To: Ronald Centamore, President
From: Marilynn Mammano, Immediate Past President *MM*
Regarding: Report to CFLCA Regarding the ITF
Date: November 7, 2018

I want to thank you for the opportunity to represent CFLCA on the City of Fort Lauderdale Infrastructure Task Force. The Task Force was established in March 2017 and our mission is to focus on infrastructure, priorities, funding and public input.

To date, there have been 17 Task Force meetings, all open to the public and available in videos on the city's website. We held four listening meetings around the City. We held two workshops with the City Commission, this last one on October 10 just after their consideration of the FY 2019 Budget. At that meeting we discussed the *Infrastructure Committee Status Report*. (See attached *Infrastructure Committee Status Report*). The Mayor asked us to return for another workshop in January 2019 well in advance of the FY 2020 budget cycle.

I reported regularly on the progress of the ITF at CFLCA Meetings. You asked me to prepare a one-page summary. I am calling it "So What About Infrastructure?". Hopefully our member organizations will use this information to inform their members about this complex, costly and serious issue. The more people know, they can make their own judgements and lobby their elected representatives to respond. (See attached *So What About Infrastructure*).

Infrastructure is everything you see or don't see that makes our city function. You see the roads, city building/facilities, sidewalks, parks, seawalls etc. You don't see the water mains, storm sewers and sanitary sewers, communication equipment. Most people don't think about these things unless they are absent, inadequate or broken. Our aging overburdened sewer system failed in a spectacular fashion recently and everybody noticed.

The City pays for infrastructure just like your family pays for a new roof. They put money in the bank over time and replace the roof or they borrow money to replace the roof and pay it back with interest over time. The City has a bank account for infrastructure called the Capital Investment Plan (CIP). Every year money goes into the CIP from taxes, fees, grants etc. Some of that money is restricted in how it can be spent, for instance, water/sewer fees can't be spent on paving roads. These restrictions may be contained in bond covenants, ordinance restrictions, etc. However, for the past five years the City has been using a portion of water/sewer fees to fund the operating budget. This practice, known as ROI, resulted in approx. $100,000,000 being diverted from capital projects to general expenses. The City Commission recently committed to phasing out this practice over a four-year period starting in FY 2019.

After the 2008 Great Recession the City choose to make budget decisions based on preserving jobs and services while deferring maintenance. Property taxes have not been raised in twelve years. Fees for water/sewer and storm water sewers kept going up but we have some of the lowest fees in Broward County and Florida. There simply isn't enough money to catch up and get ahead.

So, What About Infrastructure

So, how big is our infrastructure problem? The ITF estimates that the City will have to spend 3 billion dollars over the next 20 years on replacing and maintaining our infrastructure. (see *Infrastructure Committee Status Report* attached). The good news is, a great deal of planning has already been done to identify the needs and sources of funding. Progress is being made. The bad news is, 3 billion dollars is just an estimate. The number is likely to increase as we firm up studies and address new needs (Climate change, communications). Just inflation in the cost of materials/labor needs to be factored in. There are "opportunity cost" how much money are we spending to extend the life of obsolete facilities while waiting for enough money to replace them. Twenty years is a very long planning horizon and many things can happen both positive and negative in that time. But we can't let uncertainty stop us from acting immediately.

So, how do we fund our infrastructure needs? There are two main ways to fund infrastructure projects; real estate taxes and fees. These can be used directly to pay for projects and/or leveraged to secure money from county state and federal sources. Bonds are taxes and fees in disguise. They are simply a way to borrow money when you need it and repay it over time with interest from taxes or fee revenue. There is no free lunch.

So, how About Taxes: The City Commission adopted a millage rate for FY 2019 of 4.1193, the same as it has been for twelve years. Had they raised the millage rate to 5.1193 it would have generated approx. $35,000,000 additional revenue. That would have raised your taxes $100 for every $100,000 of your property's assessed value. That 35 million dollars could have been used to build sidewalks in the City's Mobility Master Plan, start on raising the City's seawalls, repave roads, replace park bathrooms etc. You could save that money for three years and have enough to build a new police station. The options are endless and the residents through their elected representative could make those choices. The problem is making sure the additional revenue is only used for infrastructure and doesn't disappear into the general city operations budget.

So, how About Fees: Everyone knows that the fees for water/sewer have been going up at 5% per year. The city is completing a rate study analysis of the system needs for the next ten years and fees will be going up even more. We need to spend 1.4 billion dollars over 30 years just to make sure we have clean water and a functioning sewer system. Ending the practice of ROI transfers out of water/sewer could add $20 million to the CIP in year four. Storm water fees are rising as well. We need to spend close to a billion dollars just to provide storm sewers to seven neighborhoods that habitually flood. A similar rate study is being done to determine how much storm water fees need to be raised.

So, taxes vs fees: Raising taxes or fees will impact the City's competitiveness. The good news is that with both we have some room to maneuver. The bad news is both need to go up. So, which is better? Real estate taxes are progressive i.e. homes assessed at a lower value pay less and homes assessed at a higher value pay more. Fees are regressive, i.e. everyone, regardless of their ability to pay, pays the same price for a unit of service. Also, not everyone pays real estate taxes like schools and non-profits. Fees are paid by all the users of the service including non-city residents and future residents. However, as fees continue to go up and up some lower income users will not be able to pay. At some point down the line people will lose their homes because they can't pay the water bill. Also, the method of assessing those fees has to be transparent and equitable. The City is beginning to tackle the issue of equity in the rate studies. Changes will need to be made.

So, bonds vs "pay as you go": Paying for a capital project with bonds obviously cost more because of the added fees and interest cost. But wait. If it needs to be done now you may have no choice. Also, there are costs associated with waiting until you accumulate the total amount such as ongoing repairs. You could get creative and borrow against the dedicated tax revenue if you need to. Also, taxes are paid by current residents every year. Bonds are paid by current residents and future residents for the term of the bond. By spreading out the cost over 30 years the yearly hit is less.

So, what to do: Its complicated and its long term. We have to use and maximize every funding source available. We have to let our elected representatives know, that we know, hard choices need to be made. We have to make those hard choices. We can't lose focus on the issue. We need to keep talking to our neighbors and elected representatives about infrastructure.

Respectfully Submitted November 7, 2018
Marilyn Mammano, Immediate Past President CFLCA *MM*