TO: Larry Larsen, Senior Planner

FROM: Nina Vetter, Senior Analyst

DATE: June 15, 2014

SUBJECT: **Dublin North Annexation - Fiscal Impact Analysis**

A copy of the fiscal impact analysis for the Dublin North Annexation is attached. At the request of the Planning Department, the Budget Office prepared a fiscal impact analysis estimating the City General Fund and Public Safety Sales Tax (PSST) Fund revenue and expenditures attributable to the Dublin North development for the period 2014-2023.

The fiscal review criteria of the City Code states city costs related to infrastructure and service levels shall be determined for a ten-year time horizon for only the appropriate municipal funds.

The methodology used for the fiscal impact analysis is a case study approach, where a mini-budget process is undertaken in which City units are asked to project the increased marginal cost of providing services to the development for 2014-2023. The Budget Office estimates the city revenue, as outlined in the Revenue Notes, stemming from the development.

The Draft Annexation Agreement provides for specific fees for fire protection and police protection, includes public land dedication for parks, and includes standard provisions that all street and/or traffic improvements and traffic control devices should be paid by the Owner.

Most departments indicated that there were minimal identifiable marginal costs of providing services to this development, as the surrounding infrastructure and roadways are already being maintained by the City as they fall within the service area of surrounding parcels. The Fire, Police, Streets and Traffic Engineering Divisions identified marginal increases in operational costs to service the area.

The result of the fiscal impact analysis is a positive cumulative cashflow for the City during the 10-year timeframe.

The Summary of Expenditures and Revenues is attached. Also, the Expenditure and Revenue Notes are attached that provide the methodology for calculating the expenditures and revenues.

REVENUE NOTES

Dublin North Phase 7 Annexation
General Fund/Public Safety Sales Tax Fund Fiscal Impact Analysis, 2014-2023

General Fund

PROPERTY TAX:

It is assumed property taxes will be collected in the year 2016 based upon beginning construction in 2014 because of the time lag associated with placing assessed value onto the assessment rolls. The 2016 revenue is calculated by multiplying the City mill levy of 4.279 mills by the projected increase in City assessed valuation resulting from the proposed development. This assumes there is no change in the residential assessment ratio of 7.96%. The cumulative assessed valuation includes a 3% annual increase in market values.

SPECIFIC OWNERSHIP TAX:

The Specific Ownership Tax revenue is calculated at 11.70% of property tax revenues. This is based on the 2012 actual City specific ownership tax revenues as a percent of property tax revenue.

ROAD & BRIDGE REVENUE:

The Road & Bridge Revenue is calculated at 3.85% of the property tax revenues. This is based on the 2012 actual City road & bridge revenues as a percent of property tax revenue.

SALES AND USE TAX:

The revenue calculation assumes the existing General Fund tax rate and existing collection practices. Projections include sales tax revenue from the personal consumption by the population projected to reside in Dublin North Phase 7 and the sale of building materials used in the projected construction of the households in the development.

The Sales Tax Revenue for Residential Uses is calculated by determining the average household income per unit and the percentage of income spent on taxable consumption. The average household income per unit is calculated based upon an "affordability" calculation, which assumes 10% down, 30-year mortgage @ 4%, and a 28% income/Principal and Interest ratio. The percentage of income spent on taxable consumption is 33.2%, which is an estimate from the U.S. Department of Commerce Consumer Expenditure Surveys. It also assumes that 75% of consumption by the new residents will be within the City and that 60% of the consumption by these residents is new to the City (in other words, 60% of residents moved from outside City limits). Also, it assumes there is a one-year construction/revenue collection lag. Projections include a 3% annual increase for inflation.

The Sales Tax Revenue for Building Materials is calculated based on sales taxable materials at 40% of the value of residential property.

MISCELLANEOUS REVENUE:
The Miscellaneous Revenue is based on per capita multipliers for the following categories: Admissions Tax; State Cigarette Tax; HUTF; Charges for Services; Fines and Forfeits, Utilities Surplus, as these revenues are impacted by a change in population. Revenues were calculated using direct and per capita multiplier approaches. The Miscellaneous Revenue includes a 3% annual increase. Also, it assumes there is a one-year construction/revenue collection lag.

Public Safety Tax Fund

SALES AND USE TAX:
The revenue calculation assumes the existing PSST rate and existing collection practices. Projections include sales tax revenue from the personal consumption by the population projected to reside in Dublin North Phase 7 and the sale of building materials used in the projected construction of the households in the development.

The Sales Tax Revenue for Residential Uses is calculated by determining the average household income per unit and the percentage of income spent on taxable consumption. The average household income per unit is calculated based upon an "affordability" calculation, which assumes 10% down, 30-year mortgage @ 4%, and a 28% income/Principal and Interest ratio. The percentage of income spent on taxable consumption is 33.2%, which is an estimate from the U.S. Department of Commerce Consumer Expenditure Surveys. It also assumes that 75% of consumption by the residents will be within the City and that 60% of the consumption by these residents is new to the City (in other words, 60% of residents moved from outside City limits). Also, it assumes there is a one-year construction/revenue collection lag. Projections include a 3% annual increase for inflation.

The Sales Tax Revenue for Building Materials is calculated based on sales taxable materials at 40% of the value of residential property.

EXPENDITURE NOTES:

Dublin North Annexation

General Fund/Public Safety Sales Tax (PSST) Fund Fiscal Impact Analysis, 2014-2023

POLICE:

As part of the Annexation Agreement, the Annexor will pay $677 per gross acre of the annexed area as the Owner's share of the capital cost of a new police station and initial equipment purchase required to service this annexation. The addition of 22 residential units is only projected to have a small marginal impact to the operational cost of police services ($1,500-$1,957 annually).

FIRE:

As part of the Annexation Agreement, the Annexor will pay $1,631 per gross acre of the entire annexed area as their share of the capital cost of a new fire station and initial apparatus required to service this annexation. The only additional, operational, identifiable marginal costs of providing service to the annexed area are fuel, medical supplies and maintenance (~$28 annually).

PUBLIC WORKS – STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

There are no associated storm sewers, creeks or other drainage improvements on this annexation and therefore no impact on City Engineering. There will be some costs associated with street signs and streetlights, as well as roadway maintenance (~$2,294- $3,063 annually).

PUBLIC WORKS -TRANSIT:

There are currently no transit services in this area. There are no current plans to expand transit services to this area within the next ten years, thus there are no identifiable marginal costs within the next ten years.

PARKS:

As part of the Annexation Agreement, the Annexor will pay the fee-in-lieu of park land dedication (which is $1,781 per residential unit for densities less than 8 units per acre and $1,264 per residential unit for densities greater than 8 units per acre per the City's Subdivision Code). The fee will be held in the Public Space and Development Fund for future park development in this area.

GENERAL FUND FISCAL IMPACT ANALYSIS
SUMMARY OF EXPENDITURES AND REVENUE FOR DUBLIN NORTH

	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023
EXPENDITURES										
Total Salaries, Operating, and Capital Outlay										
Police	1,500	1,545	1,591	1,639	1,688	1,739	1,791	1,845	1,900	1,957
Fire	28	27	28	28	28	28	28	28	28	28
Public Works - Streets	1,201	1,237	1,274	1,312	1,352	1,392	1,434	1,477	1,521	1,637
Public Works - Transportation Engineering	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344	1,384	1,426
Public Works - City Engineering	0	0	0	0	0	0	0	0	0	0
Public Works - Transit	0	0	0	0	0	0	0	0	0	0
Parks, Recreation and Cultural Services	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	**3,822**	**3,935**	**4,053**	**4,174**	**4,298**	**4,426**	**4,558**	**4,694**	**4,834**	**5,048**
REVENUES										
Property Taxes	0	0	206	418	431	444	457	471	485	499
Specific Ownership Taxes	0	0	24	49	50	42	53	55	57	58
Road & Bridge Revenue	0	0	8	16	17	17	18	18	19	19
Sales Tax Revenue (Residential Uses)	0	336	682	703	724	745	768	791	815	839
Sales and Use Tax Revenue (Building Materials)	4,840	4,840	0	0	0	0	0	0	0	0
Miscellaneous Revenue	0	5,407	10,814	11,138	11,472	11,817	12,171	12,536	12,912	13,300
General Fund Sub-Total	**4,840**	**10,583**	**11,734**	**12,324**	**12,694**	**13,065**	**13,467**	**13,871**	**14,288**	**14,715**
Public Safety Sales Tax Fund										
Sales Tax Revenue (Residential Uses)	0	67	136	141	145	149	154	158	163	168
Sales and Use Tax Revenue (Building Materials)	968	968	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	**968**	**1,035**	**136**	**141**	**145**	**149**	**154**	**158**	**163**	**168**
TOTAL REVENUE	**5,808**	**11,618**	**11,870**	**12,465**	**12,839**	**13,214**	**13,621**	**14,029**	**14,451**	**14,883**
REVENUE SURPLUS/DEFICIT (Total Rev. less Total Exp.)										
ANNUAL	**1,986**	**7,683**	**7,817**	**8,291**	**8,541**	**8,788**	**9,063**	**9,335**	**9,617**	**9,835**
CUMMULATIVE	**1,986**	**9,669**	**17,486**	**25,778**	**34,319**	**43,107**	**52,169**	**61,504**	**71,122**	**80,957**