

Government Services Group, Inc. (GSG) has been engaged to assist the City of Key West (City) with transitioning the City's existing stormwater services fees and solid waste services fees from collection on the City's utility bill to non-ad valorem assessment programs (Stormwater Assessment Program and Solid Waste Assessment Program) using the tax bill collection method or Uniform Method for Fiscal Year 2013-14. This project status report is provided because beginning at the March 19, 2013 meeting, the City Commission will be requested to take steps towards implementation of the Assessment Programs for Fiscal Year 2013-14.

To ensure that the City meets all of the requirements of section 197.3632, Florida Statutes in this transition, GSG is providing the following services:

1. Creating the preliminary assessment rolls for use in the recurring annual assessment programs using the ad valorem tax roll information and the City's existing utility billing database.
2. Assisting the City staff in calculating assessment rates based on the existing apportionment methodologies and preliminary assessment rolls to ensure that the City recovers the costs of: (a) service delivery revenue requirements, (b) implementing the programs and (c) collecting the assessments.
3. Assisting the City's legal counsel with drafting any legal documents to implement the assessment program.
4. Assisting the City with fulfilling the legal requirements for the adoption of the final assessment rate resolutions and certification of the assessment rolls including the production and mailing of the first class notices to the property owners.
5. Preparing the files that will merge with the tax roll files and transmitting the files to the Tax Collector so that the assessments are included on the November 2013 tax bill.

The following section describes all of the procedural steps required to implement and collect the assessments on the ad valorem tax bill in November 2013 and thereafter. Following this section is a critical events schedule identifying specific dates for all significant remaining events for the City to impose the assessments.

The City has already completed the first step to use the tax bill collection process by adopting the non-binding resolution of intent (Resolution No. 12-318) to use the Uniform Method on November 7, 2012.

Next, the City will be requested to adopt home rule ordinance(s) that will outline the procedural steps and notifications required to impose the recurring annual assessments using the tax bill collection method. Pursuant to the Home Rule Ordinance(s), the City will adopt initial assessment resolutions that will include, among other things, a description of the assessment programs, the method of apportionment, set a public hearing date for final consideration, and direct and authorize the mailed and published notifications to those property owners included on the initial assessment rolls.

After adopting the necessary implementing documentation, the City must develop computerized, assessment rolls that contain the basis and rate of the assessments and electronically apply the rates to each tax parcel subject to the assessments. The assessment rolls must utilize the parcel identification number maintained by the property appraiser and be compatible with the ad valorem tax roll.

Statutory requirements provide that the assessment rolls must be adopted at a public hearing held between January 1 - September 15 so the tax collector can merge it with the ad valorem tax roll and mail a single bill for the combined collection of assessments and ad valorem taxes. At least 20 days prior to the public hearing, the City must publish notice of the hearing in a newspaper of general

circulation within the government's boundaries and by individual first class United States mail to the owners of property subject to the assessment.

After the scheduled public hearing, the City will adopt final assessment resolutions which, among other things, will confirm the initial assessment resolutions, articulate the rate of assessments, approve the assessment rolls, and direct and authorize the method of collection.

Once the final assessment resolutions are adopted, the assessment rolls must be certified by September 15 to the Monroe County Tax Collector.

At some date before September 15, the City will also be required to enter into a written agreement with the property appraiser and tax collector providing for reimbursement of necessary administrative costs associated with their assistance on the assessment programs. These administrative costs will be recovered in the assessment rates.

Collection of the special assessments and ad valorem taxes begins in November. Failure to pay the assessments and taxes result in the issuance of a tax certificate and may result in the sale of a tax deed.

In addition to the required procedures, the City plans to provide considerable public education opportunities related to the proposed assessment programs including inserts in the City's utility bills, press releases, information on the City's web-site and a customer service center once the first class notices are mailed in late May.

Because there is an ability to collect delinquent amounts from property owners on the tax bill as part of the assessment programs, the City also plans to provide extraordinary notice and opportunity for property owners with delinquent accounts to pay these amounts before they are included on the tax bills.

The following provides the proposed dates to comply with the above described procedures:

Public education initiated - utility bill inserts, press releases, web-site, etc.	March 2013
City Commission Project Status	March 5, 2013
City approves Interlocal Agreement with Property Appraiser	April 2, 2013
First Reading of the Ordinance(s)	May 7, 2013
Newspaper publishes Notice of Public Hearing to Adopt Ordinance(s)	May 10, 2013
City sends bills regarding delinquent accounts	Mid April 2012
Public Hearing to Adopt Ordinance(s)	May 21, 2013
City Commission adopts Initial Assessment Resolution(s)	May 21, 2013
City to set up Customer Service/Phone Bank	By May 28, 2013
Newspaper publishes Notice of Public Hearing to Final Assessment Resolution(s)	May 28, 2013
GSG mails Assessment First Class Notices/Brochures to affected property owners	May 28, 2013
Final Public Hearing to Adopt Final Assessment Resolution(s)	June 18, 2013
GSG Exports/Transmits Final Assessment Roll to Monroe City Tax Collector	By September 15, 2013
City Certifies Non-Ad Valorem Assessment Roll to Monroe City Tax Collector	By September 15, 2013

To date, GSG has been working on creating the preliminary assessment rolls using the City's existing utility billing system data. There are 11,189 tax parcels in the City, composed of 7,602 improved parcels and 3,587 unimproved parcels. In contrast, the City's utility billing system includes 11,549 solid waste accounts and 12,558 stormwater accounts. The one-time challenge is for GSG and the City to correctly correlate the utility accounts (that may be sent to renters, consist of master meters, be inactive, etc.) to the parcels on the tax roll. City staff has been conducting field work necessary to ensure complete and correct data for the utility accounts and/or ad valorem tax roll. Once the correlation process has been completed, the City will use the tax roll data going forward to charge property owners for stormwater and solid waste services.

The next step is for GSG and City staff to calculate the annual assessment rates so that the rates recover the costs of the service delivery revenue requirements, implementing the assessment programs and collecting the assessments on the tax bill. In addition, GSG and City staff will develop five-year assessment rates based on the financial models used by City staff for both the stormwater and solid waste annual budgets to avoid the costs of having to provide notices to property owners of increased annual assessment rates each year. The five-year assessment rates will be proposed as the "maximum" assessment rates in addition to the proposed Fiscal Year 2013-14 assessment rates and presented in the Initial Assessment Resolutions to be adopted on May 21, 2013; they will also be included in the first class notices mailed in late May 2013. The City Commission can decide to lower these assessment rates at the public hearing scheduled for June 18, 2013, but cannot increase the assessment rates beyond these noticed amounts without mailing new first class notices to property owners.

GSG staff will be present at the March 5, 2013 City Commission meeting to answer any questions.