

TRIPPLE DIGIT SEWER-COST ESCALLATION THREATENS POSSIBLE MILLAGE CUTS, PALM-CLUB SEWERS & OLD-TOWN IMPROVEMENTS

By a Staff Writer (Reprinted from *By-the-Sea Times* © June 30, 2006)

Engineer Kevin Hart's June 21 memo to Town Manager Baldwin evoked an agonizing reappraisal of the proposed LBTS Capital Improvement Program. Hart's updated "preliminary cost estimates for Bel Air sewer construction, due to go out for bid later this summer, soared to about \$4.5 million – a 150% increase over the \$1.8 million estimate shown in last year's budget figures. But Town Manager Baldwin told the June 27 commission meeting that the tax windfall from soaring property values would cover the escalated cost and still permit realization of the commission's highest priority capital-improvement projects.

Updated preliminary estimates for sewer construction at the Palm Club and along Sunset Lane escalated nearly 170% and 190% to nearly \$3 million and \$720,000 respectively. Engineer Hart attributes much of the increase to cost hikes in construction materials and labor over the past 12-18 months, especially in the wake of Hurricane Wilma. The Town received an early warning of the increase to come already when the \$1.7 million budgeted for Terra Mar sewer construction last year had to be supplemented to over \$2.2 million due to cost overruns.

Commissioner McIntee questioned whether, given the sharply higher cost factor, it was appropriate to spend municipal funds to construct sewers under private roads in the Palm Club and on Sunset Lane. In addition, to the cost of sewers, McIntee pointed out, the Town would then have to fund resurfacing of the two private roads, which did not strike him as proper use of public funds.

Vice Mayor Yanni suggested phasing the cost of the Bel Air sewer construction over two years so as not to impact other capital-improvement needs town-wide. Mayor Parker said he could agree to phasing if it did not greatly increase the cost of the sewers, but Town Manager Baldwin said there was no need to phase construction since the money would be there from increased property values, [unless millage were to be reduced].

In view of the many considerations, it may be helpful to review the history of sewer construction projects. Sewers in old-town LBTS were funded by a bond issue retired by the early 1990s from taxes by old-town residents. Sewers and connections for condos were funded at construction at the expense of eventual unit owners. The January 2000 Town Topics informed LBTS residents, "We have not noted any major deficiencies in [the Intracoastal Beach Area] requiring immediate action. Considering the \$2 million surplus generated from [that area], it's safe to say that any projects there will cost the current Town residents nothing."

In the notorious August 8, 2000, "annexation agreement", parties acknowledged "that there will be excess revenues generated by the Town from real and personal property located within the Intracoastal/Beach Area," that "such excess revenues will be expended upon capital improvements to be provided within the Intracoastal /Beach Area" and that each year, the Town would prepare its proposed budget for such expenditures, "including anticipated excess revenues." In 2003, however, Town Manager Baldwin said he had been told by a South Beach Civic Association spokesman that he need no longer bother to prepare estimates of the "surplus." In fact, Baldwin said, he did not believe there was one.

Craven Thompson & Associates, under the aegis of Town Engineer Kevin Hart, were charged with a study on needs and priorities in the IBA, including sewers and drainage, but discussion was limited at that time to Terra Mar and Bel Air, no mention being made of private areas such as the Palm Club and Sunset Lane. About that time, realizing that it would take many years to meet all needs of the area from the annual "surplus", the Town borrowed \$10 million from the bank in order to complete the projects as quickly as possible. The annual debt-service expense on that \$10 million and an additional \$3 million borrowed later for capital improvements comes to over \$1.7 million annually. But some \$5 million of those loans remains unspent due to the leisurely progress of implementation.

Just last year the Commission agreed to add sewers for the two private areas to the other two projects. Sewer construction in Terra Mar was completed earlier this year at a cost of \$2.2 million, well above the budgeted \$1.7 million, and sewer construction for Bel Air and Sunset Lane was scheduled for the coming year, and the Palm Club the year after that, at estimated costs of \$1.7 million, \$250,000 and \$1.1 million respectively. Those estimates have now been increased to \$4.47 million, \$720,000 and \$2.96 million.