recognize that the current mix of services is due to historical or political decisions. There is no technical evidence that any economies of scope are being achieved.

Another interesting finding is that most managers (55%) strongly agree that, irrespective of the governance model (no statistical differences were found), utilities have freedom regarding the selection of their workforce. One respondent states that 'most of our personnel are contractor employees that are dismissed as appropriate'. Nevertheless, the evidence on whether or not utility employees should have the same status of city employees is

mixed (38% disagree or strongly disagree). According to the results in Appendix, respondents from corporatized structures feel that utility employees should not have the same status as city employees whereas managers from Type I structures think the opposite. In practice, there is no distinction between employees, but some managers have the opinion that 'general fund tight budgets and salary reductions/layoffs should not apply to enterprise fund personnel' and that 'compensation should reflect failures and successes' although this usually does not happen in practice. However, respondents clearly disagree (79%) that managers and directors should be financially responsible for bad management decisions. Despite the fact that this is a current practice (the wholesale firms in the electricity sector) managers are cautious about whether or not they should be able to participate in the share capital of other firms for strategic reasons (39% of the respondents disagree).

4.2 Governance features

Respondents disagree that the head of the utility should be appointed by elected city officials (75%): 'The hiring process for the top manager should be by a selection committee with approval by elected officials'. This could mean that they fear political patronage could become a driver of service provision and employee hiring and retention. However, managers take a strong stand against the idea that political affiliation has been playing a role in the tensions between the city and the utility (no respondent agrees and 77% strongly disagree). They also disagree (77%) that the city exercises excessive monitoring power. As the Mann-Whitney test shows (Appendix), the need for approval by the City is more evident for Type I utilities (this was expected due to the lack of autonomy of these models). When specifically asked whether political interference harms utility overall performance, the managers might have responded that (hypothetically) it would harm performance, but in their specific cases, it did not. Political patronage is a common concern of utility managers (Cruz & Marques, 2011); however, this does not seem to be a major problem of utility governance in Florida.

Concerning corporatization (moving to Type II or even Type III structures), respondents tend to agree that it is beneficial (60% of the managers agree and 33% do it 'strongly'). The results presented in the Appendix prove that corporatized utilities strongly agree with this while non-corporatized utilities simply agree. The majority think that 'public utilities should be separate authorities from the cities and counties reporting to an elected board or a board appointed by their enacting city or county government' and that 'a utilities oversight committee with members sitting a minimum of four years would be preferable to the current oversight by the City Manager' mainly because 'being a city department results in a one-size-fits-all policy from city government irrespective of

the fact that the electric service is not a governmental function and must compete with other utilities for personnel, customers, etc.' On the other hand, some managers have the opinion that 'a municipally-owned utility does not have to be governed by a board *but* (emphasis in original) should not be held to the same restrictions, requirements and/or policies of general fund departments.' All things considered, the following statement illustrates a reasonable stance towards governance:

> *This writer has worked under both governance organizations and both have the same potential for success and failure. The key is the level of understanding and trust. Generally, I have found Authority Boards more knowledgeable, if appointed for their expertise, but that can also lead to more 'tinkering'. Mutual trust, a shared vision, and shared long-term objectives can be achieved via either governance structure.*

We know that organizations matter and, as the respondent pointed out, each structure has its strengths and weaknesses. Decisions on investments, rates, etc. should largely be decided based on technical and economic reasoning (while social concerns should be clearly defined either by law or by long-term policies). In relation to Type I utilities, the Type II governance structure acknowledges that managing utilities is different from managing other kinds of public services (for instance, concerning human resource management). For the four Type III utilities analysed in our study commissioners or board members serve without compensation. Thus, the incentives to perpetuate their jobs should be different from other political positions. The view of the respondent quoted above along with the theory of good practices of local decision-making regarding infrastructure projects puts 'mutual trust' at the core of good governance.

Despite the fact that the majority of the utilities do not make transfers corresponding to more than 10% of gross revenues and that amount usually does not exceed 30% of the total city budget, a significant number of utilities (one third of them) agreed that these figures apply to their organizations. Furthermore, in some utilities where these transfers are not made explicitly, they do occur: for instance utilities buy land for the city, waive utility services or provide other 'lateral' services. While some managers indicated that the city has a formula to stipulate the amounts, others expressed concerns regarding the variability of these transfers: 'payment *in lieu* of taxes or other revenue sharing back to the enacting city or county should be capped as a specific percentage of the net operating revenue'.

All surveyed utility managers agree that having a publicly-owned utility has clear advantages over the investor-owned model. However, investor-owned electric utilities present lower rates for final users than municipal utilities (on average and in $/1,000kWh), and this includes the 6% franchise fee that electric utilities have to pay to the cities (FMEA 2010). Utilities have to present their 'rate case' to the city commission or utility authority. Generally they try to 'recommend tariffs that meet the balanced long-term objectives of the utility and the governing body without undue risk placed on either the utility or the customer'. Elected or appointed city officials have the ultimate power to approve the rates. The bottom line, however, is that rates must be 'steered' according to the commitments made when issuing bonds.

Finally, utility top-managers tend to strongly disagree (45%) that economic regulation enforced by the PSC or any similar entity would not have any positive impact over the utilities (only 17% agree or strongly agree). This figure is in line with our predictions. Decision-makers do not want to get caught between bond resolutions and an external regulator.

4.3 Financial features

The surveyed managers confirmed that bond rating agencies influence the overall behaviour of the utilities (81% agreed). More important than the rating agencies are the bond resolutions which guide the financial management of the utilities. These documents work as strict regulatory contracts that define the allowed debt-to-equity ratios for the utilities. To keep the cost of capital low, the utilities must maintain a high level of financial health. Hence, there is no need for additional legal or regulatory limits to debt levels, as 'rating agencies and bond resolutions effectively already set limits'. However, this conclusion is not the same if we consider the size of the utilities (see the Appendix). Unlike other respondents, managers from smaller utilities (serving a population of less than 60,000) believe that a debt ceiling should exist. Perhaps the discipline imposed by the capital markets is not so felt in smaller municipalities.

4.4 Operational features

It is noteworthy that utility managers agree (79%), but not strongly, that setting performance-based management contracts binding the utility and the city can be useful to improve performance. Nevertheless, according to the results shown in the Appendix, bigger utilities seem to perceive to a greater extent the usefulness of contractual

instruments. Contracting the services is usually seen as a crucial tool for the management of publicly-owned entities in other jurisdictions (Vincent-Jones, 2006). Having a document stipulating the rights and duties of the parties, the compensation for specific public service obligations as well as the objectives of the utility could help to prevent political patronage and provide the utility with the proper incentives for efficiency. In the last two decades this practice has been increasingly adopted in Europe much due to the New Public Management paradigm (although some voices have been contesting the effectiveness of these practices, Osborne, 2006). The municipal bond system in Florida has been refuting the usefulness of devising these complex mechanisms.

Utilities in Florida do not outsource a large amount of services (according to 67% of the respondents and the follow up interviews), especially those that relate more to their core business. Although it is important to assess subjective performance through citizen surveys (Van de Walle, 2006), one third of the managers stated that decisions are not founded on substantial input from customers. In this regard, corporatized entities seem to conduct customer surveys more regularly than Type I utilities (see the Appendix). One manager commented as follows: 'we currently rely on the level of complaints and thank you communications, but we will conduct surveys at some point in the future'. Respondents plainly agree that the utilities impose minimum quality standards more demanding than they are legally required (only 9% disagree).

Practitioners do not have strong feelings on whether or not utility managers should have long-term contracts (39% of the respondents agree whereas the same percentage disagrees). They seem comfortable with being accountable for their performance at all times and prone to be out of job on a weekly basis (whenever the oversight commission holds a meeting). This practice also lessens the need of having specific performance thresholds in their contracts (decreasing the relevance of the 'new public contracting' ideas in this context), even though most of the respondents (77%) agree that this is a good practice.

5. Concluding Remarks

The business of utilities goes far beyond the 'ideal transaction in law and economics' (Williamson, 2002: 183). This complex setting includes customer and voters' concerns, the environment, public treasury, universality, affordability and sustainability. The range of stakeholders and their conflicting objectives raises governance difficulties. Incentives to promote stability and safeguards to specific investments are not easy to devise in infrastructure services. Policy analysts could devote more attention to the strengths and limitations of different

governance mechanisms put in place by decision-makers around the world. Currently, the framework in Florida seems to push cities towards public production of many utility services; given the rules of the game (related to taxes, local politics, jurisdictional rivalries, and legal constraints), it seems very reasonable to adopt municipal ownership as a dominant model for water and other infrastructure services. In the authors' opinion, what truly make utility governance in Florida different from other international patterns are both the financing mechanisms (which have implications for other dimensions such as incentives for efficiency, accountable management, etc.) and the macro institutional framework that somehow insulates utility management from politics.

5.1 Lessons learned from Florida utilities

Capital markets can be powerful 'regulators' in their own right. The economic 'private' regulation exerted by bond stipulations and rating agencies' reports impose demanding debt-to-equity ratios and force utilities to maintain good levels of financial health. In this regard, private utilities are different in two ways: first, they cannot issue tax-exempt bonds; second, what prevents municipal utilities from raising prices are the elected officials while private utilities have to prove to the PSC that the cost increase had an 'external origin' or was due to unpredictable events.

In Florida, local infrastructure investments generally adopt a whole life-cycle approach. The investment outlays (and the associated debt) are handled with a project-by-project focus, always safeguarding their economic sustainability (with the bond market being a very transparent form of financing). In Europe, the municipal bond market has not been consistently considered for funding local infrastructure. Even though Europe should not be seen as a homogenized whole, the EU legislation has been emphasizing liberalisation, the single market and the removal of barriers to entry (e.g. see Repas, 2010) to the detriment of the definition of instruments for good governance irrespectively of the actual ownership structure. This fact, coupled with the harsh debt limits imposed on all levels of government, diverted the attention to the crafting of new complex PPP arrangements more than to the improvement of existing public entities.

The Florida institutional framework promotes the separation of day-to-day management from politics. Regardless of the actual governance structure in charge of delivery, the current framework succeeds in shielding utility management from political patronage and the professional non-partisan nature of the employment/retention process prevents there being a bias towards people of the same political affiliation.

Decision-makers did not need to undertake corporatization processes or performance-based contracting to prevent political patronage and promote accountable management. Local politicians in Florida have disincentives to interfere with management because the services are providing net benefits to the city. Utility top-managers do not have their positions firmly secured with long-term contracts and they can be replaced if the majority of the city commissioners (or the utility authority, or the mayor) is unhappy with the outcomes. Typically there is only one top manager responsible for performance rather than a board with fuzzy lines of authority. Unlike in other countries, retaining profitable public infrastructure (essential) services is conceivable. Publicly-owned enterprises are allowed (and even encouraged) to create a surplus and not just break-even. The transfers to the city general fund allow the subsidization of other socially relevant activities and ratepayers have a better notion than taxpayers of where their money is going.

The great flexibility that municipal utilities in Florida offer local decision-makers is overwhelming when compared with some European models. For instance, in continental Europe publicly-owned utilities are not allowed to operate outside the municipal limits (Cruz and Marques, 2011). In addition, in most EU countries, municipal services have strong restrictions regarding human resource management (all employees are civil servants). Finally, the exceptional framework provided by Florida laws facilitates public awareness, scrutiny, and participation both by having public hearings and allowing unlimited access to virtually every document. These are indispensable tools for achieving a better governance of public services.

5.2 Recommendations to Florida utilities

The regulatory structures devised to oversee investor-owned utilities could also serve as platforms for the continuous improvement of municipal utilities and correction of asymmetries. These regulators could have effective power over the rate structure of all the services and not just electricity. This may prevent potential abuses of monopoly power such as higher prices for residents of unincorporated areas served by the same utility of city residents. If there is no technical justification for charging higher prices, then the rates should be the same–naturally, this is valid only if one accepts that utility services should be subjected to certain public service obligations (where, in this case, accessibility, equality and universality are paramount). Monitoring rate design could help municipal utilities develop pro-conservation rate structures (e.g. inclining blocks and seasonal rates). In addition, the commissions could use sunshine regulation and name-and-shame techniques (benchmarking all

utilities in every sector, regardless of their governance model) with practically no added cost, providing another instrument for enhancing performance (and therefore protecting the public interest).

Practitioners should review the historical/political assumptions made in the past. Issues such as vertical integration and the multi-utility approach should be reassessed as well as all aspects in current utility management (such as the willingness of the customers to subsidize other social investments) that find their justification in ‘tradition’ rather than current conditions. Critical research on the relevance of these assumptions for today’s situation would be very useful for regulators, operators, and ultimately, ratepayers.

Appendix

Hypothesis/Survey questions	Exact Sig. (1-tailed)
Organizational features	
H_1: $\mu_{corporatized} > \mu_{non\text{-}corporatized}$	
The utility should have complete autonomy in setting long-term policy objectives.	0.003
The utility managers should have full power to decide about proper investments to meet the strategic objectives.	0.034
H_1: $\mu_{corporatized} < \mu_{non\text{-}corporatized}$	
Utility employees should have the same status as City employees in terms of compensation, treatment and performance evaluation.	0.006
H_1: $\mu_{bigger\ cities} > \mu_{smaller\ cities}$	
The utility should have complete autonomy in setting long-term policy objectives.	0.007
The utility managers should have full power to decide about proper investments to meet the strategic objectives.	0.030
Governance features	
H_1: $\mu_{corporatized} < \mu_{non\text{-}corporatized}$	
The financial reports of the utility are closely reviewed and need to be approved by the City.	0.043
H_1: $\mu_{corporatized} > \mu_{non\text{-}corporatized}$	
It is good to have the utilities separate from a City department; such separation could involve a utility authority.	0.015
Financial features	
H_1: $\mu_{bigger\ cities} < \mu_{smaller\ cities}$	
There should be a debt ceiling for the utility.	0.015
Operational features	
H_1: $\mu_{corporatized} > \mu_{non\text{-}corporatized}$	
The utility regularly conducts customer surveys.	0.022
H_1: $\mu_{bigger\ cities} > \mu_{smaller\ cities}$	
Settling (performance-based) management contracts binding the utility and the City can promote improved utility performance.	0.035
The utility regularly conducts customer surveys.	0.008

Notes

[1] The full survey is available upon request to the corresponding author.

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Table 1. Main theoretical features of the ideal-typical governance models

	Municipal department	**Municipal service (with autonomy)**	**Public company**	**Mixed company**	**Private concessionary**
Corporate entity	No	No	Yes	Yes	Yes
Administrative and financial autonomy	No	Yes	Yes	Yes	Yes
Rule of law	Public	Public	Public or private	Private	Private
Power to define roles and tasks	Elected officials	Elected officials	Municipal parliament/statutes	Shareholders' agreements	Contract
Monitoring of the quality of service	Elected officials	Elected officials	Municipal parliament	Shareholders' agreements	Contract or regulator
Investments and balance sheet treatment	Public sector	Public sector	Public sector	Shared	Private sector
Assumption of risks	Public sector	Public sector	Public sector	Shared	Shared

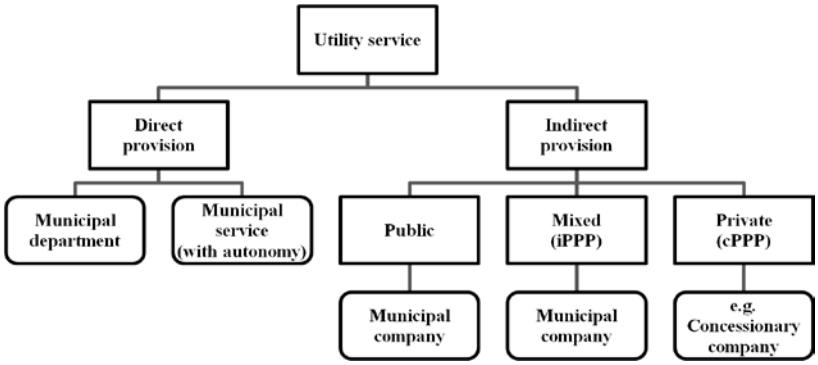
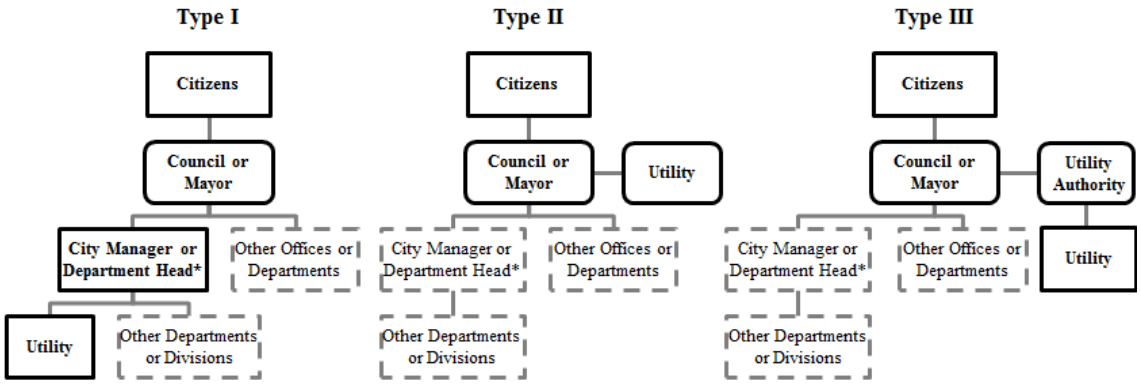


Figure 1. Ideal-typical menu of governance models



*Some large cities with the strong mayor-council form have established the position of chief administrative officer under the mayor to handle the day-to-day operations; occasionally, in municipalities with a weak mayor-council form, the municipal clerk functions as a de facto chief administrator.

Figure 2. Governance structures of publicly-owned utilities in Florida

Public Power Governance Survey

Published April 2021

AMERICAN PUBLIC POWER ASSOCIATION
Powering Strong Communities

Introduction

In March 2021, the American Public Power Association conducted its 10th Governance Survey. This report summarizes the survey data, presenting information on the type of governing bodies that oversee public power systems, term limits and compensation of governing body members, and the authorities granted to utility governing bodies.

Almost 1,900 publicly owned electric systems in the United States received the survey, and 295 completed survey forms were returned to APPA. Public power systems that sell power primarily at wholesale, such as joint action agencies, were excluded from the survey. Although 295 utilities completed the survey, respondents did not necessarily answer every question.

Profile of Respondents

As shown in Table 1, 82% of respondents serve less than 20,000 customers. Since the composition of survey respondents is heavily weighted toward utilities with a relatively small number of customers, most survey results are presented by customer count.

Table 1. Number of Respondents by Customer Count

Customer Count	Number of Responses	Percent of Respondents
Less than 5,000 customers	145	49%
5,000 to 20,000 customers	98	33%
20,000 to 50,000 customers	34	12%
More than 50,000 customers	18	6%
TOTAL	**295**	**100%**

Ninety-four percent of respondents are municipally owned utilities. The other 6% are state-owned utilities or political subdivisions, such as county-wide utilities, public power districts, or public utility districts in Washington, Oregon and Nebraska, and irrigation or utility districts in Arizona and California.

Type of Governing Bodies

The majority of respondents (53%) are governed by a city council, while the remaining 47% are governed by an independent utility board. (The term "city council" includes similar entities such as a county council, town council, borough council or board of selectmen.) Results vary significantly when summarized by customer size class as the smallest customer size class is the only one in which the majority of utilities are governed by a city council. Sixty-seven percent of the respondents with less than 5,000 customers are governed by city councils compared to only 29% of respondents with greater than 50,000 customers.

Independent utility boards that are appointed are more than twice as common as utility boards that are elected. However, almost all public utility districts and public power districts are governed by elected utility boards. Virtually all city councils are elected. Table 2 summarizes survey respondents by customer size class and the by type of governing body which exercises primary control over the utility.

Table 2. Type of Primary Governing Body

		Independent Utility Board		
Customer Count	Number of Responses	Elected	Appointed	City Council
Less than 5,000 customers	144	7%	26%	67%
5,000 to 20,000 customers	94	20%	41%	38%
20,000 to 50,000 customers	34	9%	41%	50%
More than 50,000 customers	17	18%	53%	29%
TOTAL	**289**	**12%**	**34%**	**54%**

City councils play a large part in determining the makeup of appointed utility boards, as in most cases they either appoint or approve the board. Sixty-one percent of the boards are appointed by the mayor, but the mayor's choices must be approved by the city council for 80% of utilities. The city council appoints the board jointly with the mayor for 4% of the utilities and on its own for 24% of the utilities.

Eighty-nine percent of utilities with independent utility boards have either residency or service territory requirements, which obligate board members be a resident of the city or a customer of the utility.

Appointed independent utility boards name their own chair in 86% of the utilities, and elected boards name their own chair in 94% of utilities. In regard to city councils, 73% name the mayor as chair, 16% allow the city council to name its own chair, and 6% elect the chair in the general election. Table 3 summarizes this information.

Table 3. How Governing Body Chair is Named

Type of Governing Body	Mayor is the Chair	Chair Named in General Election	Governing Body Names Chair	Chair is Appointed
Elected Utility Board	0%	6%	94%	0%
Appointed Utility Board	3%	7%	86%	4%
City Council	73%	6%	16%	5%

Term Length and Limits

The average term length for governing bodies is 3.9 years. Term lengths range from one to seven years, and nearly 49% of respondents report term lengths of four years. Approximately 88% of the utilities reporting governing body term lengths of more than four years are governed by independent utility boards. Table 4 shows, for each type of governing body, the percent of respondents by length of governing body term.

Table 4. Term Length

Type of Governing Body	Number of Responses	1-3 Years	4 Years	5+ Years
Independent Utility Board	135	32%	26%	42%
City Council	152	28%	68%	3%

Only 12% of electric utilities' governing bodies are subject to term limits. The overwhelming majority of reported term limits were either two or three terms. As shown in Table 5, responses varied significantly by customer count, with utilities with the most customers more likely to have term limits applied to the governing body.

Table 5. Term Limits

Customer Count	Number of Responses	Percent with Term Limits on Governing Body
Less than 5,000 customers	145	5%
5,000 to 20,000 customers	95	14%
20,000 to 50,000 customers	34	21%
More than 50,000 customers	17	41%
TOTAL	**292**	**12%**

Citizens Advisory Committee

Twelve percent of respondents also have a separate citizens advisory committee or board that serves in an advisory capacity to the governing body. Utilities governed by city councils are more likely than those governed by independent utility boards to have a citizens advisory board: 22% of utilities governed by a city council reported having a citizens advisory board, compared to 3% of utilities governed by an independent utility board.

The incidence of electric utilities with a citizens advisory board increases by customer count, ranging from 8% of respondents with less than 5,000 customers to 28% of respondents with more than 50,000 customers.

Table 6. Citizens Advisory Board

Customer Count	Number of Responses	Percent with Citizens Advisory Board
Less than 5,000 customers	144	8%
5,000 to 20,000 customers	97	12%
20,000 to 50,000 customers	34	18%
More than 50,000 customers	28	28%

Compensation of Governing Body Members

Overall, 81% of utility governing bodies are paid, and this percentage is roughly the same for both city councils and independent utility boards. The percentage of paid city councils is approximately the same for all utility sizes. For appointed independent utility boards, 92% of smaller utility boards are paid, as compared to 44% for boards of the largest utilities. There is almost no variation by customer count for elected boards, where 86% of members are paid.

Survey respondents reported compensation data on either an annual, monthly or per meeting basis, and all responses were converted to an annual average. Table 7 shows the median compensation for each type of governing body and customer size class.[1] Median compensation generally increases as customer count increases.

Survey respondents were asked whether governing board members were eligible for either the city's or utility's medical benefit plans. Governing bodies are eligible for employee benefit plans in 22% of utilities with independent utility boards and 23% of utilities with primary oversight from the city council. The results differ significantly by customer count, with 10% of respondents with less than 5,000 customers offering medical benefits, rising to 50% of respondents with more than 50,000 customers.

Survey respondents were also asked whether governing board members were eligible for retirement benefit plans. Fourteen percent of utilities with independent utility boards and 24% of utilities governed by a city council have governing bodies that are eligible for retirement benefit plans. Governing bodies are eligible for retirement benefits at 17% of utilities with less than 20,000 customers and at 29% of utilities with 20,000 or more customers.

Note that the survey asked only about eligibility for either medical or retirement benefits. It did not ask who was responsible for paying for the benefit plans: the city/utility or the governing board member.

The survey also asked if respondents had reduced compensation for board members due to the coronavirus pandemic. Only five respondents, less than 2%, indicated that compensation had been reduced, and most of those who did reduce compensation didn't specify the amount.

Table 7. Median Annual Compensation of Governing Body Members

(Number of responses in parentheses)

	Independent Utility Board		
Customer Count	**Elected**	**Appointed**	**City Council**
Less than 5,000 customers	$1,650 (8)	$720 (31)	$2,400 (70)
5,000 to 20,000 customers	5,600 (14)	2,400 (28)	4,800 (22)
20,000 to 50,000 customers	N/A (1)*	3,600 (10)	8,000 (11)
More than 50,000 customers	N/A (3)*	2,400 (5)	N/A (3)*
TOTAL	**$3,750 (26)**	**$1,200 (73)**	**$1,800 (109)**

**Note: Medians are not calculated for fewer than five responses.*

[1] The median amount represents the middle observation: half of the respondents reported a higher amount, and half reported a lower amount than the median.

Authority of Governing Body

The survey asked respondents to indicate which governing body or individual has final approval for eight specific actions:

1. Setting retail electric rates;
2. Approving the utility budget;
3. Setting salaries of key utility officials;
4. Issuing long-term bonds;
5. Making financial investments for the electric utility;
6. Approving power purchase agreements;
7. Exercising the right of eminent domain; and
8. Hiring and firing utility personnel.

Except for the last function – hiring and firing – the authority for these functions overwhelmingly resides with the city council for utilities under city council control. For utilities under the control of an independent utility board, the results are more mixed. While the independent utility board has authority for five out of the eight functions at a majority of utilities, the city council – either on its own or jointly with the utility board – retains authority for these functions at a significant number of utilities.

The following descriptions and tables summarize the distribution of authority under independent utility boards as the primary governing body and under city councils as the primary governing body.

Independent Utility Board as Primary Governing Body

Approximately 135 utilities reported that an independent utility board is the primary governing body. A majority of these utilities list the independent utility board as retaining final authority for all functions except for issuing long-term bonds (50%), exercising right of eminent domain (47%) and hiring and firing personnel (50%). Utility boards are most likely to have final approval over setting salaries of key utility officials, approving utility budgets, approving power purchase agreements, and making financial investments.

Table 8 summarizes the results by customer count. For each of the eight functions, the table shows the percent of responses indicating power of final approval for: (1) the independent utility board; (2) the city council; and (3) other entities.

Most of the "other" responses shown in Table 8 indicate joint authority between the utility board and the city council. Exceptions include the authority to make financial investments for the utility, which often resides with the financial director, city or town treasurer, or general manager of the utility, and authority to hire and fire, which typically resides with the general manager or the city manager. In addition, authority to set retail rates can reside with the state public utility commission, or with the Tennessee Valley Authority, in the case of TVA distribution systems. For some small systems (mainly in Massachusetts), a town meeting provides the final authority to issue long-term debt and to exercise eminent domain.

Across utilities of all sizes, larger percentages of utilities report that the independent utility board has final approval over salaries, budgets, financial investments and purchased power contracts, and smaller percentages report that the board has approval over issuing long-term bonds, exercising the right of eminent domain, and hiring and firing personnel.

Table 8. Exercise of Specific Authorities for Utilities with Independent Utility Boards as the Primary Governing Body

Authorities	Independent Utility Board	City Council	Other
Less than 5,000 customers			
Set retail electric rates	85%	4%	11%
Approve utility budget	85%	11%	4%
Set salaries of key utility officials	80%	13%	7%
Issue long-term bonds	61%	28%	11%
Make financial investments for utility	87%	7%	6%
Approve purchased power contracts	74%	20%	6%
Exercise right of eminent domain	44%	40%	16%
Hire and fire utility personnel	64%	4%	31%
5,000 to 20,000 customers			
Set retail electric rates	69%	14%	17%
Approve utility budget	78%	11%	11%
Set salaries of key utility officials	86%	10%	4%
Issue long-term bonds	46%	46%	8 %
Make financial investments for utility	74%	9%	17%
Approve purchased power contracts	80%	5%	15%
Exercise right of eminent domain	44%	44%	12%
Hire and fire utility personnel	41%	2%	57%
20,000 to 50,000 customers			
Set retail electric rates	69%	25%	6%
Approve utility budget	87%	13%	0%
Set salaries of key utility officials	88%	0%	12%
Issue long-term bonds	44%	38%	18%
Make financial investments for utility	100%	0%	0%
Approve purchased power contracts	94%	6%	0%
Exercise right of eminent domain	56%	44%	0%
Hire and fire utility personnel	47%	0%	53%
More than 50,000 customers			
Set retail electric rates	62%	38%	0%
Approve utility budget	69%	31%	0%
Set salaries of key utility officials	85%	8%	8%
Issue long-term bonds	38%	38%	24%
Make financial investments for utility	69%	8%	23%
Approve purchased power contracts	77%	8%	15%
Exercise right of eminent domain	54%	31%	15%
Hire and fire utility personnel	46%	0%	54%

City Council as Primary Governing Body

For the 157 utilities reporting that the city council is the primary governing body, 80% or more indicate that the city council has final approval for seven of the eight functions surveyed. The lone exception is hiring and firing utility personnel (47%). For this function, when a city council does not have final approval, in most cases an individual controls these decisions. The utility general manager or the city manager most often have final hiring and firing authority.

As shown in Table 9, there are differences in the city council's authority based on utility size. For example, the proportion of utilities where the city council that maintains authority for hiring and firing decreases as utility size increases. For each of the eight functions, the table shows the percent of responses indicating power of final approval for the city council and other entities.

Table 9. Exercise of Specific Authorities for Utilities with City Councils as the Primary Governing Body

Authorities	City Council	Other
Less than 5,000 customers		
Set retail electric rates	89%	11%
Approve utility budget	95%	5%
Set salaries of key utility officials	88%	12%
Issue long-term bonds	95%	5%
Make financial investments for utility	84%	16%
Approve purchased power contracts	92%	8%
Exercise right of eminent domain	97%	3%
Hire and fire utility personnel	63%	37%
5,000 to 20,000 customers		
Set retail electric rates	78%	22%
Approve utility budget	84%	16%
Set salaries of key utility officials	68%	13%
Issue long-term bonds	86%	14%
Make financial investments for utility	68%	32%
Approve purchased power contracts	92%	8%
Exercise right of eminent domain	94%	6%
Hire and fire utility personnel	27%	73%
20,000 to 50,000 customers		
Set retail electric rates	83%	17%
Approve utility budget	94%	6%
Set salaries of key utility officials	71%	29%
Issue long-term bonds	94%	6%
Make financial investments for utility	82%	18%
Approve purchased power contracts	94%	6%
Exercise right of eminent domain	88%	12%
Hire and fire utility personnel	12%	88%
More than 50,000 customers*		
Set retail electric rates	NA	NA
Approve utility budget	NA	NA
Set salaries of key utility officials	NA	NA
Issue long-term bonds	NA	NA
Make financial investments for utility	NA	NA
Approve purchased power contracts	NA	NA
Exercise right of eminent domain	NA	NA
Hire and fire utility personnel	NA	NA

**Note: Percentages are not calculated for fewer than five responses.*

Issuing Bonds and Selling the Utility

Tables 10 and 11 present information on actions required to issue bonds and to sell the utility system. Nineteen percent of responding utilities require a voter referendum to issue bonds, and smaller systems are more likely than large utilities to require a referendum.

Table 10. Referendum Required to Issue Revenue Bonds

Customer Count	Number of Responses	Voter Referendum
Less than 5,000 customers	126	24%
5,000 to 20,000 customers	92	14%
20,000 to 50,000 customers	33	18%
More than 50,000 customers	16	6%
TOTAL	**267**	**19%**

Sixty-nine percent of utilities require a voter referendum to sell the utility system. Of those requiring a referendum, 75% require the approval of a simple majority to sell the utility, and 25% require a supermajority.

Eighty percent of utilities require a vote of the governing body to sell the utility. Of those requiring a vote by the governing body, 82% require a simple majority and 18% require a supermajority. A few entities either did not indicate the action needed to sell the utility or said that state action would be required to sell. Many utilities require both a vote of the governing body and a voter referendum to sell the utility.

Table 11. Action Required to Sell the Utility

Customer Count	Number of Responses	Voter Referendum	Vote of the Governing Body	Both
Less than 5,000 customers	94	67%	80%	30%
5,000 to 20,000 customers	77	71%	80%	34%
20,000 to 50,000 customers	25	68%	81%	36%
More than 50,000 customers	13	77%	92%	38%
TOTAL	**209**	**69%**	**80%**	

Aggregation of Demand Response

Utilities were asked if their regulatory body had passed an ordinance concerning the aggregation of distributed energy resources, including demand response, for sale into the wholesale power market. Fifteen percent of utilities have passed such an ordinance. Most of these utilities have less than 20,000 customers.

Payments in Lieu of Taxes

Seventy-eight percent of survey respondents make payments in lieu of taxes to their state or local governments. Payments in lieu of taxes may be called by a different name, such as tax equivalents or transfers to the general fund. Only 69% of utilities with less than 5,000 customers make payments in lieu of taxes, compared to over 83% of utilities with 5,000 customers or more. Eighty-one percent of utilities with independent boards make payments compared to 74% of utilities governed by city councils. Table 12 shows the percent of respondents, by customer count, that make payments in lieu of taxes.

Table 12. Utilities that Make Payments in Lieu of Taxes

Customer Count	Number of Responses	Percent that Make Payments
Less than 5,000 customers	137	69%
5,000 to 20,000 customers	96	83%
20,000 to 50,000 customers	33	91%
More than 50,000 customers	17	88%
TOTAL	**283**	**78%**

Table 13 shows, by size and governing body type, the percent of utilities that use a formula to determine the amount of payments in lieu of taxes. Of the utilities that make payments in lieu of taxes, 73% use a formula to determine the amount. Eighty-three percent of utilities governed by a utility board use a formula to determine the amount of payments in lieu of taxes, compared to 62% of utilities governed by a city council.

Table 13. Utilities Using a Formula to Determine Payments in Lieu of Taxes

(Number of Responses in Parentheses)

	Primary Governing Body		
Customer Count	**Utility Board**	**City Council**	**Total**
Less than 5,000 customers	71% (35)	47% (57)	57% (92)
5,000 to 20,000 customers	86% (49)	71% (28)	81% (77)
20,000 to 50,000 customers	92% (13)	88% (17)	90% (30)
More than 50,000 customers	100% (10)	NA (4)*	100% (14)
TOTAL	**83% (107)**	**62% (106)**	**73% (213)**

**Note: Percentages are not calculated for fewer than five responses*

More detailed information on payments in lieu of taxes and other payments and contributions is available in Public Power Pays Back. The report includes data on the amount and type of payments and contributions, summaries by customer count and region, and comparisons with investor-owned utilities. The most recent report is available on APPA's website at www.PublicPower.org/Resource/Public-Power-Pays-Back.

Utility Service Outside of Municipal Boundaries

The public power systems that completed APPA's survey include both municipally owned utilities and other political subdivisions – such as state-owned utilities, public power districts, public utility districts, and municipal utility districts – that provide electric service. Of the 295 respondents, 277 (94%) are municipally owned utilities. These utilities are the basis for information provided in Tables 14 and 15 about service to customers outside of the municipality's boundaries. Respondents from 184 municipally owned utilities (69%) serve at least some customers located outside the municipality's boundaries.

The survey asked utilities that serve customers outside of the municipality's boundaries for an estimate of the percent of total customers residing outside of the boundaries. Table 14 shows that half of utilities that do serve customers outside municipal boundaries only do so for a relatively small number of customers – 5% or less of their total customers. Approximately a quarter of utilities responding to this question reported that more than 20% of customers are outside of the municipal boundaries. Note that 184 utilities replied that they served utilities outside municipal boundaries, but only 152 provided an estimated percent of customers served outside of those boundaries.

Table 14. Customers Outside Municipal Boundaries

Share of Customers Outside Municipal Boundary	Number of Utilities Reporting	Percent of Total Responses
1% or less	38	25.0%
More than 1% and up to 5%	38	25.0%
More than 5% and up to 10%	17	11.2%
More than 10% and up to 20%	21	13.8%
More than 20%	38	25.0%
TOTAL	152	

The survey asked the utilities that have customers outside of the municipality about the relationship between the utility and the customers located outside of the municipality. As shown in Table 15, 6% of these utilities include a representative for customers outside the municipality on the governing body, and 13% make payments in lieu of taxes to jurisdictions outside the municipal boundaries. The pattern is the same for both actions: larger utilities are the most likely to have a governing body representative for customers outside the municipality and are most likely to make payments to jurisdictions outside municipal boundaries.

Table 15. Utilities that Serve Customers Outside Municipal Boundaries

Customer Count	Number that Serve Outside Boundaries	Governing Body Includes a Representative from Outside Municipality	Utility Makes Payments in Lieu of Taxes to Outside Jurisdictions
Less than 5,000 customers	90	0%	6%
5,000 to 20,000 customers	61	7%	17%
20,000 to 50,000 customers	24	13%	38%
More than 50,000 customers	9	33%	22%
TOTAL	**184**	**6%**	**13%**

Finally, the survey asked the 277 municipal electric utilities which other utility services the municipal government provides. As shown in Table 16, water and sewer are the most common utility services provided by the municipal government.

Table 16. Other Utility Services Provided by the Municipal Government

Utility Service	Number that Provide Service	Percent of Municipal Electric Utility Respondents
Water	249	90%
Sewer	228	82%
Wastewater	177	64%
Gas	56	20%
Cable TV	21	8%
Other	59	21%

Respondents included services such as garbage, broadband, telecommunications, internet, sanitation, and storm water in the "other" category.

Powering Strong Communities

2451 Crystal Drive
Suite 1000
Arlington, Virginia
22202-4803

Utilities Advisory Board

agenda item

item type Action Items	meeting date September 28, 2021
prepared by Daniel Dalessandro	approved by
board approval	
strategic objective	

subject

Recommendation to Raise Electric Rates to Ensure Undergrounding of Total System - Dan D'Alessandro

motion / recommendation

background

alternatives / other considerations

fiscal impact

ATTACHMENTS:
Underground Conversion UAB doc_.pdf

Underground service conversion proposal

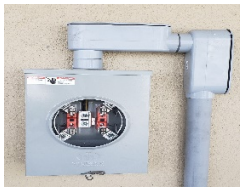
Problem Statement

As we move through the city and annexed service areas to underground the distribution portion of our infrastructure, we encourage residents and businesses to underground their service as well. This has been strictly voluntary and to-date we have at best, a fifty percent conversion rate (opt-in). As a result, when we complete the distribution portion of each project, a large number of power poles must remain to continue above ground service to the customer's locations. We have ramped up our program to promote awareness of our schedule through door hangers, post cards, and direct phone contact via our Project Coordinators, however, these efforts have not sufficiently improved our opt-in success.

The process of undergrounding service lines to customers causes extra costs to delays with coordinating schedules with residential electricians. In addition, we believe that our customers incurring unnecessary expenses related to the required connection.

Proposal

- The City to install services with no, direct, charge to the resident.
- Utilizing existing meter can
    - If can is large enough then, simply enter through the bottom of the meter box as designed
    - If meter can is too small to enter through the bottom then enter through the top utilizing 2 SLB connectors.



    - If meter can is not able to accept either of the previously described options then an outside electrician will be contracted to change out the meter can to allow the underground service. (RFP to be created to solicit 3 options for electrical contractors)
    - New construction or residents who wish to have their service done in advance of the project would still be subject to the $3,000 charge.

Benefits of the Program

- Accelerate the completion of full undergrounding
- Eliminate
    - The securing of an electrician for our elderly residents causes high anxiety in many cases
    - Our customers pay a varying amount from electricians for their meter can conversions and often are taken advantage of by electrical companies.
    - The need for new meters
- With the electrician delays and the inconsistency of service requests our efficiency in performing service work is poor. We could, likely, double the amount of services being installed and the same cost if we implemented this plan.

Framework for implementing

- **How we fund the program**
    - Suggesting a ½ cent KW rate increase across the board
    - Additional funds from the rate increase will be added to the undergrounding budget annually.
- **How we schedule the rollout**
    - The first step would be to cease accepting any new contracts for undergrounding services
    - We would determine a start date and at that point all services would be done as we proceed through a project area.
    - Our Project Coordinators and contract partners would identify meters that need to be replaced and upon gathering 5 or more at a time the electrician would be contracted to change the meter can. This should be a small percentage of meter cans.
    - The scheduling of outages for conversion would be in conjunction with our Project Coordinators and our UG Contractor (Heart Utilities)
    - When the "Project" undergrounding is complete we would begin back at the customers missed and begin installing their services. This would start with Project "A" and continue until we were 100% underground.

Utilities Advisory Board

agenda item

item type Action Items	meeting date September 28, 2021
prepared by Daniel Dalessandro	approved by
board approval	
strategic objective	

subject
Election of Vice-Chair

motion / recommendation

background

alternatives / other considerations

fiscal impact

Utilities Advisory Board

agenda item

item type Discussion Items	meeting date September 28, 2021
prepared by Karen Hood	approved by
board approval	
strategic objective	

subject

Broadband and Smart City Ad-Hoc Committee

motion / recommendation

background

alternatives / other considerations

fiscal impact

ATTACHMENTS:

Ordinance_creating_Broadband_Ad_Hoc_Committee.pdf

ORDINANCE

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF WINTER PARK ESTABLISHING A BROADBAND AND SMART CITY AD-HOC COMMITTEE; PROVIDING FOR SUNSET AND AN EFFECTIVE DATE.

WHEREAS, in accordance with Chapter 2, Section 2-48(l), City of Winter Park Code of Ordinances, the City Commission hereby creates a temporary five (5) member Broadband and Smart City Ad-Hoc Committee for the purpose of evaluating Smart City Technologies to foster continuous improvements in services, and advance Broadband choice and availability, to citizens and visitors of the City of Winter Park, making recommendations concerning the same to the City Commission; and

WHEREAS, the Winter Park City Commission finds that this Ordinance is in the best interest and welfare of the residents and visitors of the City of Winter Park.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF WINTER PARK, FLORIDA, AS FOLLOWS:

Section 1. Recitals. The above recitals are true and correct and are incorporated herein by this reference.

Section 2. Creation. The City Commission hereby creates the Broadband and Smart City Ad-Hoc Committee ("Committee") for the purposes of:

1. Serving as a forum for the discussion of Smart City and Broadband concepts among stakeholders.
2. Evaluating methods of ensuring adequate broadband choice, availability, and capacity.
3. Developing an outline for a Smart City strategic plan.
4. Exploring Smart City implementation strategies for the City.
5. Aligning Smart City initiatives with other City objectives and priorities.

The Committee shall develop recommendations to the City Commission that would allow for:

1. Broadband availability and choice.
2. Optimizing traffic flow.
3. Expanding public WiFi.
4. Environmentally friendly buildings.
6. Enhanced Public Safety and Security.

The Committee is an ad hoc committee which is intended to sunset as set forth herein. The Committee shall consist of five (5) members being residents of the City of Winter Park. The Mayor and each Commissioner shall each have one appointment to membership of the Committee. The Committee shall elect from its membership a Chair and Vice Chair. The Committee shall generally follow the rules set forth in Chapter 2, Article III, Division 2, City of Winter Park Code of Ordinances. The recommendations of the Committee to the City Commission must be approved by a majority vote of the Committee. The City Manager (or designee), IT Director and other City staff shall provide reasonable assistance to the Committee as needed.

Section 3. Sunset. The Broadband and Smart City Ad-Hoc Committee shall sunset and terminate 180 days following the effective date of this Ordinance, unless terminated earlier or extended by majority vote of the City Commission. Due to the temporary nature of the Committee, this Ordinance is not to be codified into the City Code.

Section 4. Effective Date. This Ordinance shall take effect immediately upon adoption.

PASSED and ADOPTED this _____ day of _____, 2021.

_____
Phillip M. Anderson, Mayor

Attest:

_____
Rene Cranis, City Clerk