

TO: Tasha Brackin, Senior Planner, Planning and Development

FROM: Ian Peterson, Analyst II, Budget Office

DATE: February 10, 2021

SUBJECT: Reagan Ranch Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Reagan Ranch 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 2C2 Road Maintenance Tax revenue and expenditures attributable to the Reagan Ranch Master Plan Amendment for the period 2021-2030.

The fiscal review criteria of the City Code state 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 incremental 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.

Reagan Ranch amends a 237-acre property in the City. Based on the planned zoning uses, this Fiscal Impact Analysis evaluates the change in zoning from industrial to 119.39 acres of mixed use residential, 82.29 acres of commercial and office, and 20.98 acres of parkland.

The incremental costs identified were in the Police Department (\$93,170-\$121,566) and the Fire Department (\$2,688-\$3,507) annually. Public Works Operations and Maintenance Division (\$786,000) costs are one-time and split across the final two years of the 10-year horizon.

Park maintenance will not fall to the City and will be accommodated by the Reagan Ranch metropolitan district.

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 change in zoning from industrial to residential and commercial provides for a higher Sales and Use tax and Property Tax foundation to offset the increase in providing services for the development and loss of prior zoning uses. Also, Park maintenance expenditures were not incorporated as that will be the responsibility of the Reagan Ranch metropolitan district.

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.

FINANCIAL IMPACT ANALYSIS

GENERAL FUND FISCAL IMPACT ANALYSIS
SUMMARY OF EXPENDITURES AND REVENUE FOR
Reagan Ranch Master Plan Amendment

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	93,170	95,965	98,844	101,809	104,864	108,010	111,250	114,587	118,025	121,566
Fire	2,688	2,769	2,852	2,937	3,025	3,116	3,210	3,306	3,405	3,507
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	95,858	98,734	101,696	104,747	107,889	111,126	114,459	117,893	514,430	518,073
REVENUES										
Property Taxes	0	0	24,240	24,967	25,716	26,487	27,282	28,100	28,943	29,812
Specific Ownership Taxes	0	0	3,304	3,403	3,505	3,610	3,719	3,830	3,945	4,063
Road & Bridge Revenue	0	0	940	969	998	1,028	1,059	1,090	1,123	1,157
Sales Tax Revenue (Residential and Commercial)	304,311	313,440	322,843	332,528	342,504	352,779	363,363	374,264	385,491	397,056
Sales and Use Tax Revenue (Building Materials)	3,085,677	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	381,215	392,652	404,431	416,564	429,061	441,933	455,191	468,847	482,912	497,399
General Fund Sub-Total	3,771,203	706,092	755,758	778,431	801,784	825,838	850,613	876,131	902,415	929,487
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	60,862	62,688	64,569	66,506	68,501	70,556	72,673	74,853	77,098	79,411
Sales and Use Tax Revenue (Building Materials)	617,135	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	677,998	62,688	64,569	66,506	68,501	70,556	72,673	74,853	77,098	79,411
<u>2C2 Road Tax Fund</u>										
Sales Tax Revenue (Residential and Commercial)	86,728	89,330	92,010	94,771	97,614	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	879,418	0	0	0	0	0	0	0	0	0
2C2 Road Tax Fund Sub-Total	966,146	89,330	92,010	94,771	97,614	0	0	0	0	0
TOTAL REVENUE	5,415,347	858,110	912,337	939,707	967,899	896,393	923,285	950,984	979,513	1,008,899
REVENUE SURPLUS/DEFICIT										
Total Rev. less Total Exp.)	5,319,489	759,376	810,641	834,961	860,010	785,268	808,826	833,091	465,083	490,826
ANNUAL	5,319,489	6,078,865	6,889,506	7,724,467	8,584,477	9,369,744	10,178,570	11,011,661	11,476,744	11,967,570
CUMULATIVE										

EXPENDITURE NOTES:

Reagan Ranch Master Plan Amendment

**General Fund/Public Safety Sales Tax (PSST) Fund/2C2 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 an impact to the Police Department's response area, and thus represents a \$97,405 to \$127,091 annual incremental cost increase to the Police Department.

FIRE:

As development occurs, the Fire Department is responsible for emergency first response in the area. This amendment increases the population planned to live within city limits of this development and thus an increase in potential calls for service in the future. Therefore, there is a potential annual incremental cost increase of \$2,810 to \$3,667 within the Fire Department. The costs captured are for fuel, medical supplies, and vehicle maintenance required to respond to calls.

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. To maintain current levels of service within this development will require an estimated incremental increase of \$786,000 in one-time costs over the final two years of the 10-year horizon. This captures the useful life of the new roadways and when the City will address the maintenance needs of the roadway.

PUBLIC WORKS – TRAFFIC ENGINEERING:

Traffic Engineering is responsible for signals maintenance and school traffic safety. No signalized intersections or school zones were added as part of this amendment; thus no incremental costs will be incurred.

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 incremental cost increases have been incorporated into this fiscal impact analysis.

PARKS:

This amendment, and subsequent development, adds 20.82 acres of parkland. However, maintenance of this parkland will fall to the Reagan Ranch metropolitan district and will not create obligations for the City.

REVENUE NOTES

Reagan Ranch Master Plan Amendment General Fund/Public Safety Sales Tax (PSST) Fund/2C2 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 planned 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, sales tax revenue generated by commercial development above and beyond the personal consumption identified, and the sale of building materials used in the projected construction of the households and commercial space 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 planned 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 Commercial Uses is calculated by determining the average amount of commercial space within the development. The Budget Office collates economic and market data to create metrics to estimate potential revenue generated by that commercial space.

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.