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Memorandum

To: James P. Ward, Division Manager

From: Michal Szymonowicz

Date: October 15, 2002

Re: Modification of Method of Paying for Services Provided by Pelican Bay Services Division

The Pelican Bay Services Division of Collier County provides a variety of valuable services to the Pelican Bay Community. The Division's history goes back to 1974 when the Clam Bay Improvement District was first established to provide an administrative framework to allow for orderly development of the area. In 1978 the District was reestablished as Pelican Bay Improvement District which existed in that form and name until 1991 when it was assumed by Collier County and renamed Pelican Bay Services Division. The Division encompasses a total of 2,104 acres and serves numerous permanent and seasonal residents.

The Division provides a variety of operating services including community appearance, beach cleaning, aquatic system maintenance, street sweeping, street lighting, street sign maintenance, Clam Bay restoration, and security. In addition, the Division also provides capital programs including community wide landscape & irrigation system renovations, U.S. 41 berm improvements, Clam Bay restoration, and landscaping.

To finance its operating and capital programs, the Division levies a combination of non-ad valorem special assessments and ad valorem taxes. Non-ad valorem special assessments fund services primarily benefiting the property and are assessed for based on the size, use and type of the property. Ad valorem taxes fund services primarily benefiting people and are levied based on ability to pay utilizing the ad valorem method.

Of the seven funds utilized by the Division, five account for operating and capital activities pertaining directly to the property. The Water Management Fund, Community Beautification Fund, Clam Bay Restoration Fund, Uninsured Assets Fund and Other Capital Fund benefit primarily property and not people as they improve the functionality, appearance, environmental vitality, and manageability of the land. Consequently, given that these services

and improvements directly benefit the land within the Division, costs of providing these services and improvements are defrayed with non-ad valorem special assessments.

Table 1

Collier County
 Pelican Bay Services Division
 Existing Methodology - Non-Ad Valorem and Ad Valorem - FY 2003

	Water Management	Community Beautification	Street Lights	Security	Clam Bay System	Uninsured Assets	All Other	Total
Assessment	\$494,900	\$1,508,400			\$2,400	\$0	\$270,200	\$2,275,900
Tax Levy			\$212,900	\$434,700				\$647,600
ERUs	7764.19	7764.19			7764.19	7764.19	7764.19	
Assessment per ERU	\$63.74	\$194.28			\$0.31	\$0.00	\$34.80	\$293.13
Taxable Value			\$3,599,266,654	\$3,599,266,654				
Millage			0.0592	0.1208				0.1800

	Water Management	Community Beautification	Street Lights	Security	Clam Bay System	Uninsured Assets	All Other	Total
Tax Levy	\$494,900	\$1,508,400	\$212,900	\$434,700	\$2,400	\$0	\$270,200	\$2,923,500
Taxable Value	\$3,599,266,654	\$3,599,266,654	\$3,599,266,654	\$3,599,266,654	\$3,599,266,654	\$3,599,266,654	\$3,599,266,654	
Millage	0.1376	0.4191	0.0592	0.1208	0.0007	0	0.0751	0.8125

Table 2

Collier County
 Pelican Bay Services Division
 Modified Methodology - Ad Valorem Only - FY 2003

The two remaining funds of the Division are financed with ad valorem taxes. The Street Lighting Fund uses ad valorem taxation for primarily historical reasons as in the past this service was provided to the area by a separate dependent district of the County utilizing ad valorem taxation. When the Pelican Bay Improvement District became a Pelican Bay Services Division, the street lighting district was made a part of the Division, which continued taxing properties on the ad valorem basis for street lighting services.

The Security Fund of the Division is also funded with ad valorem taxes. The justification of it is that security services benefit primarily persons and only secondarily property. That is why the Security Fund is financed with ad valorem taxes.

Notwithstanding the previous discussion, the Pelican Bay Services Division requested staff to analyze the effects of modifying the current method of funding services into a purely ad valorem assessment. This Report presents the effects of changes in the assessment methodology on the assessment levels experienced by different properties within the Division's jurisdiction.

Tables 1 and 2 illustrate respectively the current and modified, ad valorem only, assessment summary based on the Fiscal Year 2003 Budget for the Division. As can be seen in the bottom left corner of Table 2, in order for the Division to collect the same total amount of revenue under the new system (ad valorem assessment only) as under the existing system of assessments, the resulting millage rate would have to total 0.8125 mills. Given that millage number, one can now perform an analysis of the financial impacts of such a change in the method of assessing properties on the total dollar amount paid by such properties to the Division.

Table 3 outlines the effect of assessment method change on average residential units. An *average unit* is one of the arithmetical average taxable value, which is given along with the minimum and maximum value in each class. According to the information in Table 3, an average single family residential unit would see its assessment increase by just under \$400 as a result of the change in the methodology. On the other hand, average condominium and coop units (jointly classified as multi family dwellings) would see slight decreases as a result of the change in the methodology, realizing savings of about \$16. Table 3 additionally provides information on the *Breakeven Residential Value*, which is the taxable value of a residential unit at which change in the assessment methodology would result in no change in the amount of the total assessment. The value for Fiscal Year 2003 is \$463,447.

As the information in Table 3 relates to average units with the inherent statistical imprecision associated with arithmetic averages, Table 4 attempts to quantify exactly how many or what percentage of the residential as well non-residential properties would have increased or decreased assessments.

Table 3

Collier County
Pelican Bay Services Division
Average Unit Comparison

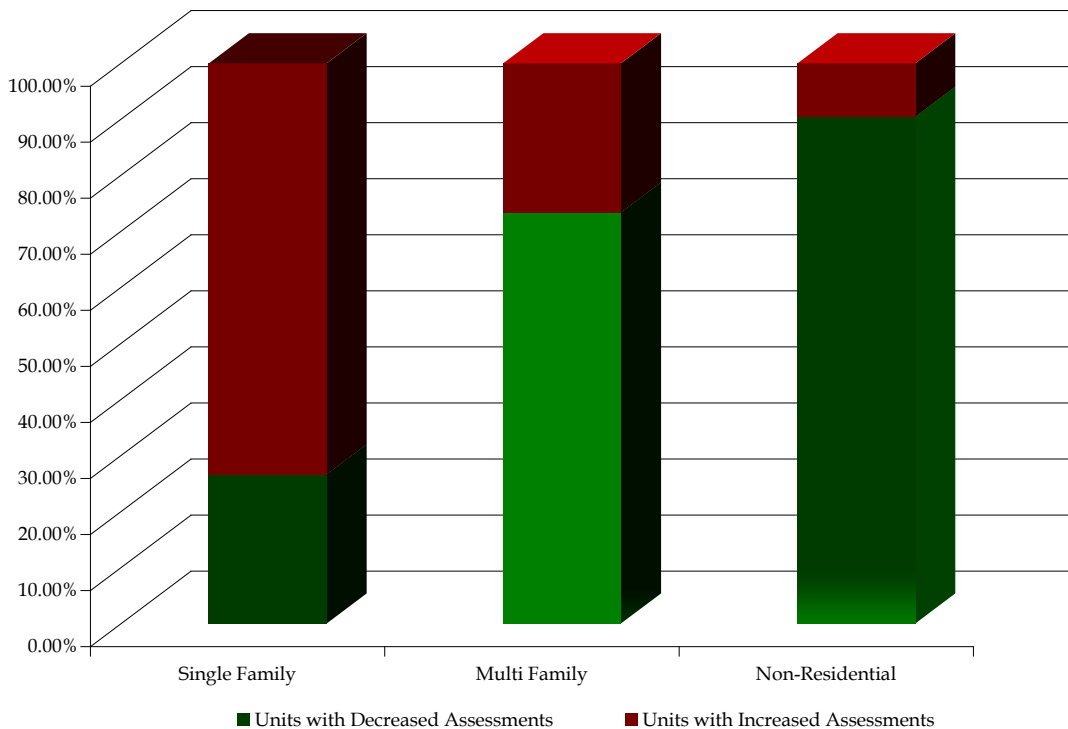
Unit Type	Number of Units	Minimum Taxable Value	Maximum Taxable Value	Average Taxable Value	Current Assessment for Average Unit	Modified Assessment for Average Unit	Difference
Single Family Units	691	\$0	\$12,400,978	\$1,087,043	\$488.80	\$883.22	(\$394.42)
Condominium Units	5579	\$0	\$5,670,250	\$437,917	\$371.96	\$355.81	\$16.15
Breakeven Residential Value				\$463,447	\$376.55	\$376.55	\$0.00

Table 4

Collier County
Pelican Bay Services Division
Actual Unit Comparison

Unit Type	Number of Units	Percent of Total
Single Family Units Below Breakeven Value	184	26.63%
Single Family Units Above Breakeven Value	507	73.37%
Multi Family Units Below Breakeven Value	4094	73.39%
Multi Family Units Above Breakeven Value	1485	26.61%
Non-Residential Parcels With Decreased Assessments	38	90.48%
Non-Residential Parcels With Increased Assessments	4	9.52%

Figure 1: Changes in Assessments by Group Type



As illustrated in Table 4 and accompanying Figure 1, the majority of single family homes in Pelican Bay have taxable valuations above the breakeven value, resulting in higher assessments if the methodology was changed. On the other hand, a sizeable majority of multifamily units are valued under the breakeven value, making them susceptible to assessment savings resulting from application of the new methodology. Additionally Table 4 and Figure 1 also illustrate that most of the non-residential parcels of land currently assessed would benefit from the new strictly ad valorem assessment method.

Table 5

Collier County
Pelican Bay Services Division
Methodology Change Impact on Single Family Units

Taxable Value for Single Family Units	Number of Units Under	Current Assessment for Average Unit	Modified Assessment for Average Unit	Difference
\$100,000	3	\$311.13	\$81.25	(\$229.88)
\$200,000	0	\$329.13	\$162.50	(\$166.63)
\$300,000	29	\$347.13	\$243.75	(\$103.38)
\$400,000	95	\$365.13	\$325.00	(\$40.13)
\$463,447	57	\$376.55	\$376.55	\$0.00
\$500,000	29	\$383.13	\$406.25	\$23.12
\$600,000	85	\$401.13	\$487.50	\$86.37
\$700,000	46	\$419.13	\$568.75	\$149.62
\$800,000	42	\$437.13	\$650.00	\$212.87
\$900,000	43	\$455.13	\$731.25	\$276.12
\$1,000,000	25	\$473.13	\$812.50	\$339.37
\$1,500,000	108	\$563.13	\$1,218.75	\$655.62
\$2,000,000	65	\$653.13	\$1,625.00	\$971.87
\$2,500,000	18	\$743.13	\$2,031.25	\$1,288.12
\$5,000,000	34	\$1,193.13	\$4,062.50	\$2,869.37
\$10,000,000	6	\$2,093.13	\$8,125.00	\$6,031.87
\$15,000,000	6	\$2,993.13	\$12,187.50	\$9,194.37

Table 6

Collier County
Pelican Bay Services Division
Methodology Change Impact on Multi Family Units

Taxable Value for Multi Family Units	Number of Units Under	Current Assessment for Average Unit	Modified Assessment for Average Unit	Difference
\$100,000	120	\$311.13	\$81.25	(\$229.88)
\$200,000	1313	\$329.13	\$162.50	(\$166.63)
\$300,000	1530	\$347.13	\$243.75	(\$103.38)
\$400,000	824	\$365.13	\$325.00	(\$40.13)
\$463,447	56	\$376.55	\$376.55	\$0.00
\$500,000	350	\$383.13	\$406.25	\$23.12
\$600,000	294	\$401.13	\$487.50	\$86.37
\$700,000	205	\$419.13	\$568.75	\$149.62
\$800,000	200	\$437.13	\$650.00	\$212.87
\$900,000	163	\$455.13	\$731.25	\$276.12
\$1,000,000	120	\$473.13	\$812.50	\$339.37
\$1,500,000	234	\$563.13	\$1,218.75	\$655.62
\$2,000,000	104	\$653.13	\$1,625.00	\$971.87
\$2,500,000	18	\$743.13	\$2,031.25	\$1,288.12
\$5,000,000	43	\$1,193.13	\$4,062.50	\$2,869.37
\$10,000,000	5	\$2,093.13	\$8,125.00	\$6,031.87

Tables 5 and 6 illustrate the specific monetary effects of change to the assessment methodology on single family and multi family units by property valuation, extending the conclusions that numerically most single family units would not benefit from the change in the methodology and numerically most of the multi family units would. Similarly, Table 7 seven illustrates that overall the amount of assessments paid by other non-residential properties would decrease, and breaks down which classes of property would benefit from lower assessments and which would experience higher assessments.

Table 7
Collier County
Pelican Bay Services Division
Changes in Assessments for Non-Residential Properties by Class

Class	ERU	Taxable Value	Current Assessment	Modified Assessment	Difference
Club at Pelican Bay	273.38	\$9,372,318	\$81,823	\$7,615	(\$74,208)
Government/Institutional	129.83	\$0	\$38,057	\$0	(\$38,057)
Hotels	330	\$195,951,374	\$132,116	\$159,210	\$27,095
All Other	772.38	\$123,196,635	\$248,583	\$100,097	(\$148,486)
Total	1505.97	\$328,520,327	\$500,579	\$266,923	(\$233,656)

To conclude, modifying the Division’s current methodology from a combination of non-ad valorem special assessments and ad valorem taxes to ad valorem taxes only would lead to a redistribution of the share of assessments paid by different categories of property. Figure 2 shows the percentage shares of assessments paid by the single family, multi family and non-residential units under the existing and modified methodologies. Figure 2 clearly shows that the most significant effect of the change in methodology is the transfer of the assessment burden from other non-residential units to single family units. As a group, the single family units under the modified methodology would on average pay almost double, whereas non-residential units as a group would enjoy significant, almost forty-six percent savings. Multi family units would experience a slight, two percent, decrease in their share of total taxes paid to the Division.

Figure 2: Tax Burden Changes by Group Type

