

**TO:** Catherine Duarte, Senior Analyst, Community Development  
**FROM:** Ian Peterson, Analyst II, Budget Office  
**DATE:** October 5, 2018  
**SUBJECT:** **Mill Street Master Plan Amendment - Fiscal Impact Analysis**

A copy of the fiscal impact analysis for the Mill Street Master Plan Amendment, is attached. At the request of the Community Development Division, 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 Mill Street neighborhood 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 (\$835-\$997), Police Department (\$13,727-\$16,405), Streets Division (\$25,214-\$30,133), and Parks Department (\$51,623-\$61,694) 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 major positive factor within this fiscal impact analysis is the potential revenue from the encouragement of development of underdeveloped parts of the Mill Street Neighborhood.

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 FISCAL IMPACT ANALYSIS  
SUMMARY OF EXPENDITURES AND REVENUE FOR  
Mill Street Neighborhood Plan**

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>EXPENDITURES</b>										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	13,727	14,001	14,281	14,567	14,858	15,155	15,459	15,768	16,083	16,405
Fire	835	851	868	886	903	921	940	959	978	997
Public Works - Streets	25,214	25,718	26,233	26,757	27,292	27,838	28,395	28,963	29,542	30,133
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	0	0	0	0	0	0	0	0	0	0
Parks, Recreation and Cultural Services	51,623	52,655	53,708	54,783	55,878	56,996	58,136	59,298	60,484	61,694
<b>TOTAL EXPENDITURES</b>	<b>91,398</b>	<b>93,226</b>	<b>95,091</b>	<b>96,992</b>	<b>98,932</b>	<b>100,911</b>	<b>102,929</b>	<b>104,988</b>	<b>107,088</b>	<b>109,229</b>
<b>REVENUES</b>										
Property Taxes	0	0	4,542	4,678	4,818	4,963	5,112	5,265	5,423	5,585
Specific Ownership Taxes	0	0	528	544	560	577	594	612	631	650
Road & Bridge Revenue	0	0	173	178	183	189	194	200	206	212
Sales Tax Revenue (Residential & Commercial)	28,671	47,391	67,209	88,174	110,335	133,748	158,465	184,545	212,048	241,034
Sales and Use Tax Revenue (Building Materials)	80,284	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	31,289	32,228	33,195	34,191	35,216	36,273	37,361	38,482	39,636	40,825
<b>General Fund Sub-Total</b>	<b>140,244</b>	<b>79,619</b>	<b>105,646</b>	<b>127,764</b>	<b>151,113</b>	<b>175,749</b>	<b>201,726</b>	<b>229,104</b>	<b>257,944</b>	<b>288,307</b>
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential & Commercial)	5,734	9,478	13,442	17,635	22,067	26,750	31,693	36,909	42,410	48,207
Sales and Use Tax Revenue (Building Materials)	16,057	0	0	0	0	0	0	0	0	0
<b>Public Safety Sales Tax Fund Sub-Total</b>	<b>21,791</b>	<b>9,478</b>	<b>13,442</b>	<b>17,635</b>	<b>22,067</b>	<b>26,750</b>	<b>31,693</b>	<b>36,909</b>	<b>42,410</b>	<b>48,207</b>
<u>2C Road Tax Fund</u>										
Sales Tax Revenue (Residential & Commercial)	8,888	14,691	20,835	0	0	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	24,888	0	0	0	0	0	0	0	0	0
<b>2C Road Tax Fund Sub-Total</b>	<b>33,776</b>	<b>14,691</b>	<b>20,835</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUE</b>	<b>195,810</b>	<b>103,789</b>	<b>139,923</b>	<b>145,399</b>	<b>173,180</b>	<b>202,498</b>	<b>233,419</b>	<b>266,014</b>	<b>300,353</b>	<b>336,514</b>
<b>REVENUE SURPLUS/DEFICIT</b>										
(Total Rev. less Total Exp.)										
<b>ANNUAL</b>	<b>104,412</b>	<b>10,563</b>	<b>44,832</b>	<b>48,406</b>	<b>74,248</b>	<b>101,587</b>	<b>130,490</b>	<b>161,026</b>	<b>193,266</b>	<b>227,285</b>
<b>CUMMULATIVE</b>	<b>104,412</b>	<b>114,975</b>	<b>159,807</b>	<b>208,213</b>	<b>282,461</b>	<b>384,049</b>	<b>514,539</b>	<b>675,565</b>	<b>868,830</b>	<b>1,096,115</b>

**EXPENDITURE NOTES:**

**Mill Street 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 incurred from the encouragement of development represents a marginal increase of approximately \$13,727 to \$16,405 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 (\$835-\$997 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 roadway and sidewalk improvements are required. Therefore, the identifiable increased costs to Public Works, are in the Streets Division (\$25,214-\$30,133) to account for marginal increased costs of maintenance of roadway and sidewalk infrastructure.

**PUBLIC WORKS -TRANSIT:**

The change in land use within this Master Plan Amendment are consistent with previous downtown master plans, and thus will not alter transit services to this area within the next ten years. There are no identifiable marginal costs within the next ten years.

**PARKS:**

One of the major items within the Master Plan Amendment is the cleanup and reprogramming on Dorchester Park. The increased attention and support of this Park represents a marginal cost of \$51,623-\$61,694.

## **REVENUE NOTES**

### **Mill Street 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 new population projected to reside in the Mill Street Neighborhood, new commercial development attracted to the area, and the sale of building materials used in the projected construction of the households 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 Building Materials is calculated based on sales taxable materials at 40% of the market value of the property.