

TO: Larry Larsen, Senior Planner
FROM: Nina Vetter, Senior Analyst
DATE: April 15, 2014
SUBJECT: Saddletree Village Annexation - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Saddletree Village 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 Saddletree Village 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 no identifiable marginal costs of providing services to this development, as the area is currently being serviced by public safety agencies, and the surrounding infrastructure and roadways are already being maintained by the City as they fall within the service area of surrounding parcels. The Fire Department, Police Department and Streets Division identified marginal increases in operation costs.

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.

EXPENDITURE NOTES:

Saddletree Village Annexation

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

POLICE:

As development occurs, the Police Department is responsible for regular police patrol and first response services in the area. However, the proposed annexation area is located in a serviced area, and the addition of 70 residential units is only projected to have a small marginal impact to the cost of police services (\$1,550-\$1,852).

FIRE:

As part of the Annexation Agreement, the Annexor will pay their fair and equitable share of the land and construction expenses and initial equipment costs for a future fire station. The only additional, operational, identifiable marginal costs of providing service to the annexed area are fuel, medical supplies and maintenance (~\$74-\$89 annually).

PUBLIC WORKS – STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

There are no additional public infrastructure or maintenance obligations associated with this annexation in the next ten years. The parcel is an infill parcel so infrastructure surrounding the parcel is already existing and serving other parcels. The only identifiable increased costs to Public Works, is in the Streets Division to account for marginal increased costs of maintenance of roadway and drainage (\$1,201-\$1,637).

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. However, transit will be opening a park and ride near the area, which will benefit the households in the annexed area.

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.

REVENUE NOTES

Saddletree Village 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 Saddletree Village and the sale of building materials used in the projected construction of the households and commercial space 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 Saddletree Village and the sale of building materials used in the projected construction of the households and commercial space 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.

