



SEWER ASSESSMENT DISTRICTS ANNUAL REASSESSMENTS

The City of Franklin is extending sanitary sewer to previously unserved residential neighborhoods. To recoup the costs of those investments the Board of Mayor and Aldermen (BOMA) has approved the use of Sewer Assessment Districts. These districts have defined areas and are directly benefiting from the extension. The assessment provisions are governed in accordance with Tennessee Code.

INITIAL ASSESSMENT – The initial assessment is made using the most recent property value provided by the Assessor that is used for issuance of the property tax notices on /about 1 October of each year. BOMA approves an initial assessment and each property (parcel) is allocated their costs based on the proportionate share of the assessed value of their specific parcel (the numerator) to the district total (denominator). For example, if a parcel's assessed value is 5% of the total assessed value of all of the properties in the district, then 5% of the assessment district project cost will be borne by that property owner. The initial assessment terms are determined (principal, interest and duration) from the authorizing documents and are applied to reassessment and repayment provisions. The initial billing for repayment of the assessment starts the month after BOMA approves the initial assessment to allow the City to start recovering its investment.

Payments made are credited to principal should the assessment be paid in full the first year. This is 28 February of the year following approval by BOMA if their approval is between 1 October and 28 February or by 15 September if approved between 1 March and 15 September.

REASSESSMENTS (Annual) – State law requires us to reassess annually for the duration of the assessment period (e.g. approval for repayment over 10 years will result in reassessments occurring annually for 10 years or until all obligations are satisfied).

Since valuations can change annually, the obligation of the property owner can change annually. **Payment of the assessment obligation in full releases the owner from subsequent assessment changes.**

The process for reassessing and reindexing each district follows.



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1. The Assessor performs assessments annually for each property reflecting property values as of 1 January of that year. Owners have the right to contest the Assessor's valuation thru an established process. The City is provided the results by the Assessor in late September so that property tax notices can be issued on/about 1 October. Owners as of 1 January are legally responsible for the tax bill although this should be settled at closing should a property transfer occur, including settlement and liquidation of any outstanding liens. The City will file liens on all properties not paying their initial assessment in full during the initial assessment year.
2. Billing changes occur in March of each year reflecting changes due to reindexing of the annual reassessment.
3. The initial assessment terms are reviewed (principal, interest and duration) from the authorizing documents and are applied to reassessment and repayment provisions.
4. We remove properties where the owner has paid the assessment in full.
5. Determine if any parcels have been subdivided or combined. If the assessment obligation had been satisfied prior to the subdivision or merging, then remove from further consideration. If not satisfied, then these need to be included in future assessments.
6. Determine if BOMA has approved any parcels to be added to the district. The process allows for additions to the district (e.g. adjoining properties to the district). This increases both the numerator and the denominator to which the assessment is calculated and can affect individual obligation.
7. We determine if there are changes in assessed values by the Assessor (item 1 above). The owner may make modifications to their property resulting in a change in value. This can change the relative percentage that parcel has to the total (e.g. adding on to the house can result in an increase in value of the particular parcel and probably result in an increase in the proportionate share of that parcel). Values are available about 1 October reflecting property value as of 1 January of that year so we are always in arrears when reflecting changes due to property changes. NOTE – generally, there are little/no changes annually except during



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countywide reappraisals done every five (5) years. The next one will be reflected in 2011.

8. Determine that there are no changes in property owners or mailing/contact information by reviewing current property records.
9. Determine that owners and tenant are the same using utility billing records. If tenant occupied, modify records to bill owner. Should tenants sign for service and have lease agreement calling for repayment we notify the owner that is their obligation and not to be subrogated or passed on to the tenant.
10. Each year a reassessment is performed and reindexed to reflect changes (see above), and the monthly payment is adjusted using the following criteria.
 - a. The principal amount that has been paid to date reduces the amount outstanding which must be recovered. This allows additional payments to be applied to the principal.
 - b. The expected (estimated) payments that will be made from the time of the reindexing to the month that the new values will start and is reflected in the payment model.
11. Once changes have been incorporated, rerun application (excel program) to allocate proportionate share to each parcel for new assessment value.
12. Once impacts are determined, notify owners of changes. This is to be done in the December period.
13. The reassessment value provided is good until 15 September of the reassessment year as subsequent assessed values will be provided by the Assessor.

REPAYMENT– The assessment is to be “due with the property taxes”. The City issues property tax notices on/about 1 October of each year and are due by 28 February. Initial repayment rules are shown under OTHER CONSIDERATONS below.

Discussions have been held with various districts about repayment plans and we now have settled on monthly payments for standard repayment application across all districts. Owners may make excess payments and pay the total assessment early without penalty.

Interest is applied to the outstanding balance at a rate reflecting the cost of capital for the City at the time the district is approved considering the term (e.g. interest rates are higher



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the longer the repayment term). Repayment will start the month following approval of the initial assessment. Any interest paid the initial year is applied to principal as shown in OTHER CONSIDERATIONS below.

BILLING - The property owners who have an outstanding assessment obligation are allowed to repay the City monthly (interest applies) and bills are typically issued as a line item on the utility bill for the property. However, for those properties where the owner does not occupy the residence or the property is occupied by a tenant, the assessment bill is submitted to the owner on a separate bill. For properties where there are no improvements and no utility services the monthly assessment bill will be issued directly to the owner. The tenant is not responsible for the assessment payment due to penalty actions following.

DELINQUENT ACCOUNTS - Penalty provisions are in effect should the property owner not pay their assessment bill as specified in the authorizing documents. This can result in the entire assessment balance being due should repayments not occur in a timely manner (i.e. if the monthly bills are not paid within the time specified). Legal actions will be taken by the City in accordance with Federal and State laws relative to lien holder rights which can include possession and sale of the property to satisfy the outstanding lien. Should legal action be required, additional fees may apply resulting from legal fees and costs to pursue the delinquency.

Should the utility bill not be paid in full monthly as specified in the Municipal Code, then actions can be taken to include disconnection of water service. Should utility bills be presented in error, then the customer may appeal in accord with City policy.

The City will use the Utility Billing software to monitor delinquent accounts just as we do for all utility service accounts. Those not paying will be identified for action.

OTHER CONSIDERATIONS - Since Sewer Assessment Districts may be approved by BOMA during any month of the year, repayments may not be exactly the years approved (typically 10 years) due to timing of approval by BOMA and the availability of property valuation information from the Assessor. This is primarily due to the authorization which states that the assessment is “due with the property tax”. To ensure consistency of



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application irrespective of timing of the approval of the district by BOMA, **the district end date is the February following approval by BOMA.** This allows each district to have a consistent period for repayment and ensure that no district will have less than the time period approved by BOMA to repay the assessment. Examples follow.

1. BOMA approves the initial assessment between 1 March and 15 September
 - a. Use the assessed valuation from the preceding year for the initial assessment as defined above.
 - b. Payments start the month following approval.
 - c. Owners have until 15 September of that year to pay at that price and interest applied to principal since the initial valuation was based on the preceding property tax notice. This does not meet the exact provisions of “due with property taxes” since the sewer assessment is based on property tax bills that were due prior to approval, it does allow for fairly consistent application of applying interest for repayment provisions.
 - d. On/about 1 October, the new assessment values are available
 - e. City applies reassessments as above
2. BOMA approves the initial assessment from 15 September thru 30 September
 - a. If approved with preceding year assessment values then apply rules as above.
 - b. If paid in full prior to 1 October, the owner may pay at that price.
 - c. On/about 1 October, the new assessment values are available which will mean an almost immediate reassessment.
 - d. Apply reassessment repayment provisions for the new assessed values until 28 February if payment is not made in full by the end of September.
3. BOMA approves the initial assessment from 1 October thru 28 February
 - a. Districts approved in October have a high probability of not having current year values and could be subject to immediate reassessment if we used the assessed valuation from the preceding year for the initial assessment as defined above.
 - b. Payments start the month following approval.



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- c. Owners have until 28 February to pay at that price and all interest applied to principal since the initial valuation was based on the current property tax notice.
- d. On/about 1 October following initial approval, the new assessment values are available.
- e. City applies reassessments as above

Utility service accounts in a Sewer Assessment District will not be allowed to be classified as inactive. Utility services will continue and bills issued even if the property is unoccupied. In those cases, the bills will be the responsibility of the property owner.