

TO: Katie Carleo, Principal Planner, Planning and Development
FROM: Ian Peterson, Analyst II, Budget Office
DATE: July 3, 2018
SUBJECT: Airport Spectrum Annexation - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the Airport Spectrum Annexation 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 Fund revenue and expenditures attributable to the Airport Spectrum annexation and its subsequent development for the period 2018-2027.

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, City units are asked to project the increased marginal cost of providing services to the development for 2018-2027. 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 (\$104-\$25), Police Department (\$8,990-\$9,170), Streets Division (\$23,120-\$27,631), and Traffic Engineering (\$4,648-\$5,555) 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 attached provide the methodology for calculating the expenditures and revenues.

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

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	8,990	9,170	9,353	9,540	9,731	9,926	10,124	10,327	10,533	10,744
Fire	104	106	108	111	113	115	117	120	122	125
Public Works - Streets	23,120	23,582	24,054	24,535	25,026	25,526	26,037	26,558	27,089	27,631
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	4,648	4,741	4,836	4,933	5,031	5,132	5,235	5,339	5,446	5,555
Parks, Recreation and Cultural Services	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	36,863	37,600	38,352	39,119	39,901	40,699	41,513	42,344	43,190	44,054
REVENUES										
Property Taxes	0	0	36,177	37,262	38,380	39,531	40,717	41,939	43,197	44,493
Specific Ownership Taxes	0	0	4,207	4,334	4,464	4,598	4,735	4,877	5,024	5,175
Road & Bridge Revenue	0	0	1,375	1,416	1,458	1,502	1,547	1,594	1,641	1,691
Sales Tax Revenue (Commercial Uses)	39,894	246,546	507,885	697,496	898,026	1,109,960	1,333,802	1,570,076	1,819,325	2,082,117
Sales and Use Tax Revenue (Building Materials)	233,228	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	273,122	246,546	549,644	740,508	942,328	1,155,592	1,380,802	1,618,486	1,869,188	2,133,475
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Commercial Uses)	7,979	49,309	101,577	139,499	179,605	221,992	266,760	314,015	363,865	416,423
Sales and Use Tax Revenue (Building Materials)	46,646	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	54,624	49,309	101,577	139,499	179,605	221,992	266,760	314,015	363,865	416,423
<u>2C Road Tax Fund</u>										
Sales Tax Revenue (Commercial Uses)	12,367	76,429	157,444	0	0	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	72,301	0	0	0	0	0	0	0	0	0
2C Road Tax Fund Sub-Total	84,668	76,429	157,444	0	0	0	0	0	0	0
TOTAL REVENUE	412,415	372,285	808,666	880,007	1,121,934	1,377,584	1,647,563	1,932,501	2,233,053	2,549,899
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)										
ANNUAL	375,552	334,685	770,314	840,888	1,082,032	1,336,884	1,606,050	1,890,158	2,189,863	2,505,844
CUMMULATIVE	375,552	710,237	1,480,552	2,321,440	3,403,472	4,740,356	6,346,406	8,236,564	10,426,426	12,932,271

FIGURE 6

EXPENDITURE NOTES:

Airport Spectrum Annexation

General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2018-2027

POLICE:

As development occurs, the Police Department is responsible for regular police patrol and first response services in the area. However, the proposed annexation is located within a serviced area, there are identifiable marginal increase in cost of services for the Police Department of approximately \$8,990 to \$10,744 annually within the next ten years.

FIRE:

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 (\$104-\$125 annually).

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

There are small additional public infrastructure and maintenance obligations associated with this annexation in the next ten years. The identifiable increased costs to Public Works, are in the Traffic Division for lanes striping, signage, signals maintenance, and street lights (\$4,648-\$5,555), and Streets Division to account for marginal increased costs of maintenance of roadway and drainage (\$23,120-\$27,631).

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

Airport Spectrum Annexation

General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2018-2027

PROPERTY TAX:

It is assumed property taxes will be collected in the year 2020 based upon beginning construction in 2018 because of the time lag associated with placing assessed value onto the assessment rolls. The 2020 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 2018 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 activity projected to operate within the Airport Spectrum development and the sale of building materials used in the projected construction of the office and commercial space in the development.

The Sales Tax Revenue for Building Materials is calculated based on sales taxable materials at 40% of the market value of the commercial property.