

# CITY COUNCIL AGENDA

## NEWS BUSINESS ITEM

**TO:** The Mayor and Members of City Council

**DATE:** August 7, 2009

**COUNCIL DATE:** August 20, 2009

**RE:** **Tax Utility Rebate Program**

**Background:**

State law allows the City to tax utility bills and St. Petersburg's current tax rate is 10%, excluding a majority of the cost of fuel. Progress Energy is currently before the PSC requesting a rate increase of more than 10%. Whatever increase they are granted next January will result in an increase in city utility tax revenues. This is not in our proposed fiscal year 2010 budget.

The windfall revenue provides the ideal fund to rebate our customers for energy efficiency upgrades to reduce their energy use. There are several advantages to using this revenue for this purpose including:

- 1) Being local money, there are no federal or state reporting requirements which create significant paperwork and overhead roadblocks to getting to citywide scale in an energy efficiency program.
- 2) We could identify a series of the fastest payback efficiency upgrades such as lighting, insulation, duct repairs and upgrading SEER efficiency when replacing HVAC units and combine them with Progress Energy rebates to sharply reduce or eliminate the up-front cost of energy efficiency upgrades.
- 3) Because the tenant pays the power bill in commercial and residential rentals, there is no incentive for the landlord to make the buildings energy efficient. However, under this system, the tenant could make the upgrades that have the fastest payback by using the city and progress energy combined rebates and save money beginning the first month.
- 4) By piggybacking on the Progress Energy rebates (such as insulation, lighting and HVAC), the overhead cost could be extremely low. In addition, the low-cost items like insulation could reasonably be 100% rebated which could result in thousands of energy efficient buildings.
- 5) The revenue comes from the city utility user and is rebated back in the form of subsidies for energy efficiency upgrades which overcome the most significant reason why customers do not make efficiency upgrades - and that is the up-front cost.
- 6) This fund will also provide a considerable boost to the small business energy efficiency program that will be funded with stimulus money.

**Requested Action:**

Please refer to the Budget, Finance and Taxation Committee a request to review the feasibility of adopting a City Council Resolution which directs the revenue beyond the 2010 fiscal year budget to be placed in a utility tax rebate fund and a program for distribution to be developed.

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