

TO: Katelynn Wintz, Senior Planner, Planning and Development

FROM: Ian Peterson, Analyst II, Budget Office

DATE: June 4, 2020

SUBJECT: BLR Village Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the BLR Village Master Plan Amendment is attached. At the request of the Planning Department, the Budget Office prepared a fiscal impact analysis estimating the City General Fund, Public Safety Sales Tax (PSST) Fund, and 2C Road Maintenance Tax revenue and expenditures attributable to the BLR Village Master Plan Amendment for the period 2021-2030.

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, in which City units project the increased marginal cost of providing services to the development for 2021-2030. The Budget Office estimates the city revenue, as outlined in the Revenue Notes, stemming from the development.

BLR Village amends a 32 acre property in the City. Based on the planned zoning uses, this Fiscal Impact Analysis evaluates the lowering of density for 25.99 acres of the development, leading to a decrease in dwelling units from 377 to 161.

Most City departments did not identify changes in the marginal costs of providing services to this amended development. The costs identified were in the Police Department (decrease of \$11,771 to \$15,358), Fire Department (decrease of \$870 to \$1,135).

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

The reason for this outcome is the overall property assessment and demographics change lead to positive impacts to sales tax revenue, property tax, and taxes on building materials. However, the loss of population driven revenues like charges for services, fines, and utilities surplus are responsible for the negative annual impact.

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

FISCAL IMPACT ANALYSIS

**GENERAL FUND FISCAL IMPACT ANALYSIS
SUMMARY OF EXPENDITURES AND REVENUE FOR
BLR Village**

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	(11,771)	(12,124)	(12,487)	(12,862)	(13,248)	(13,645)	(14,055)	(14,476)	(14,911)	(15,358)
Fire	(870)	(896)	(923)	(950)	(979)	(1,008)	(1,039)	(1,070)	(1,102)	(1,135)
Public Works - Operations and Maintenance	0	0	0	0	0	0	0	0	0	0
Public Works - Transit	0	0	0	0	0	0	0	0	0	0
Public Works - Traffic	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	(12,640)	(13,019)	(13,410)	(13,812)	(14,227)	(14,654)	(15,093)	(15,546)	(16,012)	(16,493)
REVENUES										
Property Taxes	0	0	8,175	8,420	8,673	8,933	9,201	9,477	9,761	10,054
Specific Ownership Taxes	0	0	1,114	1,148	1,182	1,218	1,254	1,292	1,330	1,370
Road & Bridge Revenue	0	0	317	327	336	347	357	368	379	390
Sales Tax Revenue (Residential)	3,170	3,265	3,363	3,464	3,568	3,675	3,785	3,899	4,016	4,136
Sales and Use Tax Revenue (Building Materials)	213,755	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	(50,829)	(52,354)	(53,924)	(55,542)	(57,208)	(58,924)	(60,692)	(62,513)	(64,388)	(66,320)
General Fund Sub-Total	166,097	(49,088)	(40,955)	(42,184)	(43,449)	(44,752)	(46,095)	(47,478)	(48,902)	(50,369)
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential)	634	653	673	693	714	735	757	780	803	827
Sales and Use Tax Revenue (Building Materials)	42,751	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	43,385	653	673	693	714	735	757	780	803	827
<u>2C Road Tax Fund</u>										
Sales Tax Revenue (Residential)	903	903	903	903	903	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	60,920	0	0	0	0	0	0	0	0	0
2C Road Tax Fund Sub-Total	61,824	903	903	903	903	0	0	0	0	0
TOTAL REVENUE	271,306	(47,532)	(39,379)	(40,587)	(41,832)	(44,017)	(45,338)	(46,698)	(48,099)	(49,542)
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)	283,946	(34,512)	(25,969)	(26,775)	(27,605)	(29,364)	(30,245)	(31,152)	(32,087)	(33,049)
ANNUAL	283,946	249,434	223,465	196,690	169,085	139,721	109,476	78,324	46,237	13,187
CUMMULATIVE										

FISCAL IMPACT ANALYSIS

EXPENDITURE NOTES:

BLR Village Master Plan Amendment

General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2021-2030

POLICE:

As development occurs, the Police Department is responsible for regular police patrol and first response services in the area. This amendment represents a decrease to the Police Department's emergency response, and thus represents an \$11,771 to \$15,358 marginal cost decrease to the Police Department. This does not represent revenue, but saving in terms of the cost of service from prior to proposed use.

FIRE:

As development occurs, the Fire Department is responsible for emergency first response in the area. This amendment decreases the population planned to live within city limits and thus a decrease in potential calls for service in the future. Therefore, there is a potential future marginal cost decrease of \$870 to \$1,135 within the Fire Department. This does not represent revenue, but saving in terms of the cost of service from prior to proposed use.

PUBLIC WORKS - OPERATIONS AND MAINTENANCE:

Streets maintenance within the public rights of way of this development are the responsibility of the City's Public Works Operations and Maintenance division, including milling, paving, crackseal, chipseal, concrete and ramps. This amendment does not represent any additional maintenance obligations for the City beyond what is established in the prior Master Plan, and thus no change in the marginal cost of service.

PUBLIC WORKS - TRAFFIC ENGINEERING:

Traffic Engineering is responsible for signals maintenance and school traffic safety. This amendment does not represent any additional maintenance obligations for the City, and thus no change in the marginal cost of service.

PUBLIC WORKS - TRANSIT:

This annexation lies outside the current service area of City transit services. There are currently no plans to extend service at this time, therefore no marginal cost increases have been incorporated into this fiscal impact analysis.

PARKS:

This amendment, and subsequent development, does not add Parks acreage beyond what was established in the original Master Plan. Therefore there are no changes in marginal costs within the Parks department.

REVENUE NOTES

BLR Village Master Plan Amendment

General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2021-2030

PROPERTY TAX:

It is assumed property taxes will be collected in the year 2023 because of the time lag associated with placing assessed value onto the assessment rolls. The 2023 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 commercial assessment ratio of 29%, and residential assessment ratio of 7.15%. The cumulative assessed valuation includes a 3% annual increase in market values.

The generation of property taxes by the proposed uses in this master plan amendment are netted against those potentially generated by existing uses.

SPECIFIC OWNERSHIP TAXES

The Specific Ownership Taxes are calculated at 13.63% of the property tax revenues. This is based on the average actual City Specific Ownership Taxes as a percent of property tax revenues over a period of five years.

ROAD & BRIDGE REVENUE:

The Road & Bridge Revenue is calculated at 3.88% of the property tax revenues. This is based on the average actual City Road & Bridge revenues as a percent of property tax revenue over a period of five years.

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 this development and the sale of building materials used in the projected construction of the households in the development.

The generation of sales taxes by the proposed uses in this master plan amendment are netted against those potentially generated by existing uses.

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%, which is derived based on the estimates 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. Projections include a 3% annual increase for inflation.

The Budget Office derived a market value per unit for multi-family dwellings to plug into the aforementioned calculation that serves as a proxy in the affordability calculation for potential renters in the development.

The Sales Tax Revenue for Building Materials is calculated based on sales taxable materials at 40% of the market value of the property. Sales Tax Revenue that would be received from prior potential construction plans is netted against what will be received from construction of this proposed development.

Miscellaneous Revenue

The revenue calculation for Miscellaneous Revenue is population based, and is derived from City revenue categories like fines or charges for services on a per capita basis for residents of the City.

The Budget Office used an estimate of 2.5 persons per dwelling unit for these calculations.

Correlating with the assumptions on Sales Tax Revenue, Miscellaneous Revenue is projected as 60% new to the City.