



TECHNICAL MEMORANDUM

DATE: July 31, 2015

TO: Mike Reals, Public Works Director, City of Fort Pierce

FROM: Peter Engel, Project Manager

SUBJ: **Non-Ad Valorem Assessment for Residential Solid Waste Services**

PROJ #: 126-01.00

Background and Purpose

The City of Fort Pierce (City) contracted with Kessler Consulting, Inc. (KCI) to research and develop a framework to potentially establish a non-ad valorem (NAV) assessment for the collection and disposal of solid waste from residential properties in the City. Specifically, KCI was requested to explore an NAV assessment on the 2016 tax bill for all residential properties receiving curbside collection service, which were further defined as properties containing 1-3 units. This technical memorandum provides a summary of the framework and requirements for establishing an NAV assessment in Florida, preliminary estimate of the residential NAV assessment amount, comparison of NAV assessments in nearby cities and counties, and a potential timeline to implement the NAV assessment if the City decides to do so.

Legal and Regulatory Framework

Florida local governments (counties, municipalities, or special districts) can levy property for NAV assessments.¹ These assessments are calculated on a unit basis, rather than on value. A solid waste NAV assessment can be used to fund the capital and operating costs associated with providing solid waste collection and disposal services to properties within a defined service area. Solid waste assessments may be levied on residential and commercial properties; however, residential assessments are more common.

The defined service area of a NAV assessment is called the Municipal Service Benefit Unit (MSBU). The MSBU includes all units subject to the assessment, for example, all residential units in properties with three or fewer dwelling units. The total annual assessment determined for the municipal service (e.g., solid waste collection and disposal) is then equitably apportioned between all units in the MSBU.

NAV assessments are typically collected using the uniform method, meaning they are included on an assessment roll and certified by the City to the tax collector for merging with the ad valorem tax roll. Requirements for establishing NAV assessments are outlined in Section 197.3632, F.S. and Chapter 12D-18, F.A.C. NAV assessments are subject to all tax collection provisions, including provisions relating to

¹ Sections 125.01 and 166.021, F.S.

discount for early payment, prepayment by installment method, deferred payment, penalty for delinquent payment, and issuance and sale of tax certificates and tax deeds for nonpayment. The assessment period need not be based on the calendar year, and NAV assessments may be levied in advance or arrears of service.

Preliminary Residential NAV Assessment Estimate

KCI estimated a potential residential solid waste NAV assessment for the City based on the FY 2014-15 budget. Expenditures were allocated between residential and commercial properties based on the tonnage of waste collected from the two sectors in the last three years (see Table 1). Expenditures allocated to residential service were further apportioned between NAV-applicable units (i.e., units on properties with 1-3 units) and non-NAV units (i.e., units on properties more than 3 units) based on the number of customers that receive curbside recycling collection service, which were assumed to be at residential properties with three units or less. In March 2015, 11,952 customers received residential solid waste collection; of those, 9,836 customers received recycling and is the number of customers considered to be applicable to the NAV assessment.

Table 1: Allocation of Budget Expenditures (FY 2014-15)

	Residential NAV	Residential Non-NAV	Commercial	Total
Operating Expenses				
Salary & Wages – Collection	\$601,142	\$72,189	\$566,119	\$1,239,450
Benefits – Collection	\$321,283	\$38,582	\$302,565	\$662,430
Overtime – Collection	\$24,250	\$2,912	\$22,838	\$50,000
Workers Compensation	\$7,130	\$856	\$6,714	\$14,700
Temp & Contract Labor	\$191,093	\$22,948	\$179,960	\$394,000
Vehicle FOL	\$169,753	\$20,385	\$159,863	\$350,000
Vehicle M&R	\$142,592	\$17,123	\$134,285	\$294,000
Disposal (Tip) Fees	\$630,510	\$75,715	\$593,775	\$1,300,000
Depreciation	\$181,878	\$21,841	\$171,281	\$375,000
Utilities Administration Fees	\$90,793	\$10,903	\$85,504	\$187,200
Outreach & Education	\$10,670	\$1,281	\$10,049	\$22,000
Insurance	\$47,123	\$5,659	\$44,378	\$97,160
G&A Expenses	\$142,102	\$17,064	\$133,823	\$292,990
<i>Subtotal - Operating Expenses</i>	<i>\$2,560,320</i>	<i>\$307,458</i>	<i>\$2,411,152</i>	<i>\$5,278,930</i>
Capital Purchases				
Vehicles	\$-		\$-	\$-
Heavy Equipment	\$121,252	\$14,561	\$114,188	\$250,000
Other	\$-	\$-	\$342,000	\$342,000
<i>Subtotal - Capital Purchases</i>	<i>\$121,252</i>	<i>\$14,561</i>	<i>\$456,188</i>	<i>\$592,000</i>
Fund Transfers				
General Fund	\$-	\$-	\$1,204,000	\$1,204,000
<i>Subtotal - Fund Transfers</i>	<i>\$-</i>	<i>\$-</i>	<i>\$1,204,000</i>	<i>\$1,204,000</i>
Total Budgeted Expenditures	\$2,681,572	\$322,019	\$4,071,339	\$7,074,930

Note: Residential NAV is based on units at properties with 3 units or less, non-NAV is units at properties with more than 3 units.

For estimating the NAV assessment, it was assumed that all fund transfers were allocated to the commercial sector. It is possible to include a portion of the general fund transfer in a NAV assessment if it represents an equitable distribution of general administrative costs between departments. However, City staff indicated that a methodology does not exist for apportioning general administrative costs. Therefore, KCI was not able to determine what portion of the general fund transfer is related to providing the residential service so therefore we did not include it in the residential NAV assessment.

Because the NAV assessment would be collected through the tax bill and not through a utility bill, as the fee is currently collected, the Utilities Administration Fee was deducted from the operating expenses that would be incurred under an NAV assessment system. However, several additional expenses would be incurred related to the NAV assessment, including the statutory discount for early payment of taxes and NAV assessment collection costs. Table 2 calculates the total assessment funding requirements based on the FY 2014-15 budget.

Table 2: Residential Solid Waste Services Assessable Budget (FY 2014-15)

	NAV Residential
Operating & Capital Expenditures	
Operating Expenditures ^a	\$2,469,527
Capital Expenditures	<u>\$121,252</u>
<i>Subtotal – Operating & Capital Expenditures</i>	\$2,590,779
Assessment Expenditures	
Statutory Discount ^b	\$139,289
Assessment Collection Costs ^c	\$55,716
<i>Subtotal – Assessment Expenditures</i>	\$195,005
Total Assessment Funding Requirements	\$2,785,784

^a Total expenses for Residential NAV units from Table 1 less the Utilities Administration Fees of \$90,793.

^b Statutory discount cost is calculated as 4% of total expenditures to offset discount + 1% reserve for delinquencies and under-collection

^c Assessment collection costs is calculated as 2% of total expenditures.

The total amount to be funded through the NAV assessment was then equally divided between all assessable residential properties (i.e., units on properties containing 1-3 units). Table 3 provides the calculated assessment based on the FY 2014-15 budget compared with the current residential fee.

Table 3: Calculated Residential Solid Waste NAV Assessment and Comparison to Current Solid Waste Fee (FY 2014-15)

Assessable Budget	\$2,785,784
Assessable Dwelling Units	9,836
Estimated NAV Assessment per Unit	\$283.23
Current Annual Fee per Unit ^a	\$263.40
Percent Difference	7.5%

^a Residential units currently pay \$21.95 per month, or \$263.40 annually for solid waste service.

Although the NAV assessment is greater than the current fee, the City would realize an overall net budgetary benefit if the NAV assessment is implemented. Table 4 outlines the estimated benefits and costs to the City of the NAV assessment. In addition to the reduced Utilities Administration Fees for billing, the assessment would generate additional revenue from the year-round payment for services by all residential units. The additional costs of the assessment are as outlined in Table 2. The assessment would result in an estimated net benefit of \$115,000 per year to the City.

Table 4: Costs and Benefits of an NAV Assessment

Description	Annual Cost/Benefit
Estimated Benefits of Assessment	
Year-Round Revenue	\$219,220
Utilities Administration Fees Savings	\$90,793
<i>Estimated Benefits</i>	<i>\$310,013</i>
Estimated Costs of Assessment	
Statutory Discount	(\$139,289)
Assessment Collection Costs	(\$55,716)
<i>Estimated Costs</i>	<i>(\$195,005)</i>
Net Benefit of NAV Assessment	\$115,008

NAV Assessments in Other Jurisdictions

Table 5 provides information regarding NAV assessments for residential solid waste services in other nearby jurisdictions.

Table 5: Residential Solid Waste NAV Assessments in Nearby Jurisdictions (2015)

County/City	NAV (\$/unit/year)	Services Included	Collection Service ^a	# of Units	Collection Provider
City of Port St. Lucie	\$268.36	Collection and disposal	2-1-1	66,066	Private
Indian River County	\$102.61	Disposal and recycling (no collection)	Not applicable	74,409	Private
Martin County	\$299.52	Collection and disposal	2-1-1	46,288	Private
Okeechobee County	\$220.00	Collection and disposal	1-1-1	11,503	Private
St. Lucie County	\$252.06	Collection, disposal, facilities, programs	2-1-1	19,430	Private

Note: Data in the table is based on information provided by city or county personnel and/or included in their respective assessment resolutions. Direct comparison between assessments is cautioned due to differences in the types of services included in the assessments.

^a Indicates number of collection services per week, e.g., 2-1-1 means twice per week garbage collection, weekly recycling collection, and weekly yard waste collection.

Solid waste assessments included in Table 5 range from \$102.61 to \$299.02 per unit per year. The two counties with the lowest assessments (Indian River and Okeechobee counties) are not comparable to the City because of differences in the services covered by the assessments. Indian River County’s assessment does not include collection and Okeechobee County only has once per week garbage collection. The other three assessments (Port St. Lucie, Martin County, and St. Lucie County), which include 2-1-1 collection and disposal, range from \$252.06-\$299.52 per unit per year. The estimated NAV assessment for the City of \$283.23 per unit falls within this range.

Steps to Establish an NAV Assessment

Should the City choose to proceed with establishing a NAV assessment, the steps that would need to be followed, per Florida statutes and regulations, are summarized below. The Attachment to this memorandum provides a proposed timeline that adheres to these requirements. Because this is a new assessment, specific actions would need to be completed before January 1, 2016 in order for the assessment to be included on the 2016 tax bill.

1. City must enter into a written agreement with the property appraiser and tax collector providing for reimbursement of necessary administrative costs incurred as part of levying and collecting the assessment.
2. City must adopt a resolution at a public hearing prior to January 1 or, if the property appraiser, tax collector, and City agree, March 1. The resolution must state the need for the assessment, a legal description of the boundaries of the real property subject to the assessment, and the City's intent to use the uniform method for collection for each year until discontinued.
 - City must publish notice of its intent to use the uniform method for collecting the assessment weekly in a newspaper of general circulation within the boundaries of the City for four consecutive weeks preceding the hearing.
 - If adopted, City must send a copy of the resolution by U.S. mail to the property appraiser, tax collector, and Florida Department of Revenue (DOR) by January 10 (or March 10 if property appraiser, tax collector, and City agree). In addition to the certified copy of the adopted resolution, the City should include a copy of the newspaper advertisement and proof of publication that includes the dates of publication (Form DR-413).
3. By June 1, the property appraiser will provide the City the following information by list or compatible electronic medium: the legal description of the properties within the boundaries described in the resolution, property identification numbers, and names and addresses of the owners of such property.
4. Between January 1 and September 5, City will need to adopt an NAV assessment roll at a public hearing. This step is required for first-time NAV assessments, if the NAV assessment is increased, if the boundaries have changed, or if the purpose of the assessment has changed. At the public hearing, the local governing board shall hear testimony and receive written objections from all interested persons.
 - At least 20 days prior to the public hearing, City must send notice of the hearing, by first-class U.S. mail, to each person owning property subject to the assessment. The notice must include the purpose of the assessment; total amount to be levied against each parcel; unit of measurement to be applied against each parcel to determine the assessment; number of units contained within each parcel; total revenue the City will collect by the assessment; statement that failure to pay the assessment will cause a tax certificate to be issued against the property which may result in a loss of title; statement that all affected property owners have a right to appear at the hearing and to file written objections with the local governing board within 20 days of the notice; and the date, time, and place of the hearing. Such notice is not required if notice by mail is otherwise required by general or special law governing a taxing authority and such notice is served at least 30 days prior to the public hearing on adoption of the new NAV assessment roll.
 - At least 20 days prior to the public hearing, City must publish notice of the hearing in a newspaper generally circulated within the boundaries of the City. Such published notice

must contain the name of the local governing board; geographic depiction of the property subject to the assessment; proposed schedule of the assessment; the fact that the assessment will be collected by the tax collector; and a statement that all affected property owners have the right to appear at the public hearing and to file written objections within 20 days of publication of the notice.

5. By September 15, the chair of the local governing board must certify a NAV assessment roll on compatible electronic medium to the tax collector. Certification is made using DOR Form DR-408A. The NAV assessment for each parcel must be posted on the roll. The local governing board is responsible for ensuring the roll is free of errors and omissions. After the roll has been certified to the tax collector, the local government may make corrections to it by filing a Certificate of Correction on Form DR-409A.
6. By December 15, the tax collector will provide DOR a copy of the NAV assessment roll.

Once established, the City will need to periodically evaluate the costs of providing the residential services being assessed and adjust the assessment amount to ensure related service costs are covered.

Summary

Based on the City's FY 2014-15 budget, an NAV assessment of \$283.23 is estimated to cover the allocated costs of providing solid waste collection and disposal services to residential units on properties with 1-3 units. This assessment is within the range of assessments for similar services in nearby jurisdictions, but is approximately 7.5 percent greater than the rate currently paid by residents.

Based on KCI's analysis, the residential NAV assessment would need to be higher than the current residential fees in order to cover the costs associated with that service. Alternately, the NAV assessment could be equivalent to the current fee, in which case fees from other customers (commercial and residential non-NAV) would make up the difference and the net benefit of the assessment estimated in Table 4 would be reduced.

Should the City Commission decide to move forward with establishing the NAV assessment, the next steps will include preliminary discussions with the property appraiser and tax collector, preparing draft resolution and ordinance language, and calculating a final NAV assessment based on the approved budget for FY 2016 and dwelling unit counts that are confirmed with the property appraiser's office. Additional steps are as outlined in this technical memorandum and a proposed timeline to meet the statutory deadlines is attached.

Attachment

ATTACHMENT

PROPOSED TIMELINE FOR ESTABLISHING NAV ASSESSMENT

		Action
2015		Present study results to City Commission; obtain approval to proceed with NAV assessment
	Aug	Have preliminary discussions with property appraiser and tax collector Prepare draft Resolution to use uniform method of collection (NAV assessment); prepare draft Ordinance
	Sep	Refine NAV assessment amount based on FY16 budget and unit counts from property appraiser Enter into agreements with property appraiser and tax collector
	Oct	Public notice Resolution (once/week for 4 weeks prior to public hearing) and Ordinance
	Nov	Public hearing of Resolution and Ordinance Adopt Resolution (must be adopted prior to January 1) and Ordinance
	Dec	Mail copy of Resolution to property appraiser, tax collector, and DOR (by Jan 10)
	2016	Jan - May
Jun - Sept		Mail public hearing notice to all affected property owners; notice in newspaper (at least 20 days prior) Public hearing to adopt NAV assessment (required between Jan 1 and Sept 15) Final roll certified and sent to tax collector (by Sept 15)
Oct		Tax bills distributed
Nov - Dec		Collection of NAV assessment begins