

City of Falls Church Fiscal Impact Model Update Discussion

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TischlerBise
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TischlerBise

- 30-year national practice
- Fiscal impact evaluations
- Impact fees
- Capital improvement programming
- Infrastructure needs and financing alternatives
- Fiscal software



Unsurpassed Virginia Experience

- Alexandria
- Chesapeake
- Falls Church
- Norfolk
- Portsmouth
- Suffolk
- Virginia Beach
- Amherst County
- Chesterfield County
- Frederick County
- Goochland County
- Henrico County
- Isle of Wight County
- James City County
- King George's County
- Prince William County
- Spotsylvania County
- Stafford County

Unsurpassed Experience

- Over 500 fiscal impact analyses completed
 - Growth scenarios
 - Specific development projects
 - Annexation
 - Redevelopment/TIF
- TischlerBise's fiscal impact applications are the most credible and successful available
- TischlerBise personnel are recognized experts in the area of fiscal impact analysis

Fiscal Models Implemented

- Westminster, CO
- Lee's Summit, MO
- Chesapeake, VA
- Frederick Co., VA
- Falls Church, VA
- Henrico Co., VA
- Leesburg, VA
- Carroll Co., MD
- Prince George's Co., MD
- Rockville, MD
- Albuquerque, NM
- Bernalillo Co., NM
- Atlanta, GA
- Southeast Idaho COG
- M-NCPPC
- Scottsdale, AZ
- Scottsdale, AZ
- Hillsborough Co., FL
- Cary, NC
- Salem, NH
- Dublin, OH
- Oklahoma City, OK
- Davidson Co., TN
- San Diego, CA
- Carlsbad, CA
- Oceanside, CA
- Pima Co., AZ
- Reno, NV
- Lexington, KY

Fiscal Impact Analysis

- Cash flow to the public sector
 - Are the revenues generated by new growth enough to cover the resulting service and facility demands?
- Reflects operating expenses and capital costs (debt service and pay-go)
- All revenues
- Revenue minus expenditures = net surplus/deficit

Economic Impact Analysis

- Reflects overall economy of the community
 - Residential
 - Primary factors are the construction phase and consumer spending
 - Nonresidential
 - Primary factors are job creation and real disposable income

Fiscal Impact vs. Revenue Forecasting

- Municipal budgeting is primarily “revenue driven”
 - Revenue forecast is used to established spending target
- Fiscal impact analysis is not revenue constrained
 - Forecast expenses needed to maintain current LOS

Two Approaches

- Case study-marginal approach
 - Reflects fiscal reality
 - Dependent on local levels of service
 - Available capacity triggers the staging of facilities
 - Reflects geographic differences
- Versus the average cost approach
 - Focuses on per capita/employee
 - Doesn't consider available capacities
 - Masks timing
 - Uses average (current) costs
 - Budget in equilibrium

Which Methodology is Best?

- Case study-marginal approach
 - City/Countywide analysis
 - Area/corridor plans
 - Planned unit developments
- Average cost
 - Small/medium scale developments
 - Cost of land use studies

Observations

- Most local governments do not know the true cost of development decisions
- Most local governments do not know if the current land use plan is fiscally sustainable
- Fiscal analysis is rarely required
- Lack of formal standards
- Considerable variation in methodologies employed
- Seldom reflect geographic differences

Applications/Uses

- Growth Scenarios
 - Citywide
 - Area plans
 - Annexation
 - Redevelopment/TIF
- Economic development proposals
- Cost of land use
- Level of service changes
- Financing options

Model Parameters

- Garbage in/garbage out
 - City now has experience with fiscal analysis
- Level of precision/accuracy
 - Depends on many factors
- Is there a right answer?

Key Variables/Assumptions

- Assessed/taxable value
- Pupil generation rates
- Trip adjustment factors
- BPOL assumptions
- Retail sales per square foot
- Assumptions regarding capacity
- Levels of service
- Variable vs. fixed costs/revenues

General Perceptions

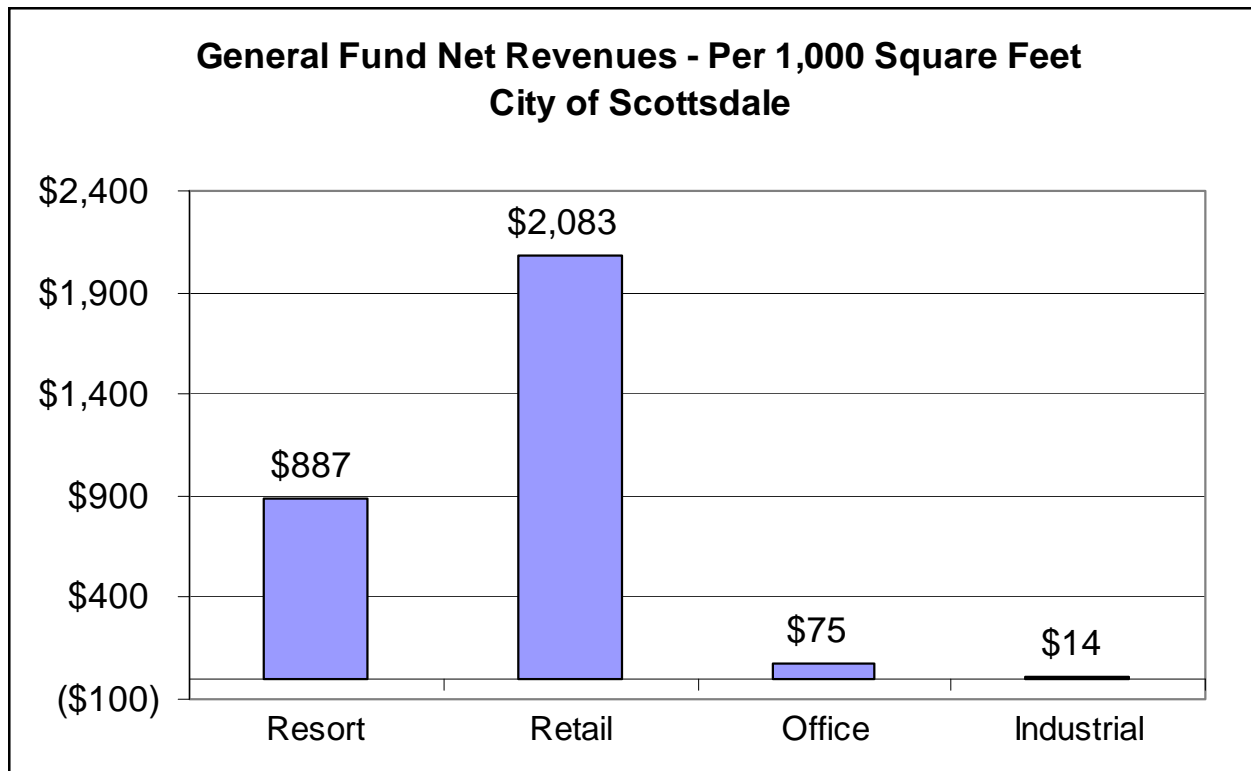
- Residential development doesn't pay for itself
- Nonresidential development is a cash cow

Influencing Factors

- Revenue structure
 - Sources
 - Distribution formulas
- Levels of service
- Infrastructure lifecycle
 - Existing capacities
- Characteristics of new development
 - Demographic
 - Socioeconomic

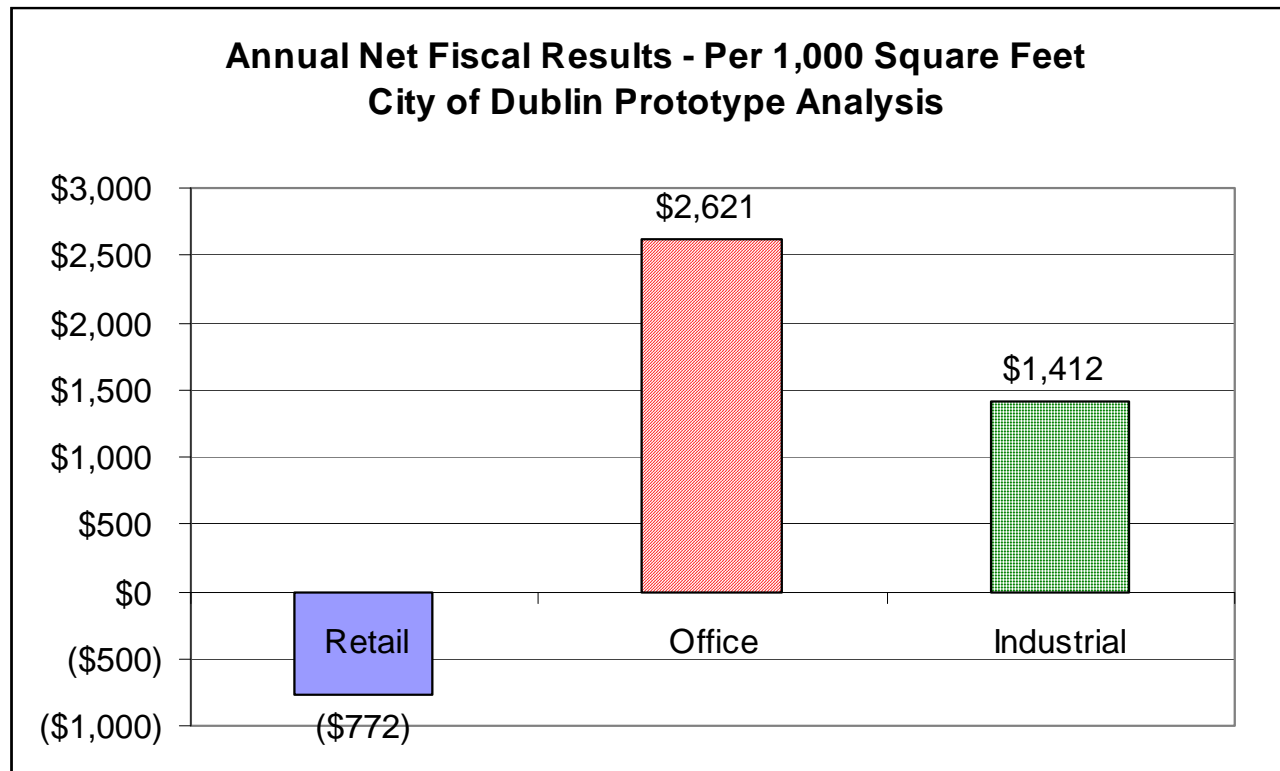
Case Examples

- Gross Receipts Tax



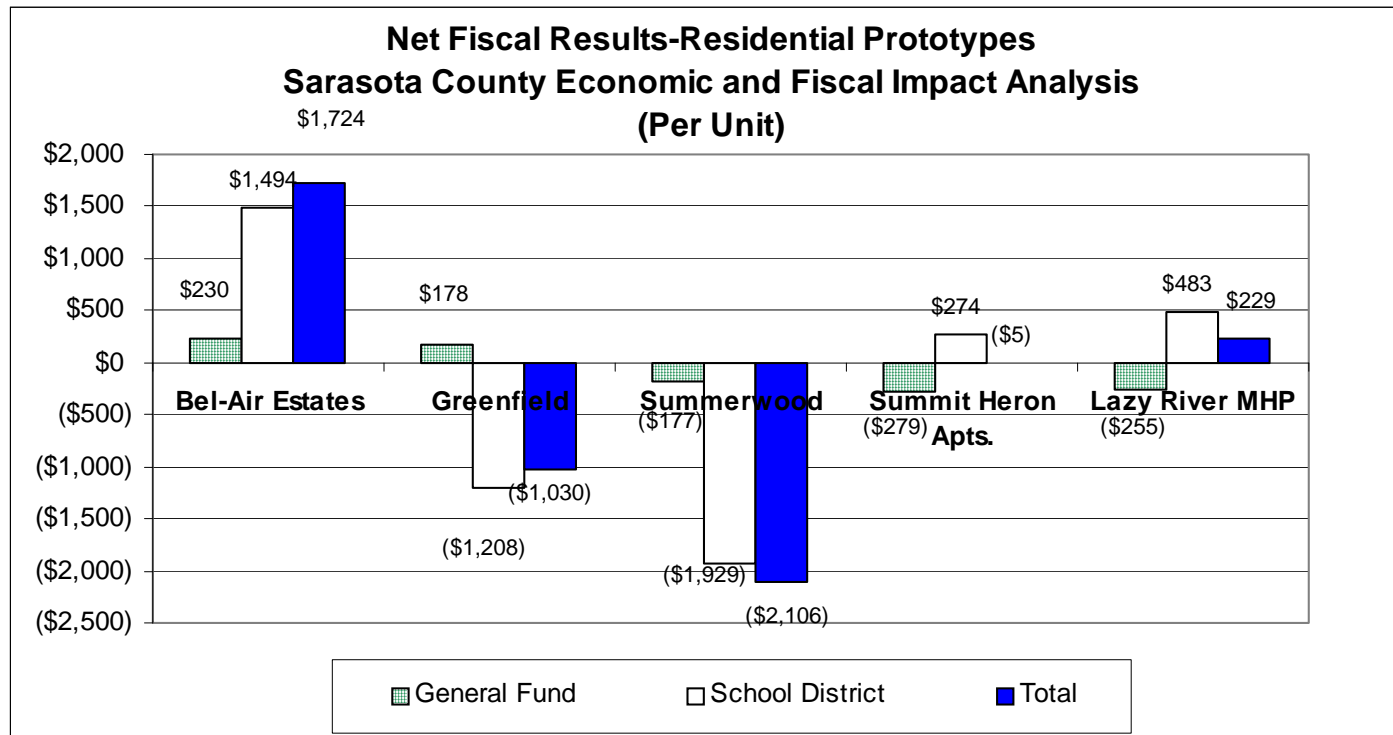
Case Examples

- Income Tax by Place of Employment



Case Examples

- Housing Characteristics



Fiscal Model Design for Falls Church

- Developed in Excel
 - Allows for a powerful and flexible application
 - Developed to replicate City budget organization and revenue structure
 - Transparent structure avoids “black box” concerns
 - Data, assumptions, algorithms fully shown
 - Key variables include population, housing units, jobs, vehicle trips, calls for service, nonresidential building area, etc.

Fiscal Model Design (continued)

- Land Use/Scenario Input

- Growth scenarios are represented through demographic inputs
- Unlimited number of land use categories can be reflected
- Capability to reflect multiple fiscal analysis zones (subareas)

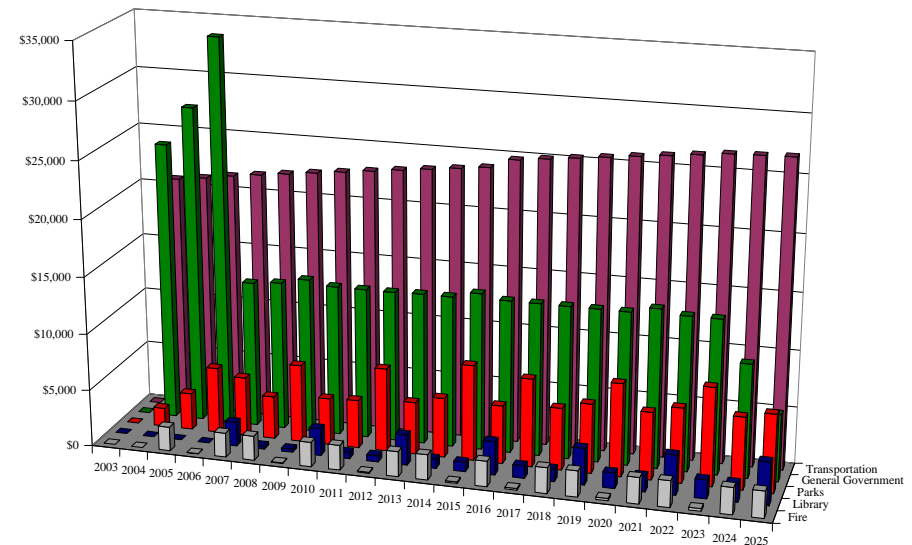
The screenshot displays the 'SCENARIO INPUT MODULE' in an Excel spreadsheet. It is organized into two main sections: 'RESIDENTIAL DEVELOPMENT COMPONENT' (rows 7-34) and 'NONRESIDENTIAL DEVELOPMENT COMPONENT' (rows 39-46). Each section lists various land use types with their respective assessed values, population densities, and potential new developments. The table includes columns for 'Annual Absorption/Percent Absorbed' and 'Cumulative Units Developed' across seven years.

RESIDENTIAL DEVELOPMENT COMPONENT		Potential New Development	Type of Absorption	Annual Absorption/Percent Absorbed	Cumulative Units Developed						
Land Use Profile	Assessed Value	Population Density	Units		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Housing Unit Type 1	\$125,000 Per Unit	0.37 Persons Per Unit	1,000 Units	Annual Absorption	100	200	300	400	500	600	700
Housing Unit Type 2	\$75,000 Per Unit	2.50 Persons Per Unit	800 Units	Percent Absorbed	75	150	225	300	375	450	525
Housing Unit Type 3	\$0 Per Unit	0.00 Persons Per Unit	0 Units	Annual Absorption	0	0	0	0	0	0	0
Housing Unit Type 4	\$0 Per Unit	0.00 Persons Per Unit	0 Units	Annual Absorption	0	0	0	0	0	0	0
Housing Unit Type 5	\$0 Per Unit	0.00 Persons Per Unit	0 Units	Percent Absorbed	0	0	0	0	0	0	0
Housing Unit Type 6	\$0 Per Unit	0.00 Persons Per Unit	0 Units	Annual Absorption	0	0	0	0	0	0	0
Housing Unit Type 7	\$0 Per Unit	0.00 Persons Per Unit	0 Units	Annual Absorption	0	0	0	0	0	0	0
TOTAL:			1,800 Units								
NONRESIDENTIAL DEVELOPMENT COMPONENT		Potential New Development	Type of Absorption	Annual Absorption/Percent Absorbed	Cumulative Acres and Square Footage Developed						
Land Use Profile	Assessed Value	Employment Density	Acres		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Nonresidential Type 1	\$65 Per Sq. Ft.	2.50 Per 1,000 Sq. Ft.	150,000 Sq. Ft.	Annual Absorption	75,000	150,000	225,000	300,000	375,000	450,000	525,000
Nonresidential Type 2	\$0 Per Sq. Ft.	0.00 Per 1,000 Sq. Ft.	0 Sq. Ft.	Annual Absorption	0	0	0	0	0	0	0

Fiscal Model Design (continued)

- Capital Facilities

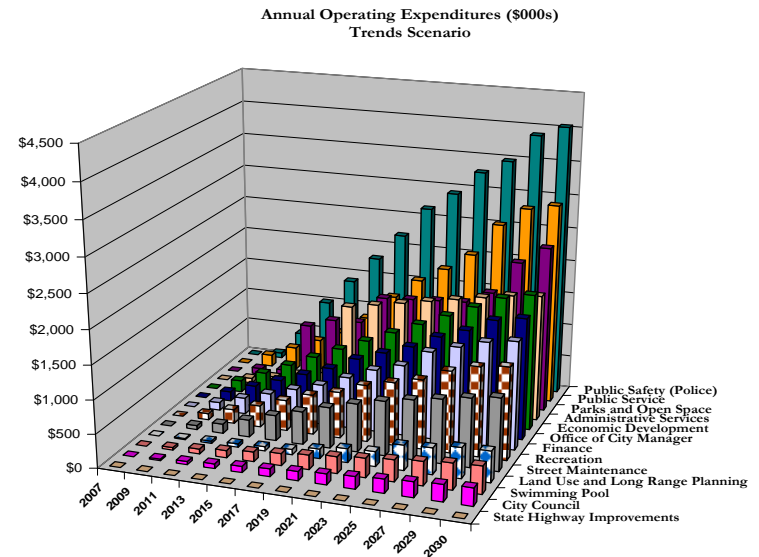
- Option to have model forecast the need for capital facilities or enter facilities directly
- Recognize unused capacities
- Build new additions
- Lag/lead time of construction
- Financing mechanisms
- Repurchase after useful life



Fiscal Model Design (continued)

- Operating Expenses

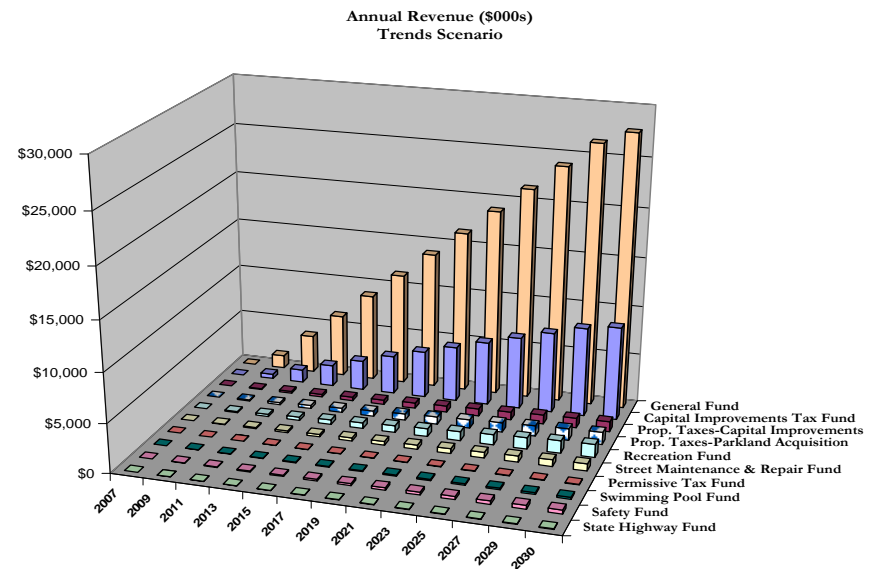
- Can be organized by department or program area
- Reflects program-related operating expenses versus facility-related operating expenses
- Forecasts staff and related expenses
- Ability to factor one-time costs
- Ability to factor fixed costs



Fiscal Model Design (continued)

- Revenue

- Will include capital and operating revenue
- Includes both annual and one-time revenue
- Ability to factor fixed revenue



Summary of Improvements

- Built entirely from the ground up
 - Old model was more “customized”
- Much easier to navigate
 - Visual Basic Interface
- Testing of scenarios can be done with the click of a button
- Improved outputs/graphics
- Ability to factor more level of detail