

Meeting Notes

To William Spaeth, AICP
Sarasota County Planning and Development Services

CC

Subject Fiscal Neutrality Analysis Fiscal Practitioner Call Notes--Revised

From Christine Graziano; Mac Nichols

Date January 30, 2015

Attendees via Conference Call:

Ms. Nancy Finman	Sarasota County
Ms. Lucy Gallo	DPFG
Ms. Christine Graziano	AECOM
Ms. Julie Herlands	TischlerBise
Mr. Mac Nichols	AECOM
Mr. William Spaeth	Sarasota County
Mr. Steve Schriever	Fishkind and Associates

Purpose of meeting: To discuss the experience of fiscal analysts in performing fiscal neutrality analyses to satisfy Sarasota County's 2050 legislation requirements for developments outside the urban growth area.

Summary of Discussion**Experience of attendees:**

- Two of the consultants have performed 3-4 analyses each as well as performing other kinds of fiscal analysis for a variety of clients in Florida and around the country. TischlerBise is in the process of completing the first fiscal neutrality analysis in Sarasota County but has completed numerous fiscal impact analyses and other studies around the country. Tischler and Associates, Inc (predecessor to TischlerBise) conducted a study of the economic and fiscal impacts of development in general on Sarasota County in 1999-2000. Fishkind and Associates worked with Sarasota County when the 2050 plan was first being developed.

General experience:

- There are some differences in experiences in doing fiscal neutrality studies in Sarasota County versus other areas. In Sarasota County the client is the developer. In other arrangements around the country, the consultant might work directly for the locality (with contract paid by locality or developer), the developer (paid by developer), or together as a joint client (payment arrangements vary).

- Sarasota County's dedication to review the reports is also different from what is experienced elsewhere. The monitoring requirements [which are changing] are also unusual.
- The market study is usually received by the consultants ahead of time. They review and sometimes have follow up questions.
- Lead time is typically 6 weeks. Thus far, this has not been a problem.

Things That Worked:

- At the start of a new project, having a meeting with the fiscal consultant and financial staff at the county, to both understand the inputs better and to know the best way to present the information so that it is presented clearly, to prevent back and forth after the report is submitted.
- It is easier to have open lines of communication between the fiscal neutrality analyst, the county, and the county's peer review consultant. Conversations are more efficient than presenting everything in writing.
- For when the existing county budget is not balanced, adds a balancing fund (so that the budget is balanced, so as to not unfairly advantage or disadvantage the development).

Issues/Changes to Consider:

- Have the market study submitted to the county for review prior to completion of the fiscal analysis. Many sufficiency questions focus on inputs from the market report.
- Many of the sufficiency questions from the county center around capital costs and projects—specific details such as timing, location of projects, exact cost, exact improvements, which is not a feasible way to conduct a fiscal impact analysis. There should not be the need to “recreate the wheel” each time and essentially do an impact fee study. Because Sarasota County's impact fees use an inventory replacement method (versus improvements only, as some jurisdictions do), using the costs developed during the impact fee studies is a safe proxy for costs. While there are other ways of doing fiscal analysis—such as a marginal analysis which would look at facilities required at certain levels of population, for example, a school for 1,000 students—this would not capture some costs if a smaller development did not exceed the threshold of need for a new facility. In this way, using impact fee costs more fairly allocates the fair share of a developer's costs to the community.
- There should be an education process on the limits of fiscal impact analysis and what it can and cannot do. Some of the questions received by the county indicate that the fiscal analysis is being viewed as a “cash flow analysis.”
- Goal should be to standardize what can be standardized; inputs can be given to the analyst to remove those questions from the table at the front end of the study. It will also make studies comparable.
- There are several uses that are impractical to evaluate for fiscal neutrality—
 - Public hospitals: hospitals are not developed solely based on new population, but rather on utilization and are evaluated by the state for approvals.
 - General government: without an impact fee study or impact fee, it is very difficult to justify what should be attributable to new development versus old
 - Transit: transit is almost always heavily subsidized and does not pay for itself; it's unreasonable to think that a developer can present fiscal neutrality for this service.
 - Enterprise funds (electric, water, etc): operating costs should be excluded, because they are/should be satisfied by rate studies. These are self-sustaining enterprises. Rather, for capital improvement needs as a result of the development, these should

be decided upon with the utility, and agreement to pay for necessary improvements should satisfy this element of fiscal neutrality.

- Market studies should present the information in unit types shown in 2050 legislation
- Advocate for alternate scenarios—it is tough to have a “magic number,” because there is always the possibility of other alternatives, showing “what if”
- “Fiscal Neutrality Plan” needs to be removed as a term, or better defined. This leads to confusion about what the analysis can provide and not (such as timing of capital improvements, exact costs, etc).
- The county budget and fund structure requires a lot of reconciliation (what revenues pay for what expenses and which funds are for what type of service) which leads to the potential for inconsistencies among different analytical reports. It would be helpful for this to be provided upfront by the county.

Other Notes:

- Inflation—most do not include, and all agree this is an acceptable approach.
- Transportation costs are received by transportation engineers

Meeting Minutes

Subject	Fiscal Neutrality Analysis Methodology – Public Utilities
Date	December 18, 2014
Time	2:00 PM
Location	Conf Rm BOB 4 & Arlington, VA (conference call)
Attendees	W. Spaeth; G. MacFarlane; G. Bennett; M. Murphy; M. Nichols; C. Graziano
Prepared	January 5, 2015
Prepared by	McDuffie Nichols

The purpose of this meeting was to discuss how public utilities costs associated with new developments in the 2050 overlay area are estimated and thoughts about a new fiscal neutrality methodology.

A. Topic: Calculation of costs

- Each public utility has a method for estimating costs associated with residential and non-residential developments. The methods seem to work well and cost per EDU is periodically checked to ensure that the multipliers used reflect the cost to the County.
- Detailed discussion of current system as available on County web site.
- While some costs are estimated using a countywide number, charges for other costs, such as stormwater, are calculated based on location.
- The current charges seem to be able to cover most needs.

B. Topic: Geographic cost differences.

- A general discussion about the geographic cost difference between developments within the overlay area and countywide (including inside the urban service area).
- Developments in the overlay area but furthest from the urban service area may be an issue. So far, no developments have been so far from the existing service areas that they would create significant additional infrastructure costs, but the possibility exists.

Meeting Minutes

Subject	Fiscal Neutrality Analysis Methodology – County Attorney
Date	December 11, 2014
Time	9:30 AM
Location	Conference Rm; Admintration Bldg. 1st FL; PS Rm A
Attendees	A.Roddy, W. Spaeth, A. Parsons, M. Nichols
Prepared	January 5, 2015
Prepared by	McDuffie Nichols

The purpose of this meeting with to discuss any issues that the County Attorney has observed regarding previous submissions and thoughts about a new methodology.

- A. Topic: Geographic cost differences.
 - A general discussion about the geographic cost difference between developments within the overlay area and countywide (including inside the urban service area). Are we using only general costs or are we able to make the calculations location specific?
- B. Topic: What data are needed to inform elected-officials' decision options?
 - A dashboard would be useful to help decision-makers identify answers to key questions such as:
 - i. What is the year-to-year cost of this development and what impact might that have on County finances? Need a year-by-year so BCC can see if there will be spikes in costs to the County even if the project overall will be fiscally neutral at the end of the development. This question is really about impact on the County budget and whether decision-makers are willing to accept the implications of a development. A graph showing the costs over the project period would be helpful information during the hearing discussion.
 - ii. The true question to answer is, "What is the cost of *this* development?"
 - iii. Perhaps we should break out information on larger costs so that we not only show overall fiscal neutrality but that there is an understanding of which budget categories are taking a hit and which are not. Even if the overall project is fiscally neutral, the BCC may need to consider the implications of pressures on certain budget areas.
 - iv. Some sort of facilities assessment need to be addressed in the report so the implication of the development on the system is understood.
- C. Topic: The FN Plan requirement
 - Applicants should submit a Plan that addresses how much? (the cost to the County) and what cost sector? (budget impact).
 - Give developers a range of options to address any identified deficits.

Meeting Minutes

Subject	Fiscal Neutrality Analysis Methodology
Date	December 9, 2014
Time	2:30 PM
Location	Conference Rm; Admintration Bldg. 1st FL; PS Rm A
Attendees	W. Spaeth, A. Parsons, R. Gleitsman, N. Finman; M. Nichols; C. Graziano (via telephone)
Prepared	January 5, 2015
Prepared by	McDuffie Nichols

The purpose of this meeting: Discuss the adequacy of and issues raised by previous submissions, discuss data sources and approaches, and possible adjustments that would be included in a new method.

- A. Adequacy of data submissions discussion: “Are we getting what we need to provide a clear projection of fiscal neutrality (FN) and give adequate information to decision-makers?”
- Use of Florida Department of Revenue (DOR) data possible as the county reports those data points and could provide a consistent, comparable number. However there is a lag in reporting back that could present problems to applicants having access to the most current information. May not matter in some projects’ timelines but others may need more recent information.
 - Could be possible to back out *ad valorem* and a few other data points separately.
 - If the official numbers were specified for use, grouped by budget fund numbers, it would be easier to compare and follow the distribution of revenues and costs. Requiring the use of specified, independently-verifiable data points would provide some consistency that has been lacking.
 - When dealing with the mobility fee requirements, should specify which costs can be presented in aggregate and which are to be applied individually.
 - Isolating costs to per square foot/per capita based on development types would give a comparable unit of measurement.
 - The group discussed the relative merits of showing year-to-year vs cumulative fiscal neutrality. After some consideration, the group agreed that year-to-year will be necessary to provide the BCC with information about the follow of revenues and costs over the period and to be able to identify any major outlays or flow issues.
 - Group agreed that use of County reserve funds should not be included in any calculations as those funds are not available to off-set shortfalls resulting from a development.
 - County to establish a standard for inflating costs over the development period.
 - Due to recent changes that remove monitoring and allow for approval of entire development, the market analysis information becomes more important. The depth and detail of the analysis should be more clearly specified to ensure that those inputs are reasonable. Perhaps submission of market analysis report prior

to the submission of the FN report can ensure that the market data inputs are acceptable.

- B. Are current submissions “fiscal neutrality plans” as required, or are they simply distributing impact fees and estimated taxes?
- The reports seem to be more of an exercise in distributing revenues across cost categories represented in the budget and not full plans. The manual should specify plan components that outline how the applicant will act to ensure FN is achieved.
- C. Discussion of viability of a “plug and play” model:
- Due to the large number of variables, a true “plug and play” model would be difficult and expensive to build. Perhaps some basic formulae for calculating certain inputs could be provided, but a “click-on/click-off” form that distributes revenues and costs would not be workable.
 - If the need is for internal evaluation aid, maybe providing some quick ratios for evaluation purposes would be helpful.
 - Although not a plug and play model, if some of the key data point sources could be standardized and formulae for calculation and distribution of costs could be provided, the process could be made clearer.
- D. Other discussion
- The readers of the manual will not only include developer/applicants but also the general public. The text needs to avoid jargon and provide a straightforward explanation of the process, the method and the limitations of such a program so there are no unrealistic expectations that the numbers are more than good faith projections of performance and a plan how to adjust to keep the project within FN parameters.