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June 2, 2015 (AECOM responses received June 10, 2015)

McDuffie Nichols, Vice President
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3101 Wilson Blvd., Suite 900
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Subject: Fiscal Neutrality Methodology Development
Technical Memorandum and Fiscal Neutrality Guide dated May 8, 2015
Status for each comment provided on March 11, 2015 draft documents

Cc: Christine Graziano, Project Manager AECOM

Dear Mr. Nichols,

This letter is intended to indicate staff's understanding of AECOM's response to County staff comments provided within the letter dated April 10, 2015. Each of the comments presented within that letter have been restated below followed by the status of that comment as reflected by the May 8, 2015 draft of the Technical Memorandum and Fiscal Neutrality Guide. Please provide an explanation for any of these comments for which no change was made, or provide updated information within the next draft of the documents being submitted.

Fiscal Neutrality Analysis Report:

1. Generally, it is recommended that the report be structured so that it is responding to all points within the "Scope of Services" as its own volume that includes a review/feedback section separate from the technical manual or guide that will be used by staff and applicants.

   Status: The structure of the report now responds to the Scope of Service.

2. Generally, for each of the points being addressed by the report, the pertinent statement summarizing the direction being recommended should be highlighted.

   Status: Conclusions and Recommendations section added on page 12.

3. Page 2: The internal review of Fiscal Neutrality Plans by the County Office of Financial Management should also be identified.

   Status: This has not been done and needs to be stated within the 2nd paragraph on page 2.

   AECOM Response: Added to 2nd paragraph on page 2.

4. Page 2: The reference to "urban growth boundary" should be "urban service area boundary".

   Status: Corrected within 2nd paragraph on page 2.

5. Page 2, Paragraph 3: The word "proscribed" should be replaced with "prescribed".

   Status: Corrected within 3rd paragraph on page 2.

6. Page 3, Final Sentence: There is a broken link or missing reference ("Error! Reference source not found")

   <u>Status</u>: Reference removed from sentence at top of page 9.

7. Page 4, Paragraph 1: the word "county" should be replaced with "country".

   <u>Status</u>: Corrected within 1st paragraph on page 9.

8. Page 8, Paragraph 5: The sentence that begins "During the review process…" is confusing. It's not clear what point this sentence is trying to make.

   <u>Status</u>: Sentence removed from 2nd full paragraph on page 8.

9. Page 9, Line 2: Change "Office of Finance" to "Office of Financial Management".

   <u>Status</u>: Corrected within 2nd paragraph on page 4.

10. Page 10: AECOM's recommendations related impracticality of evaluating public hospitals, general government, and transit-- recommend that section indicate if there are no comparable methods elsewhere used for deriving impacts. Please note that the 2007 Duncan Associates impact fee study included general government impact fees. This study is presently being updated by Duncan Associates. Also, work is in progress on a Mobility Plan and Mobility Fee system which would result in a fee system that allows for these revenues to go into capital infrastructure related to transit needs.

    <u>Status</u>: 4th full paragraph on page 10 revised pursuant to comment, however no reference has been included regarding the proposed Mobility Fee that is currently being pursued by the County.

    AECOM Response: Added clarification about new impact fees and potential Mobility fee system to bottom of page 5 and top of page 6.

11. Page 11: "*The staff discussed that reports appeared to be an exercise in distributing revenues across cost categories in the budget, versus being plans, and desire seeing plan components to outline how the applicant will act to ensure that fiscal neutrality is achieve*."- There was no response or recommendation made regarding this statement.

    <u>Status</u>: The sentence was removed from 3rd paragraph on page 6.

12. Page 11, Paragraph 3: The first sentence ("The Office of Financial management suggested….") is confusing.

    <u>Status</u>: 1st sentence of 3rd paragraph on page 6 not clarified.

    AECOM Response: Sentence rewritten to clarify.

13. Page 11, Final Paragraph: Disagree with the statement that "such a plug and play model would be difficult and expensive to build…." As pointed out during several meetings, DPFG has developed an Excel-based model that it has used for all of its fiscal neutrality analyses. While it contains a lot of tabs, it uses standard Excel formulas which are readily visible. If DPFG has been able to use a standard model for multiple developments, it should be possible for the County to provide a standard model that contains the budget structure, revenue and expense drivers and demographic data, and that allows the developers to enter their development programs. Terms such as "plug and play" and "black box" should be avoided.

    <u>Status</u>: References to "plug and play" were removed from 3rd paragraph on page 6.

14. Page 11, Final Paragraph: The discussion on a "dashboard" form of presentation was in reference to developing a way to summarize the content of each plan and have the ability to compare plans easily.

    Status: Reference to "dashboard" were removed from 3rd paragraph on page 6.

15. Page 13: "*Though this report is not making recommendations on the fiscal neutrality requirement, it is likely that a tiered impact fee structure would be an alternative approach to fiscal impact studies for individual projects*."- This is a very significant recommendation that needs further explanation, including exactly what is meant by tiered impact fee structure. If it is a primary recommendation, it begs the question, what is the need for conducting fiscal neutrality analyses? What are the scenarios where fiscal impact analyses would be needed?

    Status: References to a "tiered impact fee structure" were removed from the report. The Mobility Fee structure being pursued by the County would in effect move towards a fee structure that recognizes there are different zones requiring a certain level of infrastructure improvement which relates to locational considerations contemplated by Fiscal Neutrality.

16. Page 13: The recommendations regarding impact fees are ambiguous. If AECOM is suggesting that the analysis should assume that impact fee revenue equals capital expenses, why should this be included in the analysis at all (since it will, by definition, always be fiscally neutral)? If AECOM is recommending something else, it needs to be clearly stated.

    Status: Section "g" of the report on page 21 modified the language regarding AECOM's recommendations.

17. Page 13: How does a Fiscal Neutrality Plan account for the fact that the County's roadway impact fees are presently set at approximately half the identified level of financial impact that was used to established the roadway impact fee level, specifically in light of Policy VOS2.9 which requires "the total proportionate share cost of infrastructure be included and not simply the existing impact fee rates"?

    Status: Last paragraph on page 13 of the FN Guide indicates that 100% of impact fee should be used in determining full impact with other identified capital costs.

18. Page 13: It appears that AECOM is suggesting that the County should have a tiered impact fee system based upon geography. The current Mobility Plan and Mobility Fee draft report proposes a mobility fee that will reflect a higher cost for rural single-family homes. The Mobility Plan recognizes that there is a higher multi-modal infrastructure cost and vehicle miles traveled associated with rural residential homes and accounts for that in the proposed Mobility Fee schedule. Conversely, not all impact fee systems prompt a varying fee based upon geographic location. For instance, general government facilities support the needs of the entire County and should logically be more centrally located. These fees are collected in County-wide fee systems.

    Status: See note #15 above.

19. Page 13: AECOM states that certain impact fees have been suspended. It should be clarified that only one impact fee system has been suspended and one impact fee has not been collected at the true cost of the capital facility needs. The educational impact fee is the system that has been suspended by the County Commission, following documentation

from the School Board recognizing there is not a capital facility need which justifies the collection. Additionally, the road impact fee has not been collected at 100% of the true cost. The road impact fee rates which became effective in 2007 were recognized as 67.8% of the rates recommended in the 2006 study and were scheduled to increase at a later date. However, in 2011, the County deleted the second phase of the incremental increase in the road impact fee rate and adopted a temporary fifty percent reduction of road impact fee rates. In January 2013, the Sarasota County Commission voted to retain the adopted 2011 rates in effect until January 2015.

Status: References to suspended or reduced impact fees were removed and it is recognized in the last paragraph on page 13 of the FN Guide which indicates that 100% of impact fee should be used in determining full impact with other identified capital costs.

20. There should be something in Section 1 providing guidance on the 2050 requirement for a capital improvements plan (County Code Section 11.2.14.c.4).

    Status: No guidance is provided for County Code Section 11.2.14.c.4.

    AECOM Response: Added reference to a plan. The plan is addressed in the Guide.

Fiscal Neutrality Guide (FN Guide):

1. Generally, the guide should be structured so that it is responding to the various provisions of the County Code Article 11 Section 11.2.14.

   Status: FN Guide was not modified to follow County Code Sections.

   AECOM Response: Changed reflecting recommended structure.

2. Page 18, Paragraph 1: Recommend insertion of the word "public" in front of costs and revenues. Also, last sentence refers to municipalities.

   Status: Corrected within 1st paragraph on page 2.

3. Page 18, Paragraph 3: in the second to last sentence, remove the word "a" before "fire protection".

   Status: No change to 4th paragraph on page 2.

   AECOM Response: Corrected within paragraph 4 page #1.

4. Page 19, Final Paragraph: the word "proscribed" should be replaced with the word "prescribed".

   Status: Corrected within 4th paragraph on page 4.

5. Page 20: The section "Types of Fiscal Impact Analysis" describes several methods, but doesn't make any recommendations.

   Status: A 4th paragraph added to page 4.

6. Page 24: "Budget surplus/deficit"- This section may need more explanation. Applying balancing funds over the life of the project would appear to be impractical when an analysis is provided once at the entitlement stage of a project.

   Status: Paragraph removed from bottom of page 9.

7. Page 26: In the section "Population-Based Revenues", the opening sentence is confusing.

I think I know what the intent is, but it should be written more clearly.

Status: No change to 2nd paragraph on page 11.

AECOM Response: Sentence rewritten to clarify.

8. Page 26: In the Tourism Revenue section, please spell out Average Daily Rate for ADR.

   Status: No change to 3rd paragraph on page 11.

   AECOM Response: Added "Average Daily Rate" and an explanation of what ADR is.

9. Page 26: The Excluded Revenues section includes a reference to Utility System / Fees / Assessments. Does the reference to "fees" include water and wastewater capacity fees? Please seek comment and feedback from Utilities staff as to whether these fees are driven by new growth and should not be excluded.

   Status: No change to "Excluded Revenues" section on page 11.

   AECOM Response: Added clarification. Water and sewer capacity fees are collected for any new connection to the county's water and/or sewer system based on an "equivalent dwelling units" (EDU) formula. These fees represent a new connection's proportionate share of the costs of providing facility capacity to serve new connections and it will produce revenues not in excess of those required to provide water and wastewater system facilities in order to serve the additional demands and needs on the system. Thus, these are not true "revenues" and are excluded.

10. Page 28: The Capital Revenues section mirrors the list of County Impact Fee systems. What about the revenues associated with the other facility types that are part of the fiscal neutrality list (i.e. transit)?

    Status: No change to "Capital Revenues" section on page 13.

    AECOM Response: Added section from County Comp. Plan explaining how impact fees are intended to cover a proportionate share of capital costs.

11. Page 28: Also, the Capital Revenues section states that capital revenue sources should include: "Impact fees in effect at the time of the application (note that the full impact fee – in the event of a temporary reduction-should be used)." How does the consultant propose we collect 100% when an Impact Fee Ordinance may have been adopted providing for a decreased rate?

    Status: 100% of impact fee being used to determine capital cost as stated within the paragraph at the bottom of page 13.

12. Page 29: The Enterprise Fund section states: "Capital costs for utility infrastructure are handled through impact fees". Impact fees are not collected for the utility infrastructure. The County collects capacity fees. Utilities requests more detailed information regarding Enterprise Funds and how Utilities uses utility rates and capacity fees to fund capital and operating costs.

    Status: No change to "Enterprise Fund" section on page 14.

    AECOM Response: Edited the Enterprise Fund section to reflect the adopted budget's description of such funds. Moved the reference to utilities and impact fees to the capital revenues section that discusses impact fees.

13. Page 31: "Sensitivity Analysis"- Are definitions of "conservative, median and aggressive scenarios" needed? This paragraph would indicate "every fiscal neutrality analysis" would require these ranges. In terms of deviations, are there simpler ways to be able to define the lower limits (value, tax revenues) only. In other words is a fiscal neutrality analysis most concerned about limits below which fiscal neutrality is not achieved and that values or revenues in the more aggressive category would be viewed as fiscally positive?

    Status: "Sensitivity Analysis" section on page 16 was revised, however it remains difficult to understand.

    AECOM Response: Added text to clarify.

Data tables

14. In general, the tables at the end of the report contain useful information; however they will be difficult for the fiscal neutrality consultants to work with. This is related to the earlier point about providing a standard model that would have this data populated by the County and updated each year. Additionally, it would be helpful to have references to the tables throughout the report (i.e. as further described in Table 20) to understand how they are used, the basis for them, and to be able to verify the data within the tables.

    Status: References to the various tables were not made throughout the FN Guide.

    AECOM Response: Table references have been added throughout the guide.

15. Appendix Table 5 uses the 2006 Duncan Associates Impact Fee Study to obtain the Vehicular Miles Traveled (VMTs)/Unit. The consultant should use the most recent study performed by the County for this data (2013 Road Impact Fee Technical Analysis).

    Status: No change made to table 5.

    AECOM Response: Corrected. Changed VMTs and removed flat rates not included in 2013 update.

16. Appendix Table 16 includes impact fee rates categorized by EDUs. Please provide further background about this table's use and calculations derived within the report.

    Status: No additional information provided.

    AECOM Response: Provided additional information/definition of EDUs in introduction to Capital Revenues section prior to discussion of impact fees.

17. Appendix Table 16 source includes the older road impact fee study. Please use the 2013 Road Impact Fee Technical Analysis for the data source.

    Status: No change made to table 16.

    AECOM Response: Changed to 2013 data source.

18. Appendix Table 16 – what is the distinction of separating General Government with a County-wide cost and an Unincorporated Cost? General Government is not the only impact fee collected by municipalities.

    Status: No additional information provided.

    AECOM Response: Separates net cost per EDU for county and unincorporated areas and provides a total unincorporated fee. Residents of the unincorporated areas pay a total fee based on the combined county and unincorporated net cost.

19. Appendix Table 20, School Capital Revenues (last page of Appendix) includes a reference to impact fees for FY14-15 in the amount of $200,000. What does the number represent and where has the data been collected?

Status: No additional information provided.

AECOM Response: This number is from the 2014-2015 Schools Capital Outlay Fund Budget. Although schools impacts fees are temporarily suspended, the budgets include $30,484 in impact fees for 2013-14 and projected annual budget for impact fee revenues of $200,000 for each year 2015/16; 2016/17; 2017/18; 2018/19.

20. Appendix Table 20, misspelling in "Investment Net Increased".

Status: Misspelling not corrected within Table 20.

AECOM Response: Corrected.

Thank you for your attention to this matter.

Sincerely,

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