

**TO:** Michael McConnell, Planner II, Planning and Development  
**FROM:** Ian Peterson, Analyst II, Budget Office  
**DATE:** August 13, 2018  
**SUBJECT:** Chaparral Hills Major Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Chaparral Hills Major 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 amended Chaparral Hills development for the period 2019-2028.

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 2019-2028. The Budget Office estimates the city revenue, as outlined in the Revenue Notes, stemming from the development, and nets those revenues against the potential revenue of the previously proposed land use in the Master Plan.

Most departments indicated that there were no identifiable marginal costs of providing services to this amended development. However, the Fire Department (\$33-\$39), Police Department (\$1,774-\$2,120), Streets Division (\$29,233-\$34,936), and Traffic Engineering (\$4,171-\$4,985) identified marginal increases in operation costs annually.

The result of the fiscal impact analysis is a negative cumulative cashflow for the City during the 10-year timeframe. The major negative factor within this fiscal impact analysis stems from the loss of potential revenue in the removal of commercial space. The new residential zoning was not enough to offset this loss of revenue potential.

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.

**GENERAL FUND FISC.  
SUMMARY OF EXPENDITURE**

Chaparral

	2019	2020	2021	
<b>EXPENDITURES</b>				
<u>Total Salaries, Operating, and Capital Outlay</u>				
Police	1,774	1,809	1,845	
Fire	33	34	34	
Public Works - Streets	29,233	29,818	30,414	3
Public Works - Transportation Engineering	0	0	0	
Public Works - City Engineering	0	0	0	
Public Works - Traffic	4,171	4,255	4,340	4
Parks, Recreation and Cultural Services	0	0	0	
<b>TOTAL EXPENDITURES</b>	<b>35,211</b>	<b>35,915</b>	<b>36,634</b>	<b>3</b>
<b>REVENUES</b>				
Property Taxes	0	0	515	
Specific Ownership Taxes	0	0	60	
Road & Bridge Revenue	0	0	20	
Sales Tax Revenue (Residential & Commercial)	(5,489)	(22,977)	(41,510)	(6)
Sales and Use Tax Revenue (Building Materials)	162,541	0	0	
Miscellaneous Revenue	28,294	29,142	30,017	3
<b>General Fund Sub-Total</b>	<b>185,346</b>	<b>6,165</b>	<b>(10,899)</b>	<b>(2)</b>
<u>Public Safety Sales Tax Fund</u>				
Sales Tax Revenue (Residential & Commercial)	(1,098)	(4,595)	(8,302)	(1)
Sales and Use Tax Revenue (Building Materials)	32,508	0	0	
<b>Public Safety Sales Tax Fund Sub-Total</b>	<b>31,410</b>	<b>(4,595)</b>	<b>(8,302)</b>	<b>(1)</b>
<u>2C Road Tax Fund</u>				
Sales Tax Revenue (Residential & Commercial)	(1,701)	(7,123)	(12,868)	
Sales and Use Tax Revenue (Building Materials)	50,387	0	0	
<b>2C Road Tax Fund Sub-Total</b>	<b>48,686</b>	<b>(7,123)</b>	<b>(12,868)</b>	
<b>TOTAL REVENUE</b>	<b>265,443</b>	<b>(5,553)</b>	<b>(32,069)</b>	<b>(4)</b>
<b>REVENUE SURPLUS/DEFICIT</b>				
(Total Rev. less Total Exp.)				
<b>ANNUAL</b>	<b>230,232</b>	<b>(41,468)</b>	<b>(68,703)</b>	<b>(7)</b>
<b>CUMMULATIVE</b>	<b>230,232</b>	<b>188,763</b>	<b>120,060</b>	<b>4</b>

**FIGURE 6**

**EXPENDITURE NOTES:**

**Chaparral Hills Master Plan Amendment**

**General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2019-2028**

**POLICE:**

As development occurs, the Police Department is responsible for regular police patrol and first response services in the area. The change between the new and originally proposed land uses represents a marginal increase of approximately \$1,774 to \$2,120 in cost of services for the Police Department annually within the next ten years.

**FIRE:**

Between the originally proposed Master Plan and this amendment, the only additional, operational, identifiable marginal costs of providing service are fuel, medical supplies and maintenance (\$33-\$39 annually).

**PUBLIC WORKS – STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:**

There are small additional public infrastructure and maintenance obligations associated with this amendment in the next ten years. Between the originally proposed Master Plan and this amendment, additional roadways and a signalized intersection were added. Therefore, the identifiable increased costs to Public Works, are in the Traffic Division for lanes striping, signage, and maintenance of a signalized intersection (\$4,171-\$4,985), and Streets Division to account for marginal increased costs of maintenance of roadway and drainage (\$29,233-\$34,936).

**PUBLIC WORKS -TRANSIT:**

The change in land use within this Master Plan Amendment will not alter transit services to this area within the next ten years, thus there are no identifiable marginal costs within the next ten years.

**PARKS:**

The Master Plan Amendment does not indicate any current plans to expand parks services beyond what was originally proposed, thus there are no identifiable marginal costs within the next ten years.

## **REVENUE NOTES**

### **Chaparral Hills Master Plan Amendment**

### **General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2019-2028**

#### **PROPERTY TAX:**

It is assumed property taxes will be collected in the year 2021 based upon beginning construction in 2019 because of the time lag associated with placing assessed value onto the assessment rolls. The 2021 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 7.2%. The cumulative assessed valuation includes a 3% annual increase in market values.

The collection of property tax per the Master Plan amendment is netted against potential property tax revenue within the original proposed Master Plan.

#### **ROAD & BRIDGE REVENUE:**

The Road & Bridge Revenue is calculated at 3.85% 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 Chaparral Hills, 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 collection of sales tax related to the Master Plan amendment is netted against potential sales tax revenue within the original proposed Master Plan.

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 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.