



OPERATION & MAINTENANCE ASSESSMENT METHODOLOGY REPORT FOR LAKE LUCIE COMMUNITY DEVELOPMENT DISTRICT

FISCAL YEAR 2024-2025

May 2024

Prepared for:

**Members of the Board of Supervisors,
Lake Lucie Community Development District**

Prepared on May 10, 2024

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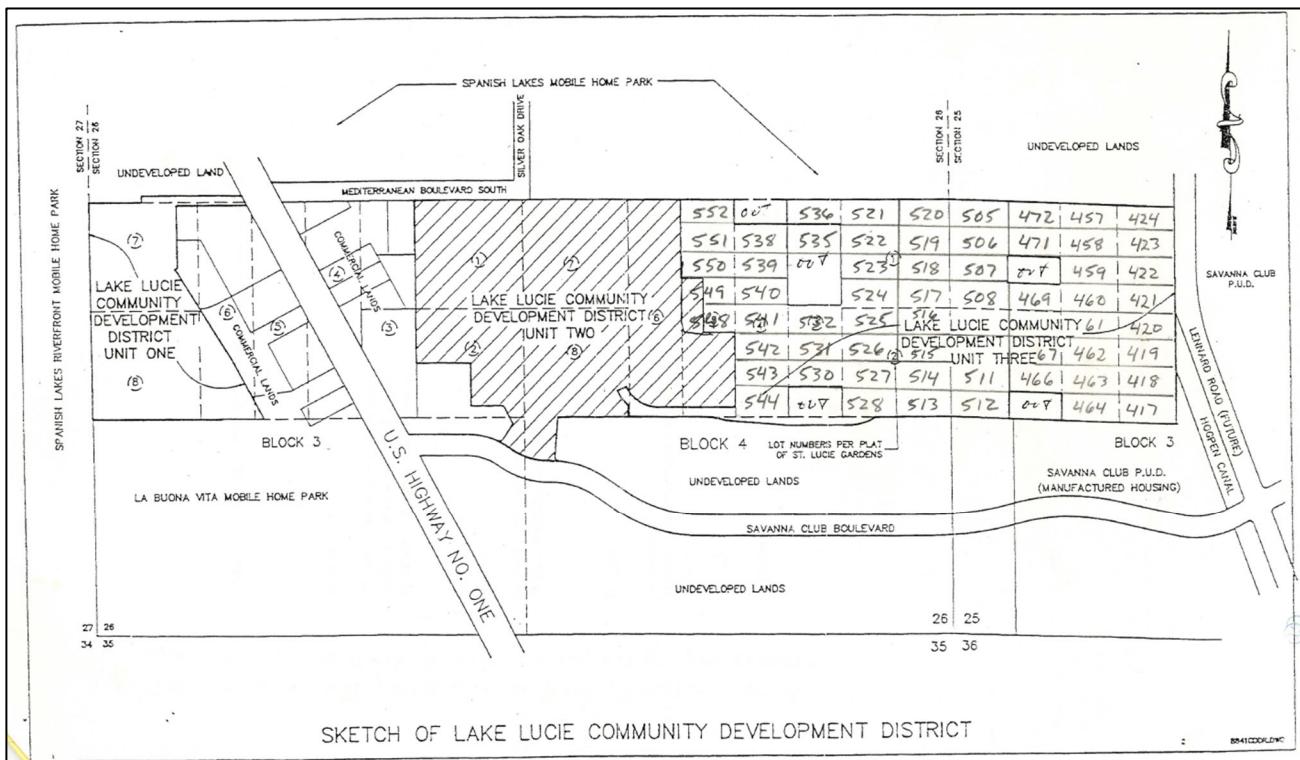
1.0 Introduction

1.1 District Overview

The Lake Lucie Community Development District ("Lake Lucie" or "District") was established in 1989. The District encompasses approximately 126+/- acres within St. Lucie County. The District is broken out into three (3) units ("Units") (see Map 1 through Map 3).

- A business park / industrial park located west of US 1 ("Unit 1")
- Residential Village neighborhood just east of US 1 ("Unit 2")
- Large Lot development adjacent and east of Unit 2 ("Unit 3")

Map 1. District Layout



Source: District Manager



Map 2. Aerial with Unit 1 and partial Unit 2



Source: District Manager

Map 3. Aerial with Unit 2 and Unit 3



Source: District Manager



The District currently funds Operation and Maintenance (“O&M) of its existing capital improvements. These O&M expenses are funded via the collection of an annual non-ad valorem special assessment. As the District’s O&M responsibilities vary over time, the District’s O&M expenses will vary to meet the District’s needs. This Operation and Maintenance Assessment Methodology Report (“O&M Methodology Report”) provides a methodology to allocate the annual O&M expenses among the residential, non-residential development and vacant acres within the District that receive a special benefit from the O&M of the CIP installed within the District. The methodology described here allocates the District’s annual O&M expenses to properties based upon the benefits each receives from the infrastructure program. This report is designed to conform to the requirements of Chapters 190 and 170, F.S. with respect to special assessments and is consistent with PFM Financial Advisors LLC (“PFMFA” or “Assessment Consultant”) understanding of Florida state statutes and the case law on this subject.

1.2 Budget Overview

The Board of Supervisors (“Board”) of the District are in the process of establishing the District’s Proposed Budget for Fiscal Year 2025 (“2024-2025 O&M Budget”). The District currently funds O&M of its existing infrastructure. These O&M expenses are funded via the collection of an annual non-ad valorem special assessment. As the District’s operation and maintenance responsibilities vary over time, the O&M expenses will vary to meet the District’s needs.

The lands within the District have undergone development since 1989. It is appropriate for the District to refine the methodology for both its current O&M operations associated with its existing infrastructure as well as outline the methodology regarding O&M expenses associated with the forecasted development within the District. This O&M Methodology Report is associated with the 2024-2025 O&M Budget. This O&M Methodology Report contains the recommended O&M assessment methodology (“O&M Methodology”) to be used for allocating the District’s Fiscal Year 2024-2025 O&M Budget, also, for the allocation of O&M assessments in future years. Table 1 summarizes the proposed 2024-2025 O&M Budget on a net basis inclusive of estimated costs of collection via the county and tax collector (Appendix A provides the detail).

In addition, per discussions with Premier District Management (“District Manager”), while elements of the budget can be allocated across the entire District, various elements of the O&M budget benefit distinct Units of the District, which are also identified in Appendix A.

Table 1. Lake Lucie Fiscal Year 2024-2025 O&M Budget (1)

| | |
|--------------------------|-----------------|
| General Administrative | \$62,623 |
| Lakes & Ponds | \$4,000 |
| Irrigation & Landscape | \$49,200 |
| Operations & Maintenance | \$97,377 |
| Other Uses | <u>\$29,800</u> |
| Total | \$243,000 |

Source: Lake Lucie CDD Proposed Budget for Fiscal Year 2025

(1) balanced to be consistent with net assessment budget of \$243,000 (see Appendix A)



1.3 Requirements of a Valid Assessment Methodology

In PFMFA's experience, there are two primary requirements for special assessments to be valid under Florida law. First, the properties assessed must receive a special benefit from the improvements paid for via the assessments. Second, the assessments must be fairly and reasonably allocated to the properties being assessed. If these two characteristics of valid special assessments are adhered to, Florida law provides some latitude to legislative bodies, such as the District's Board of Supervisors, in approving special assessments. Indeed, Florida courts have found that the mathematical perfection of calculating special benefit is likely impossible. Our research suggests that only if the District's Board was to act in an arbitrary, capricious, or grossly unfair fashion would its assessment methods be overturned.

2.0 Assessment Methodology

2.1 Overview

The assessment methodology is a process by which the District will allocate the costs associated with its O&M activities to properties in the District benefiting from the improvements. The allocation is based upon the benefits that each property receives.

2.2 Allocation of Annual O&M Budget

As noted in Section 1.3, as long as two basic principles are adhered to, Florida law generally allows the District Board some latitude in determining the appropriate methodology to allocate the O&M budget to benefiting properties in the District. The two principles are: (1) the properties being assessed must receive a special benefit from the Star Farms CIP and (2) the assessments allocated to each property must be fairly and reasonably apportioned among the benefiting properties. In allocating special assessments to benefiting property, Florida governments have used a variety of methods including, but not limited to, front footage, area, trip rates, equivalent residential units ("ERU"), dwelling units, and acreage. These ERU values equate the benefit received by a stated amount of such particular land use category to the benefit received by a typical single-family residence. The use of ERU values to estimate the benefit derived from infrastructure improvements is recognized as a simple, fair, and reasonable method for apportioning benefit. The Florida Supreme Court concluded that the ERU method was a valid methodology in its decision in *Winter Springs v. State*.¹ In addition, the ERU methodology is widely used in other similar CDDs.

The ERU values assigned to properties within the District are found in Table 2 are recommended for use by the District as the basis for allocating annual O&M expenses. It's important to note that according to the District Manager the District is still in the development process, and includes vacant developable acres, and the District has yet to finalize its full set of land uses, especially as it relates to the non-residential development within the District. Each developable vacant acre currently is given an ERU value of 1.0.

¹ City of Winter Springs v. State, 776 So.2d 255 (Fla 2003)



Table 2. Lake Lucie CDD ERU Factors

| <u>Land Use</u> | <u>ERU Factor</u> | <u>Description</u> |
|----------------------|-------------------|---|
| Non-Residential SQFT | 0.0005 | 1 ERU = 2,000 sqft of non-residential space |
| Vacant Acres | 1 | 1 ERU = 1 vacant acre |
| Unit / Platted Lot | 1 | 1 ERU = 1 unit or platted lot |
| Unit / Lot / Parcel | 1 | 1 ERU = 1 unit or platted lot or parcel |

Source: PFM Financial Advisors LLC

While certain elements of the budget can be allocated across the entire District various elements of the O&M budget were identified as benefiting a distinct Unit or Units. Below is a summary of those budget allocation details among the Units:

- General Administrative: total budget to ALL Units
- Lakes & Ponds: total budget split 50/50 between Unit 2 and Unit 3
- Irrigation & Landscape: total budget to Unit 2 only
- Operations & Maintenance: total budget to Unit 2 (less Business Park line item to Unit 1 and less Undeveloped Acreage line item to Unit 3)
- Other Uses: total budget to Unit 2 only

As part of the allocation analysis, the District Manager provided the parcels within the District subject to assessment. This parcel data was analyzed identifying the amount of vacant acres within Unit 1 as well as the amount of non-residential square feet developed per parcel in Unit 1. The number of units and or platted lots were identified in both Unit 2 and Unit 3. Table 3 summarizes the number of parcels and allocation of ERUs among Unit 1, Unit 2 and Unit 3.

Table 3. Summary of Parcel and ERU Allocation

| | Total Parcels | Total ERUs | % |
|--------|---------------|--------------|--------------|
| Unit 1 | 11.00 | 44.09 | 16.7% |
| Unit 2 | 156.00 | 156.00 | 59.1% |
| Unit 3 | <u>64.00</u> | <u>64.00</u> | <u>24.2%</u> |
| Total | 231.00 | 264.09 | 100.0% |

Source: District Manager and PFM Financial Advisors LLC

As described above, based on the nature of the O&M budget and that various elements were identified as benefitting specific Units within the District, PFMFA reviewed and allocated the budget accordingly. Table 4 details that allocation and Table 5 details the resulting budget amount per ERU per Unit.



Table 4. Summary of Budget Allocation Across the District's Units

| | <u>Total ERUs</u> | <u>%</u> | <u>ALL</u> | <u>Unit 1 Only</u> | <u>Unit 2 Only</u> | <u>Unit 3 Only</u> | <u>TOTAL</u> |
|--------|-------------------|--------------|-----------------|--------------------|--------------------|--------------------|-----------------|
| Unit 1 | 44.09 | 16.7% | \$10,455 | \$5,000 | | | \$15,455 |
| Unit 2 | 156.00 | 59.1% | \$36,992 | | \$168,377 | | \$205,369 |
| Unit 3 | <u>64.00</u> | <u>24.2%</u> | <u>\$15,176</u> | | | \$7,000 | <u>\$22,176</u> |
| Total | 264.09 | 100.0% | \$62,623 | \$5,000 | \$168,377 | \$7,000 | \$243,000 |

Source: PFM Financial Advisors LLC

Table 5. District O&M per ERU per Unit

| | TOTAL | Total ERUs | \$/ERU |
|--------------|------------------|------------|------------|
| Unit 1 | \$15,455 | 44.09 | \$350.54 |
| Unit 2 | \$205,369 | 156.00 | \$1,316.47 |
| Unit 3 | <u>\$22,176</u> | 64.00 | \$346.50 |
| TOTAL | \$243,000 | | |

Source: PFM Financial Advisors LLC

Based on the information provided and allocation herein, Appendix B includes the detailed assessment roll associated with the FY 2024-2025 O&M Budget for the Lake Lucie CDD.

APPENDIX A
PROPOSED FISCAL YEAR 2025 BUDGET

General Fund

| | <u>BUDGET</u> | <u>UNIT Allocation</u> | <u>% Allocation</u> | <u>BUDGET (NET)</u> |
|---|----------------|---------------------------------|---------------------|-------------------------|
| | <u>FY 2025</u> | | | |
| Revenues | | | | |
| 001.361001 Interest-Investments | 1,000 | | | |
| 001.363010 Assmnts-Tax Collector (Net) | 243,000 | | | |
| 001.369900 Other Misc Revenues | - | | | |
| Total Revenues | 244,000 | | | |
| Expenses | | | | |
| Administrative | | | | |
| 001.511001 Payroll Wages | 6,000 | | | |
| 001.521001 Payroll Taxes | 310 | | | |
| 001.531023 Prof Serv-Legal Services | 3,500 | | | |
| 001.531025 ProfServ-Accounting | - | | | |
| 001.531027 Prof Serv-Mgmt Consulting Svcs | 31,930 | | | |
| 001.531035 Prof Serv-Property Appraiser | 4,388 | | | |
| 001.531042 ProfServ-Tax Collector | 2,670 | | | |
| 001.532002 Auditing Services | 3,000 | | | |
| 001.541005 Internet Service | - | | | |
| 001.541006 Shipping | 800 | | | |
| 001.545000 Insurance-General | - | | | |
| 001.545002 Insurance-Liability | 6,500 | | | |
| 001.545007 Insurance-Worker's Comp | 850 | | | |
| 001.548002 Legal Advertising | 2,000 | | | |
| 001.549008 Storage | - | | | |
| 001.549009 Misc-Bank Charge | - | | | |
| 001.551002 Office Supplies | 1,500 | | | |
| 001.554007 Annual District Fee | 175 | | | |
| Total Administrative | 63,623 | ALL* | 25.8% | \$62,623 |
| Lakes & Ponds | | | | |
| 001.534084 Contracts-Lakes | 4,000 | *reduced by \$1000 for interest | | |
| Total Lakes & Ponds | 4,000 | Unit 2 & Unit 3 | 1.6% | \$4,000 |

General Fund

| | <u>BUDGET</u> | <u>BUDGET</u> | | |
|---|----------------|------------------------|--------|-----------|
| | <u>FY 2025</u> | | | |
| Irrigation & Landscape | | | | |
| 001.534050 Contracts-Landscape | 31,200 | | | |
| 001.546036 R&M-Landscape | 15,000 | | | |
| 001.546041 R&M-Irrigation | 3,000 | | | |
| Total Irrigation & Landscape | 49,200 | | | |
| Operations & Maintenance | | | | |
| 001.539390 Improvements-Pool | 5,000 | Unit 2 Only | 20.2% | \$49,200 |
| 001.540004 Fuel | 600 | | | |
| 001.543006 Electricity-General | 26,500 | | | |
| 001.546001 R&M-General | 8,000 | | | |
| 001.546025 R&M-Pool/Cabana | 10,000 | | | |
| 001.546064 R&M-Mulch | 2,000 | | | |
| 001.546071 R&M-Pest Control | 3,000 | | | |
| 001.546084 R&M-Streets/Sidewalks | 15,000 | | | |
| 001.546085 R&M-Signage | 7,500 | | | |
| 001.546099 R&M-Tree Trimming | 8,000 | | | |
| R&M Business Park | 5,000 | Unit 1 | | \$5,000 |
| R&M Undeveloped Acreage | 5,000 | Unit 3 | | \$5,000 |
| 001.549005 R&M-Equipment Rental | 1,000 | | | |
| 001.549900 Misc-Contingency | 777 | | | |
| Total Operations & Maintenance | 97,377 | UNIT 2 (less Unit 1&3) | 40.1% | \$97,377 |
| Total Expenses | 214,200 | | | |
| Other Sources | | | | |
| 001.384010 Loan Proceeds | 0 | | | |
| Total Other Sources | 0 | | | |
| Other Uses | | | | |
| 001.571001 Principal Debt Retirement | 24,500 | | | |
| 001.572001 Interest Expense | 5,300 | | | |
| Total Other Uses | 29,800 | Unit 2 Only | 12.3% | \$29,800 |
| Excess Revenue Over (Under) Expenditures | | 243,000 | 100.0% | \$243,000 |
| <i>Fund Balance Beginning</i> | 1,038 | | | |
| <i>Fund Balance Ending</i> | 1,038 | | | |

