

## M E M O R A N D U M

Date: June 24, 2013

**TO:** Town Commission  
**FROM:** Dave Bullock, Town Manager  
**SUBJECT:** Setting of Maximum Millage

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The Town Commission is required to set a maximum millage rate for FY 2013-14 at the July Regular Meeting.

The Maximum Millage Rate is the highest millage rate that the Town Commission could levy in September. The final tax rate could be lower but not higher than the maximum millage rate. I am recommending that maximum millage rate for operating purposes be set at the same rate as the current millage of 1.8872.

The rolled-back rate is not available until July 1, 2013 and will be announced at the July 1, 2013 Regular Meeting. The rolled-back rate is the millage that would generate the same amount of tax revenue as the previous year.

We are anticipating sand nourishment to commence the summer of 2014 and construction of the North End Beach Structures in Summer of 2015. The Town may chose to levy a millage for the Beach Erosion Control Special Districts A and B in FY 2013-14. There has been no levy for these Special Districts in the past three years. Upon receipt of the July 1, 2013 valuations, the millage for each Special District will be calculated and may be discussed at the July 1, 2013 Regular Meeting.

Please let me know if you have any questions

## MEMORANDUM

Date: June 24, 2013

TO: Dave Bullock, Town Manager  
FROM: Sue Smith, Finance Director  
SUBJECT: Discussion Regarding Funding Options for Beach Nourishment

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### Beach Nourishment Funding

**History.** In 1992 an Ordinance was enacted which enabled the Town to levy a millage dedicated to beach nourishment. The Town was sectioned in two beach erosion control districts. District A is responsible for 80% and District B is responsible for 20% of the sum of the annual millage levied for the payment of debt service on beach nourishment bonds.

The Town has issued bonds in 1993, 1996 and 2004 totaling \$29,650,000. The Town recently paid off, in December 2010, its \$15,650,000 Series 2004 nourishment bonds which had an annual debt service of \$2.9 million.

The voters approved through referendum in March 2011 issuance of bonds up to \$16,000,000 for funding the next beach project which includes structures for the North End of the Key and sand placement in multiple locations.

The mill rate impact is calculated below using 4 different amortization scenarios:

- Option 1 – Pay back over 5 years on sand 20 years on structures
- Option 2 – Pay back entire amount over 5 years
- Option 3 – Payback entire amount over 6 years
- Option 4 – Payback entire amount over 8 years
- Option 5 – Introduction of annual levy for creation of a sinking fund

Total interest costs to the Town for each of these four options is as follows:

- Option 1 – Interest \$4,143,325 plus issuance costs \$229,000
  - \*Option 2 – Interest \$782,950
  - \*Option 3 – Interest \$1,003,754
  - \*Option 4 – Interest \$1,486,304
  - Option 5 - Not applicable unless some form of borrowing is introduced
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\* Option 2-4: Estimated rates for non-qualified bank loan per PFM. Cost of issuance not available.

5 yr: 1.75%  
6yr: 1.89%  
8 yr: 2.12%

All Interest rates subject to change based on current market conditions at date of issuance.

Mill Rate impact – Option 1

**Option 1:** Issue \$16 million in bonds for beach nourishment and structures with anticipated borrowing dates in line with construction start dates; \$9.5 million summer of 2014 for sand with a payback of 5 years (Interest rate 1.586%) and \$6.2 million summer of 2015 for structures with a payback of 20 years (interest rate 3.866%).

Normal amortization requires an annual debt service of \$2,460,000 per year for the first 5 years and \$450,000 per year for remaining 15 years:

Beachside resident	FY 12-13	*FY13-14	% Change	Yrs 6-20
Operating millage	1.8872	1.8872	0.0%	1.8872
Debt millage	0.0564	0.0562	-4%	0.0000
Beach Special District A Millage	<u>0.0000</u>	<u>0.7874</u>	<u>100.0%</u>	<u>0.1440</u>
<b>Total</b>	<b>1.9436</b>	<b>2.7308</b>	<b>40.7%</b>	<b>2.0312</b>

Bayside resident	FY 12-13	*FY13-14	% Change	Yrs 6-20
Operating millage	1.8872	1.8872	0.0%	1.8872
Debt millage	0.0564	0.0562	-4%	0.0000
Beach Special District B Millage	<u>0.0000</u>	<u>0.1969</u>	<u>100.0%</u>	<u>0.0360</u>
<b>Total</b>	<b>1.9436</b>	<b>2.1403</b>	<b>10.3%</b>	<b>1.9232</b>

\*First principal payment is not due until July 1, 2015.

The following tables show the effect of the millage changes on a range of Longboat Key properties:

	<b>Annual Increase in Total Longboat Key Taxes</b>	
	<u>District A</u>	<u>District B</u>
\$250,000 home	\$ 196.80	\$ 49.10
\$500,000 home	\$ 393.60	\$ 98.20
\$750,000 home	\$ 590.40	\$147.30
\$1,000,000 home	\$ 787.20	\$196.40

Note: All calculations above are based on the June preliminary assessed values and are subject to change.

Mill Rate impact – Option 2

**Option 2** – Borrow and payback entire \$16 million over 5 year period:

Normal amortization requires an annual debt service of \$3,356,590.

<u>Beachside resident</u>	<u>FY 12-13</u>	<u>FY13-14</u>	<u>% Change</u>
Operating millage	1.8872	1.8872	0.0%
Debt millage	0.0564	0.0562	-.4%
Beach Special District A Millage	<u>0.0000</u>	<u>1.0744</u>	<u>100.0%</u>
Total	1.9436	3.0178	55.6%

<u>Bayside resident</u>	<u>FY 12-13</u>	<u>FY13-14</u>	<u>% Change</u>
Operating millage	1.8872	1.8872	0.0%
Debt millage	0.0564	0.0562	-.4%
Beach Special District B Millage	<u>0.0000</u>	<u>0.2686</u>	<u>100.0%</u>
Total	1.9436	2.2120	13.9%

The following tables show the effect of the millage changes on a range of Longboat Key properties:

	<b>Annual Increase in Total Longboat Key Taxes</b>	
	<u>District A</u>	<u>District B</u>
\$250,000 home	\$ 268.55	\$ 67.10
\$500,000 home	\$ 537.10	\$134.20
\$750,000 home	\$ 805.65	\$201.30
\$1,000,000 home	\$1,074.20	\$268.40

Note: All calculations above are based on the June preliminary assessed values and are subject to change.

Mill Rate impact – Option 3

**Option 3** – Borrow and payback entire \$16 million over 6 year period:

Normal amortization requires an annual debt service of \$2,833,959.

<u>Beachside resident</u>	<u>FY 12-13</u>	<u>FY13-14</u>	<u>% Change</u>
Operating millage	1.8872	1.8872	0.0%
Debt millage	0.0564	0.0562	-.4%
Beach Special District A Millage	0.0000	0.9072	100.0%
Total	1.9436	2.8506	46.8%

<u>Bayside resident</u>	<u>FY 12-13</u>	<u>FY13-14</u>	<u>% Change</u>
Operating millage	1.8872	1.8872	0.0%
Debt millage	0.0564	0.0562	-.4%
Beach Special District B Millage	0.0000	0.2268	100.0%
Total	1.9436	2.1702	11.8%

The following tables show the effect of the millage changes on a range of Longboat Key properties:

	<b>Annual Increase in Total Longboat Key Taxes</b>	
	<u>District A</u>	<u>District B</u>
\$250,000 home	\$226.75	\$ 56.65
\$500,000 home	\$453.50	\$113.30
\$750,000 home	\$680.25	\$169.95
\$1,000,000 home	\$907.00	\$226.60

Note: All calculations above are based on the June preliminary assessed values and are subject to change.

Mill Rate impact – Option 4

**Option 4** – Borrow and payback entire \$16 million over 8 year period:

Normal amortization requires an annual debt service of \$2,185,788

<u>Beachside resident</u>	<u>FY 12-13</u>	<u>FY13-14</u>	<u>% Change</u>
Operating millage	1.8872	1.8872	0.0%
Debt millage	0.0564	0.0562	-.4%
Beach Special District A Millage	<u>0.0000</u>	<u>0.6997</u>	<u>100.0%</u>
Total	1.9436	2.6431	36.0%

<u>Bayside resident</u>	<u>FY 12-13</u>	<u>FY13-14</u>	<u>% Change</u>
Operating millage	1.8872	1.8872	0.0%
Debt millage	0.0564	0.0562	-.4%
Beach Special District B Millage	<u>0.0000</u>	<u>0.1749</u>	<u>100.0%</u>
Total	1.9436	2.1183	9.3%

The following tables show the effect of the millage changes on a range of Longboat Key properties:

	<b>Annual Increase in Total Longboat Key Taxes</b>	
	<u>District A</u>	<u>District B</u>
\$250,000 home	\$174.88	\$ 43.68
\$500,000 home	\$349.76	\$ 87.36
\$750,000 home	\$524.64	\$131.04
\$1,000,000 home	\$699.52	\$174.72

Note: All calculations above are based on the June preliminary assessed values and are subject to change.

Mill Rate impact – Option 5

**Option 5** – Create a sinking fund through the establishment of an annual mill rate levy earmarked strictly for beach nourishment. One mill currently produces approximately \$4.5 million. If the assessed values grew 2% annually and balances were invested with a rate of return of 3%, the fund would grow to \$25 million over five years. The fund could then be used to cash fund beach projects instead of traditional borrowing scenarios.

**Advantages:**

- There is a timing advantage to implementing this now as the Town is not currently imposing a millage levy to repay debt financing.
- The impact of the mill rate increase is felt one time. The concept allows for debt smoothing and avoids fluctuations in mill rates over time.
- It saves the Town money in interest on traditional borrowing.

In order to generate the amount equivalent to 1 mill using the current District scenario, the assessed mill rate would be as follows:

DISTRICT A 1.4505  
 DISTRICT B 0.3626

Beachside resident	FY 12-13	FY13-14	% Change
Operating millage	1.8872	1.8872	0.0%
Debt millage	0.0564	0.0562	-.4%
Beach Special District A Millage	<u>0.0000</u>	<u>1.4505</u>	<u>100.0%</u>
Total	1.9436	3.3939	74.6%

Bayside resident	FY 12-13	FY13-14	% Change
Operating millage	1.8872	1.8872	0.0%
Debt millage	0.0564	0.0562	-.4%
Beach Special District B Millage	<u>0.0000</u>	<u>0.3626</u>	<u>100.0%</u>
Total	1.9436	2.3060	18.6%

The following tables show the effect of the millage changes on a range of Longboat Key properties:

	Annual Increase in Total Longboat Key Taxes	
	District A	District B
\$250,000 home	\$ 362.57	\$ 90.60
\$500,000 home	\$ 725.15	\$ 181.20
\$750,000 home	\$1087.73	\$ 271.80
\$1,000,000 home	\$1450.30	\$ 362.40

Note: All calculations above are based on the June preliminary assessed values and are subject to change.



**End of Agenda Item**