

TAB 2


POINT PAPER

ANNEXATION and UTILITY EXPANSION COST-BENEFIT PRESENTATION


Issue: The City of Palmetto is required to make decisions regarding annexations and utility expansions. These decisions include the analysis of the costs and benefits of the expenditure of City funds, as well as the consideration of development agreements.

Background: City Commission has asked for additional information regarding the cost and/or benefit of annexations.

Staff has prepared a power point presentation (attached) demonstrating the cost-benefit analysis, which is routinely considered as part of the development review process. Additionally, a spreadsheet is attached delineating examples of projected changes in the tax-base as associated with annexation and development.




Annexation and Utility Expansion
Cost-Benefit Analysis




Staff's Goals:

- Prudent spending
- Maintenance of small-town atmosphere
- Healthy, long-lasting infrastructure
- Affordable living & business atmosphere


■ BUT HOW???



Expanding Utilities




Expanding utilities to new areas can allow for additional utility customers, as well as for annexations into the City.




Expanding Utilities – US 301 N

- Project included installation of water, sewer & reclaimed lines for nearly 20,000 feet
- Project allowed for utilities to be provided to Space Box, Sanctuary Cove, Royal Palm Car Wash and others
- Total expansion cost = \$3,618,641
- *Portion paid for by developers = \$1,050,000*




Expanding Utilities – US 41 N

- Project included installation of water, sewer & reclaimed lines for approximately 6500 feet
- Project allowed for utilities to be provided to Holy Cross, Mobil on the Run, Villas at Oak Bend, and others
- Total expansion cost = \$337,000
Portion paid for by developers = \$187,000

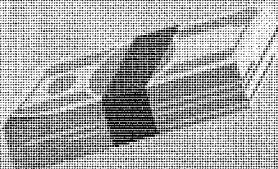


Summary of Expenses


US 301	\$ 3,618,641
US 41	\$ 337,000
Sub-Total	\$ 3,955,641
(Developer Contributions)	\$ 1,237,000
Net Expense	\$ 2,718,641



WOW! That's a lot!



What is the benefit of spending that money?



Well, there are "easy" answers...

- More homes will be available
- More amenities will be available for City residents and businesses
- More sales tax will be generated
- More businesses & employment opportunities will be available
- More impact fees & user fees
- Long term financial planning

But, there are quantitative benefits, as well -

<ul style="list-style-type: none"> ■ US 301 ■ Estimated additional taxable value of \$623,955,932 ■ Estimated additional ad valorem tax to City of \$2,807,802 per year 	<ul style="list-style-type: none"> ■ US 41 ■ Estimated additional taxable value of \$619,024,286 ■ Estimated additional ad valorem tax to City of \$3,069,016
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This represents a 130% increase over 2003 taxable values.

And remember.....

There are other properties on 301 that are now contiguous to the City and can be annexed without the expansion of utilities.

They would become utility customers, and generate additional user fees for utility O & M, and an estimated \$34,000 for the City, per year in taxes.

Michael Anderson, State Controller, Highland Trustee, Bankable Property, Woodliff, Dallas, Texas

So, let's compare.....

- US 301 utility expansion net cost = \$2,568,641
- US 301 annual estimated ad valorem increase = \$ 2,807,802

And.....

More comparisons.....

- US 41 utility expansion net cost = \$150,000
- US 41 annual estimated ad valorem increase = \$ 3,069,016



But how do we pay for it?

Current City Debt Outstanding:

- \$ 17 Million
- \$ 2.7 Million for expansion 5
- \$ 14.3 Million for existing areas of the City

Projects in existing areas of the City include:

- Jackson Park (S / M)
- 4th St, 5th St, 6th St, 7th St
- City Wide Plumbing
- City Wide Sewer Installation



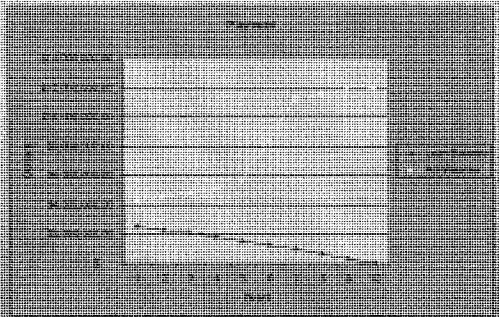
Let's compare again...

- The debt service for improvements in both "traditional" and "newly annexed" areas of the City starts at approximately \$350,000 per year (it decreases annually).
- New ad valorem tax from annexed properties (upon buildout) = \$5,876,818

Even without considering impact and user fees, new taxes at build-out generate more revenue than is required to pay our debt service.....




Over the next 10 years -



And, what if we STOPPED?

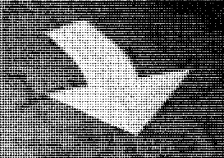
- What if we limit the City boundaries to where they are right now?
- What if we prohibit new development?




 **We'd lose our quality of life!**

Either:


- Taxes would go up; or
- Maintenance and public services would go down!



 For Example, current proposed project – to improve and maintain small-town, traditional neighborhood at 8th & 9th Streets...

■ Cost of proposed project – new infrastructure at 8 th and 9 th Streets and all cross avenues – approximately \$3.2 Million	■ Annual ad valorem taxes paid to the City from the identical project area - \$276,156
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So, using ad valorem taxes to "pay-as-you-go", it would take almost 12 years for the project area to fund this project!

 **Conclusion**

- We can afford to make long-lasting improvements to all areas of the City because of the economic benefit gained through smart growth and appropriate annexation
- This philosophy gets the most "bang for the buck" and keeps us from having to raise our millage rate.

Annexed Properties						
Project Name	Acreage	Building Area	City Services	Taxable Value	Build-out Annual Ad Valorum to City	
Memphis Road Industrial Park	4.74	39,000	Water/ Sewer	\$ 185,807.00	\$ 836.13	
Johnson Property	3.40	30,300	Water/ Sewer	\$ 192,573.00	\$ 866.58	
North River Industrial Park *	15.86	129,838	None	\$ 1,351,507.00	\$ 26,226.21	
Forrestal Development Inc.	5.87	1,296	Water/ Sewer	\$ 200,298.00	\$ 901.34	
Manfull Property	1.13	-	Water/ Sewer	\$ 196,892.00	\$ 3,819.13	
Royal Palm Car Wash	1.41	4,217	Water/ Sewer	\$ 448,231.00	\$ 2,017.04	
Palmetto Retail	1.43	14,261	Water/ Sewer	\$ 513,901.00	\$ 2,312.55	
Space Box	8.87	94,889	Water/ Sewer/ Reclaimed	\$ 175,402.00	\$ 789.31	
Sanctuary Cove	227.52	1026 homes	Water/ Sewer/ Reclaimed	\$ 615,600,000.00	\$ 2,770,200.00	
Sanctuary Cove- Commercial	15.70	200,000	Water/ Sewer/ Reclaimed	\$ 4,000,000.00	\$ 18,000.00	
301 North LLC	7.58	-	Water/ Sewer	\$ 2,030,636.00	\$ 9,137.87	
Bullseye	1.38	13,067	Water/ Sewer	\$ 176,201.00	\$ 792.90	
21st Street Bus Park	6.02	58,500	Water/ Sewer	\$ 235,989.00	\$ 1,061.95	
Napa Auto Parts - 14116 US 301	0.65	6,000		\$ 182,280.00	\$ 3,535.68	
TOTAL				\$ 625,489,719.00	\$ 2,840,496.70	

Annexed Properties along US 41						
Project Name	Acreage	Building Area	City Services	Taxable Value	Build-out Annual Ad Valorum to City	
Holy Cross ****	5.72	34,058	Water/ Sewer	\$ -	\$ -	
2500 US 41 *****	0.86	0	Water/ Sewer	\$ 76,875.00	\$ 1,491.15	
Palmetto Warehouse Co. *****	0.32	1,371	Water/ Sewer	\$ 82,975.00	\$ 1,609.48	
Manatee Fruit Company	324.00	1533 homes		\$ 600,000,000.00	\$ 2,700,000.00	
Taylor Concrete & Hasko (Walmart)	31.01	229,863		\$ 18,864,436.00	\$ 365,915.35	
TOTAL				\$ 619,024,286.00	\$ 3,069,015.98	

Other Annexed Properties not requiring utility expansion						
Project Name	Acreage	Building Area	City Services	Taxable Value	Build-out Annual Ad Valorum to City	
RD Single Family	12.98	75,000		\$ 24,762,680.00	\$ 111,432.06	
RD Hammocks	4.70	60,613		\$ 13,639,189.00	\$ 61,376.35	
Courtney Properties (Haben) *****	1.69	12,334		\$ -	\$ -	
Pelican Bay				\$ 1,818,797.00	\$ 35,279.40	
TOTAL				\$ 40,220,666.00	\$ 208,087.81	

Potential Properties						
Project Name	Acreage	Building Area	City Services Currently Available	Taxable Value	Post Annexation Annual Ad Valorum to City	
Wholesale Landscape	1.38	6,100	Water/ Sewer	\$ 418,342.00	\$ 1,882.54	
Highland Tractors	3.77	37,193	Water/ Sewer	\$ 810,222.00	\$ 3,646.00	
Woodruff	40.00	-	Water/ Sewer	\$ 4,906,622.00	\$ 22,079.80	
Leather Express	2.83	13,760	Water/ Sewer	\$ 408,377.00	\$ 1,837.70	
Lambrecht Property	3.83		Water/ Sewer	\$ 216,961.00	\$ 976.32	
Westra Property (21st Street)	3.47	8,640	Water/ Sewer/ Reclaimed	\$ 440,394.00	\$ 1,981.77	
Babcock	0.96	11,332	Reclaimed	\$ 423,846.00	\$ 1,907.31	
TOTAL				\$ 7,624,764.00	\$ 34,311.44	

Assumptions
city millage rate of 4.5 (current rate is 4.662)
average price of ea of 1026 Sanctuary Cove homes = \$600,000
average price of commercial property Sanctuary Cove = \$20/SF
average price of ea of 1533 Manatee Fruit Company = \$400,000