



City Commission Work Session

Agenda

May 11, 2023 @ 1:00 pm

City Hall - Commission Chambers
401 S. Park Avenue

welcome

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please note

Times are projected and subject to change.

1. **Call to Order**
2. **Discussion Item(s)**
 - a. [West Fairbanks Annexation Cost-Benefit Study Results](#) 120 minutes
3. **Adjournment**



City Commission **agenda item**

item type Discussion Item(s)	meeting date May 11, 2023
prepared by Peter Moore	approved by Michelle del Valle, Randy Knight
board approval Completed	
strategic objective Fiscal Stewardship	

subject

West Fairbanks Annexation Cost-Benefit Study Results

motion / recommendation

background

City staff has performed an in-house analysis of the cost benefit of potentially annexing three areas adjacent to West Fairbanks Ave. Staff will present findings at the work session, review the draft report with the City Commission, and discuss potential next steps. The report is attached to this item.

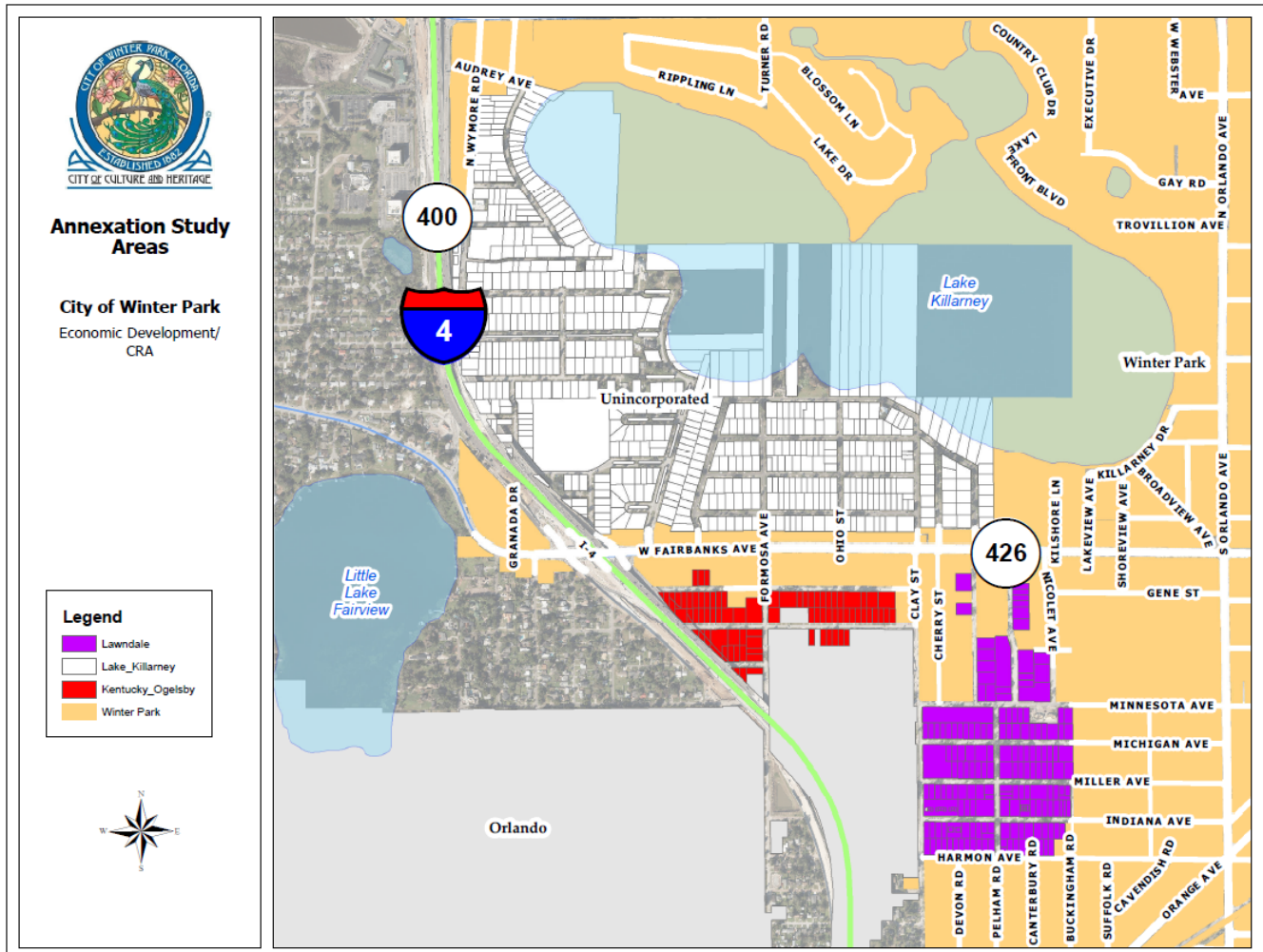
alternatives / other considerations

fiscal impact

ATTACHMENTS:

[West Fairbank Area Annexations - Cost Benefit.pdf](#)

WEST FAIRBANKS AREA ANNEXATIONS



05/11/2023

Cost & Benefit Studies:
Killarney, Kentucky-Ogelsby, & Lawndale

Office of Management & Budget

May 2023

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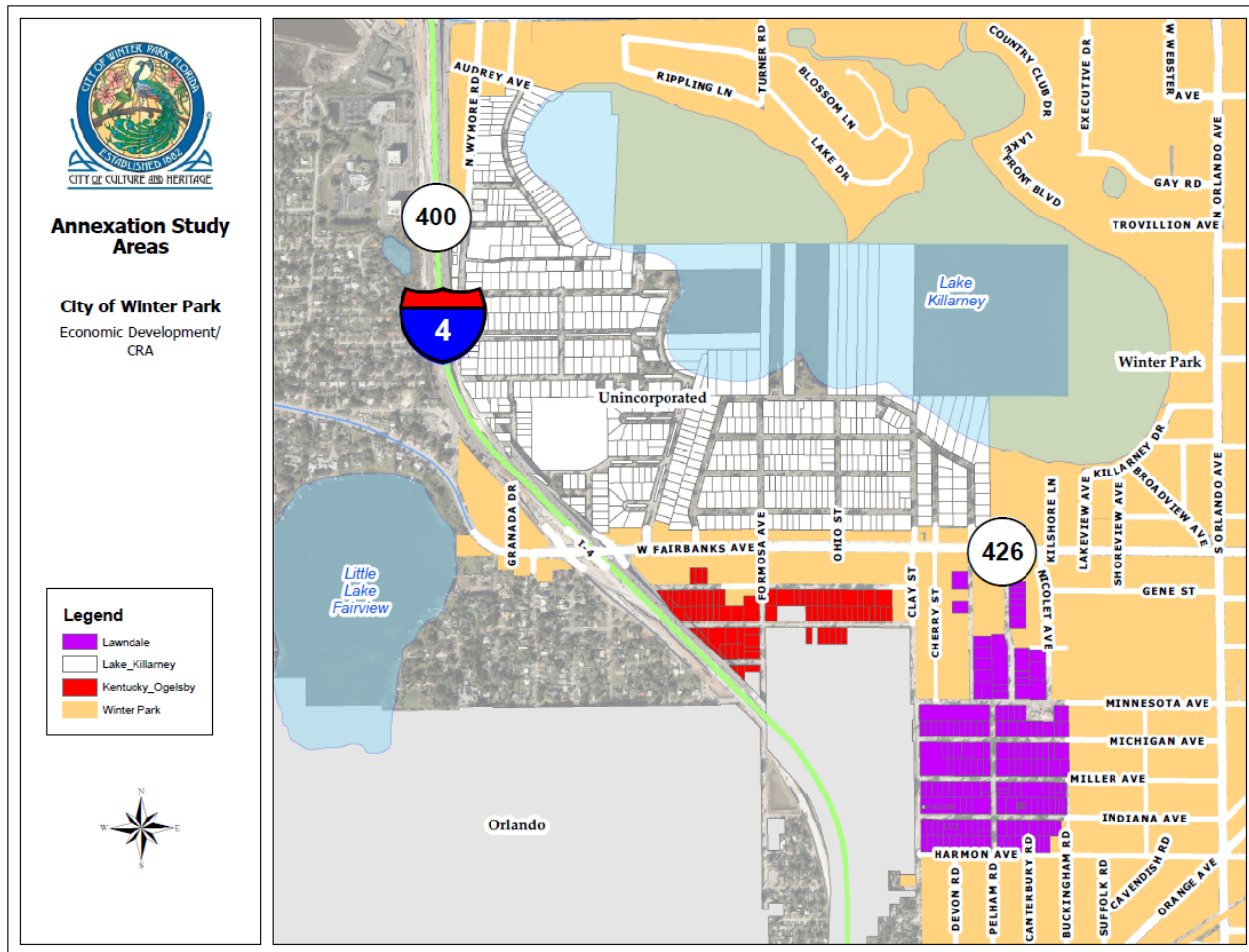
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ASSUMPTIONS

Annexation Areas

The areas under consideration for annexation are defined as Killarney (the white area north of W. Fairbanks Ave.), Kentucky-Ogelsby (the red area south-west of W. Fairbanks Ave.), and Lawndale (the purple area south-east of W. Fairbanks Ave.). These areas were provided by the Planning Department and for the purpose of gathering associated costs and revenues for each area they will be defined throughout this document as Killarney, Kentucky, and Lawndale. (A full size version of this map is located in the appendix.)



Inflation

This analysis does not use any inflators in its future forecasted revenues and expenditures. Inflators could certainly be applied and would be valid in situations where there is expected to be significantly divergent rates of change in various revenues and expenditures. Overall, the assumption is that revenues will rise in a similar fashion to expenditures over the long term and that this is a safer assumption than trying to create adjustments for possible rates of growth of future development and its effect on property tax revenue and the variability that inflation and a potential near-term recession might have on growth. Adjustments for issues related to potential tax base growth or inflation/recession will instead be discussed as modifiers to any final opinion on this analysis.

Data Sources

Data was largely sourced through public sources such as the Orange County Property Appraiser and ESRI. Internal city data collected related to billing, costs, and revenue history was also utilized to generate assumptions. Where applicable, reference will be made to the data sources as well as any methodologies and assumptions when discussing the various costs and revenues.

Department Cost Estimates

Departments were asked to provide the additional personnel, equipment, and operating needs for adding the three potential annexation districts. Valuations for the cost of personnel and equipment were made by staff based on the most recent cost per employee data available for fiscal year 2022 – 2023. Many costs have also been annualized to account for capital replacement of items and buildings over their useful life. For instance, vehicles and equipment will have an initial purchase cost but then the ongoing annual costs will factor in a reserve for their eventual replacement. This means that in actuality the city will not spend all the funds indicated in every fiscal year, but that those total amounts represent the actual costs plus the implied liability of needing to replace items in future. Any capital projects, such as stormwater improvements or the Fire Station are also assumed to be financed through debt issuance and therefore has no initial startup capital cost and is funded annually through debt service payments. While in actuality they may be paid from existing sources of funds or future grants, for the purpose of showing the opportunity cost of doing them, financing the improvement requires the fewest assumptions.

Population Growth & Revenue Allocations

A large part of a city's revenue comes from funding collected by the state and allocated out to jurisdictions based largely on population. Intergovernmental revenues, most notably half-cent sales tax, are largely effected by population count. Annual receipts from the state are given on a per capita basis and are quite often the same across all the jurisdictions within Orange County. Winter Park has one of the slowest population growth rates in all of Orange County, therefore when it comes to revenue received per capita, it is assumed that it will remain consistent with history. To the extent that the city might undergo a near-term boom in population count, revenue assumptions for future per capita allocations may need to be revised, however this seldom impacts results with revenues more closely tied to the total amount of funding collected in any year based on the general state of the economy.

A Note on Property Taxes

Property tax data at the time of compiling this report was only available for the 2022 tax year. The 2023 data will not be available until the end of 2023. For now, property taxes were adjusted upward by 8% to reflect the rate at which the Winter Park area property valuations are likely to increase in the coming year.

A Note on Service Levels & Development

The West Fairbanks area could benefit from increased levels of capital investment in green space, stormwater, and infrastructure. Ultimately it is the care and level of capital investment that Winter Park devotes to its jurisdiction that makes it the vibrant, quality location that it is today. There may be a number of projects that stakeholders would like to see pursued in the proposed annexation areas however an annexation analysis looks

West Fairbanks Area Annexations

at existing costs and revenues to determine the cost-benefit. It would be impossible for largely underdeveloped areas like West Fairbanks to be expected to support significant capital investment without growth. Therefore, it is the assumption of this analysis that any major future capital investment should be supported by development investment. Ultimately if development cannot support the infrastructure needed to serve it, then it should not be approved. Development growth, in terms of its scale, composition, and timing is quite variable and forecasts on what could happen would be largely conjecture. The need for any large capital investment absent development growth in the area, should not be modeled financially as it could result in any outcome, but instead inform any decision on the timing and willingness to annex any of these potential areas.

ANNEXATION AREA DEMOGRAPHICS & PARCEL DATA

The three annexation areas comprise a total population of almost 1,800 in 840 households, with 70% of the population being in the Killarney annexation area. The vast majority of parcels in all areas are residential with fairly low overall building density. Population data comes from ESRI reports for each area (full reports attached in the appendix) and parcel data comes from the Orange County Property Appraiser website. The Killarney area has the lowest implied density and is unlikely to see significant increases in density due to the residential future land use of its parcels. The Kentucky and Lawndale areas, due to adjacent commercial development, are likely to see increases in valuation and density over the long-term as areas redevelop. The valuation of density can be clearly seen as Lawndale, which has higher density, is 1/5 the size of Killarney but has twice the taxable value per square foot.

Annexation Areas	Killarney	Kentucky-Ogelsby	Lawndale
Est. Population	1,261	55	470
Est. Households	595	19	226
Area SF	8,649,259	675,354	1,690,533
Living SF	856,646	88,897	349,468
Implied Bld. Density	9.9%	13.2%	20.7%
Impervious Coverage SF	2,203,128	187,087	808,753
Implied Imperv. Density	25.5%	27.7%	47.8%
Taxable Value	121,214,194	11,705,685	50,588,852
Count of Parcels	573	86	183
Median Parcel Value	\$ 185,320	\$ 120,373	\$ 231,322
Taxable Value per SF Area	\$ 14.01	\$ 17.33	\$ 29.92
Taxable Value per SF Living	\$ 141.50	\$ 131.68	\$ 144.76

REVENUE SOURCES

Revenue Estimates	Killarney	Kentucky-Ogelsby	Lawndale
Tax Year 2023 Est. WP Tax Rev.	535,728	51,735	223,587
Local Option Gas Tax	38,517	1,680	14,356
Comm Svs Tax	81,908	3,572	30,529
Sales Taxes	239,422	10,443	89,238
Revenue Share	62,980	2,747	23,474
Stormwater	132,188	11,225	48,525
Solid Waste Franchise Fee	11,900	380	4,520
Water Utility Tax	12,515	1,077	5,821
Water & Sewer Premium Loss	(22,815)	(1,576)	(14,233)
Electric Franchise Fee	106,886	3,413	40,599
Electric Utility Tax	135,731	4,334	51,555
SRO Reimbursement	60,000	NA	NA
EMS Transport Fees	42,385	533	4,553
Total Revenues	1,437,345	89,564	522,523
Revenues per Capita	1,140	1,628	1,112
Revenues per SF Land	0.17	0.13	0.31
Revenues per SF Living	1.68	1.01	1.50
Revenues per Parcel	2,508	1,041	2,855

Property Tax Revenue

The 842 parcels that make up the potential annexation areas had a taxable value of \$183.5 million for the 2022 tax year and would generate \$751k in annual property tax revenue based on the City of Winter Park's operating millage rate of 4.0923. It would be fair to adjust this annual amount upwards as 2023 data is not yet available, and applying the Winter Park growth rate in taxable value of 8%¹, would yield \$811k in annual revenues across all three annexation areas. The median parcel value in the areas vary significantly with Kentucky the lowest at \$120k, Killarney at \$185k, and Lawndale at \$231k. As the Winter Park overall median parcel value for comparable properties is \$253,739², it is likely that there is room for natural levels of increase over time should this area be improved like the rest of the existing city. Property tax revenue would impact the city's General Fund.

Intergovernmental Revenues

These revenues reflect funding from sources collected by the state and remitted back to local governments based on various methodologies. In most cases, they are apportioned based on population and this analysis uses the most recent revenue estimates for FY23 on a per capita basis. Based on the official Winter Park population of 30,021 the following intergovernmental revenue sources are indicated on a per-capita basis for both the 2023 and 2022 years. Total revenue impacts were then derived for each annexation area based on their populations. Intergovernmental revenues impact the city's General Fund.

¹ This is an estimate based on recent years' growth rates. Last year taxable values in Winter Park grew at around 10% and have been in the high single digits for a few years. It is assumed that the current city's growth history of values could be equated to the proposed annexation areas.

² Median of all parcels with a DOR use code of 100 (residential property with a building).

Source	Current Estimates						Prior Year Actual					
	2023 Capita	Est.	Per	2023 Revenue	Est.	Total	2022 Capita	Est.	Per	2022 Revenue	Est.	Total
Local Option Gas Tax	30.54			916,978			31.96			959,539		
Comm Svs Tax	64.95			1,950,000			61.38			1,842,663		
Sales Taxes	189.87			5,700,000			193.14			5,798,265		
Revenue Share	49.94			1,499,385			56.29			1,689,789		
Total	335.31			10,066,363			342.77			10,290,255		

Utility Taxes & Franchise Fees

The City of Winter Park already provides water and sewer services to the annexation areas, but water utility taxes that would have been paid to Orange County will now be directed towards the city. Electric services will still be provided by Duke Energy regardless of annexation, however the city will start to receive the electric utility taxes and franchise fees for the areas. All of these sources will impact the city's General Fund.

Electric Franchise Fees & Electric Utility Taxes

The majority of the parcels in all three annexation areas are coded for residential use by the Orange County Property Appraiser. For the purpose of revenue analysis, it has been assumed that residential valuations could be applied to the total area. This may understate revenues in some instances however it is not likely to be of substantial impact to the overall analysis.³ The Duke Energy paid franchise fee for April on an average 1,500 kWh residential consumer is \$14.97 monthly and electric utility tax per the same customer was \$19.01. These were then annualized and multiplied by the household count in each annexation area to estimate the revenue impact.

Water Utility Taxes

Like electric utility taxes, water utility tax is paid to the jurisdiction as part of the monthly bill. Currently the jurisdiction is unincorporated Orange County even though the annexation areas are already customers of the city's utility. The existing water utility taxes paid in the annexation areas were annualized and discounted by 25% to estimate the approximate tax revenue that would now be paid to the city.

Water & Sewer Premium Loss

The Water and Wastewater Utility already serves the annexation areas and any area served by the city's utility that is outside the jurisdictional limits, plays a 25% premium. If these areas are annexed the utility would lose this premium. Like the Water Utility Taxes, existing total bills for the area were annualized and then discounted.

Solid Waste Franchise Fees

³ Killarney area has 85% of parcels in residential use, Kentucky at 66%, and Lawndale at 86%.

Solid waste franchise fees that would be paid by Waste Pro to the city typically equate to about \$20 per household per year. This was then multiplied by the number of households in each annexation area.

Public Safety Related Revenue Sources

School Resource Officer Reimbursement

Orange County Public Schools provide reimbursement to the city for police officers services dedicated to monitoring the schools through the School Resource Officer (SRO) program. As Killarney Elementary would require an additional SRO, the city will receive its annual contracted amount of \$60k per SRO. This revenue source would impact the city's General Fund and would only apply to the Killarney annexation area.

Ambulance (EMS) Transport Revenues

The Fire Department receives payment through insurance programs for the transport of critical patients in its ambulances. The Fire Department estimates that the Killarney area is likely to generate 125 transports annually, with the south Fairbanks areas of Kentucky and Lawndale only generating about 15 total. The city has a published fee list for types of transports and the average weighted fee per transport over the last year has been \$895. The city also has a 38% collection rate after failures to pay and payment to the processing service are taken into account. Based on these assumptions, transports will result in about \$42.4k annually in the Killarney area, with the remaining \$5k in revenue prorated based on population in the Kentucky and Lawndale areas. These are revenues received in the General Fund.

Stormwater Fees

Stormwater fees are based on impervious coverage on any given parcel, depending upon the type of use and amount of coverage, varying fee amounts are assessed as part of the monthly utility bill. In general, the average rate equates to half a cent per square foot of impervious coverage. The GIS division at the city estimated the total impervious coverage in each respective annexation area and this was multiplied by the average rate to approximate total revenues anticipated. Annually this generates about \$192k in revenue for the Stormwater Fund, with just over 2/3 attributed to the Killarney area.

Revenue Summary

Overall, it is estimated that the annexation areas would generate approximately \$2 million in annual revenues in 2023-dollar terms. This is across all fund sources, assumes all areas are annexed, and makes no distinction for fund source. While it may be possible that total revenues equal total costs, it would not necessarily be the case that within each fund that revenues and costs balance equally. This leads to the expenditure discussion where costs can be assigned to individual areas in order to determine if some or all of the potential annexation areas could be assumed at a financial break-even.

Source	Fund	Killarney	Kentucky-Ogelsby	Lawndale	Totals
Property Taxes	General	535,728	51,735	223,587	811,051
Local Option Gas Tax	General	38,517	1,680	14,356	54,553
Communications Services Tax	General	81,908	3,572	30,529	116,009
Half-Cent Sales Tax	General	239,422	10,443	89,238	339,103
Municipal Revenue Share	General	62,980	2,747	23,474	89,201
Solid Waste Franchise Fee	General	11,900	380	4,520	16,800
SRO Reimbursement	General	60,000	-	-	60,000
EMS Transport Fees	General	42,385	533	4,553	47,471
Water Utility Taxes	General	12,515	1,077	5,821	19,412
Electric Utility Taxes	General	135,731	4,334	51,555	191,621
Electric Franchise Fees	General	106,886	3,413	40,599	150,898
Stormwater Fees	Stormwater	132,188	11,225	48,525	191,938
Water & Sewer Revenues	Water & Sewer	(22,815)	(1,576)	(14,233)	(38,624)
Total Estimated Revenue Impact		1,437,345	89,564	522,523	2,049,432

CITY EXPENDITURES

The city will incur a number of costs to provide the level of service that current residents enjoy. Estimates are based on input and estimates from Department Heads, Budget Office, and resources available on-line.

Present-Day Needs

Both the Fire & Police Department have expressed that public safety services have reached a tipping point. The growth of areas like Ravadauge are stretching resources and the addition of new annexed areas into the city's service territory would require additional personnel. In many cases, they are already requesting that personnel now, with Police looking to add 6 new positions over four years (5 officers, 1 detective), and Fire looking to do the same with 6 additional FF/EMT positions over two years. This would add a new zone for the Police and a new transport team for Fire.

A new pensioned police officer costs about \$116k annually in wages and benefits, as well as about \$39k in equipment (\$10k annually in subsequent years), \$65k for a vehicle, and about \$12k annually in associated vehicle replacement costs, fuel, and maintenance.

A new pensioned FF/EMT position costs about \$110k annually in wages and benefits, as well as \$21k in equipment (\$5k annually). The city already owns an additional transport so that cost of purchase and maintenance has been excluded from this analysis.

Regardless of annexation decisions, if the city adds the FF/EMT positions, it will generate some offsetting revenue due to the ability to pick up EMS transports that are being performed by other agencies due to demand. The Fire Department estimates that there would be about 364 transports added based on outsourced ones performed in the last year as well as mutual-aid transports the city would perform on behalf of others. Using the same assumptions of a \$895 per transport and a collection rate of 38%, this would result in about \$123k annually once the hires are completed. Based on hiring positions over two years, this means that the first revenue receipt year would be in the second year.

Combined, that impact of hiring the 12 positions, costs the city about \$1.4 million annually on an ongoing basis with the earlier years ramping up to that cost. Below is a breakdown of the costs over 5 years. Hiring of FF/EMT positions would happen over the first two years with 3 added in each year. Hiring of police positions would be spread over four years with one added in years 1 and 3, and two added in years 2 and 4.

Present Day Costs					
Department	Year 1	Year 2	Year 3	Year 4	Year 5
Police	241,443	620,808	655,210	1,034,576	827,536
Fire	393,000	738,000	690,000	690,000	690,000
Public Works					
Stormwater					
EMS Transport Offset	-	(123,424)	(123,424)	(123,424)	(123,424)
Totals	634,443	1,235,384	1,221,787	1,601,152	1,394,112

How it is determined that these stated needs be evaluated, will make or break the financial break-even point of this analysis. As police and fire services have to be bought in batches (just adding a single position does not add operational efficiency, but positions need to be added in shifts of multiple positions) the addition of 12

new positions over four years leaves the city with additional capacity to serve other areas, which could be applied to the potential annexation areas on Fairbanks. This means that the city would have some spare capacity to allocate these surplus resources to serve these areas. This also means that if the city does not annex, then the city would be paying for surplus capacity that it does not fully need but would still benefit from in the form of service response times. As this capacity, if added, would clearly be of use to the proposed annexed areas, it seems reasonable to allocate some of its cost to the annexation areas when determining the financial cost-benefit, however those options will be discussed in the summary findings portion of this document.

Killarney Area Needs

Police

The addition of the Killarney area would necessitate the hiring of two community service officers (CSO) and a school resource officer (SRO), in addition to the 6 positions previously discussed in the Present-Day Needs section. A CSO costs less annually at about \$74k vs \$116k but still comes with equipment needs and a vehicle. Initial first year costs would be about \$610k followed by \$330k in annual costs. If no other areas are annexed and it is just Killarney, then Police has requested an additional Detective. This cost has been assigned to the Lawndale area in this analysis but would need to be moved, if Lawndale is not pursued.

Fire

If the city hires the 6 FF/EMT positions discussed in the Present-Day Needs section, the Fire Department would not need to add any additional personnel, however the size of the Killarney area would necessitate the construction of a new fire station. The city has already acquired land off of Wymore near Lee Rd that will house the Fire Training Facility, and there is enough space to place a 3,000 SF station. As the city already owns the land, the cost of acquiring land is not included in this analysis. It is estimated that the new station would cost about \$705⁴ per SF or about \$2.1 million and for the purpose of cost smoothing, its construction is financed at 4%⁵ over a 20-year term. The total debt service would come to \$155k annually, unless the city receives a grant or some other funding source to accommodate this need. Annual operating costs for utilities, cleaning, and capital replacement reserve would come to about \$87k. Janitorial is based on \$5 per SF, Utilities at \$3 per SF, and capex replacement at 3% of cost.

Code Enforcement

Code enforcement has stated that annexing any areas would require the addition of 1 FT and 1 PT position. This cost is tricky to attribute because if any area is annexed, it would be triggered, however for the purpose of this analysis the cost of one position has been allocated to Killarney for an annual salary and benefit cost of about \$53k.

Parks

A placeholder of \$30k for maintenance of medians was added, however there are limited green space areas within Killarney that are in the public rights-of-way.

⁴ Mitchell Associates Architects review of station costs.

⁵ Estimated tax-free qualified borrowing rate per the city's financial advisor.

Public Works, Stormwater, & Natural Resources

Public Works costs cover road, curb, and stormwater maintenance and replacement. The following statistics were used to develop the cost model for this area.

Item	Amount	Unit
Miles of Road	6.12	miles
Miles of Lane	12.24	miles
Miles of Curb	4.98	miles
Miles of Pipe	6.12	miles
Width of Road	22	feet
Miles of Sidewalk	5.8	miles
Miles of Valley Gutters	0.56	miles
Width of Sidewalk	5	feet
Number of Inlets	50	units

Street Sweeping

Based on a cost of \$26 per lane mile and weekly cleanings, the annual cost to sweep would be \$17k.

Pipe Replacement

Based on a replacement cost of \$380 per foot of pipe and 32,314 feet of pipe with a life of 35 years, the annual reserve for replacement would cost \$351k. This cost has tripled from the \$92k annual that was estimated only three years ago, reflecting the inflation in materials pricing.

Inlet Replacement

Based on an estimate of 50 inlets and a cost of \$12,500 per inlet and a 50 year life, the total annual reserve for replacement would cost \$12.5k.

Asphalt Replacement

Based on a cost of \$11.61 cost per square yard, 7.33 yard road width, and a 20 year life, the annual reserve for road replacement would total \$46k.

Curb Replacement

At a repair and replace cost of \$50 per foot and \$26,294 LF of curb, and a 30 year life, the total annual reserve for replacement would total \$44k.

Sidewalk Replacement

Based on a repair and replace cost of \$85.20 LF, 30,624 LF of sidewalk, and a 30 year life, the total annual reserve for replacement would be \$87k.

Lakes Treatment

Maintenance of shoreline and treatment of lakes would cost about \$17k annually for labor to treat, and \$15k annually in expected hydrilla treatment, totaling \$32k annually.

Cost Summary Public Work, Stormwater, Natural Resources

Overall Stormwater annual reserves for repair and replacement as well as lakes treatment would total \$412k, while Public Works costs to the General Fund would total \$176k annually.

Stormwater Improvement Projects

Orange County has recently disclosed that they are developing a \$1.1 million stormwater improvement plan to the western part of the proposed Killarney annexation area. This cost has not been included in the analysis on the basis that the city would not assume this cost or would not annex prior to reaching an arrangement with Orange County. There is a risk that the county may drop this proposed improvement if the city proposes or pursues annexation, and careful deliberations with the county need to be held to determine who would be responsible. If this area is annexed, and if the city determines this investment is necessary, financing its construction over a 20-year term at a 4% rate would cost about \$80k annually.

Killarney Area Expenditure Summary

The initial start-up costs for public safety equipment and the timing of station completion will result in an initially higher first year cost of \$1.3 million, followed by an estimated annual operating obligation of about \$1.2 million.

Killarney Area Costs					
Department	Year 1	Year 2	Year 3	Year 4	Year 5
Police	610,650	329,768	329,768	329,768	329,768
Fire	-	154,631	242,081	242,081	242,081
Code Enforcement	53,200	53,200	53,200	53,200	53,200
Parks	30,000	30,000	30,000	30,000	30,000
Public Works	176,649	176,649	176,649	176,649	176,649
Stormwater	412,392	412,392	412,392	412,392	412,392
Totals	1,282,891	1,156,640	1,244,090	1,244,090	1,244,090

Kentucky-Ogelsby Area Needs

Police & Fire

Assuming that the 12 positions requested by public safety in the Present-Day Needs section are ultimately hired, then the Kentucky area does not require any additional personal due to the very small size and limited population.

A new fire station would not be required if the Kentucky area is annexed, however service delivery times to the western portions of Fairbanks will likely be a little slower than other areas of the city.

Code Enforcement

There are also no additional needs for code enforcement staff, assuming that other annexations occur and the 1.5 positions requested are attributed to one of them. However, if Kentucky is the only annexation area, then it

is likely that a position would need to be added here. For the purpose of this report, the cost of positions is attributed to the two larger proposed annexation areas.

Parks

A placeholder of \$10k for maintenance of medians was added, however there are limited green space areas within Kentucky that are in the public rights-of-way.

Public Works, Stormwater, & Natural Resources

Public Works costs cover road, curb, and stormwater maintenance and replacement. The following statistics were used to develop the cost model for this area.

Item	Amount	Unit
Miles of Road	0.82	miles
Miles of Lane	1.64	miles
Miles of Curb	0	miles
Miles of Pipe	0.82	miles
Width of Road	22	feet
Miles of Sidewalk	0.33	miles
Miles of Valley Gutters	0	miles
Width of Sidewalk	4.75	feet
Number of Inlets	14	units

Street Sweeping

Based on a cost of \$26 per lane mile and weekly cleanings, the annual cost to sweep would be \$2.2k.

Pipe Replacement

Based on a replacement cost of \$380 per foot of pipe and 4,333 feet of pipe with a life of 35 years, the annual reserve for replacement would cost \$47k.

Inlet Replacement

Based on an estimate of 14 inlets and a cost of \$12,500 per inlet and a 50 year life, the total annual reserve for replacement would cost \$3.5k.

Asphalt Replacement

Based on a cost of \$11.61 cost per square yard, 7.33 yard road width, and a 20 year life, the annual reserve for road replacement would total \$6.1k.

Curb Replacement

There is no curb in this area.

Sidewalk Replacement

Based on a repair and replace cost of \$85.20 LF, 1,730 LF of sidewalk, and a 30 year life, the total annual reserve for replacement would be \$5k.

Lakes Treatment

There are no Natural Resources related costs.

Kentucky-Ogelsby Area Expenditure Summary

This area is the least expensive due to its generally undeveloped nature and limited residential population. Primarily reserves to replace existing pipe and public works infrastructure put annual costs at about \$74k. This does not account for the possibility that this area could redevelop, however it is assumed that the financial benefit of future development would pay for expanded infrastructure and services. Making conjecture about what could happen and attempting to price in an uncertain development scale and timeline, would not be appropriate in this analysis.

Kentucky-Ogelsby Costs					
Department	Year 1	Year 2	Year 3	Year 4	Year 5
Police	-	-	-	-	-
Fire	-	-	-	-	-
Code Enforcement	-	-	-	-	-
Parks	10,000	10,000	10,000	10,000	10,000
Public Works	11,062	11,062	11,062	11,062	11,062
Stormwater	52,789	52,789	52,789	52,789	52,789
Totals	73,850	73,850	73,850	73,850	73,850

Lawndale Area Needs

Police & Fire

Assuming that the 12 positions requested by public safety in the Present-Day Needs section are in place, then the Lawndale area only requires the addition of a civilian police analyst position if areas south of Fairbanks are annexed. This is the position that would also need to move to the cost side of the Killarney analysis if the southern Fairbanks annexations are not pursued. A new analyst position costs about \$80k annually in wages and benefits, as well as a few thousand in office setup and equipment (annual operating supplies of \$2k). There would not be any need for the purchase of vehicle.

A new fire station would not be required if the Lawndale area is annexed, however service delivery times to the western portions of Fairbanks will likely be a little slower than other areas of the city.

Code Enforcement

For the purpose of analysis, a half position in code has been added to this cost analysis for Lawndale at an annual price of \$27k. If no other annexation areas are pursued then this may need to be increased to a full position.

Parks

A placeholder of \$20k for maintenance of medians was added, however there are limited green space areas within Lawndale that are in the public rights-of-way.

Public Works, Stormwater, & Natural Resources

Public Works costs cover road, curb, and stormwater maintenance and replacement. The following statistics were used to develop the cost model for this area.

Item	Amount	Unit
Miles of Road	1.70	miles
Miles of Lane	3.41	miles
Miles of Curb	2.32	miles
Miles of Pipe	1.70	miles
Width of Road	20.36	feet
Miles of Sidewalk	1.24	miles
Miles of Valley Gutters	0.011	miles
Width of Sidewalk	4.75	feet
Number of Inlets	15	units

Street Sweeping

Based on a cost of \$26 per lane mile and weekly cleanings, the annual cost to sweep would be \$4.7k.

Pipe Replacement

Based on a replacement cost of \$380 per foot of pipe and 8,993 feet of pipe with a life of 35 years, the annual reserve for replacement would cost \$98k.

Inlet Replacement

Based on an estimate of 15 inlets and a cost of \$12,500 per inlet and a 50 year life, the total annual reserve for replacement would cost \$4k.

Asphalt Replacement

Based on a cost of \$11.61 cost per square yard, 6.79 yard road width, and a 20 year life, the annual reserve for road replacement would total \$12k.

Curb Replacement

At a repair and replace cost of \$50 per foot and \$12,261 LF of curb, and a 30 year life, the total annual reserve for replacement would total \$20k.

Sidewalk Replacement

Based on a repair and replace cost of \$85.20 LF, 6,573 LF of sidewalk, and a 30 year life, the total annual reserve for replacement would be \$19k.

Lakes Treatment

There are no Natural Resources related costs.

A Note on Stormwater Improvements

The Lawndale area, especially along Minnesota, may have areas that could benefit from capital investment in Stormwater. The model to perform this analysis has the ability to add potential projects however none have been added at this time. As an annexation analysis is to look at the cost-benefit of assuming responsibility for an existing area, it is not assuming any level of additional capital investment that could be beneficial to the area. To the extent that improvements would be deemed a requirement of annexation, that would be a conscience action to change existing service levels in the area, and while a benefit, is clearly not a necessary action as the annexation area has existed in its current state for some time.

Lawndale Area Expenditure Summary

The Lawndale area is the closest in parcel valuation to the existing median value already within the City of Winter Park. It is a more densely developed area and the primary costs associated with its upkeep are related to reserves for infrastructure and the addition of a police analyst. It has the best financial cost-benefit outcome based on the revenues generated by the area.

Lawndale Costs					
Department	Year 1	Year 2	Year 3	Year 4	Year 5
Police	87,704	81,979	81,979	81,979	81,979
Fire	-	-	-	-	-
Code Enforcement	26,600	26,600	26,600	26,600	26,600
Parks	20,000	20,000	20,000	20,000	20,000
Public Works	50,913	50,913	50,913	50,913	50,913
Stormwater	106,057	106,057	106,057	106,057	106,057
Totals	291,274	285,549	285,549	285,549	285,549

FINANCIAL RESULTS

The entirety of any cost/benefit of annexing the areas around W. Fairbanks relies solely on opinions regarding what costs should be attributed to the area. On its own, the annexation areas generate enough revenue to support its anticipated costs to maintain the area in its current condition. However, if there is a case that any of the requested 12 public safety positions highlighted in the Present-Day section should be allocated to the annexation areas, then costs would exceed expected revenues.

Summary	Year 1	Year 2	Year 3	Year 4	Year 5
Total Revenues	2,001,961	2,049,432	2,049,432	2,049,432	2,049,432
Total Costs w/o Present Day	1,648,015	1,516,039	1,603,489	1,603,489	1,603,489
Net Surplus/Deficit	353,945	533,393	445,943	445,943	445,943
Total Costs w/ Present Day	2,282,458	2,751,423	2,825,275	3,204,640	2,997,600
Net Surplus/Deficit	(280,497)	(701,991)	(775,844)	(1,155,209)	(948,169)

This is the same when each area is looked at individually.

Killarney Results

Killarney Revenues					
Source	Year 1	Year 2	Year 3	Year 4	Year 5
Property Taxes	535,728	535,728	535,728	535,728	535,728
Local Option Gas Tax	38,517	38,517	38,517	38,517	38,517
Communications Services Tax	81,908	81,908	81,908	81,908	81,908
Half-Cent Sales Tax	239,422	239,422	239,422	239,422	239,422
Municipal Revenue Share	62,980	62,980	62,980	62,980	62,980
Solid Waste Franchise Fee	11,900	11,900	11,900	11,900	11,900
SRO Reimbursement	60,000	60,000	60,000	60,000	60,000
Ambulance Transport Fees	-	42,385	42,385	42,385	42,385
Water Utility Taxes	12,515	12,515	12,515	12,515	12,515
Electric Utility Taxes	135,731	135,731	135,731	135,731	135,731
Electric Franchise Fees	106,886	106,886	106,886	106,886	106,886
Stormwater Fees	132,188	132,188	132,188	132,188	132,188
Water & Sewer Revenues	(22,815)	(22,815)	(22,815)	(22,815)	(22,815)
Total Est. Killarney Revenues	1,394,960	1,437,345	1,437,345	1,437,345	1,437,345

Killarney's estimated costs are listed below and if the Present-Day costs are allocated to it based on population share of the annexation areas (71%), the anticipated surplus goes to a deficit.

Killarney Area Costs & Summary					
Department	Year 1	Year 2	Year 3	Year 4	Year 5
Police	610,650	329,768	329,768	329,768	329,768
Fire	-	154,631	242,081	242,081	242,081
Code Enforcement	53,200	53,200	53,200	53,200	53,200
Parks	30,000	30,000	30,000	30,000	30,000
Public Works	176,649	176,649	176,649	176,649	176,649
Stormwater	412,392	412,392	412,392	412,392	412,392
Totals	1,282,891	1,156,640	1,244,090	1,244,090	1,244,090
Prorated Present Costs (71%)	447,946.32	872,239	862,639	1,130,489	984,309
Total with Prorated	1,730,837	2,028,879	2,106,729	2,374,578	2,228,398
Results w/o Present Costs	112,069	280,705	193,255	193,255	193,255
Results w/ Present Costs	(335,877)	(591,534)	(669,384)	(937,234)	(791,054)

Kentucky-Ogelsby Results

Kentucky-Ogelsby Revenues					
Source	Year 1	Year 2	Year 3	Year 4	Year 5
Property Taxes	51,735	51,735	51,735	51,735	51,735
Local Option Gas Tax	1,680	1,680	1,680	1,680	1,680
Communications Services Tax	3,572	3,572	3,572	3,572	3,572
Half-Cent Sales Tax	10,443	10,443	10,443	10,443	10,443
Municipal Revenue Share	2,747	2,747	2,747	2,747	2,747
Solid Waste Franchise Fee	380	380	380	380	380
SRO Reimbursement	-	-	-	-	-
Ambulance Transport Fees	-	533	533	533	533
Water Utility Taxes	1,077	1,077	1,077	1,077	1,077
Electric Utility Taxes	4,334	4,334	4,334	4,334	4,334
Electric Franchise Fees	3,413	3,413	3,413	3,413	3,413
Stormwater Fees	11,225	11,225	11,225	11,225	11,225
Water & Sewer Revenues	(1,576)	(1,576)	(1,576)	(1,576)	(1,576)
Total Est. Kentucky Revenues	89,032	89,564	89,564	89,564	89,564

Kentucky has the smallest population at just 3% share, however even allocating that small share of the Present-Day costs, ends in a similar result.

Kentucky-Ogelsby Costs & Summary					
Department	Year 1	Year 2	Year 3	Year 4	Year 5
Police	-	-	-	-	-
Fire	-	-	-	-	-
Code Enforcement	-	-	-	-	-
Parks	10,000	10,000	10,000	10,000	10,000
Public Works	11,062	11,062	11,062	11,062	11,062
Stormwater	52,789	52,789	52,789	52,789	52,789
Totals	73,850	73,850	73,850	73,850	73,850
Prorated Present Costs (3%)	19,538	38,044	37,625	49,308	42,932
Total with Prorated	93,388	111,894	111,475	123,158	116,782
Results w/o Present Costs	15,181	15,714	15,714	15,714	15,714
Results w/ Present Costs	(4,356)	(22,329)	(21,911)	(33,593)	(27,217)

Lawndale Results

Lawndale Revenues					
Source	Year 1	Year 2	Year 3	Year 4	Year 5
Property Taxes	223,587	223,587	223,587	223,587	223,587
Local Option Gas Tax	14,356	14,356	14,356	14,356	14,356
Communications Services Tax	30,529	30,529	30,529	30,529	30,529
Half-Cent Sales Tax	89,238	89,238	89,238	89,238	89,238
Municipal Revenue Share	23,474	23,474	23,474	23,474	23,474
Solid Waste Franchise Fee	4,520	4,520	4,520	4,520	4,520
SRO Reimbursement	-	-	-	-	-
Ambulance Transport Fees	-	4,553	4,553	4,553	4,553
Water Utility Taxes	5,821	5,821	5,821	5,821	5,821
Electric Utility Taxes	51,555	51,555	51,555	51,555	51,555
Electric Franchise Fees	40,599	40,599	40,599	40,599	40,599
Stormwater Fees	48,525	48,525	48,525	48,525	48,525
Water & Sewer Revenues	(14,233)	(14,233)	(14,233)	(14,233)	(14,233)
Total Est. Lawndale Revenues	517,969	522,523	522,523	522,523	522,523

Lawndale makes up 26% of the population share and like the others, allocating a cost share turns a positive outcome, negative after the first year.

Lawndale Costs & Summary					
Department	Year 1	Year 2	Year 3	Year 4	Year 5
Police	87,704	81,979	81,979	81,979	81,979
Fire	-	-	-	-	-
Code Enforcement	26,600	26,600	26,600	26,600	26,600
Parks	20,000	20,000	20,000	20,000	20,000
Public Works	50,913	50,913	50,913	50,913	50,913
Stormwater	106,057	106,057	106,057	106,057	106,057
Totals	291,274	285,549	285,549	285,549	285,549
Prorated Present Costs (26%)	166,959	325,101	321,523	421,356	366,872
Total with Prorated	458,233	610,650	607,072	706,905	652,420
Results w/o Present Costs	226,695	236,974	236,974	236,974	236,974
Results w/ Present Costs	59,736	(88,127)	(84,549)	(184,382)	(129,898)

SUMMARY FINDINGS & OPINION

The financial viability of assuming any of the proposed annexation areas along West Fairbanks depends upon the level of present-day costs that could be attributed to support it. On their own, the annexation areas can support their current-day standard of service, if the stated needs of public safety to hire additional employees now is assumed by the city, regardless of annexation. This tipping point for the need for additional resources, and the nature of how police and fire units have to be brought on in shifts, creates an excess service capacity that could support the proposed annexation areas. The financial decision to move forward, therefore depends upon one's view of how much, if any, of the public safety costs should be attributed to the annexation areas.

Proration based on population of the full price of the public safety costs, results in a negative financial outcome for the cost-benefit analysis in each annexation areas. Less than 20% of the public safety costs would have to be attributed to allow the model to break-even over the long-term. This means that to decide that annexation is feasible on a break-even standpoint, the city would need to assume that 80% of the stated public safety need for new employees now, should be built into city budgets regardless of any annexation. Adding over \$1 million in funding needs annually.

Unfortunately, the analysis does not walk away with an easy answer, and perhaps that should be expected as there should not be a windfall for annexation or a terrible deficit as that would imply that the revenue sources of funding government and the cost associated with providing services are not equitable. This leads a large portion of the decision to move forward in the hands of interpretation, willingness to take risk, and practical feasibility.

The Killarney area offers the most difficult decision point. It is the largest in size and population, would require a voter referendum of the city to consider inclusion, is the least likely to increase its development intensity, and includes the added cost of a new school. If no other areas were annexed, the size of its population would require the funding of all the requested personnel and operation support that is, to some extent, spread to the other two areas in a limited fashion. It is also the only area that would unequivocally require the addition of a new fire station. The primary fact that it is predominately residential with little chance of commercial rezoning of any significance that could drive higher future property tax revenue, makes annexation for the sake of expected future growth, less likely. There is also the issue of the \$1.1 million county discussed improvement to stormwater, that if annexed, the county may refuse to move forward with and that cost would have to be borne by the City of Winter Park. It is not unlikely that a negotiation or agreement could be reached with the county, but that would need to be investigated.

While this analysis does not model this scenario, it could be advantageous to consider annexing Killarney in halves, pursuing the portion on the eastern half while the higher costs of assuming the school and potential stormwater concerns at a later date. The project area outlined in this excerpt from Orange County's report on the need for making improvements to the stormwater system are in the western half. The city could consider annexing everything to the east of Cambridge Blvd., leaving the other half until improvements are completed.



Lawndale is the most like the city in terms of valuation per parcel, and with its smaller population it may be able to avoid the burden of a city-wide referendum. It is also an area in transition, with some areas that could potentially redevelop and increase its future revenue growth. It is also closest geographically to the city and concerns about EMS response times may not be as much of an issue as they could be for Kentucky if a fire station is not built. Lawndale also has the most favorable cost-benefit estimate for assuming its incremental costs. If Lawndale is the only annexation pursued, then it is likely that the half position in code enforcement would need to be a single full-time position, but the incremental cost would not alter the analysis. The only added variable that may need to be discussed is any near-term investment in stormwater that would predate any greater development intensity that could support the cost. If there is pressure to make improvements now, the scale and scope of those improvements would need to be determined before deciding on annexation. Currently the area has survived as it is, however that may be deemed to be unacceptable once it is part of the city.

Kentucky-Ogelsby has an almost negligible population count and is really a play on trying to encourage and shape the redevelopment of the West Fairbanks corridor. Its minor incremental costs and revenues make a discussion about its breakeven point largely unimportant. If the Killarney area to the north is not annexed and a fire station is not built, then there may be concerns about service response times along the corridor, however the area is too small on its own to support the addition of a station. With a very low building density and parcel value, Kentucky has the highest likelihood of making the case for greater additional financial support through redevelopment. The difficulty with annexing an area based on presumed redevelopment is that the city cannot control its timing. It could be a significant time period before anything happens and it would be uncertain as to the type of development that might occur so that potential future revenues could be modeled. Regardless it offers a low-cost way to control this key gateway into the city with the added benefit of redevelopment potential. Annexing this area would also bring the city's municipal boundary down to the border with Orlando and inline with the city's utility service area.

The Ravaudage area may give an indication of the value that could be created in an area that is allowed to redevelop at a higher intensity. The Kentucky area has more leeway in the city's current Comprehensive Plan to encourage redevelopment that would be more in-line with the rest of the I-4 corridor. This would have the possibility of adding additional revenues that could support the city services required to handle the Present-

Day costs and annexations. The Ravaudage area was worth about \$15 million in taxable value in 2016, generating about \$63k in tax revenue at the city's current millage rate. By 2021, it is now worth almost \$200 million on the tax rolls and generates just under \$800k annually, or about 3% of the city's total annual property tax revenue.

Summary Opinion

To do any of the annexations, the city must address the needs of public safety. Due to demand from the Ravaudage development it would be reasonable to assume that the city should attribute some existing needs to future operating budgets regardless of annexation. However, the excess capacity in public safety services that would be created as a result of needing to add the employees in shifts, would make not considering additional service areas through annexation, inefficient. No matter how these costs are applied, it will likely make the existing cost-benefit of any annexation area financially unappealing, and the decision to annex would need to be predicated on subjective factors.

Current stormwater discussions related to Killarney make assuming this area now, more complicated than the areas south of Fairbanks. It would be prudent to wait on this area, avoid some of the added personnel and station costs, as well as the uncertainty of a referendum, until consensus with what investment in the area by the county should look like, can be agreed upon. Regardless, this area could be pursued at a later date when more clarity is available as there is no risk for this area being annexed by another jurisdiction.

The city could consider annexing the proposed areas south of West Fairbanks. Lawndale and Kentucky both offer the opportunity of future increased revenues through redevelopment, while giving the city the ability to manage this gateway corridor. The annexation of the southern areas would square up the unincorporated enclaves of Orange County and bring the city's borders up to Orlando. This would come at some cost as the public safety costs as well as the incremental costs of annexation would need to be covered. The Lawndale and Kentucky annexations would spin off about \$250k in surplus that could fractionally offset the need for new public safety employees would add back about \$1.4 million annually, resulting in an annual deficit of about \$1.1 million until budgets could be adjusted or new revenues resulted from redevelopment. This is a high carrying cost to absorb these corridors now and would have to be weighed against the desire to influence outcomes along this important gateway, however the ability to phase in police positions over time would allow a couple years for development to get a head start, ultimately creating more revenues to support services and ultimately make service standard improvements to the corridor beyond its existing condition.