

# COMMON QUESTIONS ANSWERED BY YOUR WATER SERVICE PROVIDER

THE SOUTH SANTA ROSA UTILITY SYSTEM

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## A WHITE PAPER BY THE CITY OF GULF BREEZE

The City of Gulf Breeze acquired the South Santa Rosa Utility System (SSRUS) in 1989, and assumed full management in 1996. The SSRUS provides water and wastewater service outside the City limits east to Holley-Navarre, and consists of 4,359 water customers and 6,424 wastewater customers. The wastewater treatment facility has a 2.0 millions of gallons per day (MGD) capacity.

### **WHY DOES THE CITY OWN THE SSRUS?**

Originally, the SSRUS was a private utility; one of three operating between the City and Holley-Navarre area.

In the late 1980s, the Florida Department of Community Affairs contemplated a moratorium (prohibition) on development in South Santa Rosa County until there was an operable facilities plan in place to ensure safe, dependable drinking water and wastewater service to areas east of Gulf Breeze.

Area leaders inside and outside Gulf Breeze advocated for the City to acquire the smaller, private utility operations in order to provide stable rates and reliable service. Not all residents agreed. Some residents did not want to pay for, or be responsible for, utilities outside the City limits. In 1989, City leaders concluded that the Tiger Point Wastewater Treatment Plant provided compelling benefits to City residents. The City needed wastewater treatment capacity, and the cost of a new plant would have been much higher than paying a fair cost for utilization of the SSRUS plant. The City purchased the SSRUS and financed improvements with its superior low rates.

### **WHAT ARE THE CUSTOMER BENEFITS OF THE CITY OWNING SSRUS?**

The cost savings to customers from a municipal utility versus a private utility is significant—especially when comparing the costs of smaller private utilities.

Cities can borrow on behalf of their utilities at municipal, tax exempt rates, and generally are considered much lower lending risks than businesses. Large capital projects and repairs commonly require borrowing. In the short term, there is a minimum of 35% difference in interest rates, with significantly more difference over longer term debt since cities are lower risk (they can't just disappear with the money).

For instance, in 2004 the City refinanced \$9.46 million in debt for SSRUS at low tax-exempt interest rates averaging about 3% when commercial unrated debt might have paid 12%. In 2016, the same debt was refinanced at a 1.39% refinance rate while commercial rates are in the 4-6% range. The difference in total interest cost exceeds \$6.4 million over ten years between a municipal utility and a private utility.

A private utility most often operates for profit OR for the benefit of an associated developer. Compared to local governments, private utilities charge the typical household 33% more for water and 63% more for wastewater service. In Florida, the average difference in the average household bill between a private utility and a municipal utility is 20% (source: foodandwaterwatch.org).

Private utilities are not more efficient than public utilities, according to the national non-profit American Water Works Association (source: awwa.org). In fact, because of state price regulation, private water utilities earn a rate of return on investment, so that the more they spend on a system, the more they profit.

Private utilities must pay sales tax on virtually all non-personnel costs except water purchases. Not so, for municipal utilities.

Private utilities must pay property taxes on all plant facilities.

The City purchases equipment and services at lower State Contract rates (for example, cell phone contracts for \$29 per month versus \$100+ for private utility.)

The City-owned utility pays less for healthcare and workers compensation generally; Private utilities are required to purchase workers compensation insurance, whereas the City has historically self-funded its policy.

A private utility is ineligible for loss reimbursements by the Federal Emergency Management Agency in instances of natural disaster. Comparatively, the City-owned SSRUS received FEMA reimbursements for emergency response costs and permanent system repairs as well as reimbursement of mutual aid labor after Ivan, Dennis, Katrina, Irene and the 2014 flooding.

The City-owned utility has legal access to rights-of-way, easements, and dedications; private utilities commonly must pay for easements in order to construct improvements.

Special thanks to Gulf Breeze Finance Department.

**For a history on the evolution of the SSRUS, read on at this [link](#).  
More questions? Contact Gulf Breeze Public Services at 855-246-7331.**