

Fiscal & Economic

NEWSLETTER

Cost of Urban and Nonurban Services are Evaluated

The City of Wilmington and New Hanover County, North Carolina hired TA to evaluate the fiscal impact of providing public services in 1998 and 2010. Impacts were evaluated for Countywide services (provided by New Hanover County), Urban services (provided by the City) and Nonurban services (County provided service costs that decrease with a loss of unincorporated County). In addition, for certain facilities and services, the impact of a higher service level was evaluated.

Service Areas Evaluated

The impact of three geographic service areas was analyzed. These three service areas are described briefly below.

Both the City and County benefit from the City providing Urban services

Countywide: Countywide services are those services which the County provides to all residents of New Hanover. These services include schools, community college, human services, general government, libraries, parks and certain court related sheriff functions.

Nonurban: The Nonurban Service Area is comprised of those parts of the unincorporated County

(...continued on page 2)

TA Completes Innovative Fiscal Equity Study

At the request of the Commission on Alternative Futures, Shelby County, Tennessee contracted with Tischler & Associates, Inc. (TA) to prepare a fiscal equity study. This study focuses on whether

County service costs are greater than taxes paid by City residents

City of Memphis residents and businesses that pay County taxes are receiving commensurate County expenditures. TA evaluated 16 public services
(...continued on page 4)

Twin Cities' Metro Council Launches Nation-Leading Regional Fiscal Impact Study*

St. Paul - The Metropolitan Council has given the go-ahead for the first-of-its-kind Regional Fiscal Impact Study. The study will analyze and compare the public costs associated with current development trends, as well as more compact development encouraged under the Council's regional growth plan.
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Unique regional fiscal impact study launched

*From Metropolitan Council Press Release

IN THIS ISSUE

New Fiscal Questions Asked

TA is pleased to be part of three assignments which may each be unique. All three are referenced in this newsletter. For Wilmington-New Hanover County, North Carolina, TA calculated the fiscal impact of annexation to the City as well as County. The findings indicate that the City receives net revenues and the County saves money. However the County still has deficits from the growth because there are net costs to provide countywide services such as schools. See the article for further information.

Each of the 3 assignments expands the fiscal impact envelope

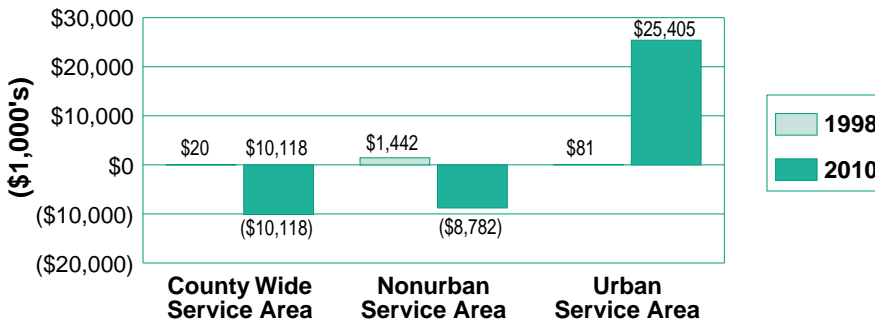
The second new approach is the work TA completed in Shelby County regarding fiscal equity. The City of Memphis raised the issue of "formula for fairness", whether City taxpayers received at least as much in services rendered as taxes paid. TA, working in cooperation with both the County and City, calculated that the County helped to subsidize the City for the provision of services. The specifics by type of service are indicated in this newsletter.

A third assignment is for Metropolitan Council of the Twin Cities'. The Metro Council, regarded as one of the most progressive regional councils in the country, hired TA to evaluate the fiscal impact of two alternative development patterns on 8 of its member jurisdictions, utilizing the case study-marginal cost approach. Please see the Metro Council's press release on this page.

We are pleased to be part of these unique assignments and hope that we can elevate the discussion of fiscal impact realities.

Paul S. Tischler

Fiscal Results in 1998 and 2010 Under Existing Levels of Service



Wilmington / New Hanover County (...continued from page 1)

that are not receiving urban services from the City. The proxy for Nonurban services are the levels of service provided for Countywide services. The cost to provide certain Sheriff services (patrol) and General Government services (Planning and Engineering) will decrease as the City provides urban services to rapidly urbanizing parts of the County.

Tax payers will have to subsidize new growth's demand for Countywide services

Urban: The City of Wilmington, three proposed annexation areas and an urbanized portion of the County comprise the Urban Service Area. The services include general government, parks and recreation, roads, fire, police, and development services.

Fiscal Impact Results

The fiscal impacts of providing services to the Countywide, Nonurban and Urban service areas in 1998 and 2010 are shown in the chart on page 1.

Fiscal Impact Highlights

Urban Service Area

- Although the results for the Urban Service Area are fiscally neutral in 1998, the analysis clearly shows that in 2010 the City benefits from existing economies of scale that allow the provision of urban services to contiguous geographies. The individual service areas that comprise the Urban Service Area generate combined net revenues of \$25.4 million in 2010.

Countywide Service Area

- The County's provision of current levels of service to new growth results in net revenues of \$20,000 in 1998. A major reason is that there are no major capital facilities constructed in 1998. In 2010, a net deficit of \$10.1 million is generated. The debt service payment alone in 2010 for schools, community college, parks and libraries are more than total revenues generated from new growth.
- The analysis shows that under existing levels of service, the existing County tax base will have to subsidize new growth's demands for Countywide services.

Nonurban Service Area

- When it is assumed that the County loses a portion of its unincorporated area (Phase I, II, and III annexation areas) to the City in 1998, revenues of \$1.4 million are generated.
- In 2010, the Nonurban County generates a net deficit of almost \$8.7 million. This deficit would be about \$10.1 million if urban services assumed provided by the City were not ex-

Growth generates fiscal deficits outside the City

tended to an additional portion of the unincorporated County in 2010. The result of the County no longer having to provide certain services in this area results in cost savings of \$1.3 million in 2010.

Summary

- Both the City and County benefit from the City providing urban services in lieu of the Nonurban services (certain Sheriff and General Government services) provided by the County. One major reason is the cost economies from the City providing these same services previously provided by the County. The second major reason is that although the County no longer provides these Sheriff and General Government services, it receives the same tax revenue, thereby realizing a significant cost savings of about \$1.4 million in 2010.
- The fiscal findings for the Countywide and Nonurban Service Areas indicate the need for New Hanover County to consider new sources of revenue to subsidize new growth. If additional sources are not found, or existing sources increased, new growth in the County will be subsidized by the existing development base. A continuation of this trend could lead to decreased levels of service in the future.

Metro Council

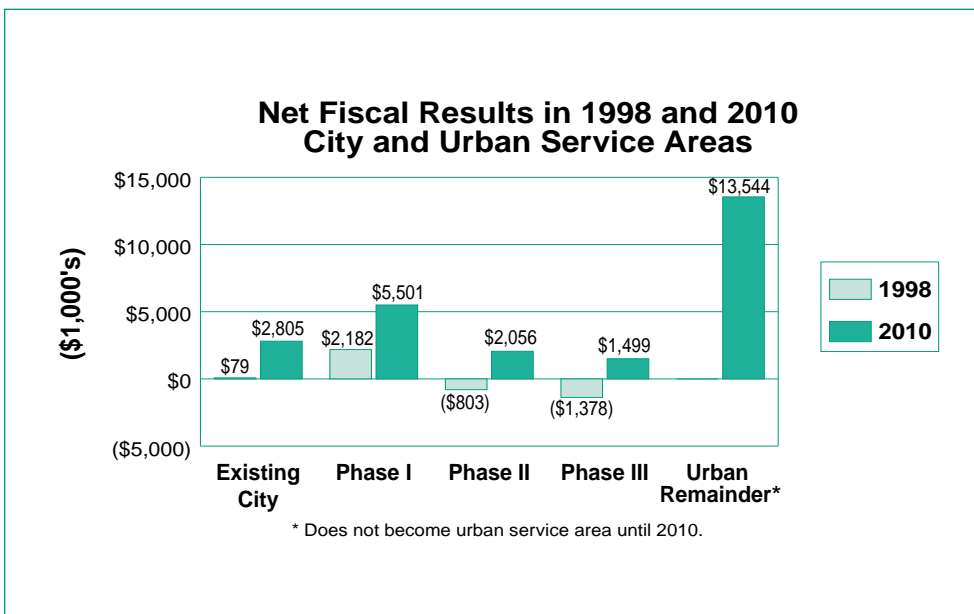
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In approving the study, the Council authorized a contract with Tischler & Associates, Inc., of Bethesda, Maryland—known nationally for conducting fiscal impact studies in King County, Washington, San Diego, California, and Howard County, Maryland, for example. Other contributors include the Builders Association of the Twin Cities, the McKnight Foundation, and the cities and school districts participating in the study.

“This is a comprehensive search for hard data and rock-solid answers,” said Council Chair Curt Johnson. “The Council’s growth plan seems sensible enough. But, right now, we can’t prove the results are lower, long-term costs to the public. This study will produce the facts we need to shape the region’s growth.”

We need to show whether the “results are lower, long-term costs to the public”

To assess the costs of growth under the *Metro 2040* plan, versus current low-density trends, Tischler & Associates, Inc. will conduct fiscal impact studies on eight communities and two school districts in the metro area. The results will be used to estimate the overall fiscal impacts for the region, and provide the Council with a better idea of the costs associated with new development in suburban areas and the costs of redevelopment and reinvestment in the central cities and fully developed communities.



Development and Impact Fee Assignments

Goodyear, AZ - TA completed a Development Fees study for this fast-growing City west of Phoenix. One-time fees include transportation, police, fire, EMS, public works, general government and park facilities.

Stillwater, OK - Utility fees and policies are important growth management components that are often overlooked. TA provided a Utilities Fee & Policy Reconnaissance for this college town that is facing annexation issues.

Hyde Park, UT - This town, north of Logan, implemented TA's impact fee report on water, sewer and transportation facilities. A buy-in component was a major factor in these fees.

Salt Lake County, UT - Salt Lake County retained TA to update impact fees for neighborhood parks and stormwater facilities. Because of the multitude of small geographic service areas, TA worked with County staff and JUB Engineers to create detailed GIS maps of the County.

TA is conducting a utility fee and policy reconnaissance

Erie, CO - This fast-growing town in the Denver metropolitan area has retained TA to provide a Utilities Reconnaissance. TA is also revising existing impact fees for transportation, public facilities, parks and trees.

Greenville, NC - TA is preparing a development impact fee and revenue feasibility report. For impact fees, TA will evaluate the categories of fire/rescue, recreation and parks, police, public buildings, libraries and public works.

An impact fee feasibility report can be cost effective

Interim Service Fees

Sunrise, FL - This Florida city located in the Ft. Lauderdale area, retained TA to prepare interim service fees for all growth-related General Fund services.

Fiscal Impact/Cost of Growth Analyses

Calvert County, MD - TA has completed a fiscal impact analysis of five growth scenarios for this rapidly growing County. The scenarios evaluated included constrained growth and higher economic development. TA will also provide a custom-designed FISCALS model as part of this assignment.

Washington County, MD - TA is conducting a fiscal impact analysis of growth to 2020 in this western Maryland County. TA is also preparing impact fees and determining the feasibility of an assessment district for roads located in an economic development corridor.

Casa Grande, AZ - TA is conducting an annexation analysis for a 5,500 acre resort community which would more than double the population of the City over 20 years.

Isle of Wight County, VA - TA is conducting a fiscal evaluation of a 600-acre mixed-use proposal. The study will incorporate proffered conditions to determine the net fiscal impact on this urbanizing County.

Kissimmee, FL - TA is evaluating the fiscal impact of annexing three areas adjacent the City, lo-

cated near Disneyland. TA is utilizing a case study-marginal cost approach in this evaluation, which includes two scenarios for each annexation area, as well as two different absorption rates.

Annexation fiscal impact studies should evaluate several "what if" scenarios

Town of Manchester, MD - TA has been retained by a private sector client to conduct an annexation analysis for a proposed mixed-use development outside the town limits. Four different scenarios will be evaluated.

Speaking Engagements

Dwayne Guthrie presented "Do Impact Fees Fit Your Comprehensive Revenue Strategy?" at the Rocky Mountain Land Use Institute. Issues included the potential conflicts between economic development goals and impact fees on nonresidential development, particularly in communities where sales tax revenue is dependent on the point of sale.

Dwayne Guthrie spoke at the Utah League of Cities & Towns on the subject of "Developing a Capital Improvements Program". Attendees were provided practical steps and actual case-study examples from TA's work throughout the United States.

Fiscal Model Implementation

City of Dublin, OH - The City purchased TA's FISCALS system designed for the City. The model includes an annexation component in addition to several "growth zones." TA staff led a 2-day instructional seminar for the Planning Department.



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Please send the following:

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- Recent TA *Fiscal & Economic Newsletters*

Information About TA Consulting Services:

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Shelby County (...continued from page 1)

including; City and County Schools, Memphis/ Shelby County Library, Sheriff's Office, Health Services, Regional Medical Center, Shelby County Jail, Division of Corrections, Criminal Justice (Juvenile Court).

In addition, TA was asked to compile information on what other urban and suburban areas are doing to address the issues of fiscal equity, regional co-operation, and/or efficiency in service delivery. The information compiled includes examples of sharing of revenues and services and public/private partnerships.

There is a net Shelby County tax subsidy to Memphis of over \$44 million

The analysis allocates the demand for various Shelby County public services to residents and

businesses of the City of Memphis and Shelby County (*For purposes of this study, County is defined as the areas of the County outside of the City of Memphis, including the other municipalities*). The FY98 budget was used since it is representative of the current fiscal year operations.

As a first step in this analysis, TA conducted onsite interviews with department heads and staff representing the various services. Based on information collected during these interviews, TA was able to allocate demand based on the current levels of service.

Rather than using a simplistic per capita or per capita and job approach to allocate demand, whenever possible TA used a methodology specific to the service being evaluated. For example, to allocate demand for the Shelby County Jail, TA uti-

lized a cost per arrest methodology. Using FY98 budget information, TA was able to determine the cost per arrest. These costs were then allocated based on the total number of probable cause arrests in the City of Memphis and Shelby County.

Possible solutions for greater fiscal equity were analyzed

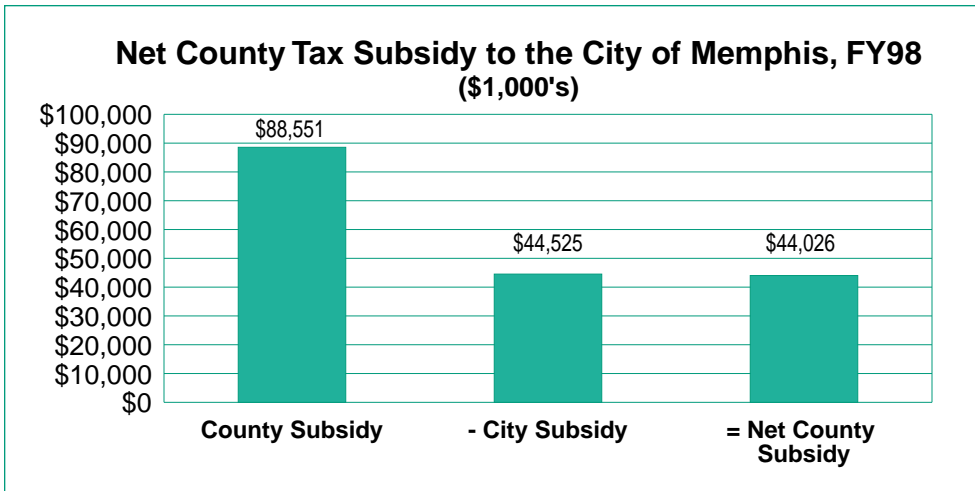
This methodology results in County demand of \$2,828,122. The County contribution to the Shelby County Jail is \$28,288,675. Once the County demand of \$2,828,122 and County property tax revenues (\$14,234,861) received from City residents and businesses is subtracted (the City does not make a direct General Fund contribution to the Jail), the net County subsidy is \$11,225,692.

The County subsidizes 10 activities and the City 6 services

Other methodologies used included cost per library visit, cost per fire call, cost per inmate, cost per capita, and cost by percentage of activity. After evaluating the 16 public services, TA calculated the net result is that Shelby County provides a subsidy of \$44,026,234. (See chart on this page.)

1st Interim Service Fees Adopted in Utah

The City of Pleasant Grove, located about 40 miles south of Salt Lake City, recently adopted interim service fees. This is the first city to adopt these fees, which capture revenues in states that have no partial year assessments. TA prepared the interim service fee report.



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