



THE CITY OF KEY WEST

Post Office Box 1409 Key West, FL 33041-1409 (305) 809-3700

MEMORANDUM

TO: Bogdan Vitas, City Manager
Cc: Mark Finigan, Asst. City Manager
E. David Fernandez, Asst. City Manager-Operations
FROM: Jay Gewin, Utilities Manager
DATE: July 16, 2013
SUBJECT: Authorizing a \$94.82 Annual Stormwater Utility ESU User Fee Charge for the City's Initial Stormwater Assessment Resolution for FY 2014.

Action statement:

This is the Initial Stormwater Assessment Resolution that is required in the process of shifting the billing for the stormwater utility to a non-ad valorem assessment on the property tax bill. It will represent a 1.3% increase equal to the consumer price index that will establish the Equivalent Stormwater Unit (ESU) cost at \$94.82 annually.

Background:

The City of Key West has struggled with excessive past-due accounts for our stormwater utility. While the total sum of delinquencies to residents and businesses is now decreasing over last year, there is still a significant amount of funds that need to be collected by the City.

To remedy this situation, and to improve our collection rate going forward, the City Commission has authorized moving the City's stormwater monthly utility billings to a non-ad valorem assessment on the property tax roll. (Ordinance 13-09) The Monroe County Tax Collector is supportive of this plan, and will work with the City to implement the transition.

State law dictates that the City has to follow a detailed set of procedures in order to move the billing to the tax roll. Some of these have already been completed, including a notice of intent (Resolution 12-318), and the change in our ordinances (Ordinance 13-09). The City Commission has also approved an interlocal agreement with the Monroe County Property Appraiser's Office relating to the annual utility billing assessment. (Resolution 13-094)

Key to the Caribbean – Average yearly temperature 77° F.

The City Commission also establishes the stormwater rates for our residents and businesses each fiscal year. Staff recommends that we adjust our rate near the CPI so that we can remain compliant with the City's fund balance reserve policy and keep up with inflationary costs and complete key capital improvement projects to decrease frequency of flooding.

Purpose and Justification:

In setting the FY 2014 budget, the City plans on accomplishing the following goals:

- Construct an emergency outfall for the Simonton Street Pump Station
- Begin construction of the East Front Street Stormwater Project
- Continued staffing of maintenance functions at current levels (OMI) to ensure a safe and effective level of service to maintain our stormwater collection system, safeguard that storm drains and outfalls are regularly cleaned, and that the City's stormwater pump-assist wells and generators are fully operational.

After the initial assessment notice is approved, notices will be sent by mail to Key West property owners. These notices will inform the public of the imminent shift in billing to the property tax that will begin arriving in November. They will also include a forecast or "TRIM"-type notice for future rates over the next five years. The City could exceed these rates only if approved by the Commission, and if notices were re-sent by mail to all those paying the user fee. The annual rates that will be included on these notices will be:

FY 2014 - \$94.82
FY 2015 - \$97.47
FY 2016 - \$100.20
FY 2017 - \$103.01
FY 2018 - \$105.89

An initial assessment notice must be approved at the August 6th City Commission meeting in order to meet the schedule set by state statute to move the utility billing to the property tax roll for FY 2014. This is because the initial assessment notice will state that a public hearing for final approval will be held at the September 5th City Commission meeting.

There is a specified number of days by statute between the initial assessment and the final assessment resolution. The August 6th (initial assessment) and September 5th (final approval) schedule is the how we can accomplish moving the utility billing to the property tax roll within state statute without scheduling a special City Commission meeting for just this topic.

Options:

- 1) The City may choose to maintain the stormwater fee at current levels. This option is not recommended by City Staff because it will hinder our ability to continue our stormwater capital improvement plan, and result in the City not being in compliance with our policy for fund reserves.

- 2) The City may choose to provide no increase to the stormwater ESU rate for FY 2014, but plan on increases according to the CPI for future years. This option is not recommended because skipping even one year of CPI increases can have significant impact in future fund balances, which could require a greater increase in future years to maintain reserves at levels according to City policy and to fund capital plan improvements.

- 3) The City can approve a \$94.82 ESU rate for FY 2014. This would be 1.3% increase over the rate from last year, which matches the current Consumer Price Index. This option is recommended by City Staff as it would allow us to achieve the Stormwater Utility objectives for FY 2013, continue to keep reserves in compliance with City policy, and enable us to maintain our current level of service for our stormwater collection system.

Whichever rates the City Commission selects will need to be approved at the August 6th City Commission meeting, or the move of utility billing to the property tax roll will have to be delayed until FY 2015 and the City would have to incur costs of mailing monthly bills for another year.

Another advantage of moving the utility billing to the property tax roll is that residents and businesses will now have the opportunity to receive a discount on their utility user fees through early payment of property taxes.

Financial Impact:

The financial impact of this proposed increase would be as follows:

	FY 2013 Budget	Proposed FY 2013 Budget	Increase	% Increase
ESU Rate	\$93.60/annually	\$94.82	\$1.22	1.3%

Recommendation:

Staff recommends option #3, approving a 1.3% ESU increase for the stormwater budget to an ESU of \$94.82 per year. This increase will allow the City to maintain compliance with our reserve fund policy, fund our capital improvements, and allow us to maintain effective operation of our stormwater collection system.