

**TO:** Katie Carleo, Principal Planner, Planning and Development  
**FROM:** Ian Peterson, Analyst II, Budget Office  
**DATE:** November 15, 2018  
**SUBJECT:** True North Commons Annexation - Fiscal Impact Analysis

A copy of the fiscal impact analysis for the True North Commons 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 Tax revenue and expenditures attributable to the True North Commons development for the period 2019-2028.

While annexation is slated for 2019, the development of land will not start until 2020. This has been reflected in the Fiscal Impact Analysis as a neutral impact to the City until development begins.

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.

Most departments indicated that there were no identifiable marginal costs of providing services to this annexation. However, the Fire Department (\$2,667-\$3,125) and Police Department (\$13,596-\$15,929) 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. 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**

	2019	2020	2021	True North Commons 2022		2023	2024	2025	2026	2027	2028
<b>EXPENDITURES</b>											
Total Salaries, Operating, and Capital Outlay											
Police	0	13,596	13,867	14,145	14,428	14,716	15,011	15,311	15,617	15,929	
Fire	0	2,667	2,720	2,775	2,830	2,887	2,945	3,003	3,063	3,125	
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	0	0	0	0	0	0	0	0	0	0	
Parks, Recreation and Cultural Services	0	0	0	0	0	0	0	0	0	0	
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>16,262</b>	<b>16,588</b>	<b>16,919</b>	<b>17,258</b>	<b>17,603</b>	<b>17,955</b>	<b>18,314</b>	<b>18,680</b>	<b>19,054</b>	
<b>REVENUES</b>											
Property Taxes	0	0	23	140,246	150,658	223,428	230,153	237,080	244,215	251,564	
Specific Ownership Taxes	0	0	3	16,311	17,522	25,985	26,767	27,572	28,402	29,257	
Road & Bridge Revenue	0	0	1	5,329	5,725	8,490	8,746	9,009	9,280	9,559	
Sales Tax Revenue (Commercial)	0	0	71,695	73,846	76,061	78,343	80,694	83,114	85,608	88,176	
Sales and Use Tax Revenue (Building Materials)	0	904,000	40,000	440,000	0	0	0	0	0	0	
Miscellaneous Revenue	0	0	0	0	0	0	0	0	0	0	
<b>General Fund Sub-Total</b>	<b>0</b>	<b>904,000</b>	<b>111,721</b>	<b>675,732</b>	<b>249,966</b>	<b>336,246</b>	<b>346,359</b>	<b>356,776</b>	<b>367,506</b>	<b>378,557</b>	
<b>Public Safety Sales Tax Fund</b>											
Public Safety Sales Tax Fund											
Sales Tax Revenue (Commercial)	0	0	14,339	14,769	15,212	15,669	16,139	16,623	17,122	17,635	
Sales and Use Tax Revenue (Building Materials)	0	180,800	8,000	88,000	0	0	0	0	0	0	
<b>Public Safety Sales Tax Fund Sub-Total</b>	<b>0</b>	<b>180,800</b>	<b>22,339</b>	<b>102,769</b>	<b>15,212</b>	<b>15,669</b>	<b>16,139</b>	<b>16,623</b>	<b>17,122</b>	<b>17,635</b>	
<b>2C Road Tax Fund</b>											
2C Road Tax Fund											
Sales Tax Revenue (Commercial)	0	0	0	0	0	0	0	0	0	0	
Sales and Use Tax Revenue (Building Materials)	0	280,240	0	0	0	0	0	0	0	0	
<b>2C Road Tax Fund Sub-Total</b>	<b>0</b>	<b>280,240</b>	<b>0</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>0</b>	<b>1,365,040</b>	<b>134,060</b>	<b>778,501</b>	<b>265,178</b>	<b>351,915</b>	<b>362,498</b>	<b>373,399</b>	<b>384,627</b>	<b>396,192</b>	
<b>REVENUE SURPLUS/DEFICIT</b>											
(Total Rev. less Total Exp.)											
<b>ANNUAL</b>	<b>0</b>	<b>1,348,778</b>	<b>117,473</b>	<b>761,582</b>	<b>247,920</b>	<b>334,312</b>	<b>344,543</b>	<b>355,085</b>	<b>365,947</b>	<b>377,138</b>	
<b>CUMMULATIVE</b>	<b>0</b>	<b>1,348,778</b>	<b>1,466,250</b>	<b>2,227,832</b>	<b>2,475,752</b>	<b>2,810,064</b>	<b>3,154,607</b>	<b>3,509,692</b>	<b>3,875,639</b>	<b>4,252,777</b>	

**FIGURE 12**

**EXPENDITURE NOTES:**

**True North Commons Annexation**

**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 \$13,596 to \$15,929 in cost of services for the Police Department annually within the next ten years.

**FIRE:**

Once development occurs, the only additional, operational, identifiable marginal costs of providing service are fuel, medical supplies and maintenance (\$2,667-\$3,125 annually).

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

Per information provided by the Planning Department, there are no public roadways proposed by this annexation. Northgate Boulevard, which provides access to the development, is owned and maintained by the United States Air Force Academy. No additional public infrastructure needs were identified through the Fiscal Impact process. As a consequence, there are no marginal cost increases to be incurred by the Public Works Department.

**PUBLIC WORKS -TRANSIT:**

This annexation 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 annexation does not indicate any current plans to expand parks services, thus there are no identifiable marginal costs within the next ten years.

## **REVENUE NOTES**

### **True North Commons Annexation**

### **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 annexation 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.

#### **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 generated by commercial development and the sale of building materials used in the projected construction of the commercial space in the development.

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.