

INTEROFFICE MEMORANDUM

TO: Gregory J. Oravec, City Manager
FROM: Jesus A. Merejo, Utility Systems Director
SUBJECT: Potential to Purchase Tax Certificates
DATE: May 15, 2012

RECEIVED

Jesus A. Merejo
MAY 15 2012

City Manager's Office

The Utility takes great pride in our system and the strategic planning that has brought us to the point that we have extensive underground infrastructure, water storage facilities, and ample water and wastewater treatment capacities to successfully serve today's customers. However, to continue our successful operations, we must undertake certain actions for long-range planning by looking beyond the next 10-15 years and out to the next 50-100 years.

We know that our current SFWMD Water Use Permit, which allows us to withdraw up to 51.381 million gallons of water per day, will not meet demands 50-100 years from now. It has been established that multiple water supply sources will be needed beyond that which can be supplied by our existing and planned wells.

The Utility has conducted feasibility studies on ocean water desalination and on surface water facilities. Land acquisition, environmental permitting, construction costs and operating costs have been considered in our long-range planning activities. Today's studies indicate surface water systems and/or facilities are certainly more cost effective as long as the Utility can acquire an additional amount of property that would be needed for lakes or reservoirs.

The Utility has been made aware that tax certificates may soon be issued for certain lands that we have previously identified as possible sites that could be acquired and developed as part of a future surface water system. The various parcels that comprise the lands for which tax certificates have been advertised are located in St. Lucie County between Range Line Road and Glades Cut-off Road, as depicted and outlined in the attached Site Location Map. The 2012 Tax Certificate Sale will be conducted electronically over the internet on May 23, 2012 and May 24, 2012. While I firmly believe that the outright acquisition of fee simple title to these properties is in the City's best interest, the City may also want to explore the possibility of initially acquiring an interest in the lands by purchasing the tax certificates as part of a property acquisition plan.

A tax certificate sale is conducted in a similar manner to an auction, however the bidders in such a sale are bidding on rates of interest and the bidder that is willing to accept the lowest rate of interest is awarded the tax certificate. The bidding begins at the maximum rate of 18% and is bid down. The total amount

Gregory J. Oravec
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that is paid by the winning bidder for each tax certificate, which includes the delinquent taxes, any late-payment penalties and administrative charges, becomes the "face" value of the certificate. Beginning on June 1, 2012, interest will be earned on the "face" value of the tax certificate at the rate of the bid of the winning bidder. If the tax certificate is redeemed (i.e. paid off) by the property owner(s), interest is calculated using the simple interest method and the certificate holder will earn a minimum of 5% as long as the interest rate that was bid was not 0%.

The total amount of the tax certificates that the Utility is interested in bidding on is approximately \$94,548.53. Said estimate is based on the tax bills for the various parcels if the taxes were paid by May 31, 2012 and includes administrative charges such as costs of the 2012 Tax Certificate Sale and advertising charges that were added by the Tax Collector to become the "face" value of the individual certificates. To participate in the 2012 Tax Certificate Sale, a registered bidder must deposit 10% of the estimated amount that s/he intends to purchase. If the bidder is not the winning bidder on any of the tax certificates then the deposit is fully refunded. However, the Tax Collector's Office is waiving the 10% deposit for the City.

It is recommended that the Utility Contingency Fund be used to fund the City's participation in the Tax Certificate Sale and the payment of the tax certificates for which the City is the winning bidder. Should the City be successful in its bidding on the tax certificates and the certificates are not redeemed by the property owner(s), then the City may, after two (2) years, seek to obtain fee title to the lands by applying to the Tax Collector for deed(s) to the lands. Further, in the event the City applies for tax deeds to the lands, then it is anticipated that the City would use the 2006 Bond CIP Fund to pay for the redemption of any other outstanding tax certificates, interest, other miscellaneous costs, and the actual purchase of all the parcels at the Tax Deed Sale.

I am bringing this matter to you and ask that you present this matter to the City Council for consideration.

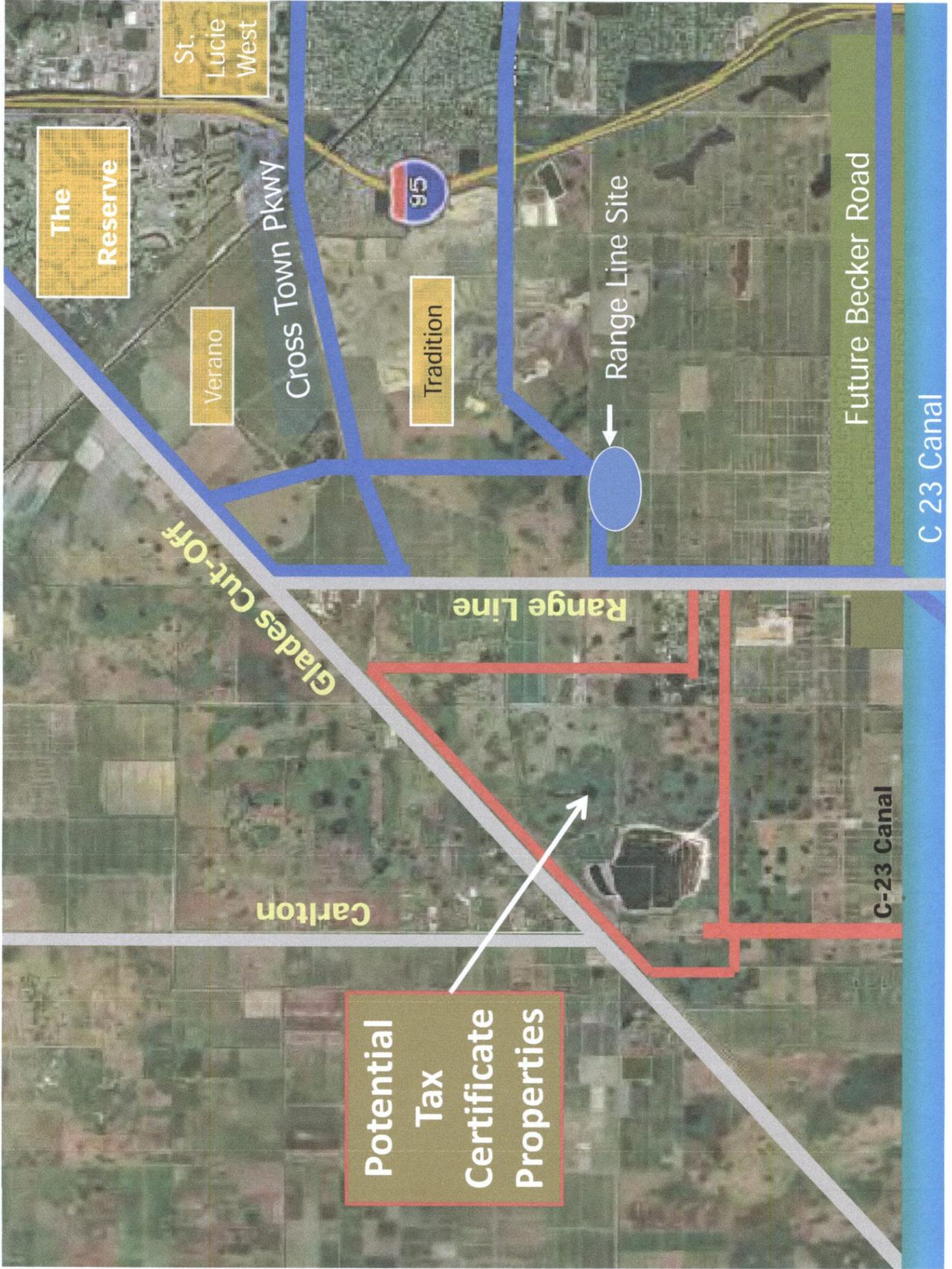
If you have any questions or need additional information regarding this matter, please let me know.

/dr

attachment

c: Roger G. Orr, City Attorney
Azlina Goldstein Siegel, Asst. City Attorney
Edwin M. Fry, Assistant Finance Director
Bradley E. Macek, Asst. Utility Systems Director
Daniel M. Segui, Deputy Utility Systems Director
Donna M. Rhoden, Utility Safety & Public Affairs Mgr.

SITE LOCATION MAP



The Reserve

Verano

Tradition

Glades Cut-Off

Carlton

Range Line

Potential Tax Certificate Properties

Range Line Site

Future Becker Road

C 23 Canal

C-23 Canal



St. Lucie West

Cross Town Pkwy