



January 9, 2024

Via Email Delivery

The Honorable Robert A. Brackett
Florida House of Representatives
1402 The Capitol
402 South Monroe Street
Tallahassee, FL 32399-1300

Re: *HB 777 (Brackett) Relating to Municipal Water and Sewer Rates, Fees, and Charges*
01.10.24 Agenda, Energy, Communications and Cybersecurity Subcommittee

Dear Representative Brackett:

The bill amends section 180.191, Florida Statutes, to eliminate statutorily authorized surcharges on extraterritorial customers, effective July 2024. The Legislature enacted section 180.191 in 1970 (versions existed even prior to that date) to encourage municipalities to extend municipal services outside municipal boundaries to foster and support the state's economic development. Throughout the latter half of the 20th century, the statutorily authorized surcharge incentivized municipalities to extend their services by offsetting the expense and risk of doing so and as well as allowing a reasonable return on this massive investment.

Florida is a different state today than in 1970. Municipal water and sewer services are now readily available to serve the state's commercial needs. While the current surcharge levels may need adjustment to reflect this change, it would be imprudent to eliminate the surcharge entirely on July 1. There is a continued need to extend municipal water and sewer services to unserved areas due to nutrient pollution from septic systems and the looming threat of emerging contaminants such as PFAS. Certain parts of the state remain where economic development relies on the extension of municipal infrastructure beyond municipal boundaries. If ALL surcharges are eliminated, there is little incentive for a municipal utility to assume greater liability and risk by expanding to extraterritorial areas currently served by failed septic tanks and individual wells. For this reason, you may wish to consider retaining authorization for some level of surcharge.

The bill eliminates ALL surcharges effective July 1, 2024. The consequences of this effective date will:

- Impair contracts all over the state, which are the result of a voluntary, bargained for exchange between two governmental entities.
- Impair the bond obligations of any municipality that has pledged surcharge revenue.
- Disrupt planned operational and infrastructure projects of the utility, including projects identified in five-year capital improvement plans and utility asset management plans.

For the foregoing reasons, you may wish to consider the following: 1) apply the bill upon expiration of current contracts (excluding any automatic renewal period); 2) apply the bill upon the retirement of any debt that is



serviced by surcharge revenues; 3) change the effective date to July 2029 (five years) or July 2034 (ten years).

Additional care should be given to rural and fiscally constrained municipalities. You may wish to consider exempting municipalities within fiscally constrained counties or wholly or partially within a Rural Area of Opportunity.

It is possible to reach a policy solution that modernizes section 180.191, prevents adverse impacts to contracts, bond obligations, and utility projects, and continues to encourage the provision of water and sewer utilities to areas that need it. The above suggestions are just a few alternatives and there are likely more. If you are willing, we commit to working with you to resolve these outstanding issues and bring section 180.191 into the 21st century.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rebecca O'Hara', with a stylized, flowing script.

Rebecca O'Hara
Deputy General Counsel
Florida League of Cities, Inc.

cc: Chair Giallombardo and members of the House Energy, Communications & Cybersecurity Subcommittee