

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

Date: December 7, 2015

**TO:** Town Commission  
**FROM:** Dave Bullock, Town Manager  
**SUBJECT:** Neighborhood Undergrounding Project Presentation

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At their November 9, 2015 Regular Meeting the Town Commission directed the Town Manager to develop a funding plan for the Neighborhood Undergrounding Project. The Commission directed that plan should use non-ad valorem assessments and to spread costs across both the neighborhood construction area parcels as well as all remaining parcels to the extent it could be legally and technically justified.

Several funding options were developed by the legal and technical team and tested against the requirements for non ad valorem assessments. After extensive review and analysis the team was able to develop an option that accomplishes the objectives set forth by the Town Commission and complies with the non ad valorem assessment requirements.

The Neighborhood Project construction area encompasses those areas with overhead utilities that are not served by the Gulf of Mexico Drive (GMD) project. The Neighborhood Project includes the undergrounding of electric, telephone, cable, and installation of fiber optic.

Due to the nature of the GMD project design requirements the feeder lines along GMD have to go up a pole at every side street with overhead wires. The Neighborhood Project will place all of these connections underground along with the side street wires. Therefore some general benefit is allocated to all parcels in undergrounding these connections.

Existing underground properties will be assessed 18.5% of the project cost, and properties receiving specific benefits will be assessed 81.5% of the project cost.

A PowerPoint presentation is attached describing the methodology in greater detail and provided estimated assessments for both single and multi-family parcels. There may be some additional slides included in the final PowerPoint presentation at the December 7, 2015 Regular Meeting.



**NEIGHBORHOOD  
UNDERGROUND PROJECT  
REVIEW AND UPDATE**

**December 7, 2015**

**Town Commission Regular Meeting**



## BACKGROUND

- **GMD Referendum approved by voters November 3, 2015**
- **Town Commission discussed neighborhood options at their November 9, 2015 Regular Workshop Meeting**
- **The Town Commission directed the Manager to bring back funding plans that would spread costs over all Town parcels and meet the requirements of non-ad valorem assessments**
- **The Town Commission target is March 15, 2016 for a Referendum date.**



# **BENEFITS OF NEIGHBORHOOD UNDERGROUNDING PROJECT**

- **Underground Electric**
  - Increased reliability
  - Increased safety
  - Aesthetically pleasing
- **Fiber Optic Installation Cost Savings when combined with utility undergrounding**
- **Lighting Improvement Opportunities**



# NEIGHBORHOOD UNDERGROUND PROJECT COMPONENTS

- **Underground the remaining GMD Backbone Feeder overhead facilities.**
- **Underground all Neighborhood Overhead Utilities not part of the GMD feeder lines.**
- **Street Lighting Replacement or Enhancement**
- **Fiber Optic Line Installation**
- **Project Construction Boundary – Overhead Areas not served by GMD Project**



# PROJECT OVERVIEW

- **The Town will issue debt to fund the planning, design, and construction.**
- **All debt must be approved via referendum of registered electors**
- **Debt will be repaid via non-ad valorem assessments**

# MAP OF OVERHEAD LINES



GENERAL LOCATIONS OF EXISTING OVERHEAD UTILITY LINES.



PROJECT WILL ADDRESS REMAINING OVERHEAD LINES (BLUE)



# FUNDING MECHANISM

- **Non Ad Valorem Assessment**
  - **Consistent with Method used in GMD Project**
  - **Property specific amount based on benefits received, general and specific**
  - **Collected through tax bill or prepayment**
  - **Special assessments are not generally Federal income tax deductible**



# ASSESSMENT METHODOLOGY DEVELOPMENT PROCESS

- Develop an objective assessment of the benefits provided to each individual property relative to Reliability, Aesthetics & Safety with equal weight on each.
- Benefit Values will be assigned within this methodology for each benefit received by each property.
- Project costs will be allocated to each property in proportion to that property's share of the total benefits provided.
- Consideration will be provided for existing underground.



# **NON AD VALOREM PROPERTY ASSESSMENT FACTORS**

- **Overhead vs. Underground Service Connection Credits**
- **Overhead vs. Underground Property Classification Credits**
- **Underground Radial to Loop Conversion Requirement Costs**
- **Change in Property Classifications based on GMD being undergrounded**
- **Treatment of remaining GMD trunk line facilities to be consistent with GMD Project.**



# NON AD VALOREM PROPERTY ASSESSMENT GOALS

- **EQUITABLE TREATMENT OF AREAS OF GULF OF MEXICO DRIVE WITH BACKBONE FACILITIES REMAINING OVERHEAD DUE TO CONNECTIONS TO LATERAL SIDE STREET LINES.**
- **EQUITABLE TREATMENT OF AREAS OF THE TOWN WITH OVERHEAD LINES OR RADIAL UNDERGROUND FACILITIES WHERE CONVERSION WORK IS REQUIRED.**
- **EQUITABLE TREATMENT OF AREAS OF THE TOWN WITH EXISTING UNDERGROUND FACILITIES WITH NO EXISTING OVERHEAD FACILITIES AND NO SPECIFIC REQUIREMENT FOR CONVERSION WORK.**



# NON AD VALOREM PARCELS UNDER STUDY

Property Classification	Number of Properties
Single Family	2,003
Condominium	7,248
Multi-Family	54
Marina Slip	466
Vacant	296
Non-Residential	86
Exempt	181
<b>Total Tax Roll Properties</b>	<b>10,038</b>

Note: Information gathered from data currently available in government databases and from field surveys. These classifications and property totals are subject to change based on changes in property characteristics, use, etc.



# ASSESSMENT METHODOLOGY

## SPECIAL BENEFITS

- Improved Safety – reduced potential of hazardous conditions from fallen electric lines due to tropical storms with high winds, hurricanes, and vehicle accidents
- Improved Reliability – new technologically upgraded utility lines and facilities; reduces frequency of power outages/failures; faster disaster recovery
- Improved Aesthetics – eliminate heavy concentration of overhead electric lines and associated poles



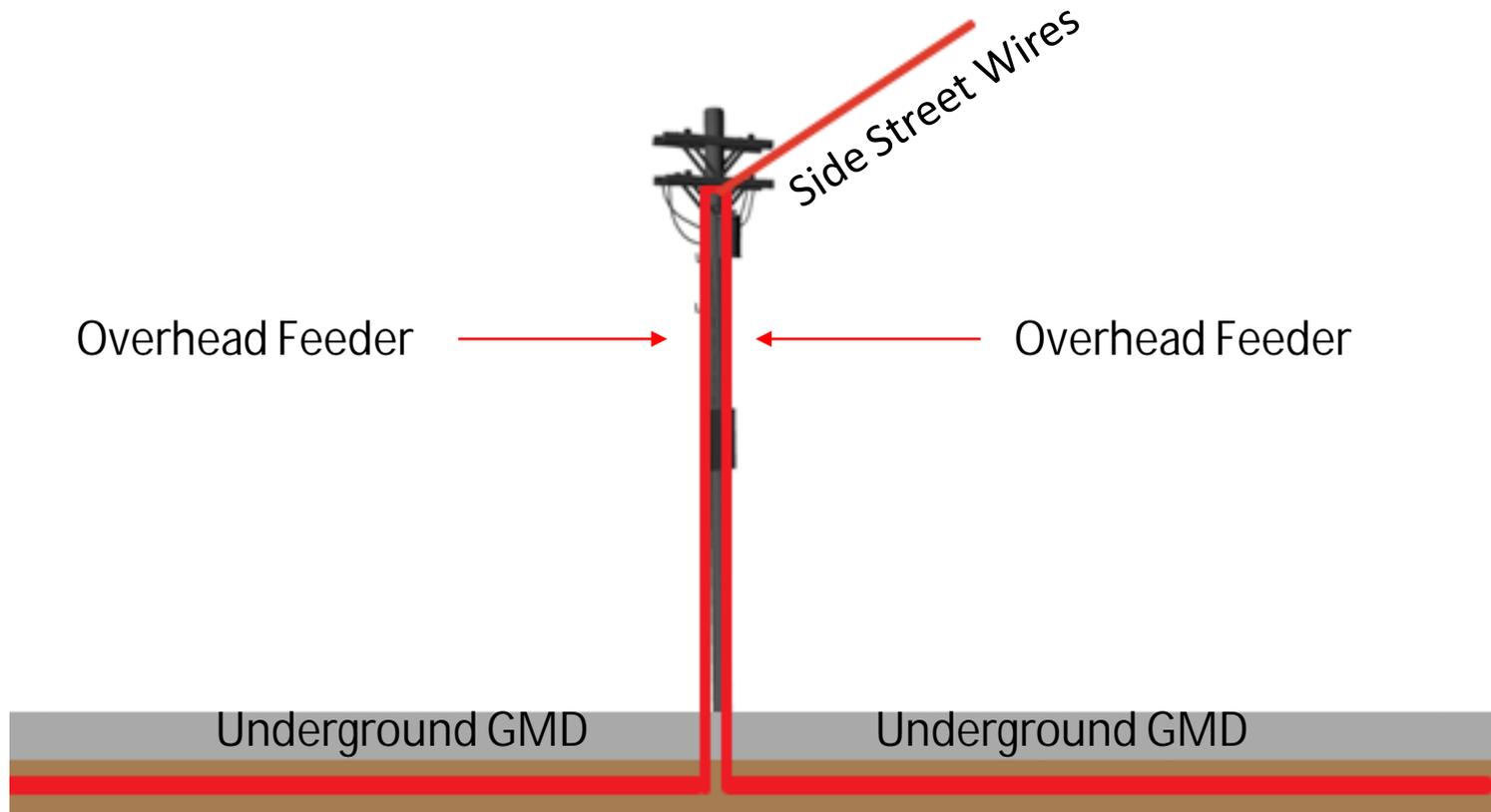
# NON AD VALOREM PROPERTY BENEFITS

- **Measured in Equivalent Benefit Units (EBU)**
- **Safety and Aesthetics**
  - Each Property Assessed 0.5 EBUs
  - Large Properties Assessed Additional EBUs Based on Property Size
  - Unit Adjustments made for Condo & Multi-Family Properties
- **Reliability**
  - Each Property Assessed 0.5 EBU
  - Overhead Properties Assessed Additional EBUs Based on Number of Utility Connections Requiring Undergrounding
  - Unit Adjustment made for Condo & Multi-Family Properties



# REMAINING GMD FEEDER FACILITIES

At each street intersecting GMD, the main FPL feeder line comes up the side street pole, connects to the side street wire and goes back down the pole underground and continues along GMD.





# REMAINING GMD FEEDER FACILITIES

- **At every side street there is an overhead section of the GMD feeder**
- **Therefore the main GMD feeders are subject to reliability of overhead at side street**
- **Undergrounding these connections increases the reliability, safety and aesthetics for all Town residents**
- **Therefore spreading those costs to all resident so the Town is reasonable**



## FIBER OPTIC OPTIONS

- **Fiber optic build out anticipates a system that will:**
  - connect all Town wastewater lift stations
  - read Town water meters
  - connect all Town buildings with a Town intranet
  - enhance emergency communications
- **Fiber build out plan may include:**
  - allowing private providers to lease bandwidth for services to residents and pay the Town a fee.



# NON AD VALOREM PROPERTY BENEFIT COST ALLOCATION

Project costs are divided equally between each of the three benefit classifications.

$$\frac{\text{Property Safety Benefits}}{\text{Total Safety Benefits}} \times \frac{\text{Project Cost}}{3} = \text{Property Safety Cost}$$

$$\frac{\text{Property Reliability Benefits}}{\text{Total Safety Benefits}} \times \frac{\text{Project Cost}}{3} = \text{Property Reliability Cost}$$

$$\frac{\text{Property Aesthetics Benefits}}{\text{Total Safety Benefits}} \times \frac{\text{Project Cost}}{3} = \text{Property Aesthetics Cost}$$



# PROJECTED PROPERTY ASSESSMENTS

- **Property General Benefits will provide an assessment of approximately \$513.35 to all assessed parcels funding approximately 24.7% of the project cost.**
- **Property Specific Benefits provided to individual properties will provide an assessment funding approximately 75.3% of the project cost.**
- **Existing underground properties will be assessed 18.5% of the project cost, and properties receiving specific benefits will be assessed 81.5% of the project cost.**

# SINGLE FAMILY ASSESSMENT EXAMPLES

ALL EXAMPLES ARE SUBJECT TO CHANGE AS PARCELS ARE MORE CLEARLY EXAMINED

SITE ADDRESS	CUSTOMER CLASS	PROPERTY CLASS	CONNECTION NEEDED	RADIAL TO LOOP	TOTAL ASSESSMENT	30 YEAR 4.5% MARKET RATE	30 YEAR 6.0% MARKET RATE
561 RANGER LN	Single Family	OH	Y	N	\$ 8,494.55	\$ 527.04	\$ 625.62
601 BIRDIE LN	Single Family	OH	N	N	\$ 6,512.60	\$ 404.07	\$ 479.65
825 LONGBOAT CLUB RD	Single Family	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
3360 BAYOU GATE	Single Family	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
545 ROUNDTREE DR	Single Family	OH	Y	N	\$ 8,494.55	\$ 527.04	\$ 625.62
605 KINGFISHER LN	Single Family	OH	N	N	\$ 6,512.60	\$ 404.07	\$ 479.65
5060 GULF OF MEXICO DR	Single Family	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
5362 SANDHAMN PL	Single Family	UG	N	Y	\$ 6,029.67	\$ 374.11	\$ 444.08
755 ST JUDES DR N	Single Family	OH	Y	N	\$ 8,494.55	\$ 527.04	\$ 625.62
530 COMPANION WAY	Single Family	OH	Y	N	\$ 8,494.55	\$ 527.04	\$ 625.62
5821 GULF OF MEXICO DR	Single Family	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
5940 EMERALD HARBOR DR	Single Family	OH	N	N	\$ 6,512.60	\$ 404.07	\$ 479.65
538 NORTON ST	Single Family	OH	Y	N	\$ 8,494.55	\$ 527.04	\$ 625.62
630 BROADWAY	Single Family	OH	Y	N	\$ 8,494.55	\$ 527.04	\$ 625.62
751 RUSSELL ST	Single Family	OH	Y	N	\$ 6,512.60	\$ 404.07	\$ 479.65
690 HIBISCUS WAY	Single Family	UG	N	Y	\$ 6,029.67	\$ 374.11	\$ 444.08
6888 POINSETTIA AVE	Single Family	OH	N	N	\$ 6,512.60	\$ 404.07	\$ 479.65
7050 FIREHOUSE RD	Single Family	OH	N	N	\$ 6,512.60	\$ 404.07	\$ 479.65

# CONDOMINIUM CLASS ASSESSMENT EXAMPLES

SITE ADDRESS	CUSTOMER CLASS	PROPERTY CLASS	CONNECTION NEEDED	RADIAL TO LOOP	TOTAL ASSESSMENT	30 YEAR 4.5% MARKET RATE	30 YEAR 6.0% MARKET RATE
435 L AMBIANCE DR L207	Condominium	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
1145 GULF OF MEXICO DR 204 BLD 1	Condominium	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
1900 HARBOURSIDE DR 104 BLD 1	Condominium	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
3040 GRAND BAY BLVD 214 BLD 2	Condominium	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
2301 GULF OF MEXICO DR APT 73N	Condominium	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
40 TWIN SHORES BLVD	Condominium	OH	Y	N	\$ 4,812.36	\$ 298.58	\$ 354.43
6701 GULF OF MEXICO DR UNIT 327	Condominium	UG	N	N	\$ 513.35	\$ 31.85	\$ 37.81
805 SPANISH DR N	Condominium	OH	Y	N	\$ 4,931.80	\$ 305.99	\$ 363.22
7065 GULF OF MEXICO DR UNIT 14	Condominium	UG	N	Y	\$ 4,232.63	\$ 262.61	\$ 311.73
805 SPANISH DR N	Condominium	OH	Y	N	\$ 4,931.80	\$ 305.99	\$ 363.22



# NEXT STEPS SCHEDULE

- **Dec 14, 2015 - Commission Workshop & Special Meeting**  
Referendum Ordinance First Reading & Public Hearing
- **Jan 4, 2016 - Special Meeting** Referendum Ordinance Second Reading & Public Hearing, Adoption
- **Jan 8, 2016 - Ballot Question language delivered to both County Supervisors of Elections**
- **Mar 15, 2016 – Referendum**
- **Mar 21, 2016 - Commission Workshop & Special Meeting**  
Referendum results presented



**End of Agenda Item**