

June 29, 2009

TO: Board of Mayor and Aldermen

FROM: David Parker, City Engineer/CIP Executive
Eric Stuckey, City Administrator

SUBJECT: **Monticello Subdivision Assessment District
Questions & Answers**

The residents of Monticello have questions concerning the assessment district established by BOMA on June 9, 2009. This memo is to address these questions for all concerned.

The questions and corresponding answers are a compilation of those asked at the June 9th Public Hearing and those staff have received by email, phone calls, etc.

Q: Is there a way to reduce the costs to be paid by the residents?

A: The City has taken a number of steps to reduce the cost to residents including: absorbing the costs for repaving the streets (estimated at \$450,560) and waiving a portion of the City's Tap Fee (Access Fee (\$2,100) and Installation Charge (\$263)). The Board of Mayor and Aldermen (BOMA) makes the decision as to what costs are to be included in the assessment and what fees may be waived.

Q: What are the costs to be borne by the residents?

A: It should be noted that all project costs provided are estimated at this point. Included in the project cost to be assessed is;

- engineering design (\$126,500)
- easements (\$15,000)
- construction (\$1,628,500)
- bond issuance cost (\$3,186) (@ 0.18% of total estimated project cost of \$1,773,186)

Other costs the resident will have to incur are:

- the remaining portions of the City's Tap Fee not waived by BOMA (System Development Fee (SDF) - \$1,444, Effluent Disposal Fee (EDF) - \$450, and Application Fee - \$25);
- service line installation (this cost will be dependent upon the length and depths required for each house), but there is a City plumbing permit required that costs \$37.00;
- abandonment of the existing septic tank in accordance with the Williamson County Sewage Disposal Department which requires a Technical Assistance Permit costing \$25.00 (\$1,500 - estimated cost to abandon septic tank).

Note: Fees and permit costs as listed are those as presently set. These fees and permits are subject to change by BOMA.

Q: How were the terms for installment payments determined?

A: BOMA originally had requested the installment be based on a 10-year term at 4.5% annual interest. After meeting with some resident representatives of Monticello on April 30th and at their request, the terms for the assessment were changed to a 30-year payback term at 6% annual interest. Some neighborhood representatives have asked the City to consider a 20-year term as well. BOMA would consider this option as well. The interest rate charged to residents is determined based on what the City can borrow funds at for the particular term.

Q: Should I choose to pay the monthly installments and decide later to pay the remainder in full will there be a prepayment penalty fee or should one pay in full will there be any adjustment in fees or price since the city will be paying interest on a lesser amount?

A: If a person pays in full at the outset of the assessment there is no interest. There is no early payment penalty associated with assessment districts in Franklin.

Q: What is the project schedule?

A: The City could not advertise for the construction bids until after the assessment district resolution was approved by the Board of Mayor and Aldermen (BOMA). There are a few easements that have to be obtained and the City typically has easements acquired before advertising for construction, but we have decided to go ahead and advertise as we obtain the easements for this project in order to speed it along. Proposed schedule for the construction for the Monticello Sanitary Sewer Improvements is; Advertise for Construction bids – June 21, 2009, Receive & Open Construction Bids – July 16, 2009; BOMA Review Bids and Award Construction Contract – July 28, 2009, Construction Start – August 10 or 17, 2009. The construction time for this project is being set as nine (9) months; therefore, expect construction completion to be mid to late May 2010. If the repaving of the streets is made a part of the construction contract (paid for by the City) then the construction time for the project will be set at eleven (11) months. Construction completion would then be mid to late July 2010.

Q: When will the assessment be made--in the beginning of the project or when completed?

A: The final assessment is calculated after final completion of the project and all costs are known. There will be another resolution for BOMA at that time that will set the assessment for each property. The cost used for the assessment as stated in Resolution 2009-14, Section 3 cannot exceed that as stated by more than 10% for the final assessment calculation after project completion. However, should the project cost less; the final assessment calculation is based on the actual costs no matter what that may be.

Q: Assessment reevaluation each year?

A: Tennessee Code Annotated stipulates that the assessment is to be reevaluated each year and if any properties are added to the assessment district that they bear their proportional share of the costs of the improvements.

Q: When the property is reevaluated and perhaps assessed for more for some properties will the fees be decreased for the other property owners since only a certain amount of monies are needed to pay back the total amount of the project?

A: The assessments for the Assessment District have to be evaluated each year and adjusted to take into account changes in some property assessed values or addition of properties to the district. Yes, the assessment for the sanitary sewer improvements should decrease for the other properties in this instance.

Q: What will the sewer fee be per month?

A: The sanitary sewer fee (bill) will depend upon the amount of water used. The fee is calculated based on the water registered by your water meter. For those who use 1,000 gallons or less there is a minimum bill each month. The current minimum bill is \$7.05 (this is subject to change as approved by BOMA). Resident who use more than 1,000 gallons in a month are billed based on their consumption.

Q: Why should I pay for sewer service if I am not connected to the City's system?

A: The City incurs a certain cost of service per resident just to have the system available (whether it is used or not) and the sewer service fee is set to provide the revenue for this cost.

Q: If a resident sells their house can the loan with the City for the assessment be transferred to the new owner?

No, the loan is with the originating property owner and cannot be transferred.

Q: Can the assessment be classified as a tax so it can be taken off federal income tax?

A: No, this is not a tax, but an assessment for an improvement. There may be other methods available to the property owner for the loans to pay for the assessment that would allow for some federal income tax benefits, but this is the property owners' responsibility to determine.

Q: With the new sewer line in place what is the probability that the Eatherly property in front will be rezoned to commercial? Any way to guarantee that it will not?

A: BOMA has indicated previously that they do not intend to rezone the Eatherly property to commercial regardless, but there is no guarantee. This and future Boards have the right to zone or rezone property through a public process. The Eatherly property is already served by a sanitary sewer and is not a part of this assessment district.

Q: When this was voted on it was said that one did not have to connect to the sewer if they did not want to but the lines would be there. Now I understand that a homeowner must connect within 180 days. Why this change?

A: There is no change in what is being said. The Franklin Municipal Code (FMC) currently says that the homeowner has 180 days to connect. What has been said is that after 180 days the homeowner is going to be charged for sanitary sewer service whether or not he/she is connected to the public sanitary sewer. Also it has been stated that Franklin does not have sewer police to check whether or not homeowners actually connect. Alderman McLendon has indicated that he thinks the FMC needs

to be changed, but it has not as yet. BOMA is currently reviewing this section of the Municipal Code.

Q: There has been several questions as to why the costs have changed from when the project was first discussed a couple of years ago during the annexation discussions. There has also been a sheet distributed by a resident of Monticello with cost numbers and a statement that the cost has increased by 131% in two (2) years.

A: The original cost estimate by our consultant in 2007 was based on a very preliminary review of the extent of the project and not on any design (actual length and required depths of the lines were not established). This is typical when projects are first being considered to provide a feel for the magnitude of the project. The cost estimate in 2009 is based on the actual design of the sanitary sewer system with prevailing unit cost for the various construction items and in order to provide gravity sanitary sewer service to all the residents some of the lines had to be relatively deep (twenty (20') feet or so). With the lines being in the streets and at this depth, the street repaving is much more extensive than just a patch.

The estimated project cost as provided by our consultant on January 16, 2007 was \$1,643,580.00. The estimate provided by the same consultant on February 26, 2009 is \$2,205,058.00. The current project cost estimate represents a 34.2% increase from the preliminary cost estimate provided in 2007. We cannot address how the comparison provided by one resident exceeded 131%, but that is clearly not the case in comparing construction estimates. At the request of residents, the City has provided different options to finance the assessment over a longer period of time. The bidding process will provide a true "market cost" for the project. We are hopeful that the bids will be highly competitive. Please remember that these are only estimates. The assessment will be based on the actual costs for construction of the sanitary sewer improvements.