

TO: Meggan Herington, Principal Planner

FROM: Michael Miles, Senior Analyst

DATE: October 23, 2015

SUBJECT: Kum & Go @ Powers & Dublin Annexation - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Kum & Go @ Powers & Dublin 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 Kum & Go @ Powers & Dublin development for the period 2016-2025.

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 2016-2025. The Budget Office estimates the city revenue, as outlined in the Revenue Notes, stemming from the development.

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 (\$100-\$120), Police Department (\$300-\$359) and Traffic Division (\$1,000-\$1,195) identified marginal increases in operation costs annually.

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:

Kum & Go @ Powers & Dublin Annexation

General Fund/Public Safety Sales Tax (PSST) Fund Fiscal Impact Analysis, 2016-2025

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 within a serviced area, and the addition of 3.477 acres and 2 commercial lots will have a small identifiable marginal increase in cost of services for the Police Department within the next ten years of approximately \$300 to \$359 annually.

FIRE:

As part of the Annexation Agreement, the Annexor will pay their fair and equitable share of the expenses and equipment costs for the nearest fire station but this property is located within a currently serviced area. The only additional, operational, identifiable marginal costs of providing service to the annexed area are fuel, medical supplies and maintenance (~\$100-\$120 annually).

PUBLIC WORKS – STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

There are no additional public infrastructure and maintenance obligations associated with this annexation in the next ten years. The parcel is an infill parcel so infrastructure adjacent the parcel is already existing and serving other parcels but streets, lighting and signage will need to be added to reach and address all lots. The identifiable increased costs to Public Works, are in the Traffic Division for lanes striping, signage, and street lights (\$1,000-\$1,195). The Streets Division already services the area around the Dublin and Powers intersection and are currently responsible for the lanes and drainage (no additional funds needed).

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:

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

REVENUE NOTES

Kum & Go @ Powers & Dublin Annexation

General Fund/Public Safety Sales Tax Fund Fiscal Impact Analysis, 2016-2025

PROPERTY TAX:

It is assumed property taxes will be collected in the year 2018 based upon beginning construction in 2016 because of the time lag associated with placing assessed value onto the assessment rolls. The 2018 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%. The cumulative assessed valuation includes a 3% annual increase in market values.

ROAD & BRIDGE REVENUE:

The Road & Bridge Revenue is calculated at 3.85% of the property tax revenues. This is based on the 2013 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 commercial sales projected to be completed at the Kum & Go store in the Powers & Dublin area and the sale of building materials used in the projected construction of the commercial building in the development.

The Sale Tax Revenue for commercial businesses is projected by analyzing the type of business proposed for the development. The proposed business is a convenience store with gasoline. Projected sales data was attained through small business data public websites. The projections assume a reduced percentage of the average expected sales because the area does not have a full build out of residential units. The sales tax projection on the convenience store assumes 10% of sales are taxable due to the product mix of gas and cigarettes along with other non-taxable food items. Also, the projection 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.

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	300	306	312	318	325	331	338	345	351	359
Fire	100	102	104	106	108	110	113	115	117	120
Public Works - Streets	0	0	0	0	0	0	0	0	0	0
Public Works - Transportation Engineering	0	0	0	0	0	0	0	0	0	0
Public Works - City Engineering	0	0	0	0	0	0	0	0	0	0
Public Works - Traffic	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Parks, Recreation and Cultural Services	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	1,400	1,428	1,457	1,486	1,515	1,546	1,577	1,608	1,640	1,673
REVENUES										
Property Taxes	0	0	1,489	1,534	1,580	1,627	1,676	1,726	1,778	1,831
Specific Ownership Taxes	0	0	174	179	185	190	196	202	208	214
Road & Bridge Revenue	0	0	57	59	61	63	65	66	68	71
Sales Tax Revenue (Commercial Uses)	0	6,809	7,013	7,224	7,441	7,664	7,894	8,130	8,374	8,884
Sales and Use Tax Revenue (Building Materials)	9,600	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	0	0	0	0	0	0	0	0	0	0
General Fund Sub-Total	9,600	6,809	8,734	8,996	9,266	9,544	9,830	10,125	10,429	11,001
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Commercial Uses)	0	1,362	1,403	1,445	1,488	1,533	1,579	1,626	1,675	1,725
Sales and Use Tax Revenue (Building Materials)	1,920	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	1,920	1,362	1,403	1,445	1,488	1,533	1,579	1,626	1,675	1,725
TOTAL REVENUE	11,520	8,171	10,137	10,441	10,754	11,077	11,409	11,751	12,104	12,726
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)	10,120	6,743	8,680	8,955	9,239	9,531	9,832	10,143	10,463	11,053
ANNUAL	10,120	16,863	25,543	34,498	43,737	53,268	63,100	73,243	83,707	94,759
CUMMULATIVE										

FIGURE 3