Discussion and Possible Direction Regarding the Fiscal Year 2027 Electric Utility Tax Fee Reduction

Proposal Number 3570

NORTH PORT
FLORIDA

Background

Florida Statutes Section 166.231 authorizes a municipality to levy a tax on the purchase of electricity within the municipality, at a rate not to exceed 10 percent of the payments received by the seller of electricity from the purchaser of the service.

Feb. 4, 1991	Electric Public Service Tax established at 2% (Ord. 91-3)
July 13, 1998	2% Electric Public Service Tax reaffirmed (Ord. 98-27)
Oct. 26, 2021	Electric Public Service Tax increased to 6% (Ord. 2021-40)
Oct. 24, 2023	Electric Public Service Tax increased to 10% (Ord. 2023-28)
Jan. 13, 2026	Commission discussed reducing the tax to offset FPL rate increases
March 13, 2026	Two reduction options presented: revenue neutral or 6% tax rate
June 10–11, 2026	FY27 recommended budget proposed the revenue-neutral option (Budget Proposal 3570), reducing General Fund revenue by $501,155

Revenue Neutral Approach

Electric Public Service Tax (PUT) Revenue Neutral Approach

Estimated Monthly Electric Bill	**2026**	**2027**	**2028**	**2029**
Electric Bill at 10% PUT	$ 158.37	$ 165.79	$ 169.49	$ 171.71
Electric Bill at PUT Revenue Neutral	$ 158.37	$ 164.90	$ 168.16	$ 170.12
Customer Savings	$ -	$ (0.90)	$ (1.33)	$ (1.58)
PUT rate	10%	9.4%	9.1%	8.9%
Estimated Annual PUT Revenue to the City				
PUT Revenue at 10%	$ 7,496,740	$ 7,997,895	$ 8,247,900	$ 8,392,692
PUT Revenue Neutral	$ 7,496,740	$ 7,496,740	$ 7,496,740	$ 7,496,740
Lost Revenue	$ -	$ (501,155)	$ (751,160)	$ (895,952)

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Implementation Timeline

Per Florida Statutes Section 166.233, a tax levy must be adopted by ordinance, which requires two readings, the effective date must be a subsequent January 1, April 1, July 1, or October 1, and the City shall notify the Florida Department of Revenue at least 120 days before the effective date.

The earliest estimated effective date for the tax reduction would be April 1, 2027.

2 Readings
Ordinance Adoption

At Least 120 Days Before Effective Date
Notification to Florida Department of Revenue

At Least 60 Days Before Effective Date
Notification to Florida Power & Light (FPL)

Option 1

Keep Budget Proposal 3570 in approved status, to be included in the Fiscal Year 2027 Tentative Budget scheduled for City Commission Special Meeting on September 10, 2026

Pros:

Continues progress towards tax reduction. An eventual tax reduction would directly lower electricity bills, helping households manage increasing living costs and making local businesses more competitive. Would also show signs of fiscal responsiveness, especially in times of inflation and rising energy prices

Cons:

Reduces the forecasted revenue for Fiscal Year 2027 to the City. Less revenue reduces unrestricted funding for General Fund programs such as Police, Fire, Parks, and several others

Option 2

Deny Budget Proposal 3570 and do not include in the Fiscal Year 2027 Tentative Budget scheduled for City Commission Special Meeting on September 10, 2026

Pros:
Aligns to proactive financial planning while the property tax reform proposal is pending voter approval. Lowers the burden on City programs dependent on General Fund dollars, such as Police, Fire, Parks, and several others

Cons:
Would not lower electricity bills or help households and businesses manage increasing energy cost

Option 3

Make Budget Proposal 3570 contingent upon the outcome of the statewide property tax reform referendum scheduled for November 3, 2026. If the referendum passes, the City wouldn't proceed with the proposed reduction to the current 10% Electric Public Service Tax. If the referendum fails, the City will proceed with Budget Proposal 3570 and reduce the Electric Public Service Tax from 10% to 9.4%.

Pros:

Allows the City to evaluate the fiscal impacts of the statewide property tax reform before implementing an additional tax reduction, preserving financial flexibility and supporting a more informed budget decision.

Cons:

Delays potential tax relief for residents and businesses, postpones any reduction in electricity costs, and creates temporary uncertainty until the statewide referendum results are known.

Discussion & Direction

Thank you

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