

TO: Daniel Sexton, Senior Planner, Planning and Community Development

FROM: Ian Peterson, Budget Analyst, Fiscal and Strategic Planning

DATE: September 5, 2017

SUBJECT: Bradley Ranch Master Plan Amendment - Fiscal Impact Analysis

A copy of the fiscal impact analysis for Bradley Ranch 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 amendment of the Bradley Ranch master plan development for the period 2017-2026.

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 2017-2026. 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 (\$835-\$1,089), Police Department (\$13,727-\$17,910), Streets Division (\$5,070-\$6,493), and Traffic Engineering (\$7,600-\$9,916) 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.

GENERAL FUND FISCAL IMPACT ANALYSIS
SUMMARY OF EXPENDITURES AND REVENUE FOR

Bradley Ranch

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
EXPENDITURES										
<u>Total Salaries, Operating, and Capital Outlay</u>										
Police	13,727	14,139	14,563	15,000	15,450	15,913	16,391	16,882	17,389	17,910
Fire	835	860	885	912	939	967	996	1,026	1,057	1,089
Public Works - Streets	24,099	24,822	25,567	26,334	27,124	27,937	28,775	29,639	30,528	31,444
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	7,600	7,828	8,063	8,305	8,554	8,810	9,075	9,347	9,627	9,916
Parks, Recreation and Cultural Services	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	46,260	47,648	49,077	50,550	52,066	53,628	55,237	56,894	58,601	60,359
REVENUES										
Property Taxes	0	0	4,770	4,914	5,061	5,213	5,369	5,530	5,696	5,867
Specific Ownership Taxes	0	0	555	571	589	606	624	643	662	682
Road & Bridge Revenue	0	0	181	187	192	198	204	210	216	223
Sales Tax Revenue (Residential Uses)	7,779	8,012	8,253	8,500	8,755	9,018	9,289	9,567	9,854	10,150
Sales and Use Tax Revenue (Building Materials)	112,046	0	0	0	0	0	0	0	0	0
Miscellaneous Revenue	34,618	36,514	37,609	38,737	39,899	41,096	42,329	43,599	44,907	46,254
General Fund Sub-Tota	154,443	44,526	51,368	52,909	54,497	56,132	57,816	59,550	61,337	63,177
<u>Public Safety Sales Tax Fund</u>										
Sales Tax Revenue (Residential Uses)	1,556	1,602	1,651	1,700	1,751	1,804	1,858	1,913	1,971	2,030
Sales and Use Tax Revenue (Building Materials)	22,409	0	0	0	0	0	0	0	0	0
Public Safety Sales Tax Fund Sub-Tota	23,965	1,602	1,651	1,700	1,751	1,804	1,858	1,913	1,971	2,030
<u>2C Road Tax Fund</u>										
Sales Tax Revenue (Residential Uses)	2,411	2,484	2,558	2,635	0	0	0	0	0	0
Sales and Use Tax Revenue (Building Materials)	34,734	0	0	0	0	0	0	0	0	0
2C Road Tax Fund Sub-Total	37,146	2,484	2,558	2,635	0	0	0	0	0	0
TOTAL REVENUE	215,553	48,612	55,577	57,245	56,248	57,935	59,673	61,463	63,307	65,207
REVENUE SURPLUS/DEFICIT										
(Total Rev. less Total Exp.)										
ANNUAL	169,293	964	6,500	6,695	4,181	4,307	4,436	4,569	4,706	4,847
CUMMULATIVE	169,293	170,257	176,757	183,452	187,634	191,940	196,377	200,946	205,652	210,500

FIGURE 6

EXPENDITURE NOTES:

Bradley Ranch Master Plan Amendment

**General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund
Fiscal Impact Analysis, 2017-2026**

POLICE:

As development occurs, the Police Department is responsible for regular police patrol and first response services in the area. However, the proposed amendment is located within a serviced area, there are identifiable marginal increase in cost of services for the Police Department of approximately \$13,727 to \$17,910 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 amended area are fuel, medical supplies and maintenance (\$835-\$1,089 annually).

PUBLIC WORKS – STREETS, TRAFFIC ENGINEERING, 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, and street lights (\$7,600-\$9,916), and Streets Division to account for marginal increased costs of maintenance of roadway and drainage (\$24,099-\$31,444).

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 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

Bradley Ranch Master Plan Amendment

General Fund/Public Safety Sales Tax (PSST) Fund/2C Road Maintenance Tax Fund Fiscal Impact Analysis, 2017-2026

PROPERTY TAX:

It is assumed property taxes will be collected in the year 2017 based upon beginning construction in 2015 because of the time lag associated with placing assessed value onto the assessment rolls. The 2017 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 residential assessment ratio of 7.96%. 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 2015 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 personal consumption by the population projected to reside in Bradley Ranch, sales tax revenue generated by retail 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 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 10.0%, which is significantly below the estimate from the U.S. Department of Commerce Consumer Expenditure Surveys, as the residential development is a retirement center. 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 (in other words, 60% of residents moved from outside City limits). Also, it 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.