

# Street Lighting Assessment Rate Study



**Prepared for:**

**City of New Port Richey, Florida**

**June 20, 2017**

## Street Lighting Assessment Rate Study



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## Introduction

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The City of New Port Richey has retained Ayres Associates to review and update the Street Lighting Assessment Study utilized to determine the applicable assessment rates necessary to fund the Street Lighting Utility. The previous Street Lighting Assessment Rate Study was performed by Government Services Group in May of 2012. That report covered a 5-year projection through Fiscal Year 2016-17 (FY 17).

### Scope of Services: Study Update

- **Project Initiation** – Obtain and evaluate data and information regarding the provision of street lighting services and facilities in the City.
- **Review of Current Methodology** – Review documents and information relative to the current rate structure of the existing street lighting assessment program and discuss with staff any problems or concerns with the current methodology; provide recommendations to update the current assessment rate methodology, if applicable.
- **Identify Full Costs (Revenue Requirements) of the Street Lighting Program** – Evaluate the full cost of the street lighting services using the City’s most current financial information, which will include (i) the costs of maintaining and operating the City’s street lighting system based on the level of funding required by the City, (ii) indirect and/or administrative costs and (iii) billing and collection costs associated with the Uniform Method of collection; develop projections for annual revenue requirements for the City’s street lighting operations and maintenance and determine a method of increasing revenue and adjustments of assessment rates on an annual basis or as desired by the City.
- **Evaluate Vacant Lands** – Evaluate the benefit received by vacant lands from the street lighting system. Based on that benefit assign ERU’s.
- **Calculate Preliminary Proforma Schedule of Rates** – Using the total units derived from the preliminary assessment roll developed by the City, calculate a proforma schedule of rates based on the apportionment methodology and revenue requirements for the assessment program.
- **Address Issues** - Research and present recommendations on any outstanding issues that may arise from the assessment program.
- **Prepare and Present Assessment Report** – Prepare a draft report that includes documentation of the street lighting costs and proforma rates; after City staff review, prepare and present the final version of the Assessment Report.

### Service Description and Cost Calculations

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Street lighting services are currently provided to residential and non-residential properties within the City and the City’s Utility Service area. Duke Energy (formerly Progress Energy) owns and installs the lighting fixtures, performs the maintenance, pays the power consumption, and then leases them back to the City. Services include several different types of luminaires and poles throughout the City and the services are consistent throughout the City. The Florida Department of Transportation (FDOT) provides a portion of the funding for street lights abutting US HWY 19.

## Overview of City's Existing Street Lighting Assessment Program

In 2003, the City implemented a street lighting assessment program based on the apportionment methodology identified in Burton & Associates August 2003 Street Lighting Services Assessment Program Final Report (Burton's Report). The street lighting assessment was imposed on all developed properties and established rates for residential and non-residential rate categories.

The Fiscal Year 2011-12 (FY 12) adopted street lighting assessment rate was \$26.07 per ERU and generated approximately \$244,122 in revenue. This created an operating deficit of approximately \$68,044. If the City would have funded 100% of the street lighting assessable costs for Fiscal Year 2011-12 (FY 12), the street lighting assessment rate would have been \$33.34 per ERU.

The analysis conducted by Burton established an Equivalent Residential Unit (ERU) based on the average single family residence in the City. The ERU value established by Burton was 1,860 square feet. Based on that ERU value, tiers were developed for residential parcels (which includes single family, mobile homes, condominiums, and multi-family) and non-residential parcels (non-church and church) with a non-residential cap of 300,001 square feet. Vacant parcels were not charged a street lighting assessment.

City staff felt the tier structure was complicated and confusing to explain to property owners in that there were seven (7) residential rate tiers and 33 non-residential tiers with varying progression of tier sizes. Primarily due to the complexity of the tier structure, City staff also found that it was very difficult and time consuming to maintain the street lighting assessment roll.

In 2012, the City reviewed the utility rates, costs and structure and developed a 5-year projection of revenue and expenses whereby the rate necessary to cover the projected costs was **\$36.24 per ERU**. Also, the tier structure was condensed to a Single Family Residential unit and a General unit. Undeveloped Parcels are not being charged. That rate and structure was adopted and has not changed since that time. In FY 2016-17 (FY 17) the revenue expected to be generated by this rate is \$392,198. The anticipated expenditures for budget year 2016-17 was \$371,900. The anticipated expenditures did not account for administrative, legal and other support services provided to the street lighting utility by other City departments.

## Assessable Cost Calculations

To develop a 5-year proforma assessable budget, Ayres utilized the City's Fiscal Year 2016-17 (FY 17) Street Lighting Fund Budget.

The total assessable cost calculations were developed using the following assumptions:

- Begin with FY 2016-17 (FY 17) street lighting fund budget provided by the City:
  - Increase electricity costs by 4% annually.
  - Increase the street light rental and maintenance costs by 4% annually.
  - Include an annual Renewal & Replacement (R&R) reserve for street lighting, equipment, and installation of additional street lights.
  - Increase the US HWY 19 street light operation and maintenance costs by 4% annually.
  - Added Indirect Costs. These are transfers to the General Fund for costs due to administration, legal and other support services provided to the street lighting utility by

other City departments. An initial budget of \$50,000 was used and increased 2.5% annually.

- Revenues are shown as a reduction in the total assessable expenditures. The revenues remained constant since they are established by Florida Department of Transportation (FDOT).
- The Miscellaneous Assessment Expenditures portion of the budget includes costs associated with this Rate Study, implementation costs, and annual program maintenance. These costs are reimbursable through the assessment program.
- Pursuant to section 197.3632, Florida Statutes, the tax collector and property appraiser may each enter into an agreement with the local government for reimbursement of necessary administrative costs incurred from the collection of the non-ad valorem assessment. Accordingly, if any such fee(s) is charged, the fee may be recouped as an add-on to the total assessable costs for the year.
  - Collection Costs (TC) reflects reimbursement for the collection costs associated with the non-ad valorem assessment incurred by the Tax Collector (TC). Pursuant to section 197.3632, Florida Statutes, a municipal government shall only compensate the tax collector for the actual costs of collecting the non-ad valorem assessments, not to exceed 2%, on the amount of special assessments collected and remitted. We have assumed a 2% collection cost.
  - Property Appraiser Costs are the costs for services relating to providing notice of the street lighting assessment in the annual TRIM notices.
- Statutory Discount reflects a 95% collect of the Street Lighting Assessment to cover the 4% statutory discount allowed by the Uniform Method and 1% reserve for under collection. Accordingly, the statutory discount is budgeted at 5% of the total assessable costs.

Table 1 shows the City’s Fiscal Year 2016-17 (FY 17) street lighting budget.

**Table 1 – City FY 2016-17 (FY 17) Street Lighting Budget**

Code	Expenditures	Budget FY 17
43-11	Electricity - City Facilities	70,000
43-72	Street Light Rental & Maintenance	250,000
43-74	US-19 Street Lighting O&M	50,000
52-52	Misc. Lighting Elements	15,000
<b>Total Expenditures</b>		<b>385,000</b>
<b>Reserves</b>		
94-21	Reserves - Contingency	23,150
<b>Total Reserves</b>		<b>23,150</b>
<b>Revenues</b>		
334-50	St. Hwy Lighting & Main Agreement	(35,000)
361-10 & 35	Interest	(1,250)
<b>Total Revenues</b>		<b>(36,250)</b>
<b>Total Net Street Lighting Fund</b>		<b>371,900</b>

Table 2 shows the 5-year proforma assessable budget based on the above stated assumption for the provision of street lighting services in the City.

**Table 2 – 5-Year Proforma Assessable Budget FYI 2017-18 (FY 18) through FY 2021-22 (FY 22)**

	FY 17 BUDGET FY 2016-17	FY 18 FY 2017-18	FY 19 FY 2018-19	FY 20 FY2019-20	FY 21 FY2020-21	FY 22 FY 2021-22	5-Year Average
<b>Expenditure Summary</b>							
Electricity - City street Lights	70,000	74,800	77,792	80,904	84,140	87,505	81,028
Street Light Rental & Maintenance	250,000	270,500	281,320	292,573	304,276	316,447	293,023
R&R Reserves	10,000	40,000	10,000	10,000	10,000	10,000	16,000
US 19 Street Light Operation & Maintenance	50,000	52,000	54,080	56,243	58,493	60,833	56,330
Indirect Costs		50,000	51,250	52,531	53,845	55,191	52,563
<b>TOTAL EXPENDITURES</b>	<b>380,000</b>	<b>487,300</b>	<b>474,442</b>	<b>492,251</b>	<b>510,753</b>	<b>529,975</b>	<b>498,944</b>
<b>Revenue</b>							
Inerest	1,250	1,250	1,250	1,250	1,250	1,250	1,250
FDOT Reimbursement	35,000	35,000	35,000	35,000	35,000	35,000	35,000
<b>TOTAL REVENUES</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>
<b>TOTAL EXPENDITURES</b>	<b>380,000</b>	<b>487,300</b>	<b>474,442</b>	<b>492,251</b>	<b>510,753</b>	<b>529,975</b>	<b>498,944</b>
<b>TOTAL REVENUES</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>	<b>36,250</b>
<b>TOTAL NET EXPENDITURES</b>	<b>343,750</b>	<b>451,050</b>	<b>438,192</b>	<b>456,001</b>	<b>474,503</b>	<b>493,725</b>	<b>462,694</b>
<b>Miscellaneous Assessment Expenditures</b>							
Study Costs	14,550	-	-	-	-	-	-
Legal Costs	-	-	-	-	-	-	-
Annual Assessment Roll Maintenance	717	717	717	717	717	717	717
First Class Notices	10,000	-	-	-	-	-	-
Collection Costs (TC)	7,939	9,719	9,442	9,825	10,223	10,636	9,969
Property Appraiser Costs	150	150	150	150	150	150	150
Statutory Discount (4% early payment & 1% non-collection)	19,848	24,297	23,605	24,563	25,558	26,591	24,923
<b>Total Misc. Assessment Expenditures</b>	<b>53,204</b>	<b>34,882</b>	<b>33,914</b>	<b>35,255</b>	<b>36,648</b>	<b>38,094</b>	<b>35,759</b>
<b>TOTAL ASSESSABLE COSTS</b>	<b>396,954</b>	<b>485,932</b>	<b>472,106</b>	<b>491,256</b>	<b>511,151</b>	<b>531,820</b>	<b>498,453</b>

## Determination of Street Lighting Services Demand

### Special Assessment Benefit Assumptions

The following assumptions and legislative declarations support a finding that the Street Lighting Assessment Program confers a special benefit on all parcels in the City.

- The provision of street lights specially benefits all parcels, whether residential or non-residential, developed or undeveloped property uses, by protecting and enhancing their value, use and enjoyment.
- The provision of street lights and the operation and maintenance of those lights provides better property identification and recognition, and enhanced safety access to property.

### Cost Apportionment Assumptions

The cost apportionment exercise addresses two fundamental questions: Who pays; and for what services?

Defining the benefit or service area is a geographically precise process. Based on a parcel-specific evaluation conducted by the City, it was determined that the entire geographic area of the City benefits from the street lighting services.

## **Proposed Developed Parcel Apportionment**

Parcel apportionment is accomplished through the development of a base billing unit, called an Equivalent Residential Unit (ERU). The base billing unit is defined as the size of the average single-family residence in the City. An ERU is a measure that serves as a common index to compare each parcel's benefit of use derived from the availability of street lighting services. Generally, developed parcels of property that have a larger building area, receive proportionately more benefit than developed parcels with smaller building areas. As identified in Burton 's Report, the **ERU value is 1,860 square feet of building area**. This is still a valid measure and no change is proposed.

## **Proposed Undeveloped Parcel Apportionment**

The City has recognized that undeveloped parcels also benefit from street lighting systems. Generally, larger undeveloped parcels of property receive proportionately more benefit than smaller undeveloped parcels and undeveloped parcels of property receive less of a benefit than developed parcels of property because there are no improvement values to protect, just the land values.

Utilizing the year end 2016 Pasco County tax roll database for the City of New Port Richey, the average number of single family residential parcels (see Rate Class category below for Use Codes) is 5,479 parcels. The tax rolls show the total value of those parcels to be \$356,575,524, the total land value of those parcels to be \$92,780,985 and the total square footage of those parcels to be 39,470,942 square feet. Using the total value and dividing by the total number of parcels shows the average single family residential developed parcel value to be \$65,080. Using the total land value and dividing by the total number of parcels shows the average single family developed parcel land value is \$16,934. Dividing the average land value by the average parcel value yields an **Average Single Family Land Value Ratio of 26%** of the average total value. Dividing the total square footage by the total number of parcels shows the average single family residential parcel size is **7,204 square feet**.

In order to calculate a uniform benefit for undeveloped parcels, it is proposed to take the total undeveloped parcel square footage and divide it by the average single family residential parcel size and then multiply it by the land value to total value percentage ratio.

## **Rate Classes**

Using the data from the Pasco County Tax Rolls, there are approximately 7,481 parcels within the City, each with a unique property use codes as assigned by the Property Appraiser. The City has then assigned a Rate Class Code to each of the parcels based on that use code. A listing of Rate Class Codes and associated property use categories is provided as Appendix A.

Using the Rate Class Codes, the specific methodology for the parcel apportionment within each category or property use is generally described below.

**Single Family Residential Parcels** – Single Family residential parcels are parcels to which the Property Appraiser has assigned a Use Code 01, 02, 04, 09, or 28. All single family residential parcels are assigned

1 ERU per dwelling unit. Mobile home and RV parks are assigned 1 ERU per individual site within the park.

**General Parcels** – General parcels are all other developed parcels not classified as single family residential parcels, as Undeveloped Parcels or as not charged parcels. The number of ERUs attributable to each general parcel is determined by dividing the sum of the building square footage for each parcel by the ERU value identified above.

**Undeveloped Parcels** – Undeveloped parcels are vacant parcels to which the Property Appraiser has assigned a Use Code of 00, 10, 40, or 70. The number of ERUs attributable to each Undeveloped Parcel is determined by dividing the total area of the parcel by the Average Residential Parcel size and then multiplying that by the Average Single Family Land Value Ratio defined in the section above.

**Not Charged** – Not charged parcels are those parcels to which the Property Appraiser has assigned a Use Code of 94, 95, 96, or 99. These codes will not be utilized in ERU calculations or lighting assessments.

Based on the foregoing methodology, Table 3 provides the total number of ERUs by rate class.

**Table 3 – Total Number of ERUs by Rate Class Code**

<b>Rate Class</b>	<b>Parcel Count</b>	<b>ERUs</b>
Residential Parcels	5,479	6,371
General Parcels	1,319	4,416
Undeveloped Parcels	643	2,090
Not Charged	40	-
<b>Total</b>	<b>7,481</b>	<b>12,878</b>

Source: Utility Assessment Roll

## Calculation of Assessment Rates

Based on the costs of providing the street lighting services and the number of ERUs in the city, Table 4 summarizes the recommended assessment rates after application of the proposed assessment methodology for Fiscal Year 2017-18 (FY 18) at 100 percent of the assessable costs.

**Table 4 – Preliminary Rates Fiscal Year 2017-18 (FY 18)**

<b>100% of Assessable Costs =</b>	<b>\$</b>	<b>485,932</b>
Total Assessable Costs	\$	485,932
Total Number of ERU's		12,878
<b>Rate Per ERU</b>	<b>\$</b>	<b>37.73</b>

Table 5 reflects the annual rates at 100 percent of the 5-year average assessable costs.

**Table 5 – Preliminary Rates 5-Year Average**

<b>100% of Assessable Costs =</b>	<b>\$</b>	<b>498,453</b>
Total Assessable Costs	\$	498,453
Total Number of ERU's		12,878
<b>Rate Per ERU</b>	<b>\$</b>	<b>38.71</b>

Table 6 reflects the rates at 100 percent of Fiscal Years 2017-18 (FY 18) through 2021-22 (FY 22) assessable costs and an annual comparison of total revenue excess or (shortfall) by year based on the 5-year average rate and the current assessment rate.

**Table 6 – Preliminary Rates Fiscal Years 2017-18 (FY 18) through 2021-22 (FY 22)**

	<b>FY 17-18 Proforma Budget</b>	<b>FY 18-19 Proforma Budget</b>	<b>FY 19-20 Proforma Budget</b>	<b>FY 20-21 Proforma Budget</b>	<b>FY 21-22 Proforma Budget</b>	<b>5 Year Average Budget</b>
Total Assessable Costs	\$ 485,932	\$ 472,106	\$ 491,256	\$ 511,151	\$ 531,820	\$ 498,453
Total Number of ERU's	12,878	12,878	12,878	12,878	12,878	12,878
<b>Rate Per ERU</b>	<b>\$ 37.73</b>	<b>\$ 36.66</b>	<b>\$ 38.15</b>	<b>\$ 39.69</b>	<b>\$ 41.30</b>	<b>\$ 38.71</b>
<b>Collections</b>						<b>Total</b>
Over/(Under) @ \$38.71	\$ 12,561	\$ 26,387	\$ 7,237	\$ (12,658)	\$ (33,327)	\$ 200
Over/(Under) @ \$36.24	\$ (19,247)	\$ (5,421)	\$ (24,571)	\$ (44,465)	\$ (65,135)	\$ (158,839)

## Methodology Revisions

### Item 1: Acceptance of Undeveloped Parcel Methodology

### Item 2: Acceptance of Adding Indirect Costs

### Item 3: Treating Use Code 87 Other State as General instead of Not Charged

## Implementation Schedule

To implement the update street lighting assessment rates and methodology presented in this Rate Study beginning in Fiscal Year 2017-18 (FY 18), the City of New Port Richey must complete the following tasks:

### Critical Events Schedule

Event	Date
Workshop Re: Methodology and Rates	May 16, 2017
City Provides Direction on Rates	May 16, 2017
City Approves Final Rate Studies	June 20, 2017
City Passes Assessment Resolutions	September 2017
Appear on Residents' Tax Bill	October 2017

**Appendix A**  
**Pasco County Use Codes vs Rate Class Codes**

## Pasco County Use Codes vs Rate Class Codes

Use Code	Description	Rate Class Code
00	Vacant Residential	Undeveloped
01	Single Family	Residential
02	Mobile Homes	Residential
03	Multi-Family - 5 or more units	General
04	Condominium	Residential
08	Multi-Family - less than 5 units	General
09	Residential Common Elements/Areas	Residential
10	Vacant Commercial	Undeveloped
11	Retail Stores, One Story, All Types	General
12	Stores, Office, SFR	General
13	Department Stores	General
14	Supermarket	General
16	Shopping Center Community	General
17	1 Story Office	General
18	Multi-Story Office	General
19	Professional Service Building	General
21	Restaurants	General
22	Drive-In Restaurants	General
23	Financial Institutions	General
25	Service Shops Non-Automotive	General
26	Service Stations	General
27	Auto Sales, Service, etc.	General
28	Rental MH/RV Park	Residential
29	Wholesale MFG., etc.	General
30	Florist, Greenhouses	General
32	Theaters, Enclosed	General
33	Night Clubs, Bars, etc.	General
39	Hotels, Motels	General
40	Vacant Industrial	Undeveloped
41	Light Manufacturing	General
48	Warehousing (Block or Metal)	General
70	Vacant Institutional	Undeveloped
71	Churches	General
72	Schools, Colleges, Private	General
73	Hospitals, Private	General
74	Homes for the Aged	General
76	Mortuaries, Cemeteries, etc.	General
77	Clubs, Lodges, Halls	General
78	Out Patient Clinics	General
82	Forests, Parks, etc.	General
83	Schools, Public	General
85	Hospitals, Public	General
86	Other County	General
87	Other State	General
88	Other Federal	General
89	Other Municipal	General
91	Utilities	General
94	Right-of-Way, Streets, Ditch	Not Charged
95	Rivers and Lakes, Submerged Lands	Not Charged
96	Sewage Disposal, Waste Lands, Swamp	Not Charged
99	Acreage not zoned agricultural – with/without extra features	Not Charged