

Draft Technical Memorandum

DATE: April 11, 2017
TO: Brandy Leighton, P.E., Project Manager II, Public Works I Engineering Services - City of Fort Lauderdale
FROM: Michael Burton, Director, Financial Services – Stantec Consulting
CC: Erick Van Malssen, Consulting Manager– Stantec Consulting
Kyle Stevens, Consultant – Stantec Consulting
RE: Preliminary Canal Dredging Rate Study Findings

Introduction

Stantec Consulting Services, Inc. (Stantec) was engaged by the City of Fort Lauderdale, FL to evaluate both the annual revenue requirements and equitable means of cost recovery for a proposed canal dredging program in City owned canals. The following analysis contains five sections dedicated to exploring these topics in detail.

1. Background
2. Revenue Requirement Analysis
3. Rate Analysis
4. Summary of Florida Law Governing Special Non-Ad Valorem Assessments
5. Next Steps

This Technical Memorandum presents the analyses conducted and the results of the Study. A Table of Contents is presented below, followed by the Technical Memorandum.

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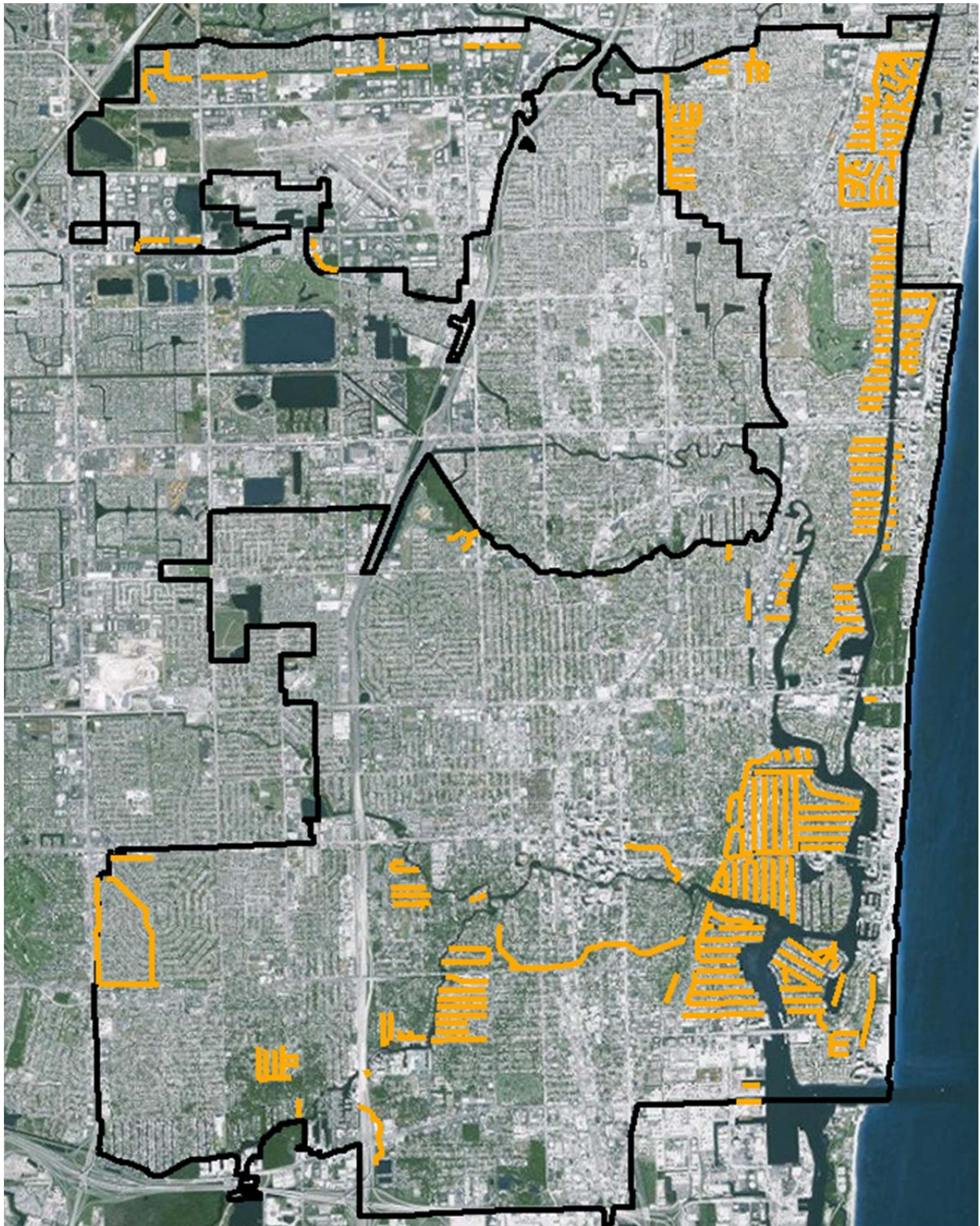
1. Background

The City of Fort Lauderdale owns and is responsible for the maintenance of 57 miles of canals. A great number of these canals provide private parcels with direct beneficial access to navigable waterways. The City has an adopted navigable standard canal depth of 4' to 5' below mean low water elevation to which all canals will be dredged. The navigability of these canals can be impaired over time through natural sedimentation processes. Therefore, at the time when an individual canal fails to meet the City's navigable standard it can be considered for dredging to ensure the continued beneficial access provided to parcels fronting City owned canals.

In 2015 the City developed a master plan which framed in detail the unique engineering aspects of dredging all City owned canals within the City's responsibility. This plan was based on the results of surveys conducted on approximately 78% of the canal waterways in the City, and includes a seven year dredging maintenance cycle. The remaining 22% of City owned canal waterways were surveyed and analyzed in 2016, and staff is currently in the process of updating the Canal Dredging Master Plan for 2017.

The analysis presented in this Technical Memorandum develops 1) a 15 year projection of annual revenue requirements for the canal dredging program based upon the master plan and other anticipated annual operations and maintenance costs provided by City staff, and 2) a proposed methodology for an assessment/fee program to recover the annual costs of the proposed canal dredging program from parcels directly benefitting from the program.

The following page presents an overview of the canal system that is owned by the City and was considered as part of this analysis.



Legend

 Municipal Boundary  City Owned Canal

2. Revenue Requirement Analysis

In the past the City has engaged in targeted dredging of certain canals based upon complaints from parcel owners, among other factors. These targeted dredging efforts have been short in nature and were not considered within a system-wide approach. However, the City is now planning a system-wide canal dredging program within which each canal will be dredged periodically based upon a city-wide survey of the needs of each canal to ensure the maintenance of proper canal depth throughout the City owned canals.

The dredging program, which will be funded under this system-wide approach, will first involve a 1 year survey phase during which the entire city owned canal system will be surveyed every 7 years. Once surveying is complete, canals will be prioritized and considered for dredging based upon a quantitative matrix of criticality factors. The top priority canals will then enter into a 1 year design phase. Following the design phase, the City will engage in 5 years of dredging activities to execute the design plans which will complete the 7 year cycle. The survey, design and dredging cycle will then be repeated with the ultimate goal of continuous maintenance by dredging as required for the entire length of navigable waterways for which the City is responsible in 7 year cycles. The following table illustrates the 7-year cycle of dredging activities.

PROGRAM YEAR:	1	2	3	4	5	6	7
ACTIVITY:	City Wide Survey						
	Design & Permit						
			Dredging				

Each activity (survey, design and dredging) associated with completing the 7-year dredging cycle has unique cost requirements. Each activity was evaluated with City staff on a stand-alone basis and then combined in order to understand the total annual layered revenue requirement for the entire dredging program. It is important to also note that the cost estimates used in this analysis represent good faith estimates at this point in time and may materially differ once the dredging program goes from the current planning phase to the implementation phase when empirical experience with actual program costs will become available to refine future budgeted costs. As such, the following assumptions were used in the projections of planned program expenditures:

City Wide Survey - In order to determine the dredging needs of the City owned canal system, the entire population of canals will be surveyed at the onset of each 7 year cycle.

This will require approximately 1 year and will allow City staff to view the entire system in order to determine which canals need dredging in the upcoming dredging cycle and the priority of each canal in the dredging program based upon the survey results.

The cost of this City-wide survey is estimated to be \$489,000 in today's dollars, expended in the first year of each new 7 year cycle¹. However, the information recorded during the survey is time sensitive and may change within a year or two depending upon changes in prevailing environmental conditions affecting the canals. This necessitates a true-up of the surveys of individual canals immediately in advance of the commencement of dredging to ensure that the dredging plan addresses current conditions of the canal. The cost of this individual canal survey true-up each year prior to actual dredging has been accounted for in our analysis.

Design and Permit– The design and permit phase will begin following the completion of the city-wide survey and canal prioritization effort. This phase will provide a blueprint, on a canal specific basis, for the dredging operator. The design costs will be variable depending upon both the complexities of the specific canal dredging project and the amount of material that will need to be removed from the canal. In order to best approximate this expenditure, 18% of construction cost was used in our analysis based upon the design cost estimates in the 2015 master plan. For the initial 7-year cycle this design cost is expected to be \$1.1M, expended over the first two years of the dredge cycle.

Dredging - In the third year of the 7 year cycle, extending through the seventh year, it is expected that dredging will occur on specific canals based upon the previously completed survey, prioritization, and design elements of the program. Dredging can be accomplished by either hydraulic or mechanical means, dependent mainly on the composition of the substrate being removed. A dredging rate of \$210 per cubic yard removed was used in the master plan, which includes the dredging, drying and subsequent disposal of the dredged material. However, because the current City owned drying site is not expected to be available in the future, we have evaluated alternative drying sites and determined an estimated cost for such alternative sites for the purpose of this analysis.

We investigated options for drying and disposal of the dredged material and determined that there are limited sites in the City that meet the criteria for the drying of dredged material². We also determined that the increased transport time, traffic disruption and cost for more remote sites would cause the practicality and costs of such sites to be prohibitive. Therefore, we determined the potential drying costs to be used in the financial analysis based upon currently available market prices for a number of sites available in the City, or immediately adjacent to the City. A summary of the analysis is presented in the following table.

¹ All costs were provided in current-year dollars, but are escalated to the applicable then-year dollars in our projections by applying a 3% annual escalation factor.

² Drying site must be at least 0.5 acres and zoned Industrial/ Heavy Commercial.

Potential Drying Sites	Size in Acres	Current Asking Price
Site 1	2.50	\$2,500,000
Site 2	1.65	\$1,450,000
Most Conservative Option		\$2,500,000
Annual Amortization		\$144,575
Years	30	
Rate	4.00%	

Based on this analysis, we have determined that a conservative estimate to purchase a new drying site is \$2.5 million, which was used in the financial analysis presented herein. Based upon a thirty year amortization of this conservative drying site cost, the annual drying site costs would be approximately \$144,575, which was used in this analysis. In order to provide sufficient time for acquisition and preparation of the drying site, this amount is included starting in FY 2019 and continues each year; it represents a place holder that could be used for any of the expenses associated with a drying site including debt service expense associated with acquisition, or lease payments if the site is leased.

Because the cost of a drying site will now be included in the analysis as a lump sum annual cost, we have adjusted the all-in dredging rate of \$210 per cubic yard removed used in the 2015 master plan to remove the portion of that rate associated with the drying site. Based upon the 2015 master plan, 10% of that rate is associated with the drying site, which would be approximately \$21.50. Therefore, the rate used in this analysis was \$188.50, and the drying site costs were included as fixed annual costs.

We also determined that all dredged material will be disposed of at a landfill, the type of landfill and subsequent cost of disposal are dependent upon the level of water in the dredged material and the composition of the dredged material in terms of contaminants or hazardous material. For the purposes of this analysis, we assumed that the disposal costs included in the dredging rate of \$210 per cubic yard removed from the 2015 master plan, now adjusted to \$188.50 as discussed in the prior paragraph, is reflective of the historical quality of dredged material removed and, therefore, is reasonable for inclusion within that dredging rate in the financial analysis.

It should be pointed out that the assumptions for drying and disposal costs included in the total costs of dredged material removed could vary materially from our assumptions depending upon the actual costs of the ultimate drying site and the quality of the dredged material in terms of contaminants or hazardous waste. Therefore, it is recommended that the assessment/fee rates presented herein be re-evaluated annually 1) as a drying site is procured, and 2) as the program is implemented and has experience as to the quality of the dredged material and the consequent cost of disposal.

Revenue Recovery Analysis – We have identified two approaches to the determination of the revenue requirements for the Assessment/Fee program as follows.

Scenario 1 assumes that a minimum reserve fund balance equal to one year's assessment/fee revenue will be established and the assessment/fee rates will be set to generate sufficient revenue to build up and maintain that minimum reserve fund balance. The intent of the minimum reserve fund balance will be to provide a source of funds to react to unforeseen increases in costs of the program to avoid 1) the need for a large rate increase in response, or 2) the need to draw upon other City reserves in response.

Scenario 2 assumes that no minimum reserve fund balance will be established, and the assessment/fee rates will be set to simply ensure that the reserve fund balance is not completely depleted in any year of the projection period. In the event of unforeseen increases in costs of the program, either 1) an interfund loan from the General Fund will be required to avoid a large assessment/fee rate increase, 2) an assessment/fee rate increase may be needed to cover the unforeseen costs, or 3) a combination of an interfund loan and a rate increase could be used.

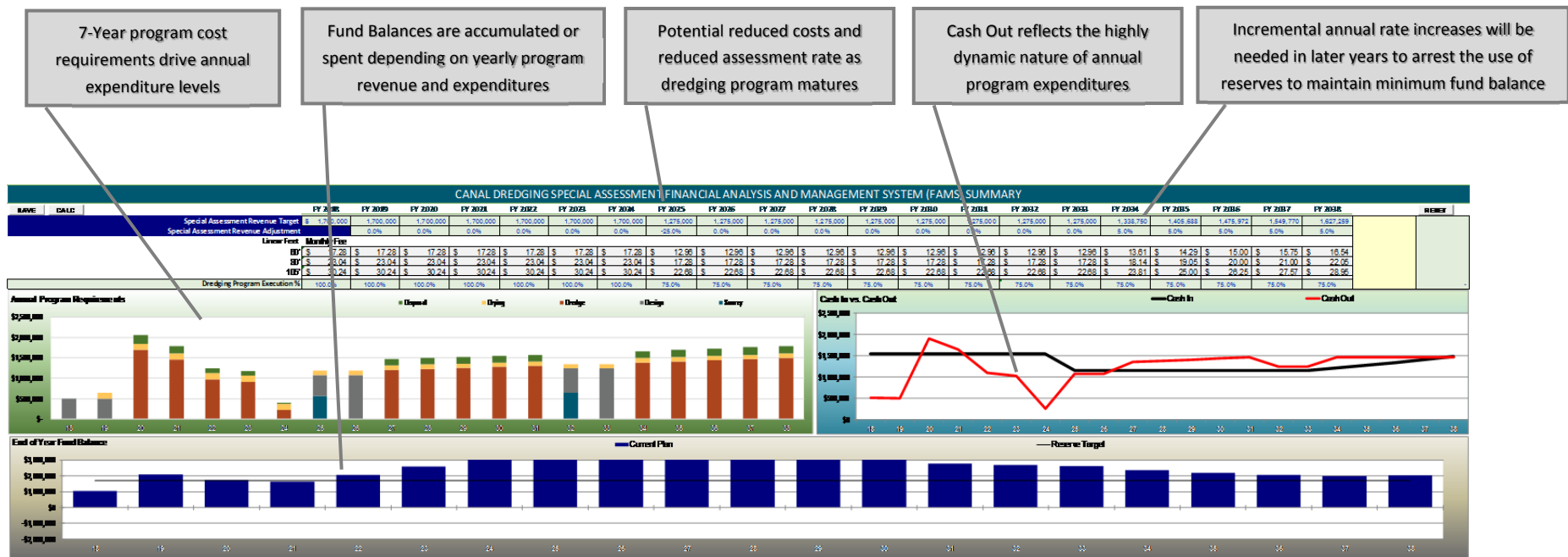
This section presents the results of the analysis for the two scenarios described above.

Scenario 1 (Minimum Reserve Fund Balance) - Based upon the aforementioned assumptions, the current plan for dredging in the first 7-year cycle, and the assumption that a minimum reserve fund balance equal to one year's revenue will be established, our analysis determined that the dredging program will require an estimated annual revenue of **\$1,700,000** per year to support the multiyear expenditures of the program. It is important to consider that this initial revenue requirement figure is an estimate based upon the master plan and input from City staff as to the other operations and maintenance cost that will be incurred in the program. Furthermore, several key variables could impact this required revenue amount materially as the dredging program is executed over the first 7 year cycle, such as:

- Sea Grass mitigation cost
- Disposal cost changes
- Dredge volume (CY) changes
- Dredging method (mechanical vs hydraulic)
- Specific canal characteristics

In this scenario, the minimum reserve balance could be used to mitigate any rate spikes that otherwise may be required to cover unforeseen costs as described above, as well as emergency dredging that could be required because of a hurricane. The figure on the following page presents a graphical depiction of a 21 year projection (3 cycles) of the financial sustainability of the canal dredging assessment/fee program with the assumption that the assessments/fees will generate \$1.70 million in the first year and the assessment/fee rates will be

held constant through FY 2024. The chart shows an assumption that in FY 2025 and beyond the program costs will reduce to 75% of projected costs because the build-up of sediment may not be as great as in the first cycle. As a result, a rate reduction will be possible in FY 2025, rates can be held constant at that reduced level through FY 2033 and small rate increases will be required from FY 2034 through the remainder of the projection period.



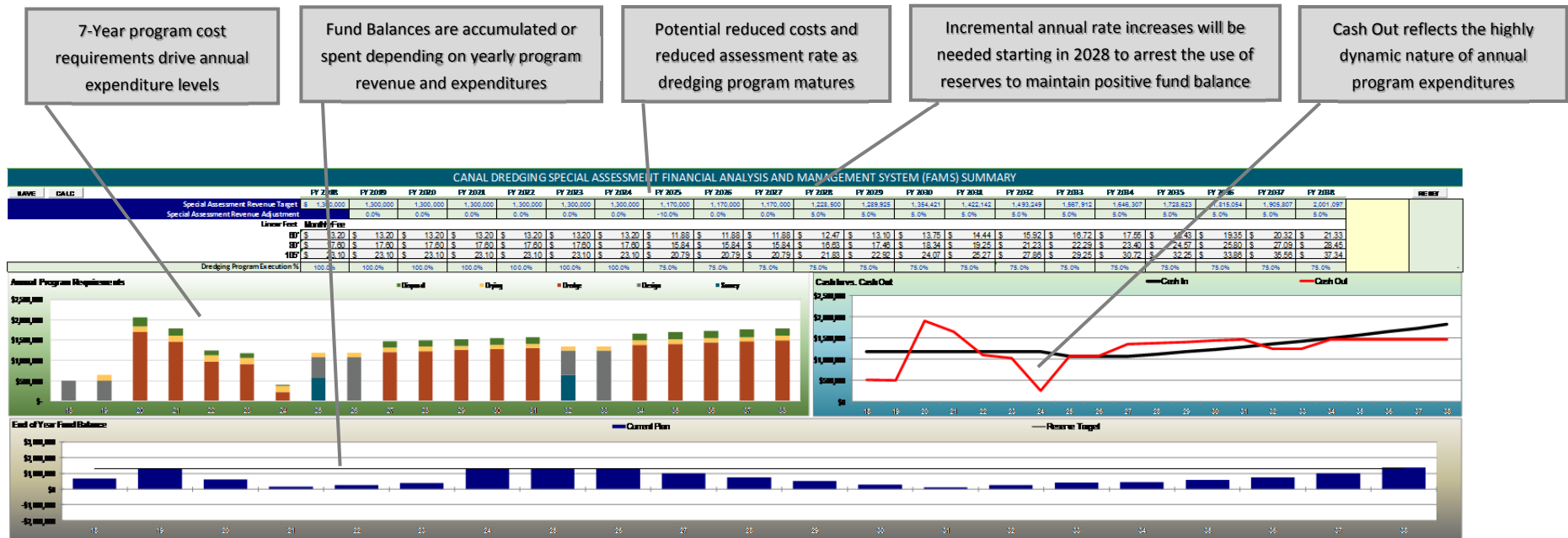
It should be pointed out that these assumptions and potential responses regarding assessment/fee rate adjustments are estimates at this time and are only shown to demonstrate the dynamics between program cost, reserve balances and the assessment/fee rate as the canal dredging program matures. The actual program costs and adjustments to the assessment/fee rate must be evaluated annually as the program is implemented.

Scenario 2 (No Minimum Reserve Fund Balance) - Based upon the aforementioned assumptions, the current plan for dredging in the first 7-year cycle, and the assumption that a minimum reserve fund balance will not be established, our analysis determined that the dredging program will require an estimated annual revenue of **\$1,300,000** per year to support the multiyear expenditures of the program. It is important to consider that this initial revenue requirement figure is an estimate based upon the master plan and input from City staff as to the other operations and maintenance cost that will be incurred in the program. Furthermore, several key variables could impact this required revenue amount materially as the dredging program is executed over the first 7 year cycle, such as:

- Sea Grass mitigation cost
- Disposal cost changes
- Dredge volume (CY) changes
- Dredging method (mechanical vs hydraulic)
- Specific canal characteristics

In this scenario, because there is no minimum reserve balance maintained, if unforeseen expenses as described above are encountered during implementation of the program which would otherwise take the reserve fund balance negative, an interfund loan from the General Fund may be needed or rate increases may be needed or a combination of the two may be needed at some point during the implementation of the program.

The figure on the following page presents a graphical depiction of a 21 year projection (3 cycles) of the financial sustainability of the canal dredging assessment/fee program with the assumption that the assessments/fees will generate \$1.30 million in the first year and the assessment/fee rate will be held constant through FY 2024. The chart shows an assumption that in FY 2025 and beyond the program costs will reduce to 75% of projected costs because the build-up of sediment may not be as great as in the first cycle. As a result, a rate reduction will be possible in FY 2025, rates can be held constant at that reduced level through FY 2027 and small rate increases will be required from FY 2028 through the remainder of the projection period.



It should be pointed out that these assumptions and potential responses regarding assessment/fee rate adjustments are estimates at this time and are only shown to demonstrate the dynamics between program cost, reserve balances and the assessment/fee rate as the canal dredging program matures. The actual program costs and adjustments to the assessment/fee rate must be evaluated annually as the program is implemented.

3. Rate Analysis

Once the level of annual revenue requirements was determined, the analysis next determined a suitable mechanism by which revenue could be fairly and equitably recovered. In recognition that the City's canal dredging program provides a special benefit to the properties that front the City owned canal system by providing continued navigable water access, two approaches were considered for recovery of the costs of the program: either 1) a special non ad-valorem assessment to be included on the property tax bill, or 2) a fee to be included on the utility bill. These revenue recovery mechanisms are common in instances where the activities in which a local municipality is engaged to provide services that provide a special benefit to specific parcels in the community. In the event that the City decides to establish a special non ad-valorem assessment to recover the costs of the program, the Canal Dredging Program rates were developed in accordance with prevailing Florida law regarding the development of a special non ad-valorem assessment program. Section 5 - Summary of Relevant Florida Law Governing Special Non-Ad Valorem Assessments of this report presents the legal requirements that must be followed in the development of a special non ad-valorem assessment which were considered in the alternative rates developed for the canal dredging program presented herein.

Finding of Benefit – Florida law requires that a special non ad-valorem assessment must meet a two pronged test. The first prong of the test is that the services provided by the City and to be included in the assessment must provide a special benefit to the properties to be assessed. The second prong of the test is that the cost to be assessed must be apportioned to the benefitting properties in proportion to the benefit received.

Special Benefit - In the case of the systematic dredging of canals owned by the City, the properties fronting City owned canals receive a special benefit from the canal dredging program by preservation of property value and direct access to the City owned navigable canals. This benefit is not available to other parcels in the City that do not front City owned navigable canals. In addition, certain parcels that front City owned canals are excluded from the assessment program because they meet one of the following criteria:

- The canal is not a navigable canal and primarily serves as a drainage canal³
- The canal which the parcel fronts is not City owned, and maintenance responsibility resides with an entity other than the City
- The parcel is categorized as City owned or a public right of way
- The front footage of the parcel is less than 10 feet (discussed in detail below)

As mentioned in the last criteria for exclusion, some parcels were deemed not to derive a material benefit from the canal dredging program because of the limited front footage on a

³ The cost of dredging these drainage canals has been excluded from the assessment calculation and it is assumed that there will be a transfer from the City's stormwater system to the canal dredging system to cover those costs.

City owned canal. Such parcels include those that have a very small frontage on the canal system that does not afford them enough frontage to have meaningful navigational access to the canal which the parcel fronts. For the purpose of this assessment program, the minimum front footage threshold that provides meaningful navigation access was determined to be 10 front feet. There are 13 parcels that were excluded from the assessment that had less than 10 feet of frontage on a City owned navigable canal.

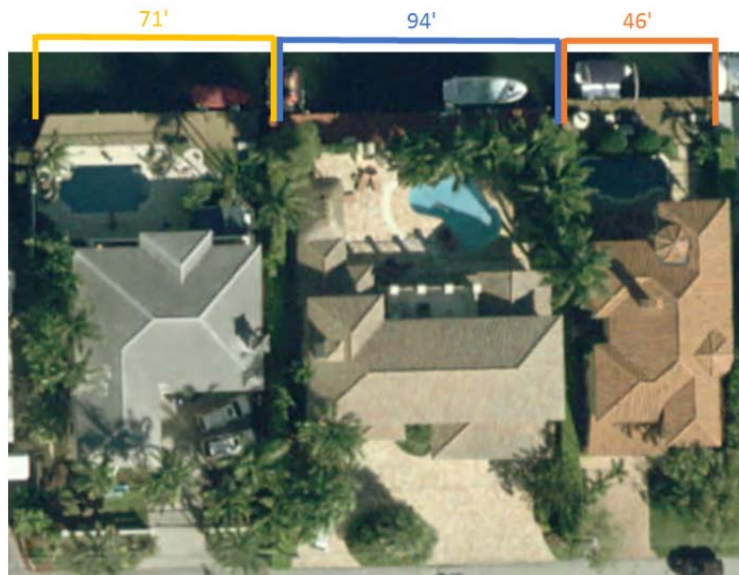
Proportional Benefit - In order to apportion the costs of the canal dredging program to benefitting parcels in proportion to the benefit received from the canal dredging program, this analysis considered the use of several real property attributes to best represent the proportionate benefit derived from the canal dredging program by each benefitting parcel. In order to accomplish this, we first conducted a survey of how other jurisdictions that have adopted a canal dredging rate program apportioned the dredging costs to benefitting parcels. The following presents the results of that survey and details the cost apportionment and recovery metrics that have been employed in rate ordinances or assessments by other communities for dredging expenditures:

Recovery Unit Basis	Community
Equal Per Parcel	Naples FL, Manatee County FL, Santa Rosa County FL, Sanibel FL, St. Petersburg FL
Equal Per Canal	St. Johns County FL
Linear Frontage Feet	Hillsborough County FL
Property Value	North Myrtle Beach
Water Access	The Town of Fort Myers Beach

All of the recovery metrics listed were given consideration and explored for their applicability and fit relative to Fort Lauderdale's canal system. After careful review of the City's canal configuration and discussions with City staff and management, it was determined that apportionment of the canal dredging program costs to benefitting parcels based upon the linear front footage of each parcel on a City owned canal is the cost apportionment method that most closely matches the assessment levied to each parcel with the proportionate benefit conferred upon each parcel by the City's canal dredging program. The following sections detail the supporting analysis, as well as the calculation of the proposed assessment rates and provide estimated impacts of the proposed assessments to parcels with various levels of front footage on a navigable City owned canal.

Linear Frontage Calculation - In order to begin the analysis, geographical information system (GIS) data was compiled to identify parcels that front City owned and maintained navigable canals and will benefit from the canal dredging program. The front footage on the City owned canal of each benefitting parcel was measured using GIS data. A database was then created that included Broward County Property Appraisers data for each benefitting parcel, City Canal locations, tax parcel boundaries, and the creation of a new parcel attribute within the database derived from aforementioned measuring the front footage of all benefitting parcels

that front a navigable, City maintained canal using GIS images. The following figure displays an example of properties and their corresponding front footage on a City maintained canal.



This process of computing parcel-specific front footage was conducted for every parcel fronting a navigable City owned and maintained canal. In total 5,280 parcels were identified and cataloged, with an average property frontage of 100.35 linear feet. The Summary Statistics regarding front footage on a City owned, navigable canal are presented below:

Summary Statistics	
Number of Parcels	5,280
Frontage Feet	503,560
Average	100.35

Special Assessment/Fee Calculation - In developing an assessment or fee program such as this, it is important to consider some practical considerations of its implementation. Therefore, the following practical considerations of the application of the assessment to specific parcels were considered; 1) the degree of accuracy that should be utilized in order to balance the administrative burden of implementation, and 2) how to ensure the equity provided by the linear front foot metric. As such, two options were considered: 1) charging parcels on exact measurements of front footage on a City owned navigable canal, or 2) charging parcels based upon a larger increment of 5 linear front feet as the basic Equivalent Benefit Unit (EBU) and rounding down the measure linear feet for each parcel to the nearest multiple of 5 linear feet.

We determined that using 5 linear feet as an EBU and rounding down each of the parcel's measured linear feet fronting a City owned canal to the nearest multiple of 5 linear feet will retain equity while reducing the potential disputes over exact linear feet that can result when

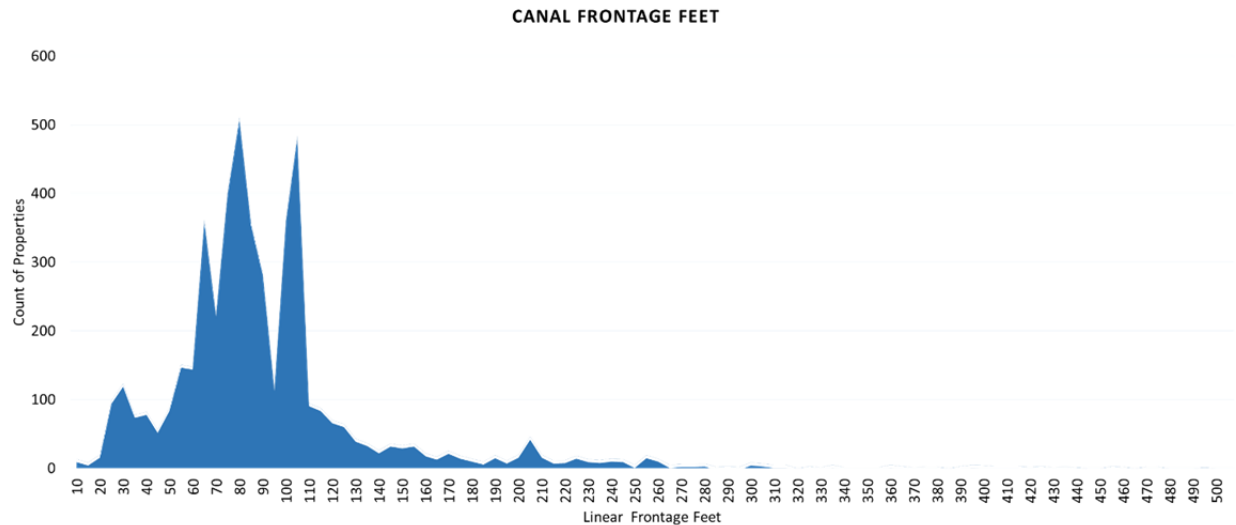
the front footage for each parcel is measured by GIS (as was required for this analysis) which could be slightly different than if physically measured. The round down concept ensures that a parcel never pays for more front feet that it has. As an example, if a parcel has been identified as having 63 LF of canal frontage, the measurement would be rounded down to 60 LF for cost allocation, billing purposes, and the determination of the total EBUs that will be billed in the assessment/fee program. Based upon the above methodology, the rate per EBU was calculated in Scenario 1 and Scenario 2 as follows.

Actual Frontage Feet Fronting City Owned Canals :	503,560
Adjusted Total Frontage Feet when each parcel is Rounded Down:	492,120
Divided by 5 Linear Feet Per Equivalent Billing Unit (EBU):	5
Scenario 1	
Billed EBUs:	98,424
Revenue Requirement: \$	1,700,000
Monthly Assessment/Fee Per Billed EBU: \$	1.44
Scenario 2	
Billed EBUs:	98,424
Revenue Requirement: \$	1,300,000
Monthly Assessment/Fee Per Billed EBU: \$	1.10

It should be noted that the calculation presented in the prior table may change (up or down) as the canal dredging program costs and billing units are refined in preparation of the final assessment/fee roll. As a result, the assessment/fee rate and assessment/fee to specific parcels will be adjusted accordingly in the Final Technical Memorandum for this study.

Property Impact Scenario 1 (Minimum Reserve Fund Balance) - The following table displays the projected annual assessment/fee figures based upon the rounded down rate structure for Scenario 1. A chart showing the distribution of parcels in 5 linear foot increments is presented below which shows that the most common monthly assessment/fee amounts in the City will be \$17.28 at 60 linear feet, \$21.60 at 75 linear feet, \$23.04 at 80 linear feet and \$28.80 at 100 linear feet. A graphical distribution is also shown below the numerical figure. It should be noted that the table below shows the assessments/fees assuming that the assessments/fees are adopted at 100% cost recovery; however, the City may adopt this assessment/fee at any level of cost recovery up to 100%. If the City chooses to adopt the assessment/fee at a lower percentage of cost recovery, the costs of the assessment/fee program not included in the assessments/fees must be covered by other General Fund sources.

	10	15	20	25	30	35	40	45	50	55
Monthly Assessment/Fee:	\$ 2.88	\$ 4.32	\$ 5.76	\$ 7.20	\$ 8.64	\$ 10.08	\$ 11.52	\$ 12.96	\$ 14.40	\$ 15.84
Parcels in Tier	8	20	98	123	78	82	56	88	151	148
Parcels Cumulative	8	28	126	249	327	409	465	553	704	852
Percent Cumulative	0.2%	0.5%	2.4%	4.7%	6.2%	7.7%	8.8%	10.5%	13.3%	16.1%
Linear Feet:	60	65	70	75	80	85	90	95	100	105
Monthly Assessment/Fee:	\$ 17.28	\$ 18.72	\$ 20.16	\$ 21.60	\$ 23.04	\$ 24.48	\$ 25.92	\$ 27.36	\$ 28.80	\$ 30.24
Parcels in Tier	362	225	404	511	358	286	117	364	484	95
Parcels Cumulative	1,214	1,439	1,843	2,354	2,712	2,998	3,115	3,479	3,963	4,058
Percent Cumulative	23.0%	27.3%	34.9%	44.6%	51.4%	56.8%	59.0%	65.9%	75.1%	76.9%



Property Impact Scenario 2 (No Minimum Reserve Fund Balance) - The following table displays the projected annual assessment/fee figures based upon the rounded down rate structure for Scenario 2. A chart showing the distribution of parcels in 5 linear foot increments is presented below which shows that the most common monthly assessment/fee amounts in the City will be \$13.20 at 60 linear feet, \$16.50 at 75 linear feet, \$17.60 at 80 linear feet and \$22.00 at 100 linear feet. It should be noted that the table below shows the assessments assuming that the assessments/fees are adopted at 100% cost recovery; however, the City may adopt this assessments/fees at any level of cost recovery up to 100%. If the City chooses to adopt the assessments/fees at a lower percentage of cost recovery, the costs of the assessment/fee program not included in the assessments/fees must be covered by other general fund sources.

	10	15	20	25	30	35	40	45	50	55
Monthly Assessment/Fee:	\$ 2.20	\$ 3.30	\$ 4.40	\$ 5.50	\$ 6.60	\$ 7.70	\$ 8.80	\$ 9.90	\$ 11.00	\$ 12.10
Parcels in Tier	8	20	98	123	78	82	56	88	151	148
Parcels Cumulative	8	28	126	249	327	409	465	553	704	852
Percent Cumulative	0.2%	0.5%	2.4%	4.7%	6.2%	7.7%	8.8%	10.5%	13.3%	16.1%
Linear Feet:	60	65	70	75	80	85	90	95	100	105
Monthly Assessment/Fee:	\$ 13.20	\$ 14.30	\$ 15.40	\$ 16.50	\$ 17.60	\$ 18.70	\$ 19.80	\$ 20.90	\$ 22.00	\$ 23.10
Parcels in Tier	362	225	404	511	358	286	117	364	484	95
Parcels Cumulative	1,214	1,439	1,843	2,354	2,712	2,998	3,115	3,479	3,963	4,058
Percent Cumulative	23.0%	27.3%	34.9%	44.6%	51.4%	56.8%	59.0%	65.9%	75.1%	76.9%

4. Summary of Relevant Florida Law Governing Special Non-Ad Valorem Assessments

This section discusses relevant Florida Law regarding special non-ad valorem assessments as it relates to the proposed Non ad-valorem Canal Dredging Assessment/Fee Program. The discussion covers how Florida law relates to special benefit and proportional benefit.

Special non-ad valorem assessments are a revenue source available to local governments in Florida to fund capital improvements as well as operations and maintenance expenses for essential services such as roads, drainage, fire/rescue services, utilities, etc. The development of a non-ad valorem assessment for any municipal service requires that the service for which properties are to be assessed confers a special benefit upon the property burdened by the special assessment. Simply stated, there must be a logical relationship between the service provided and the benefit to real property assessed for the service.

In order to satisfy this requirement, the costs associated with providing the service must be reasonably apportioned to the properties that receive a benefit from the service provided in proportion to the benefit received. Therefore, the recommended assessments calculated in this study were developed such that the costs of providing canal dredging services will be recovered through assessments to properties in proportion to the benefit received by the dredging services to those properties.

Florida case law has established two requirements for the imposition of a non-ad valorem special assessment. These two requirements have become known as the two pronged test. They are 1) the property assessed must derive a special benefit from the improvement, service or facilities provided, and 2) the assessment must be fairly and reasonably apportioned among the properties that receive the special benefit.

Special Benefit - In considering special benefit, the following question must be considered, "Can a special benefit be derived from City's dredging activities by all properties fronting a navigable City owned canal within the City to meet the first prong of the two pronged test?" The answer is yes, based in part upon the Florida Supreme Court determination in *Fire District No. 1 of Polk County v. Jenkins*, that a sufficient special benefit was derived by the availability of fire services to justify the imposition of the special assessment. Also, in *Meyer v. City of Oakland Park*, the Court upheld a sewer assessment on both improved and unimproved property, stating that the benefit need not be direct or immediate but must be substantial, certain and capable of being realized within a reasonable time. Nor must the benefit be determined in relation to the existing use of the property. Another example, section 125.01(1)(q), Florida Statutes, which authorizes counties to establish "municipal service benefit units" within which to fund a wide range of

services, through special assessments; and section 170.01, Florida Statutes, pursuant to which cities may impose special assessments to fund services.

Proportional Benefit - It is well settled under Florida law that local governments are afforded great latitude regarding legislative determinations of special benefit and reasonable apportionment of costs (as evidenced by the Florida Supreme Court finding in *City of Boca Raton v. State of Florida*), that the apportionment of benefits is a legislative function, and if reasonable persons may differ as to whether the land assessed was benefitted by the local improvement, the findings of the city officials must be sustained. In *City of Boca Raton v. State of Florida*, the Florida Supreme Court also determined that the manner of the assessment is immaterial and may vary within the community, as long as the amount of the assessment for each property is not in excess of the proportional benefits as compared to other assessments on other properties.

5. Next Steps

The next step in the process is to present the results of the Study to the Budget Advisory Board (BAB) and then to the City Commission. Those meetings are scheduled for April 18th and 19th respectively. If the City Commission decides to proceed with implementation of the Canal Dredging Rate Program, it must also decide whether to implement it as a special non ad-valorem assessment on the property tax bill or as a fee to be included on the utility bill.

If it is determined that a special non ad-valorem assessment is to be established and included on the property tax bill, during the Commission meeting on 4/19/17 the Commission must set the hearing date for adoption of the assessment for 9/6/17. Also, a Methodology Report must be delivered to the County Property Appraiser by 5/1/2017 and a Preliminary Assessment Roll must be delivered to the County Property Appraiser by 6/1/17.

Then a Draft Ordinance and Preliminary Resolution must be prepared for a Hearing to Adopt the Preliminary Resolution which will be held on 8/22/2017. The required first class mailing of the Notice of Hearing will be done through the TRIM notice and the hearing for approval will be conducted on 9/6/17.

If it is determined that a Canal Dredging Fee will be established to be included on the utility bill, the time table can be more relaxed as the statutory and County time milestones for a special non-ad valorem assessment to be included on the property tax bill will not apply to development of a fee to be included on the utility bill. However, there will be additional implementation work required to match the property roll developed during this study with the appropriate accounts on the utility billing system. It is anticipated that if the Commission chooses the fee option to be included on the utility bill, the implementation work can be accomplished in sufficient time for implementation of the program effective October 1, 2017.

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