

TO: Katie Carleo, Principal Planner, Planning and Development
FROM: Ian Peterson, Analyst II, Budget Office
DATE: January 25, 2019
SUBJECT: **Wolf Ranch Major Master Plan Amendment - Fiscal Impact Analysis**

A copy of the fiscal impact analysis for the Wolf Ranch 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 Wolf Ranch 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 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 (\$179-\$214), Police Department (\$4,335-\$5,180), Parks Department (\$84,825-\$101,374), and Traffic Engineering (\$4,648-\$5,555) 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 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 FISCAL IMPACT ANALYSIS
SUMMARY OF EXPENDITURES AND REVENUE FOR
Wolf Ranch

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
EXPENDITURES										
Total Salaries, Operating, and Capital Outlay										
Police	4,335	4,421	4,510	4,600	4,692	4,786	4,881	4,979	5,079	5,180
Fire	179	183	187	190	194	198	202	206	210	214
Public Works - Street	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	4,648	4,741	4,836	4,932	5,031	5,132	5,234	5,339	5,446	5,555
Parks, Recreation and Cultural Services	84,825	86,522	88,252	90,017	91,817	93,654	95,527	97,437	99,386	101,374
TOTAL EXPENDITURES	93,987	95,867	97,784	99,740	101,734	103,769	105,844	107,961	110,121	112,323
REVENUES										
Property Taxes	0	0	(1,867)	(1,923)	(1,981)	(2,040)	(2,102)	(2,165)	(2,230)	(2,297)
Specific Ownership Tax:	0	0	(217)	(224)	(230)	(237)	(244)	(252)	(259)	(267)
Road & Bridge Revenue	0	0	(71)	(73)	(75)	(78)	(80)	(82)	(85)	(87)
Sales Tax Revenue (Residential & Commercial)	(9,162)	(23,873)	(39,459)	(55,958)	(73,412)	(91,863)	(111,355)	(131,933)	(153,646)	(176,543)
Sales and Use Tax Revenue (Building Materials)	191,427	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	21,636	22,285	22,954	23,643	24,352	25,082	25,835	26,610	27,408	28,230
General Fund Sub-Total	203,901	(1,588)	(18,660)	(34,536)	(51,347)	(69,136)	(87,946)	(107,822)	(128,812)	(150,964)
Public Safety Sales Tax Fund										
Sales Tax Revenue (Residential & Commercial)	(1,832)	(4,775)	(7,892)	(11,192)	(14,682)	(18,373)	(22,271)	(26,387)	(30,729)	(35,309)
Sales and Use Tax Revenue (Building Materials)	38,285	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Total	36,453	(4,775)	(7,892)	(11,192)	(14,682)	(18,373)	(22,271)	(26,387)	(30,729)	(35,309)
2C Road Tax Fund										
Sales Tax Revenue (Residential & Commercial)	(2,840)	(7,401)	0	0	0	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	59,342	0	0	0	0	0	0	0	0	0
2C Road Tax Fund Sub-Total	56,502	(7,401)	0	0						
TOTAL REVENUE	296,856	(13,763)	(26,552)	(45,728)	(66,030)	(87,509)	(110,217)	(134,209)	(159,541)	(186,273)
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)										
ANNUAL	202,869	(109,630)	(124,336)	(145,467)	(167,764)	(191,278)	(216,061)	(242,170)	(269,662)	(298,596)
CUMMULATIVE	202,869	93,239	(31,097)	(176,564)	(344,328)	(535,606)	(751,667)	(993,837)	(1,263,499)	(1,562,095)

FIGURE 9

EXPENDITURE NOTES:

Wolf Ranch 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 \$4,335 to \$5,180 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 (\$179-\$214 annually).

PUBLIC WORKS – STREETS, TRAFFIC ENGINEERING, CITY ENGINEERING:

There are additional public infrastructure and maintenance obligations associated with this amendment in the next ten years. Between the originally proposed Master Plan and this amendment, a roundabout was removed and a signalized intersection was added. Therefore, the identifiable increased costs to Public Works are in the Traffic Division for maintenance of a signalized intersection (\$4,648-\$5,555).

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 increases the amount of community park land versus open space, which represents a marginal increase in service level provided (\$84,825-\$101,374).

REVENUE NOTES

Wolf Ranch 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 Wolf Ranch, 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.