

Funding options for the pilot wastewater program - Administrator's Update for 8/28/13
By Ray Sandrock, County Administrator

I'd like to start this week by mentioning how much I appreciate the opportunity the Sun provides with this weekly column. It is a consistent and reliable way for me to provide information on topics of high interest to the public. I hope that I address the issues of interest to you, the residents of Charlotte County.

Last week the Board of County Commissioners (BCC) held a workshop for the East & West Spring Lake Wastewater Project. The workshop was a venue for providing information about the project to the Board, in preparation for the September Budget Public Hearings, so that they have both pros and cons for each option to help with informed decision making.

One of the topics covered was how to fund the project through special assessments: charges assessed against a parcel of real property because it receives a special benefit from the public project. Special assessments are collected on the annual property tax bills as non-ad-valorem assessments, through a Municipal Services Benefit Unit (MSBU). The Florida Statute FS 125.01 (q) specifically authorizes MSBUs for sewage collection and disposal, and special assessments. FS 197.3632 describes the Uniform Method for the levy, collection, and enforcement of non-ad valorem assessments.

Using an MSBU to fund the project provides a high collection rate, keeps the assessment with the property (if sold and taxes current, no payoff required), no separate lien is needed, and it provides the same benefits and protections as ad valorem taxes (tax certificate process, early payment discounts, quarterly payments, and escrow for mortgaged properties). Any change in assessment is brought to the BCC for approval. Two of the cons against using an MSBU are that it must follow a strict timetable and a Tax Collector fee is added.

Another method of funding is through monthly or annual bills—the lien and foreclosure method. A lien is placed on property when the total debt is established and pay-off is required upon the sale of the property. Billing requires a public hearing to set or change rates, and a resolution or ordinance to set the special assessment. To collect on delinquency, however, requires a foreclosure lawsuit. With no security or enforceability it is a weak source of pledged revenue and, if uncollected, all CCU ratepayers would have to pay in order to meet debt service requirements.

A third collection method is a combination of voluntary liens, which can be paid over time, and optionally placed on tax bills up front or when delinquent. This would be a separate contract with each property. This method is also difficult to collect when delinquent.

I also presented three options for MSBU assessments: keep them at the levels from the July public hearing; set rates for year one to fund only the engineering option and adopt the maximum rates; or set the year-one assessment at \$0 and adopt maximum rates, then fund the selected engineering option from either CCU reserves or general fund reserves. The current

plans for the project have the cost to the property owner at \$7,626.37 per typical occupied residential lot and \$4,375.37 for each vacant lot. For owners that cannot pay up front, and use the MSBU method, the amount is spread over 20 years with very low interest: approx. \$499.94 per year for occupied lots and \$307.59 for vacant lots, totaling \$9,998.69 and \$6,151.70 respectively.

In addition to funding options, three construction methods were presented: design-bid-build, design build, and construction manager (CM) at risk. The design-bid-build method is currently proposed. It is a traditional process with advantages that include the lowest responsible and responsive bid. However, it is subject to change orders which can increase the overall project cost, the design team and construction team are under separate contracts, and overall the selection is more price-based than qualifications-based.

The design-build method has the design and construction groups on the same team. The selection is a qualifications-based process, and the method includes a guaranteed maximum price (GMP). The third option, CM-at-risk, has the design and construction groups in separate teams, but working concurrently. It is qualifications-based that also includes a GMP. Both the design-build and CM-at-risk methods are not the lowest cost options and are not traditionally used for this type of project.

The central sewer program is an important decision critical to the health and safety related to the BCC's identified key focus area: water quality. This project's driving factors including the Manchester Lock Agreement, which was permitted in 2007, and documented water quality impairments of the waterways in the Spring Lake area and Charlotte Harbor, which indicate that 75 percent of the area's septic systems are over 30 years old and need to be replaced. As we move into September the Board will be considering the options for this project and all the information from the July 1 public hearing.