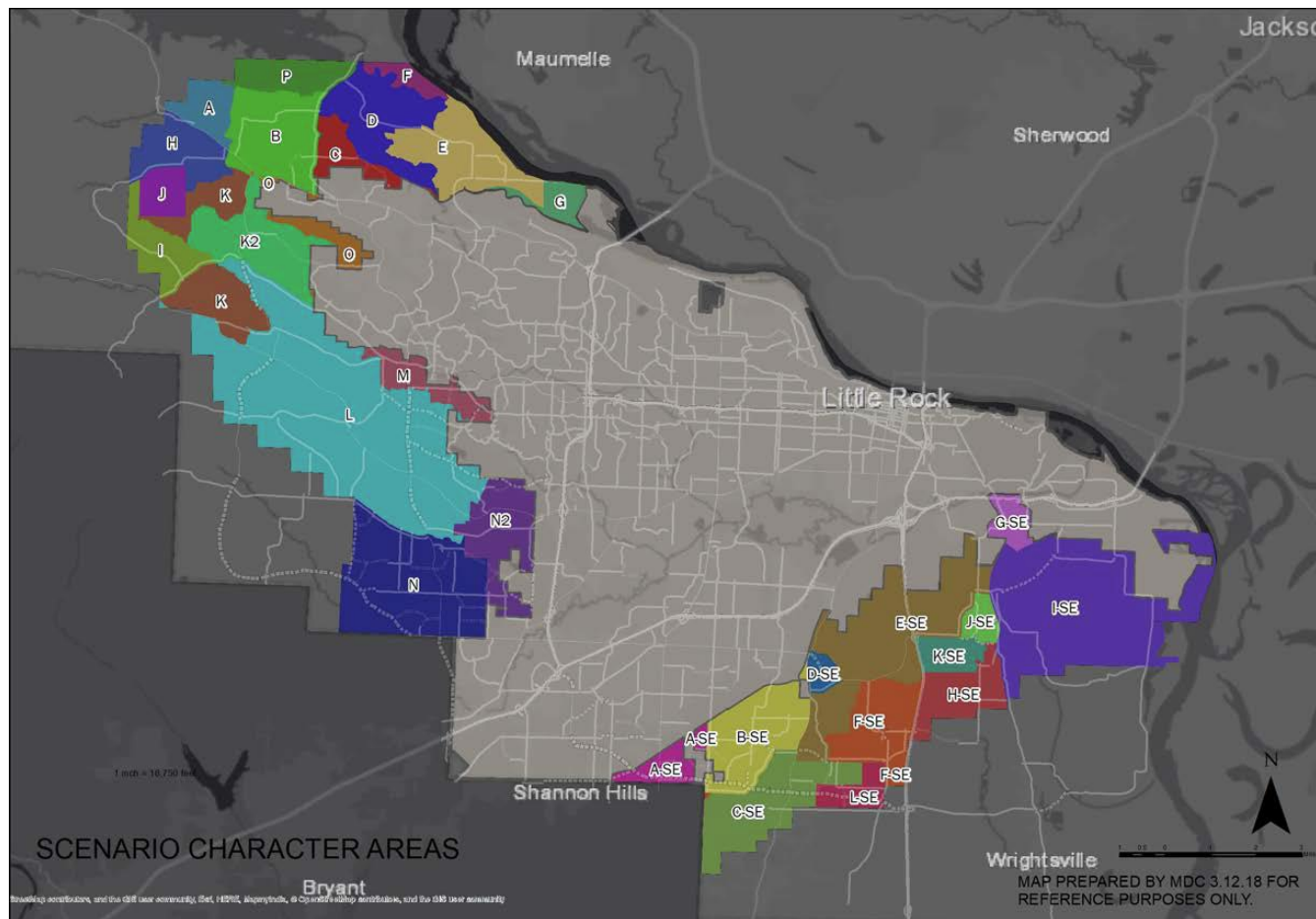


# Fiscal Impact Analysis

## Extraterritorial Jurisdiction Growth Study and Fiscal Impact Analysis | City of Little Rock

**RESULTS – Presentation to Little Rock Planning Commission  
November 29, 2018**



# Little Rock ETJ Growth Study

- Introduction and Overview
- Growth Patterns Analyzed
- Results
  - Expenditure Results
  - Revenue Results (assuming annexation)
  - Net Fiscal Results (assuming annexation)

# Introduction and Overview of the Study

# Introduction and Overview

## TischlerBise

- 40-year national practice
- Fiscal Impact Analysis
- Impact Fees
- Economic Impact Analysis
- Real Estate and Market Feasibility
- Revenue Enhancement Options



# Introduction and Overview

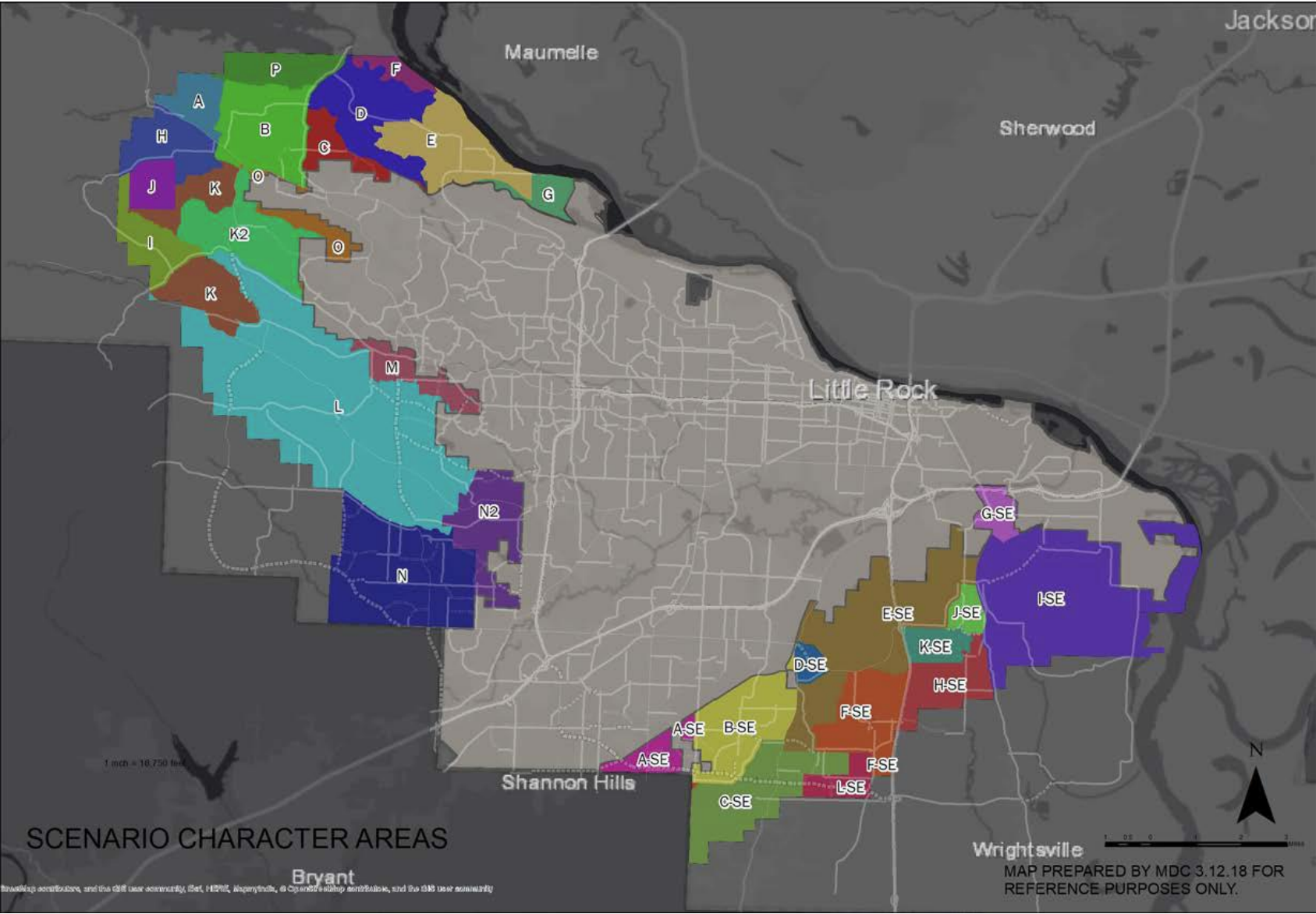
- **What is a Fiscal Impact Analysis?**
  - Cash flow to the public sector
    - Are the revenues generated by the growth and development enough to cover service and facility demands?
  - Captures both operating and capital costs
  - Projects expenses at current levels of service
  - Revenues and expenditures are projected separately
  - Different from municipal budgeting and economic impact analysis

# Study Overview

- Little Rock ETJ Growth Study and Fiscal Impact Analysis focuses on the **expenditures (operating and capital) to the City of Little Rock** generated by existing and future development in the West and South ETJs
- Three Growth Patterns evaluated
- The analysis covers projected growth through 2040
- Additional analysis is done on potential revenue generation if *annexation occurs* and resulting *fiscal impacts*

# Growth Patterns Analyzed

# Study Areas





# Growth Patterns

- **Growth Pattern 1: Baseline**

- Estimated growth allocation is based on current plans, existing state law, and ongoing trends.
- Uses MetroPlan regional growth forecasts.

- **Growth Pattern 2: Market Driven**

- Estimated growth catalyzed by sewer availability driven by the market.
- Assumes two times more growth than the Baseline Growth Pattern.
- Assumes most of the residential demand is in the Western Area and is mostly single-family detached.
- Growth goes where development requests have been made and the percentage of growth is consistent with the Baseline Growth Pattern.

- **Growth Pattern 3: Directed Growth**

- Estimated growth is located to take better advantage of the regional transportation network and access to employment.
- Assumes the same overall amount of growth as the combined amount in both ETJs under the Market Driven Growth Pattern assumptions.
- However, this growth pattern allocates more residential development to the Southern Area and southern portion of the West Area.
- Assumes a more diverse mix of housing including multi-family.

# Study Growth Patterns

	WEST Baseline			WEST Market Driven			WEST Directed Growth		
	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>
<b>RESIDENTIAL:</b>									
<b>HOUSING UNITS</b>	3,730	7,730	4,000	3,730	11,730	8,000	3,730	9,730	6,000
<b>POPULATION</b>	10,093	20,933	10,840	10,093	31,773	21,680	10,093	25,606	15,513
<b>NONRESIDENTIAL:</b>									
<b>TOTAL NONRESIDENTIAL SQ. FT.</b>	994,790	2,022,841	1,028,052	994,790	3,065,678	2,070,889	994,790	2,544,357	1,549,568
<b>JOBS</b>	3,280	6,670	3,390	3,280	10,108	6,828	3,280	8,389	5,109

# Study Growth Patterns

	SOUTH Baseline			SOUTH Market Driven			SOUTH Directed Growth		
	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>
<b>RESIDENTIAL:</b>									
<b>HOUSING UNITS</b>	3,842	4,152	310	3,842	4,372	530	3,842	6,372	2,530
<b>POPULATION</b>	10,057	10,869	812	10,057	11,446	1,389	10,057	16,499	6,441
<b>NONRESIDENTIAL:</b>									
<b>TOTAL NONRESIDENTIAL SQ. FT.</b>	2,420,292	2,597,592	177,300	2,420,292	2,830,494	410,202	2,420,292	4,468,004	2,047,713
<b>JOBS</b>	3,440	3,692	252	3,440	4,023	583	3,440	6,350	2,910

# Study Growth Patterns

	WEST and SOUTH Total Baseline Pattern			WEST and SOUTH Total Market Driven			WEST and SOUTH Total Directed Growth		
	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>	<i>Base Year (Year 2018)</i>	<i>Year 2040</i>	<i>Net Increase</i>
<b>RESIDENTIAL:</b>									
<b>HOUSING UNITS</b>	7,572	11,882	4,310	7,572	16,102	8,530	7,572	16,102	8,530
<b>POPULATION</b>	20,151	31,803	11,652	20,151	43,219	23,069	20,151	42,105	21,954
<b>NONRESIDENTIAL:</b>									
<b>TOTAL NONRESIDENTIAL SQ. FT.</b>	3,415,081	4,620,433	1,205,352	3,415,081	5,896,172	2,481,091	3,415,081	7,012,361	3,597,280
<b>JOBS</b>	6,720	10,362	3,642	6,720	14,131	7,411	6,720	14,740	8,020

# Approach, Major Assumptions, and Projection Methodologies

# Study Approach and Major Assumptions

- City of Little Rock Fiscal Year 2018 budget used
- Current levels of service are modeled
- No inflation
- Projection years are 2018-2040
  - Projected costs for 2018 reflects serving existing development in the ETJ
  - No “ramp-up” time is assumed. That is, services are provided/costs incurred on day one
- Hybrid average cost/marginal cost approach
- Annexation is not assumed in main portion of study
  - Revenue projections are provided in the analysis *if annexation were to occur*. No lag time is assumed.

# Operating Expenditure Methodologies

Expenditure Category	Expenditure Name	ALLOCATION APPROACH			
		RESIDENTIAL (Per Capita)	RESIDENTIAL & NONRESIDENTIAL (Per Capita & Job)	CUSTOM	FIXED
GENERAL ADMINISTRATIVE	City Clerk		X		
	Administrative & General - 1				X
	Employee Benefits				X
	Mayor				X
	City Manager Administration		X		
	Emergency Management	X			
	Small & Minority Women Owned Bus.				X
	Little Rock TV				X
	311 Service Center	X			
	Performance and Innovation				X
BOARD OF DIRECTORS	Board Of Directors		X		X
COMMUNITY PROGRAMS	Community Programs	X			X
CITY ATTORNEY	City Attorney		X		X
DISTRICT COURTS	District Courts First Division	X			X
	District Courts Second Division	X			X
	District Courts Third Division	X			X
	(Environmental And Civil/Small Claims	X			X
FINANCE	Finance		X		X
HUMAN RESOURCES	Human Resources			X (City FTEs)	X
INFORMATION TECHNOLOGY	Information Technology			X (City FTEs)	X
PLANNING AND DEVELOPMENT	Planning and Development		X	X (311 Calls; Direct Entry of Position Needs)	X
	Administration and Budget		X		X
	Planning		X		X
	Zoning and Subdivision		X		X
	Building Codes				X

*Note: If "FIXED" marked along with other columns, a portion of the departmental expenditure is assumed to not be affected by the development; this is typically personnel costs.*

# Operating Expenditure Methodologies

Housing & Neighborhood Programs	Housing and Neighborhood Programs (net of Animal Services and Enviro Services)			X (311 Calls)	X
	Animal Services	X			X
	ENVIRONMENTAL SERVICES		X		X
PUBLIC WORKS: ALL FUNDS	Public Works: General Fund Building Services			X (Facility Sq. Ft.)	X
	Public Works Street Fund			X (Street Miles)	X
Parks and Recreation	Parks and Recreation	X (Net Pop.)			X
River Market	River Market				X
Golf	Golf				X
Fitness & Aquatic Center	Fitness & Aquatic Center				X
Zoo	Zoo				X
FIRE	Fire			X (Fire/EMS Calls for Service; Direct Entry to Staff)	X
POLICE	Police Administration				X
	Police Pension				X
	Police SID			X (Police Calls for Service)	X
	Police Training			X (Police FTEs)	X
	Police Major Crimes			X (Police Calls for Service)	X
	Police 12th Street Station				X
	Police Southwest				X
	Police Special Operation			X (Police Calls for Service)	X
	Police Northwest				X
	Police Airport				X
	Police Records & Support			X (Police Calls for Service)	X
	Police Communication			X (Police Calls for Service)	X
	Police New ETJ Patrol Divisions			X (Police Calls for Service; Direct Entry)	
Fleet	Fleet				X
Vehicle Storage	Vehicle Storage				X
Waste Disposal	Waste Disposal				X

*Note: If "FIXED" marked along with other columns, a portion of the departmental expenditure is assumed to not be affected by the development; this is typically personnel costs.*



# Capital Expenditure Methodologies

- **Streets**

- City streets capital costs are for **upgrades to existing local roads** in each ETJ.
- Upgrade costs roads are phased in over the projection period.
- It is assumed that **developers will construct system level roads**—arterials and collectors—to the standards and requirements in the City’s Master Street Plan, per City policy.
- It is assumed that **developers will construct new local roads** to serve future subdivisions, per City policy.
- However, City-required services and costs in the ETJ will include **road maintenance of streets constructed by developers**. These costs are captured in operating cost projections.

# Capital Expenditure Methodologies

- **Fire Department**

- Minimum of two new stations will be needed in the West ETJ and minimum of one station in the South ETJ.
- Each Station will house an Engine and a Specialty Vehicle.
- Additional Aerial/Ladder Trucks to serve each ETJ are projected based on the City's current level of service. Each ETJ is projected to need at least one initial Aerial Truck.

- **Police Department**

- One additional Police Substation will be needed in each ETJ to house two new Patrol Divisions (one each in the West and South).
- Other capital expenditures include marked and unmarked patrol vehicles.

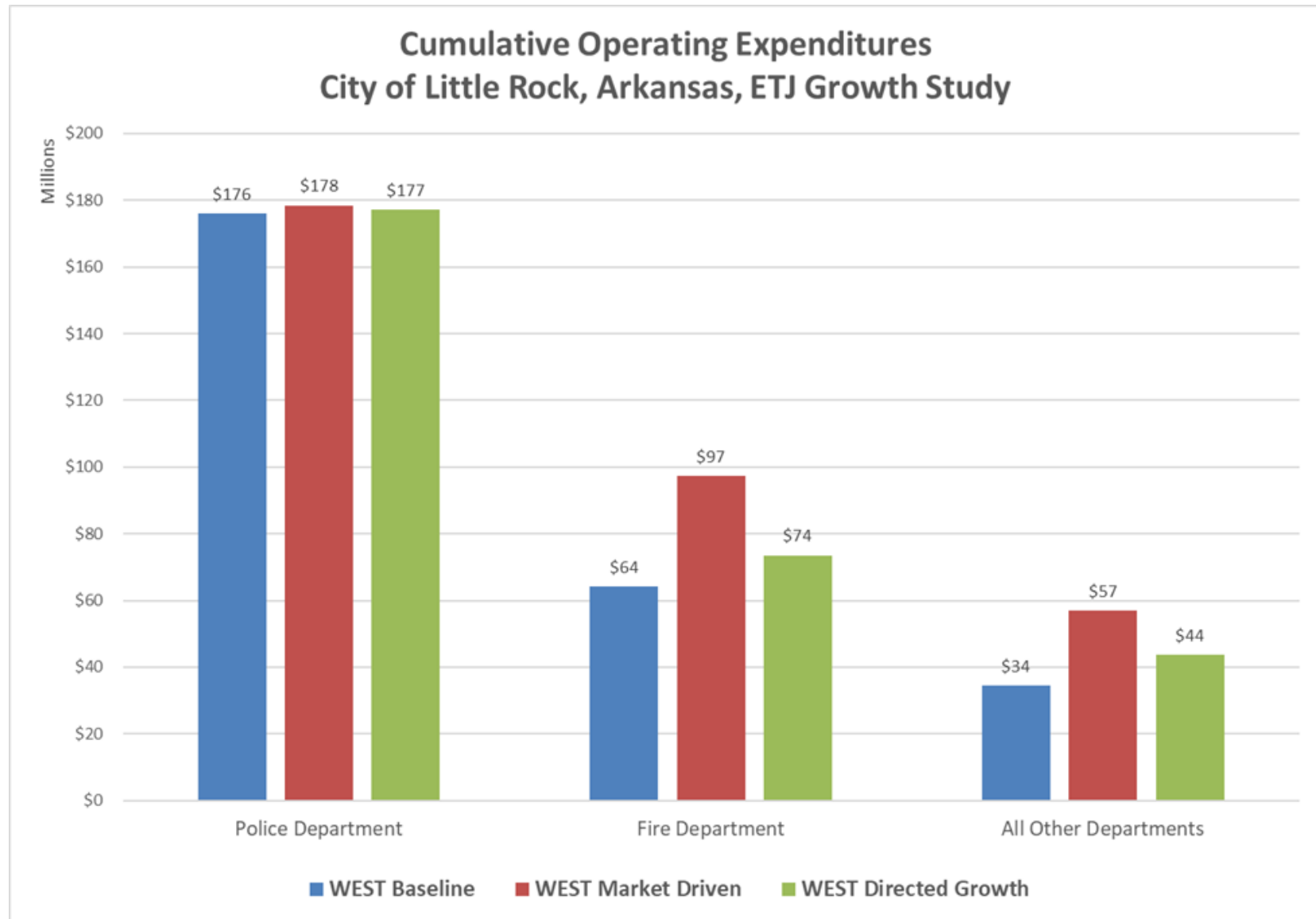
- **Housing and Neighborhood Programs**

- Additional Neighborhood Resource Centers projected due to additional code enforcement services and other related services.

# Results: City Operating and Capital Expenditure Projections

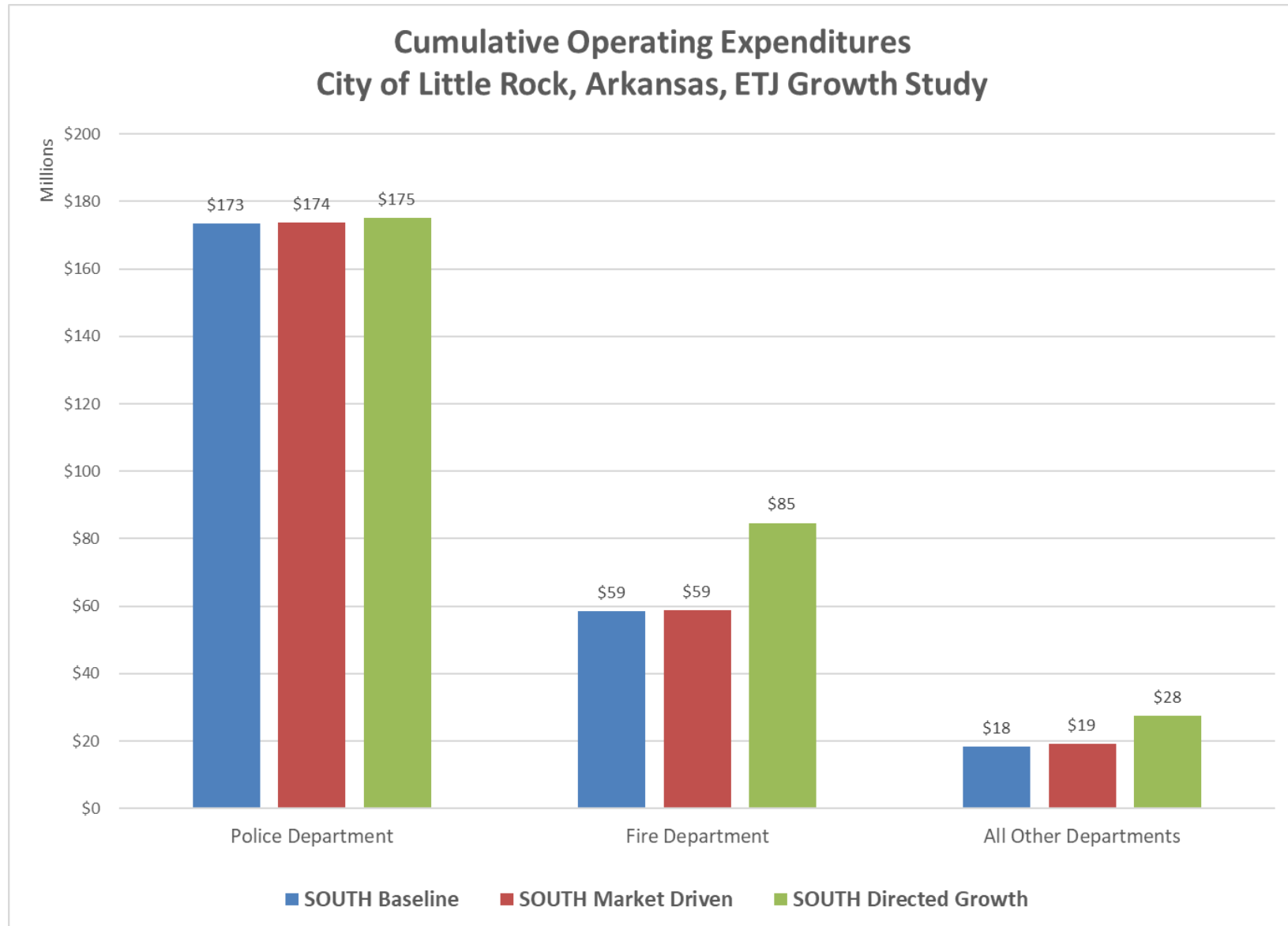
# Study Results

## Summary of Cumulative Operating Impacts: West ETJ



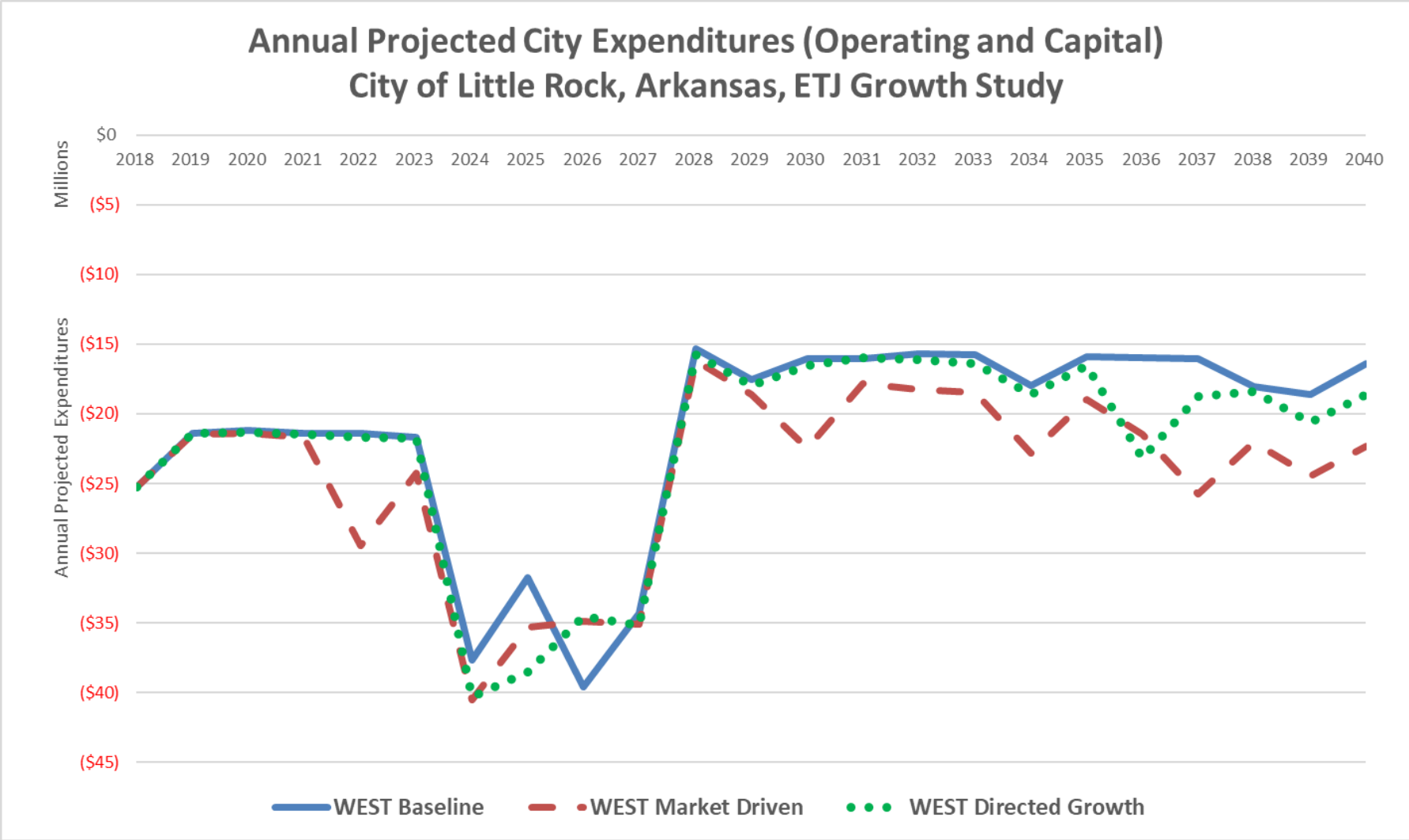
# Study Results

## Summary of Cumulative Operating Impacts: South ETJ



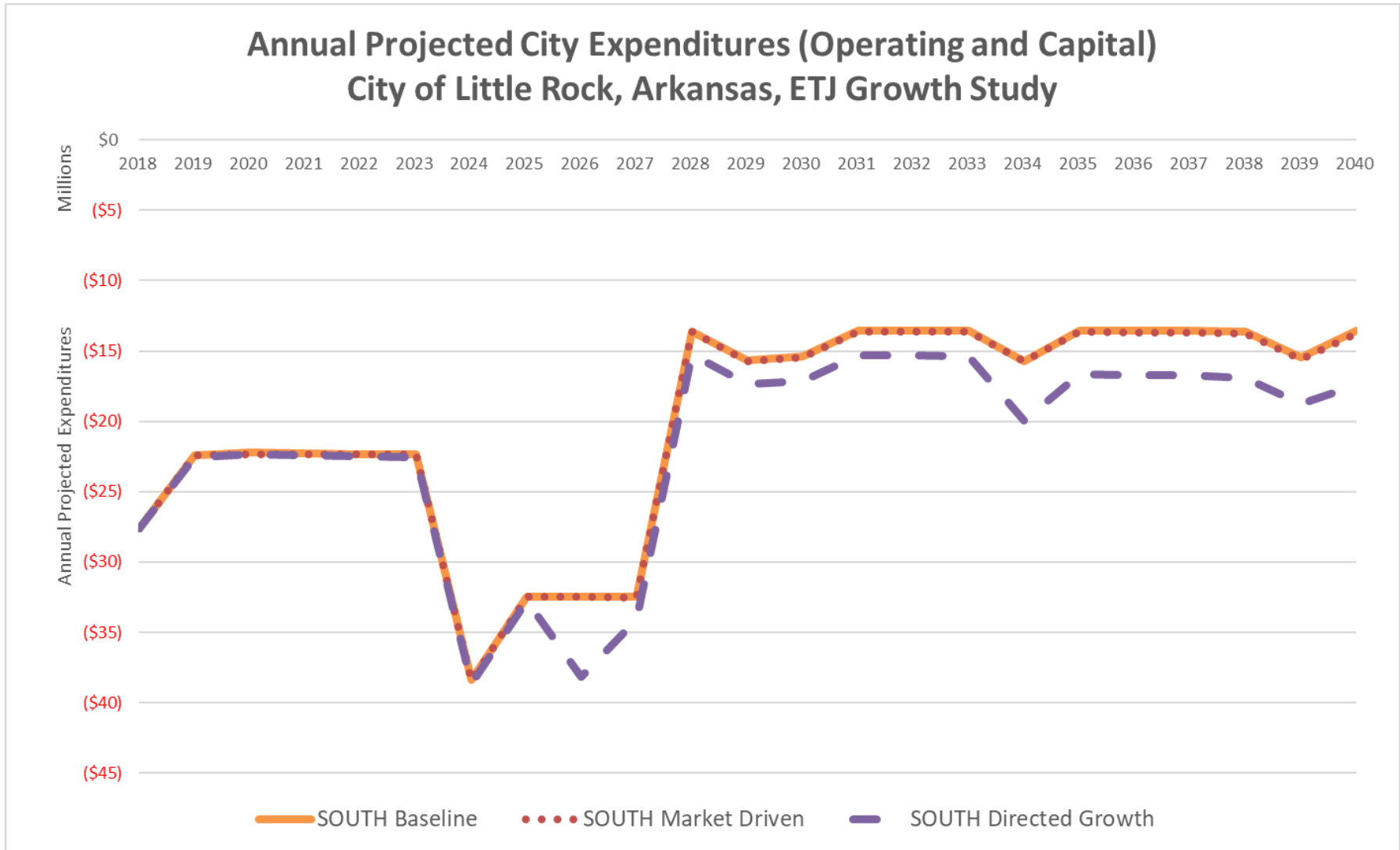
# Study Results

## Annual Projected City Expenditures: West ETJ



# Study Results

## Annual Projected City Expenditures: South ETJ



# Study Results

## Summary of Cumulative Costs

Cumulative Expenditures Summary - Growth Pattern Comparisons  
City of Little Rock, Arkansas, ETJ Growth Study

Category	Growth Pattern Comparisons		
	WEST Baseline	WEST Market Driven	WEST Directed Growth
General Fund	\$274,566,361	\$332,725,524	\$294,302,254
Capital	\$216,556,200	\$226,254,000	\$220,751,500
<b>TOTAL</b>	<b>\$491,122,561</b>	<b>\$558,979,524</b>	<b>\$515,053,754</b>
	SOUTH Baseline	SOUTH Market Driven	SOUTH Directed Growth
General Fund	\$250,368,859	\$251,599,311	\$287,417,390
Capital	\$209,212,000	\$209,240,900	\$215,164,100
<b>TOTAL</b>	<b>\$459,580,859</b>	<b>\$460,840,211</b>	<b>\$502,581,490</b>
	WEST and SOUTH Total Baseline	WEST and SOUTH Total Market Driven	WEST and SOUTH Total Directed Growth
General Fund	\$524,935,220	\$584,324,836	\$581,719,644
Capital	\$425,768,200	\$435,494,900	\$435,915,600
<b>GRAND TOTAL</b>	<b>\$950,703,420</b>	<b>\$1,019,819,736</b>	<b>\$1,017,635,244</b>



# Revenue Projections (Assuming Annexation)

# Projected Revenues (with Annexation)

## Summary of Cumulative Revenues

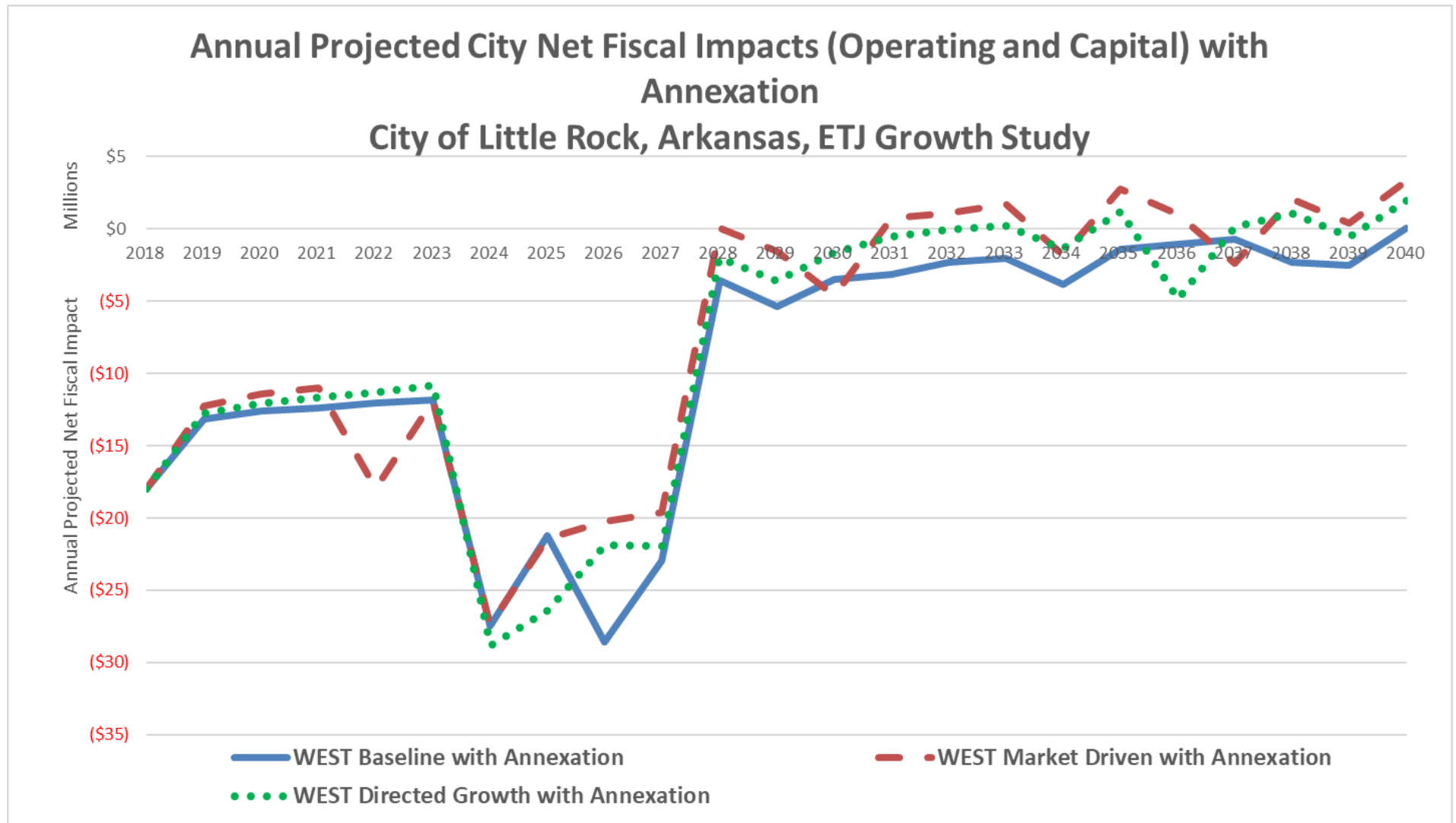
**Cumulative Revenue Summary - Growth Pattern Comparisons**  
**City of Little Rock, Arkansas, ETJ Growth Study**

Category	Growth Pattern Comparisons		
	WEST Baseline	WEST Market Driven	WEST Directed Growth
General Fund	\$218,349,001	\$306,935,793	\$258,516,005
Special Revenue Funds	\$33,817,418	\$45,704,857	\$39,075,503
Capital	\$26,883,739	\$37,757,099	\$31,722,916
<b>TOTAL</b>	<b>\$279,050,158</b>	<b>\$390,397,750</b>	<b>\$329,314,424</b>
	SOUTH Baseline	SOUTH Market Driven	SOUTH Directed Growth
General Fund	\$124,486,535	\$128,655,974	\$163,544,903
Special Revenue Funds	\$17,827,922	\$18,381,852	\$23,032,795
Capital	\$10,665,938	\$11,039,794	\$13,966,414
<b>TOTAL</b>	<b>\$152,980,396</b>	<b>\$158,077,619</b>	<b>\$200,544,111</b>
	WEST and SOUTH Total	WEST and SOUTH Total	WEST and SOUTH Total Directed
General Fund	\$342,835,537	\$435,591,767	\$422,060,908
Special Revenue Funds	\$51,645,340	\$64,086,709	\$62,108,298
Capital	\$37,549,677	\$48,796,893	\$45,689,329
<b>GRAND TOTAL</b>	<b>\$432,030,554</b>	<b>\$548,475,369</b>	<b>\$529,858,535</b>

# Fiscal Impact Projections (Assuming Annexation)

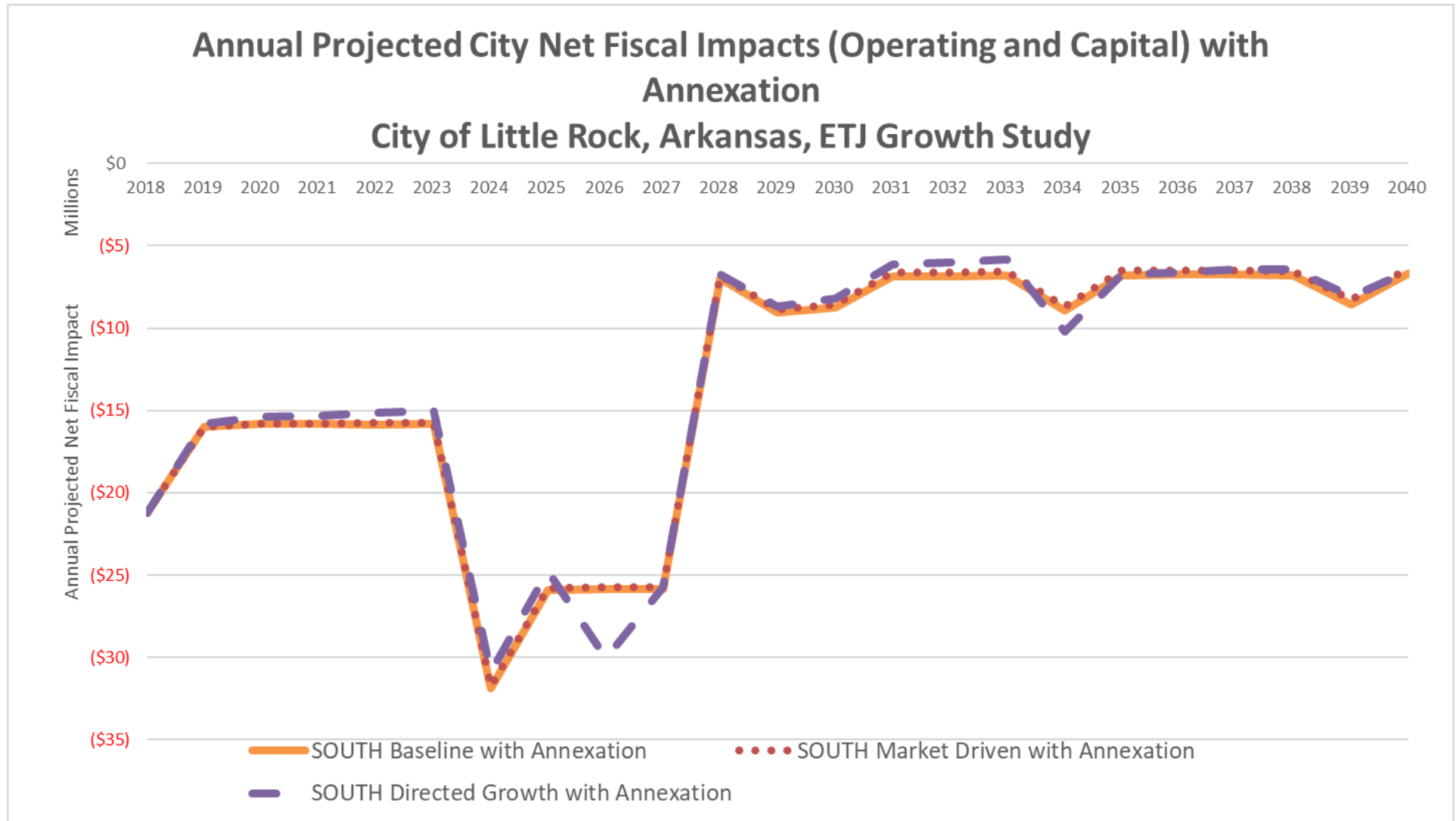
# Net Fiscal Results (with Annexation)

## Annual Projected Fiscal Impacts: West ETJ



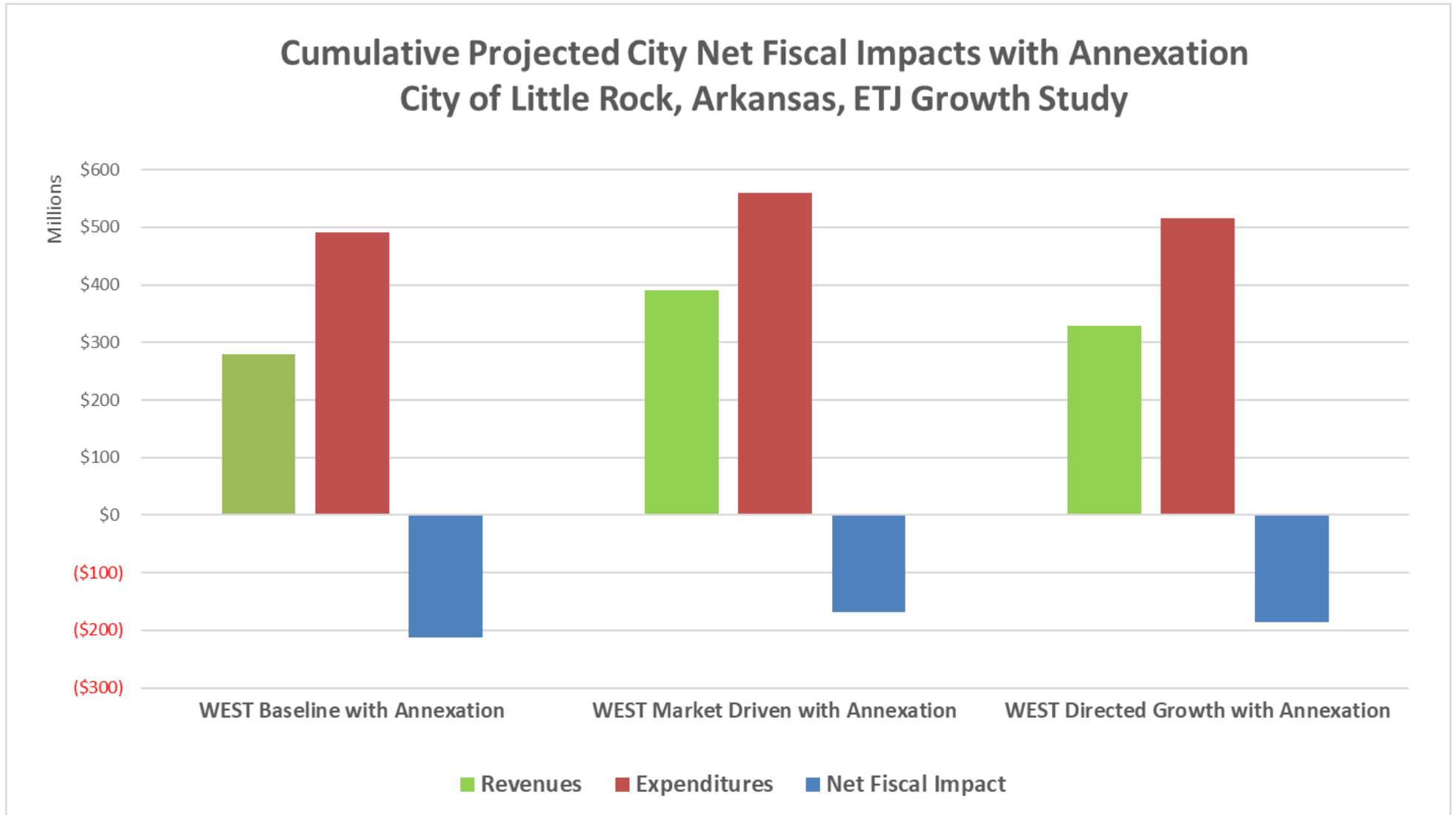
# Net Fiscal Results (with Annexation)

## Annual Projected Fiscal Impacts: South ETJ



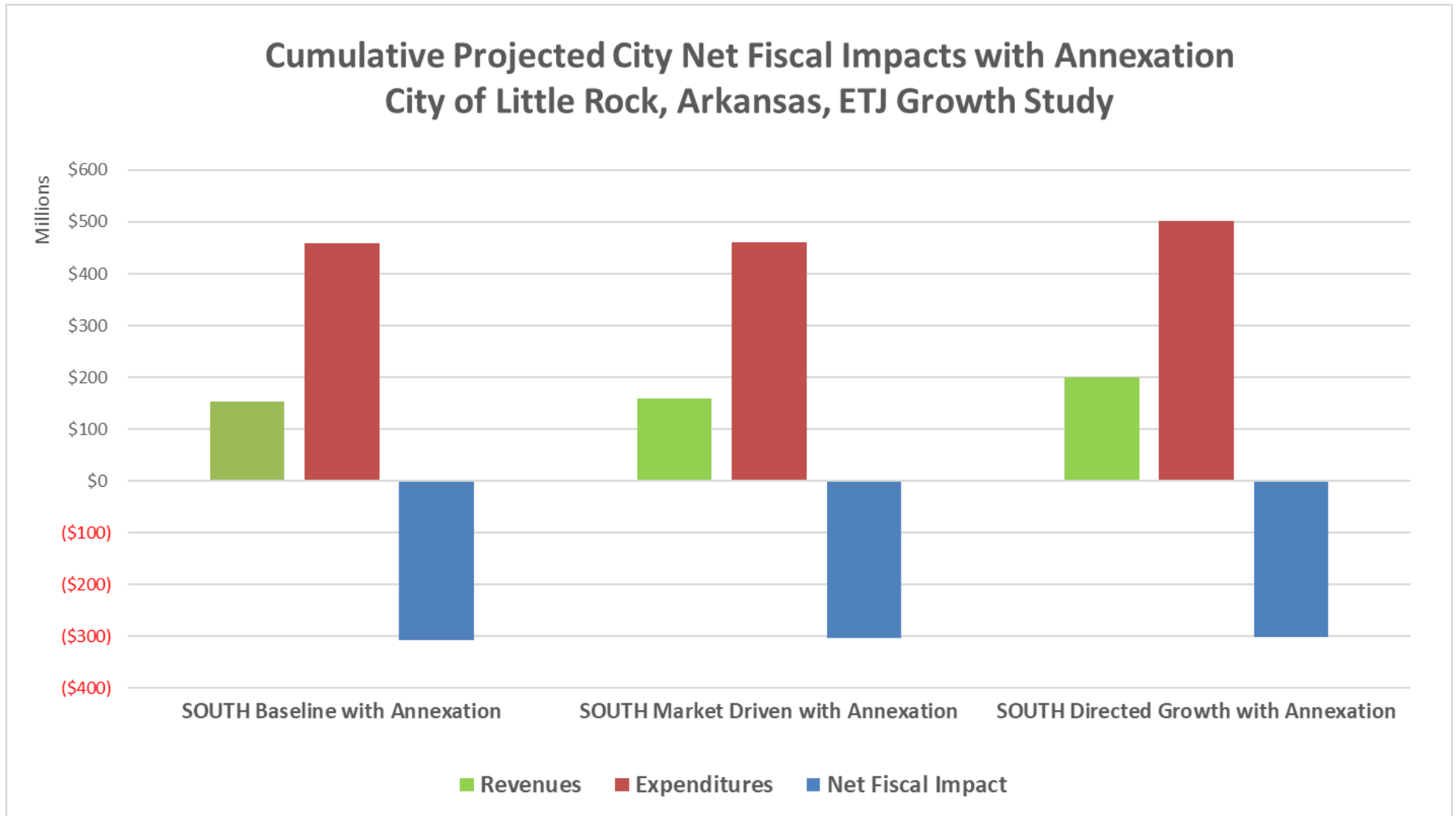
# Net Fiscal Results (with Annexation)

## Cumulative Projected Fiscal Impacts: West ETJ



# Net Fiscal Results (with Annexation)

## Cumulative Projected Fiscal Impacts: South ETJ



Source: TischlerBise

# Wrap-Up

- Cumulative costs through the year 2040:
  - West ETJ: \$490 to \$560 million
  - South ETJ: \$460 to \$500 million
  - Combined: \$950 million to \$1 billion
- Assuming annexation yields potential revenue:
  - West ETJ: \$280 to \$390 million
  - South ETJ: \$150 to \$200 million
  - Combined: \$430 to \$550 million
- Net Fiscal Impact (with annexation)
  - West ETJ: -\$170 to -\$210 million
  - South ETJ: -\$300 to \$310 million
  - Combined: -\$300 to \$520 million



# Wrap-Up

- Public safety costs drive the results
- City capital costs are modeled on a “pay-go” basis—with debt financing, total expenditures will be lower during the projection period (but extended beyond 2040)
- The alternative growth pattern tested in both areas does not improve the results
- Potential revenue generation if annexation is assumed is insufficient to cover operating and capital costs
- Questions and Discussion

*Note: All figures in this presentation are from TischlerBise unless otherwise noted.*