Money Hall

Balancing dreams with dollars in your city's planning efforts

Texas APA, November 3, 2016

American Planning Association
Texas Chapter

Making Great Communities Happen

Leading the Planning Movement

Agenda

1) Framing The Challenge

2) Municipal Finance and Multi-Year Financial Planning

3) Integrating Finance with Comprehensive Planning (Case Study)

We Need ….. !

We really need a "fill-in-the-blank" in our city!

When are we getting a recreation center?

Please fix our streets! And we need more roads too! Traffic is getting bad!

We need more parking in downtown!

Don't raise our taxes! We pay enough already!

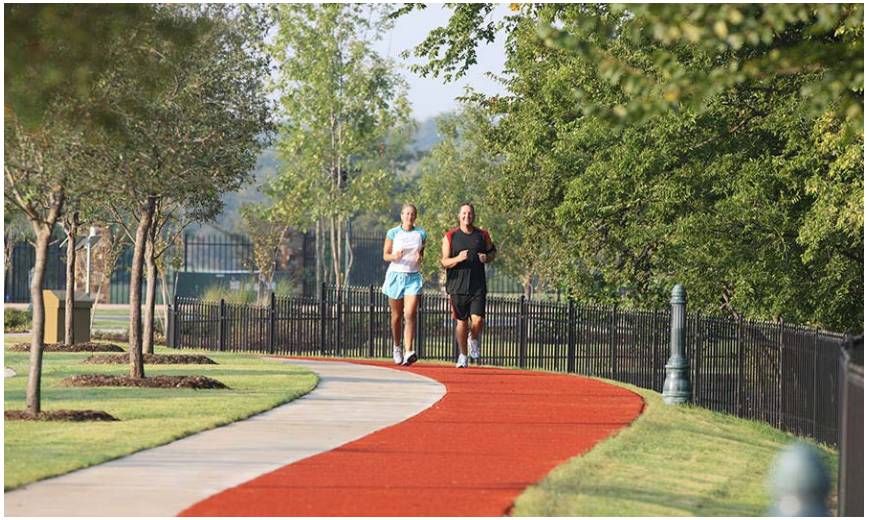
We really need a sports complex and parks for our kids!

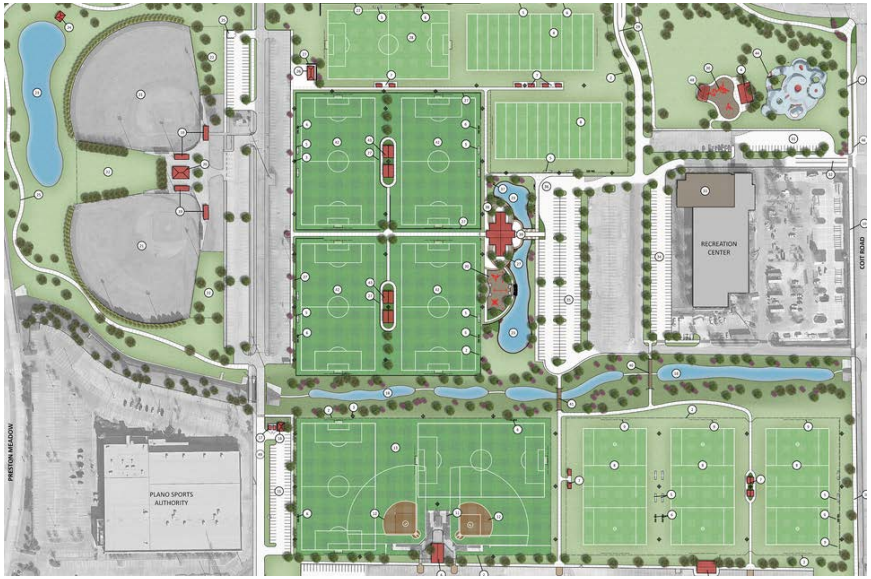
We need more police officers and faster response times!

My neighborhood floods all the time and the creek is eroding my backyard. Help!!

Prioritizing Wants and Needs

What are citizens able and willing to pay for?





Best Place to Live, Work and Play?

In the post WWII era, communities have aggressively pursued (and achieved) higher quality of life in the short-term without consideration of the long-term fiscal and environmental impacts.

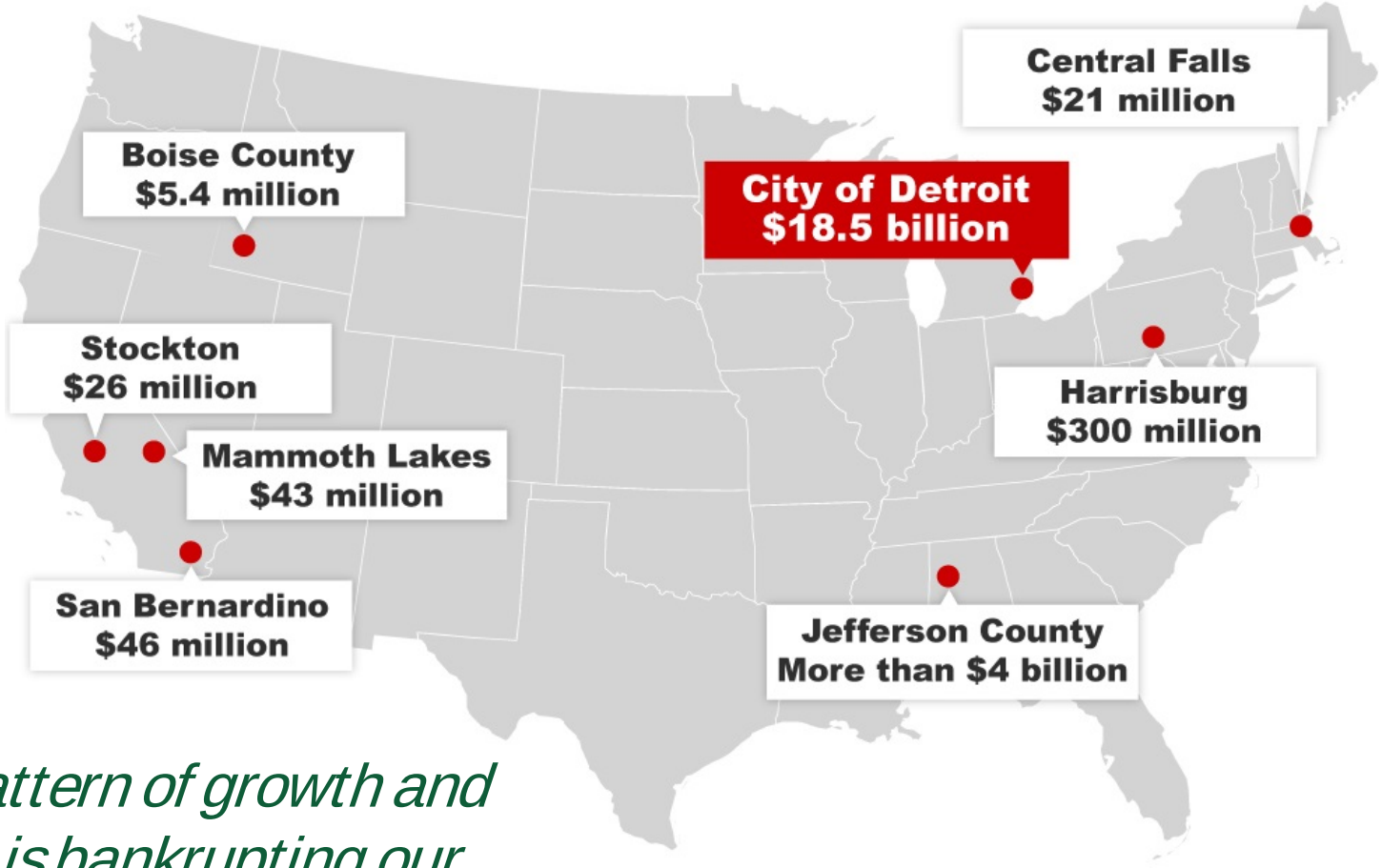
Can these cities maintain this quality of life when growth slows and all the buildings, parks and infrastructure require repair and replacement?

The "Illusion of Wealth"

Results from older cities across the country indicate we can't!

Municipal Bankruptcies

Rising pension and service costs & unsustainable debt levels



Source: governing.com

"America's pattern of growth and development is bankrupting our cities"

~Chuck Marohn, Strong Towns

Key Question

Why don't cities have enough money to pay for basic infrastructure and service liabilities?

Land Productivity

Comparing “old and blighted” to “shiny and new”

Chuck Marohn, Strong Towns

Land Productivity

Comparing "old and blighted" to "shiny and new"

Old & Blighted Block ($/acre) $1,136,500

New Fast Food Restaurant ($/acre) $803,200

Chuck Marohn, Strong Towns

Land Productivity

Comparing "suburban big box" to "traditional grid downtown"

Auto Oriented "Big Box"
$0.6M/acre

Traditional Grid Downtown
$1.1M/acre

Chuck Marohn, Strong Towns

Land Productivity

Comparing "suburban big box" to vertical mixed-use"

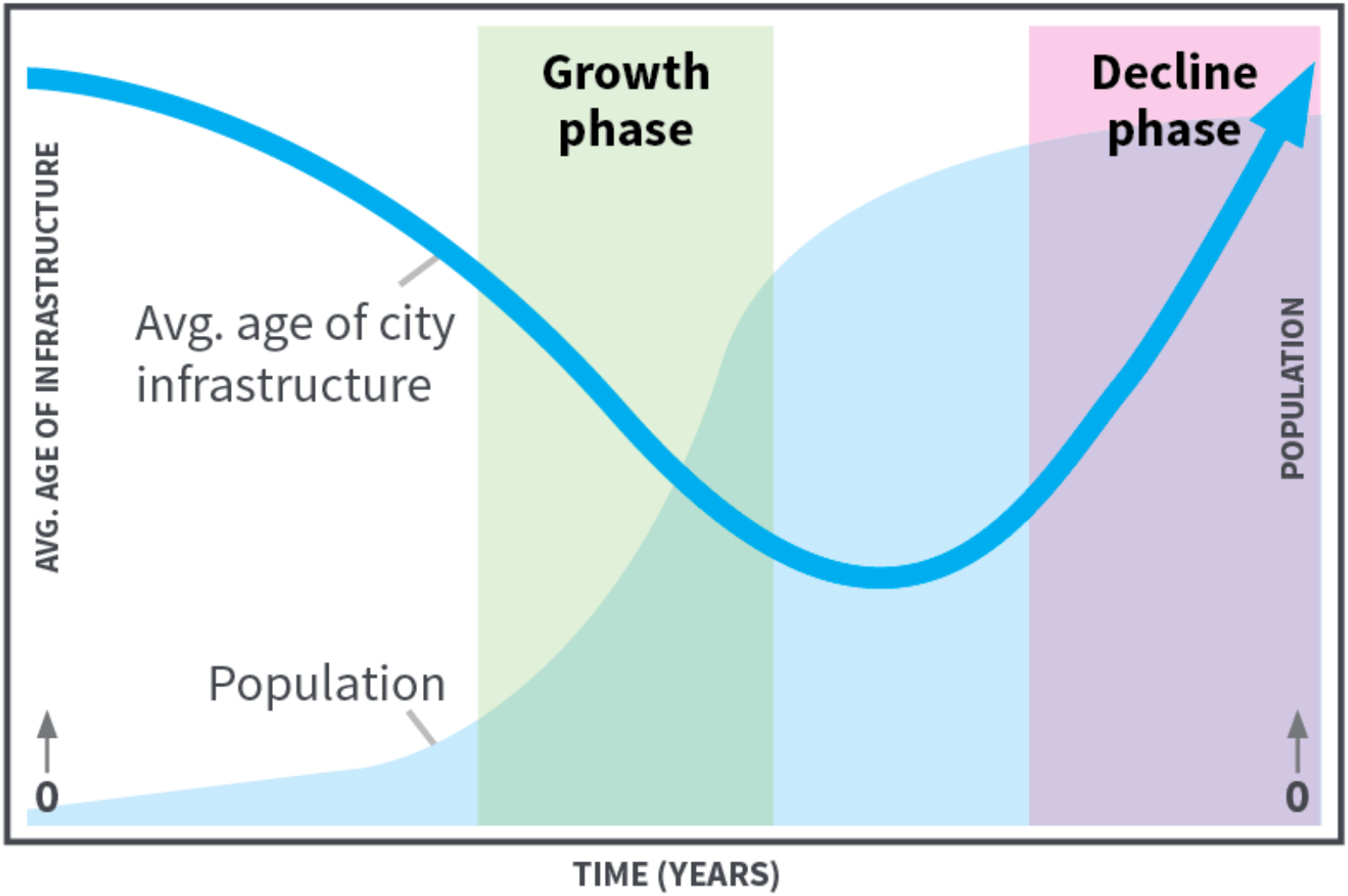
	ASHEVILLE WALMART	DOWNTOWN MIXED-USE
Land Consumed (acres):	34.0	00.2
Total Property Taxes per Acre:	$6,500	$634,000
Retail Taxes* per Acre to City:	$47,500	$ 83,600
Residents per Acre:	0.0	90.0
Jobs per Acre:	5.9	73.7

Consider revenue production and "place capital" relative to the land footprint and infrastructure investments required to serve the area.

Joe Minicozzi, Urban 3

Understanding Impacts of Rate of Growth

Balancing growth and long-term infrastructure costs



Local Government is in the Revenue Business

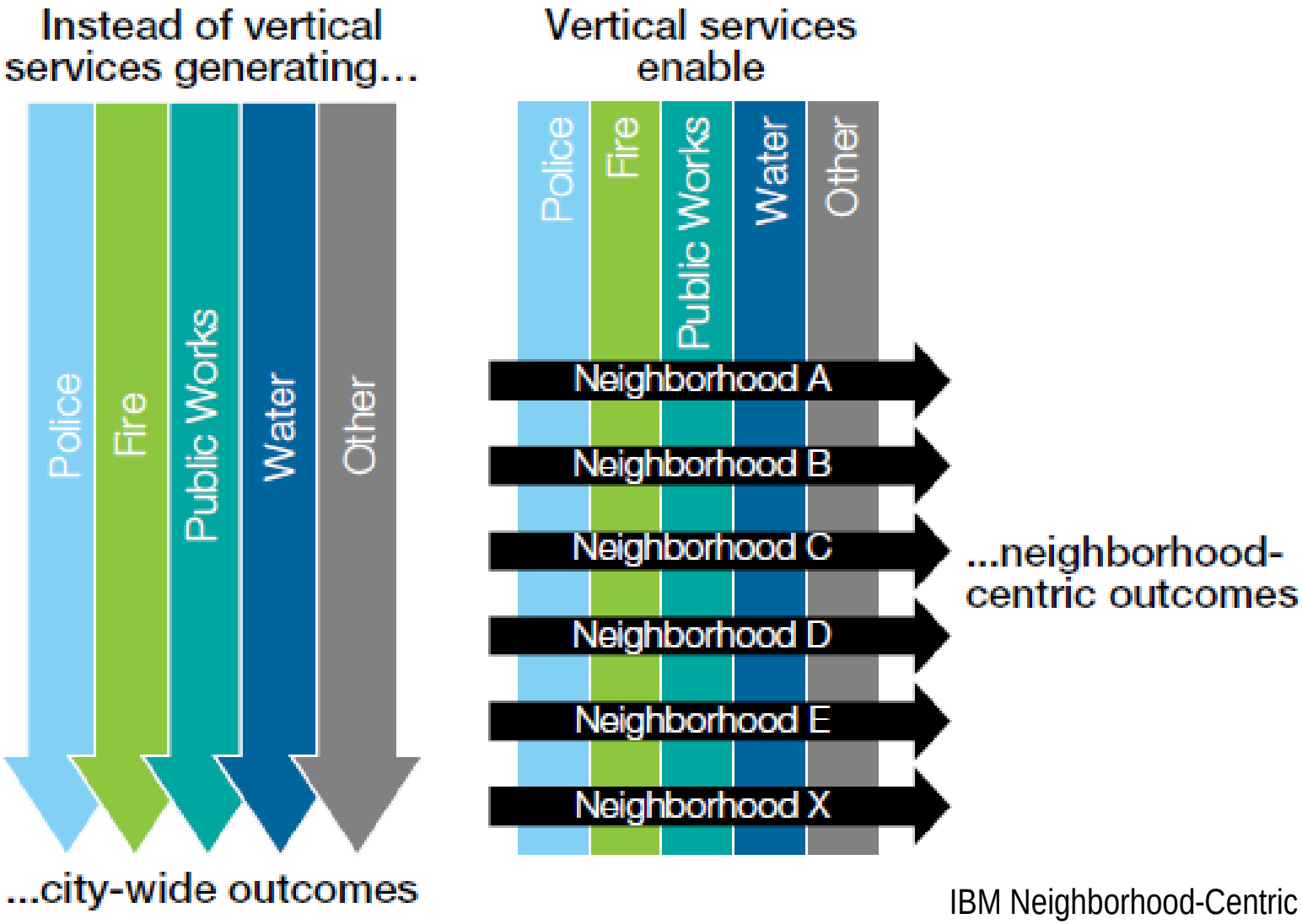
IBM's "Neighborhood-Centric City" Model

IBM Neighborhood-Centric City, Local Government Economic Model

"Quality of Life" and property values are best measured and most impacted at the neighborhood level.

Develop Neighborhood Focused Strategies

Identify and prioritize strategies based on "Neighborhood ROI"



IBM Neighborhood-Centric City, Shifting from Vertical to Horizontal Alignment of Services

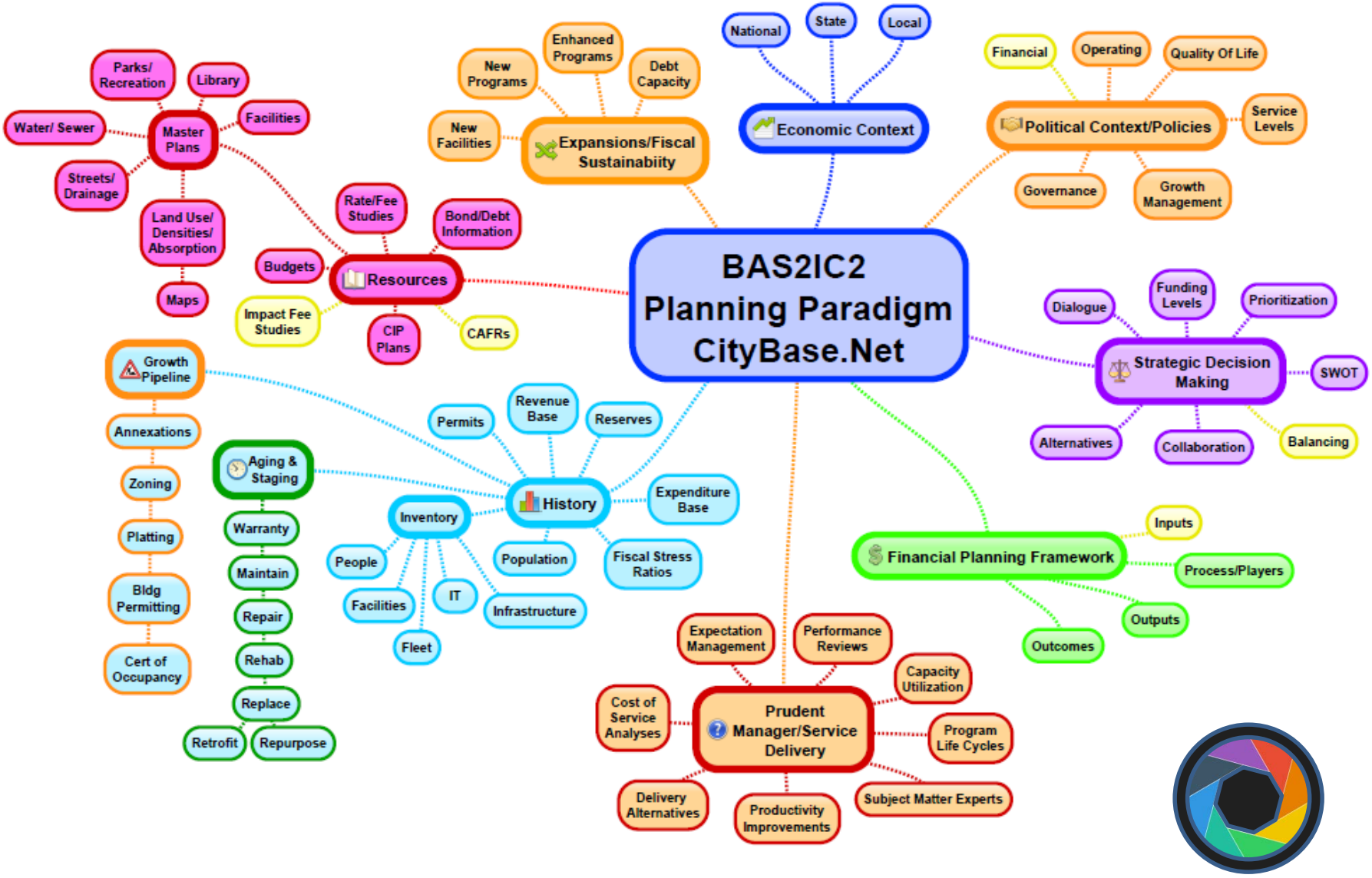
Municipal Finance and Fiscal Policy

Fiscal Policy

Municipal finance is interrelated with land use planning & design

1. Budget and Long-range Financial Planning
2. Revenues
3. Expenditures
4. Fund Balance and Reserves
5. Capital Expenditures & Improvements
6. Debt

BAS²IC² Planning



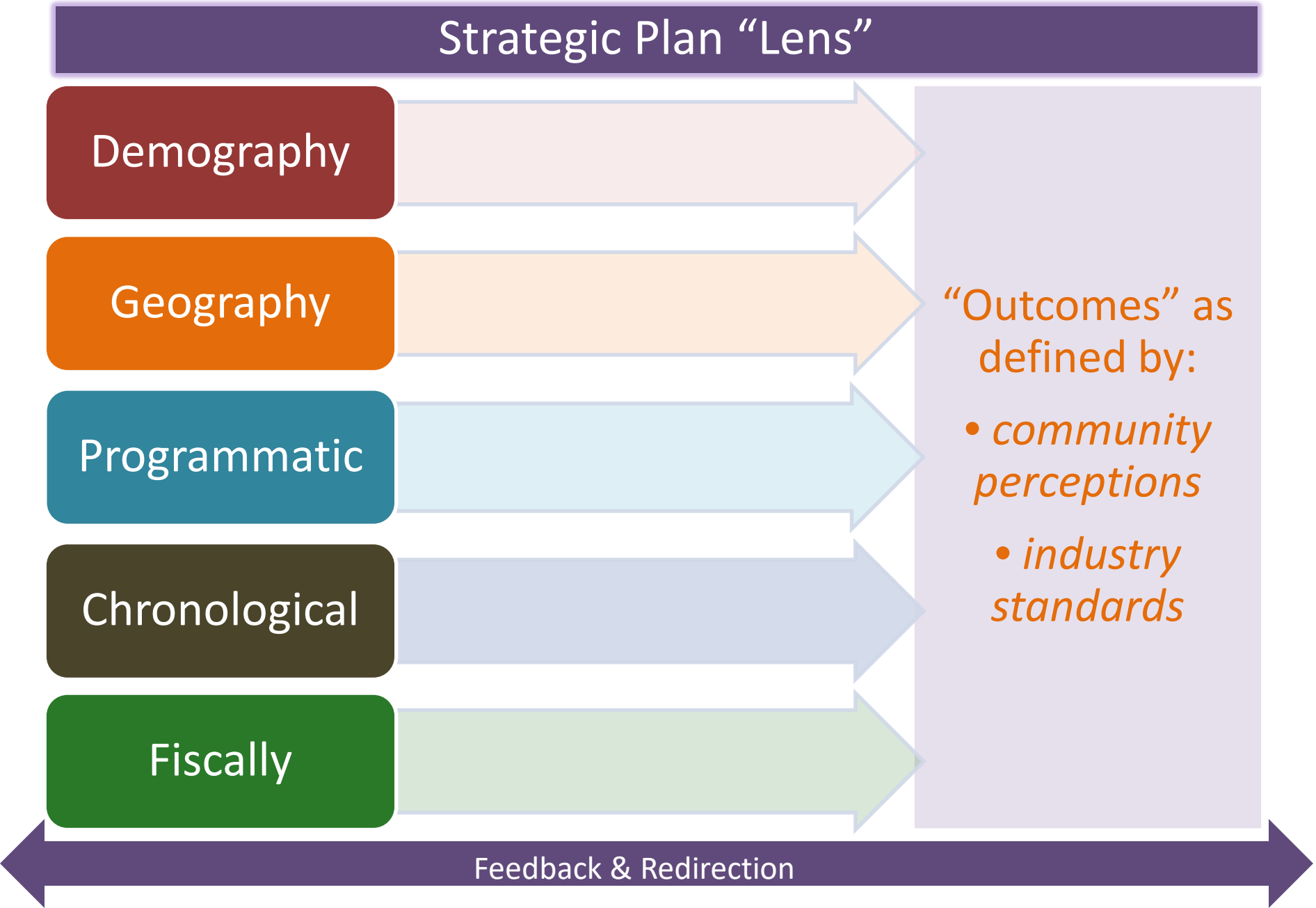
Scope: How Strategic is Plan(s)?

Strategic Visioning/Planning Overview

Inputs	Process	Outputs	
			Drives OUTCOMES for the community that are: balanced, collaborative, feasible - through a process and tool that is documented, understandable, monitored

Continuous Review and Improvement

Scope: How balanced is Plan(s)?



Scope: Financial Planning

Strategic "Financial" Plan

Inputs	Process	Outputs	
			Outcomes: *process and tool that…* •Supports & initiates both fiscal and operating policy •Creates dialogue for service level priorities & strategic alignment •Identifies future pivotal events in context

Continuous Review and Improvement

"Financial" Plan: *Inputs*

Scope: What is appropriate Planning Horizon?

- 'Long Range' Financial Planning is very *scalable*
  - Any planning is better than NO planning;
  - Better to start with small *manageable* segments than try to cover the universe – but keep the comprehensive nature in the sights
  - Trend is toward *'phasing in'* of financial plans
- Longer term horizons are always better
  - Becomes more important the closer you get to build-out
  - Also more accurate on assumptions, but perhaps more challenging on decisions, direction and *balancing* options
- *Alignment* with other plans becomes critical
  - Comprehensive Land Use needs to be current or being run parallel

"Financial" Plan: *The Planning Process*

1. Define your scope of work
2. Establish milestones and outcomes
3. Determine stakeholders/steering group
4. Identify the appropriate planning team
5. Identify/align related projects/plans
6. Collect historical data
7. Analyze trends, apply relevant benchmarks
8. Develop &vet planning assumptions
9. Consider range of scenarios
10. Evaluate results
11. Direct strategic action to address any issues
12. Routinely refine and revisit as conditions change

These really do NOT occur this sequentially!

"Financial" Plan: *Inputs+ Process+ Players = Outputs*

Management
- Stakeholders, Subject matter experts, sponsor buy-in

History/Inventory
- What data is readily available and what does it say?

Resources/Existing Plans
- What other initiatives can be leveraged/collaborated?

Growth / Expansion
- What are the pivotal planning assumptions? What are ranges?

Fiscal Standards
- What key metrics drive fiscal sustainability?

Outputs:
- Dynamic Planning Model
- Expanded CIP Plan
- Gap Analysis
- Balancing Options

Feedback & Redirection

Planning Team: Subject Matter Experts

Empower Internal Resources

- Increasingly sophisticated staff

Critical Disciplines

- Planning & Development – Land Use, Big-Picture
- Human Resources – Healthcare, Pensions
- Public Works – CIP Projects, Fuel, Power, Light, Contracts
- Engineering – Infrastructure life cycles
- Finance/Budget – Nuances of big ticket revenue collections (ex: Property tax assumptions)
- ALL departments – expenditures AND revenue recovery

Use External Resources for value-added services

- Facilitation, Validation, Credibility, Workload Capacity

Fiscal Standards: Structural Balance

- Short-term = Not Sustainable = Myopic
  - Accounting tricks: accruals, change fiscal year
  - Deferrals: equipment, maintenance
  - Partial year implementation
  - Use Fund Balance, shuffle fund balance/transfers
  - Change assumptions, i.e. managerial override
- Mid-Range
  - Across the board cuts
  - Shift Burden to community partners or others
- Long-term = Strategic
  - Forego starting new programs
  - Reduce/eliminate programs
  - Improve productivity (utilization, cost)
  - Revenue expansion/recovery (increase rate base or rate amount)

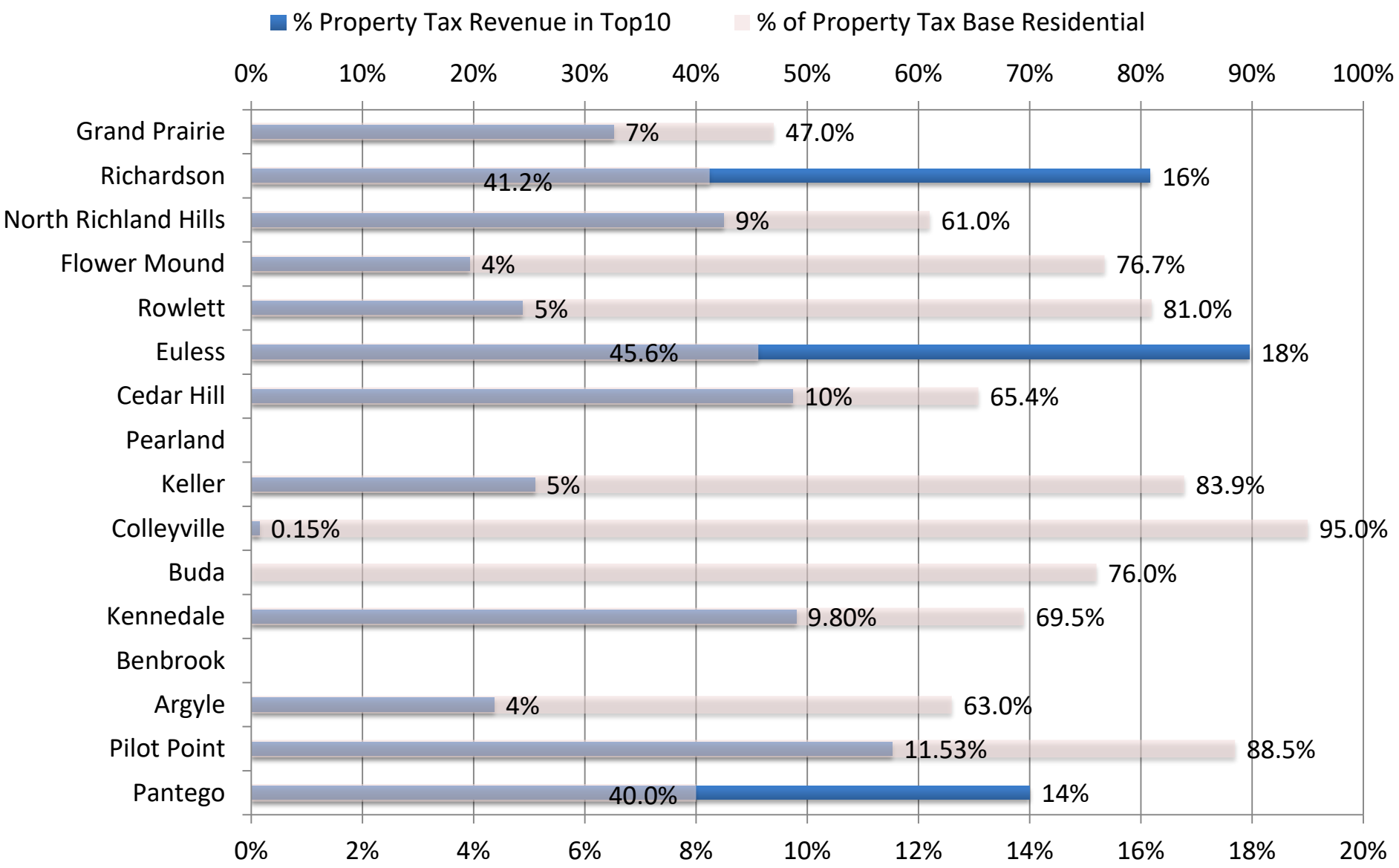
Fiscal Standards: Warning Signs

- Average Income Levels Decline
- Average House Values Decline
- Average Age of Population Increases
- Level of Education Decreases
- Inventory Age Increases
- Densities Increase (not exclusively)
- Overlapping Tax Rates are Excessive
- Overlapping Debt Levels are Excessive
- Residential/Non-Residential Tax Base

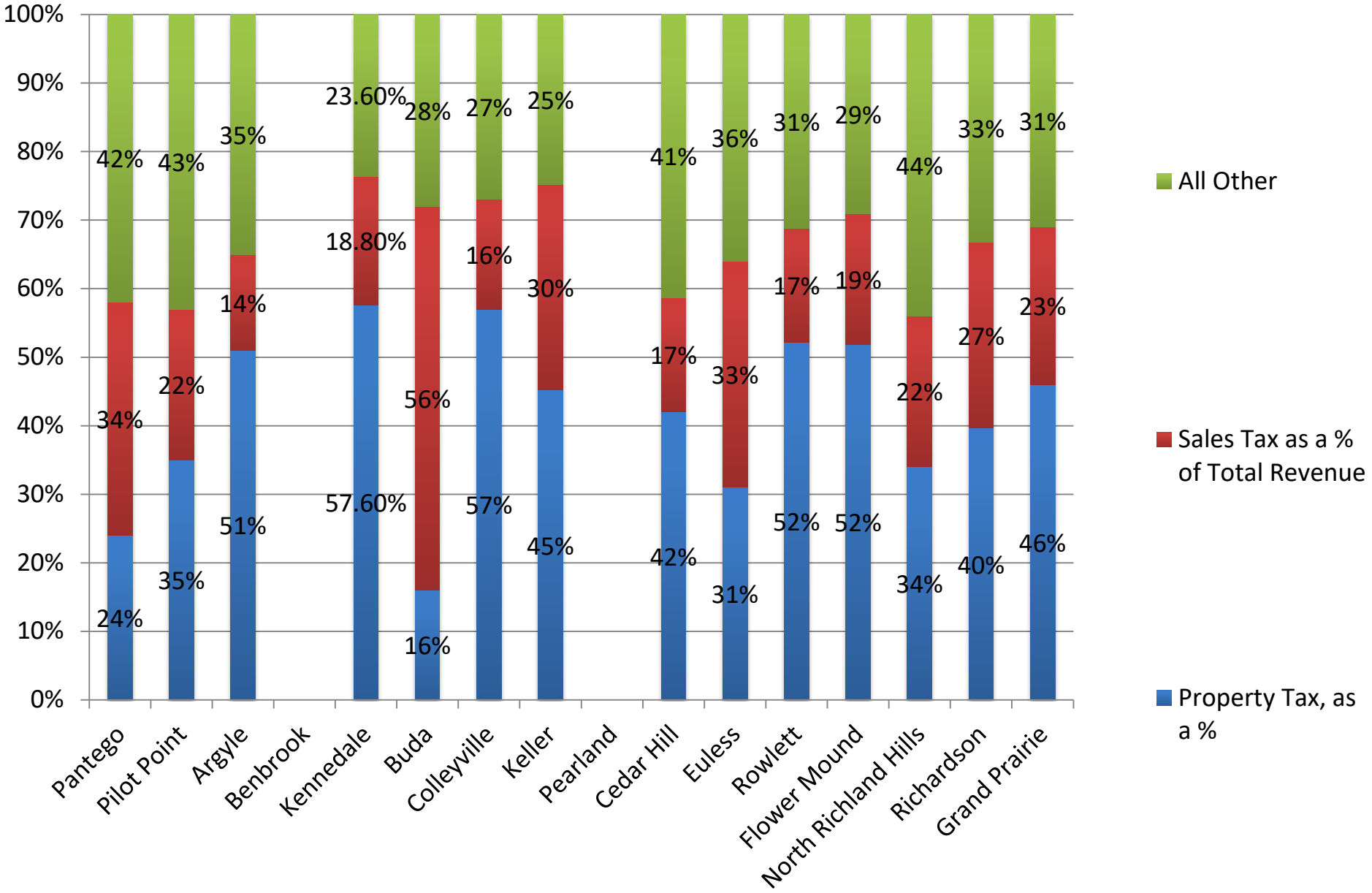
Fiscal Standards: Other Key Metrics

- Revenue Diversification (top 10) & Allocation
- Debt per capita (including overlapping)
- Debt per AV base (including overlapping)
- Tax rate ratio (O&M to I&S)
- Fund balance levels (individual funds and entity wide)
- Ratio of capital maintenance funded from O&M versus debt "pay go" funds
- Operating costs/capita; FTE/Capita
- Legal coverage requirements (reserves)

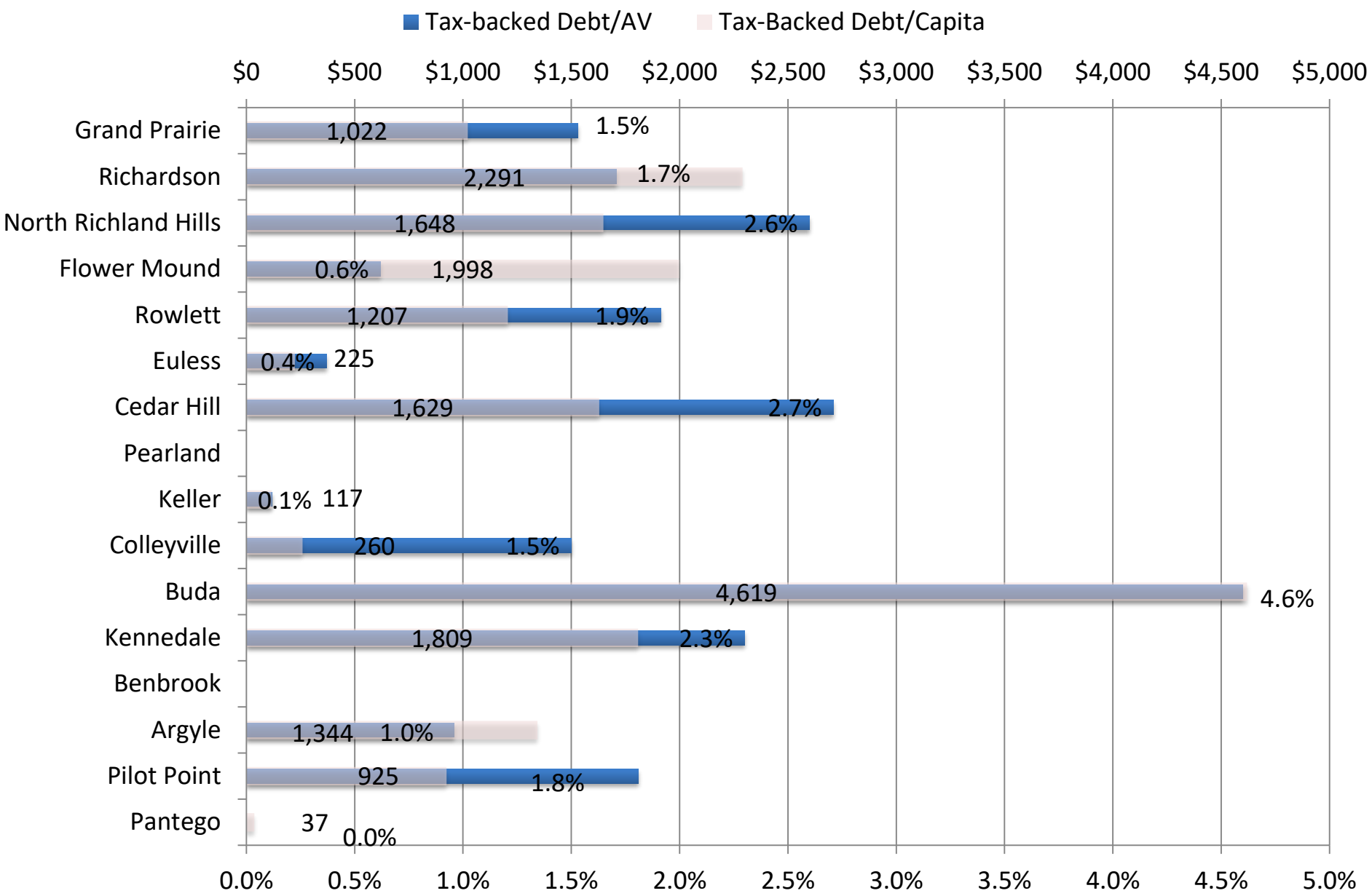
Revenue Diversity



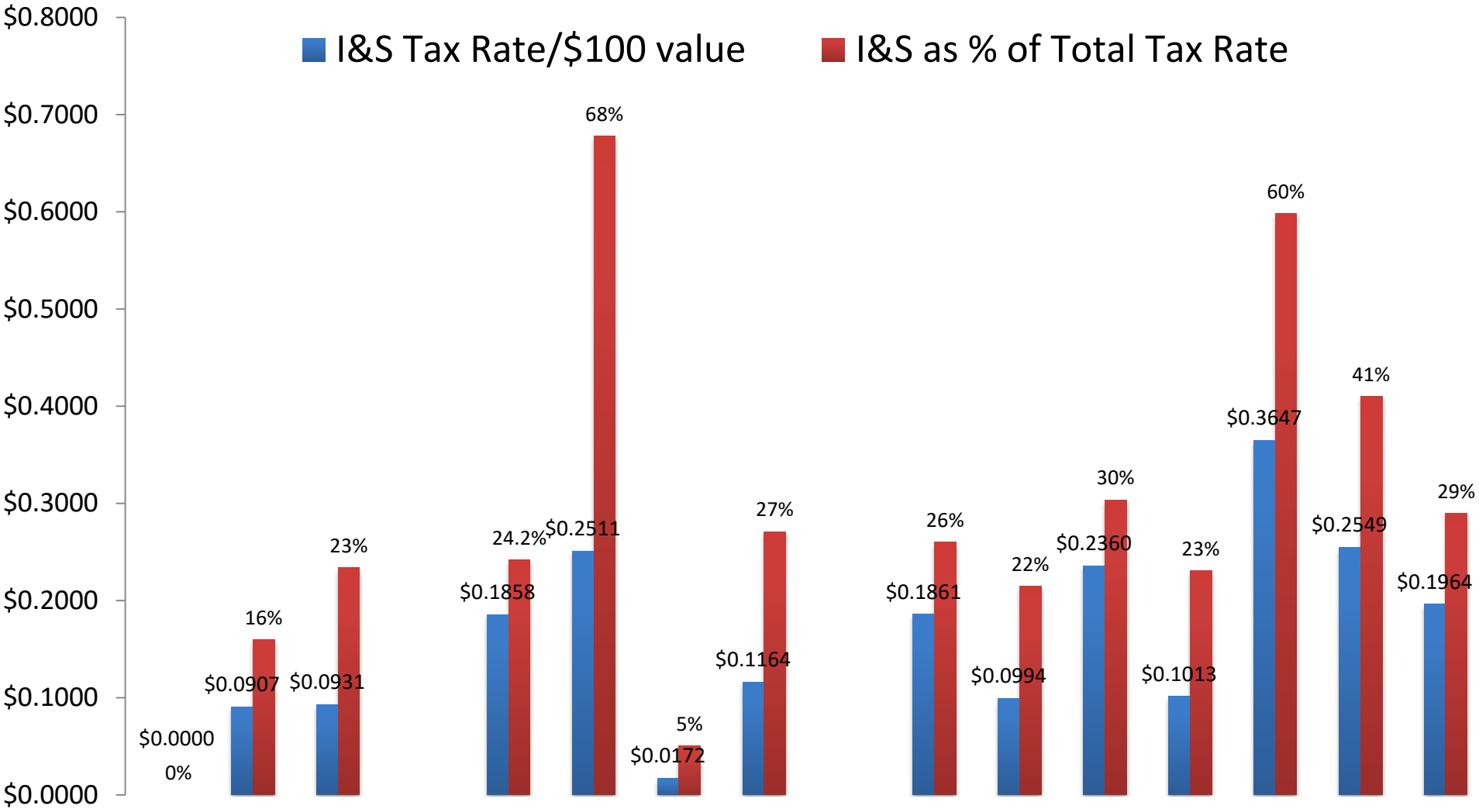
Revenue Allocation



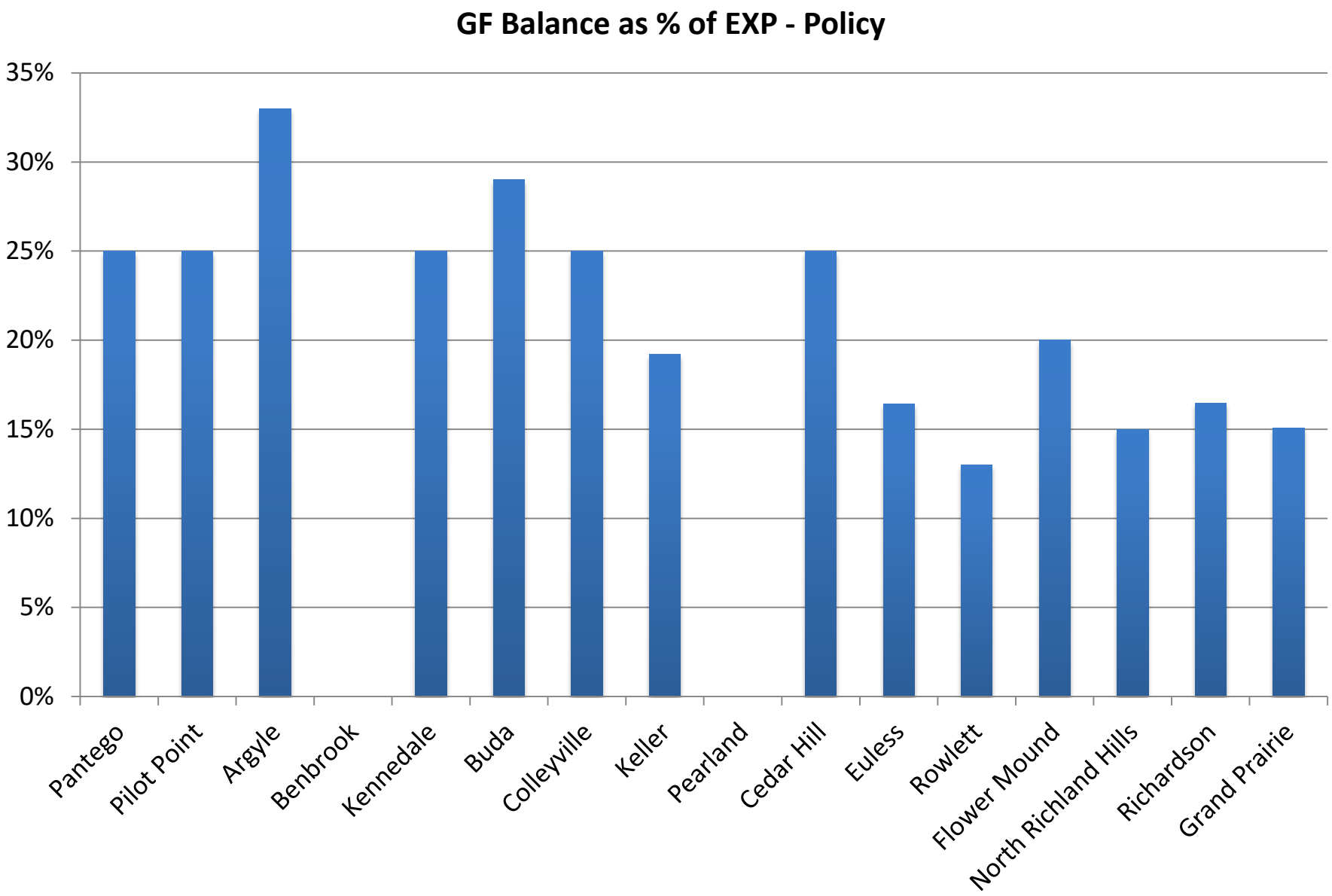
Debt Ratios


Tax-backed Debt/AV
Tax-Backed Debt/Capita
$0
$500
$1,000
$1,500
$2,000
$2,500
$3,000
$3,500
$4,000
$4,500
$5,000
Grand Prairie
1,022
1.5%
Richardson
2,291
1.7%
North Richland Hills
1,648
2.6%
Flower Mound
0.6%
1,998
Rowlett
1,207
1.9%
Euless
0.4%
225
Cedar Hill
1,629
2.7%
Pearland
Keller
0.1%
117
Colleyville
260
1.5%
Buda
4,619
4.6%
Kennedale
1,809
2.3%
Benbrook
Argyle
1,344
1.0%
Pilot Point
925
1.8%
Pantego
37
0.0%
0.0%
0.5%
1.0%
1.5%
2.0%
2.5%
3.0%
3.5%
4.0%
4.5%
5.0%

Tax Rate and Ratios



Fund Balance Levels



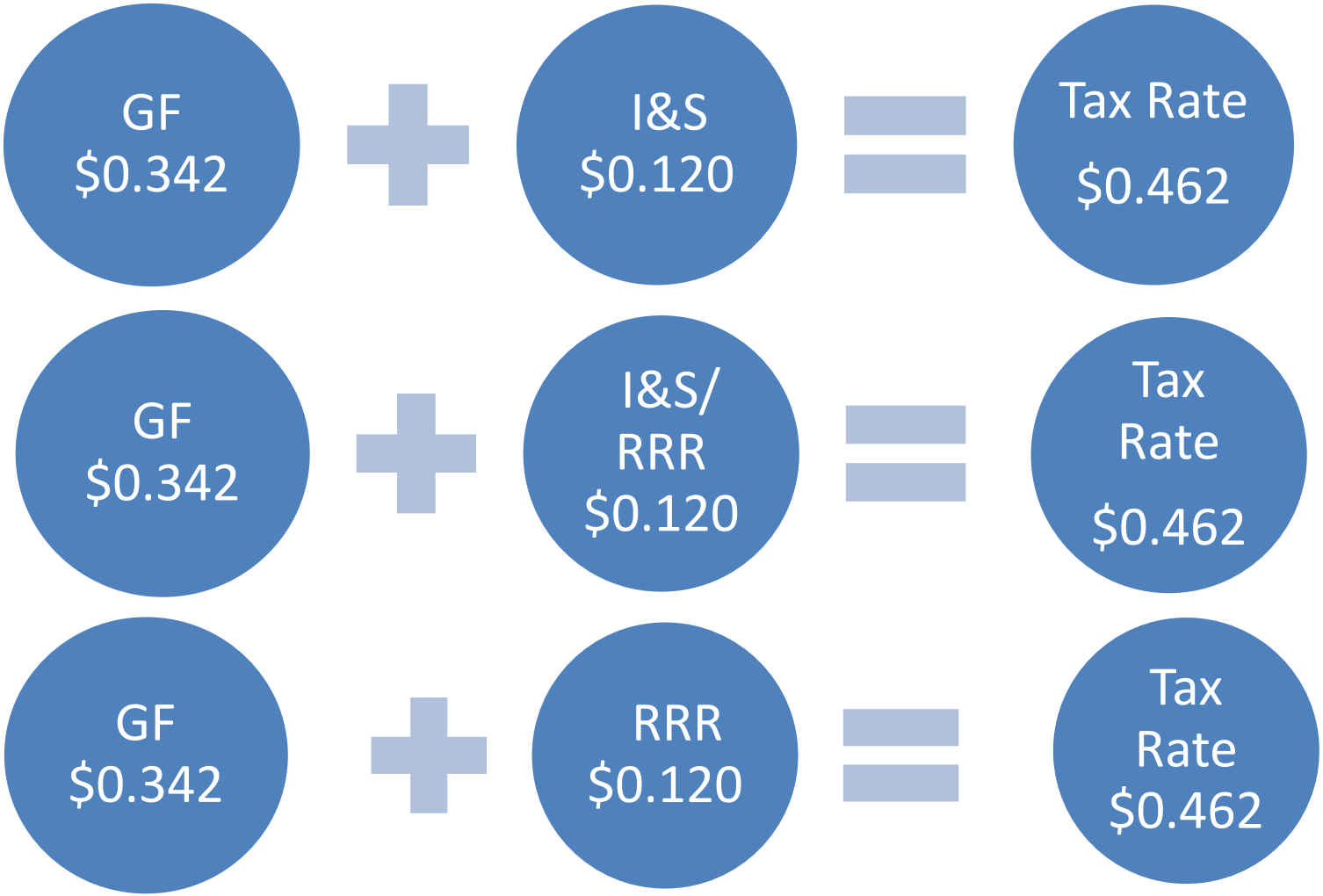
Sample City 2014 CAFR

Source: General Fixed Asset walk-forward (note C)	
Total Governmental Assets	$48,897,886
Accumulated Depreciation	23,814,140
Net Governmental Assets	25,083,746
Net Governmental Infrastructure (included above)	3,195,474
Net Business Activity Improvements	38,758,364

Source: (note C)	
Annual Depreciation Governmental	$1,515,097
Annual Depreciation Business	$1,302,514

Source: Statistical Section (table 2)	
Total 10-year Contributed Capital	$26,736,873

Debt/Capital Migration



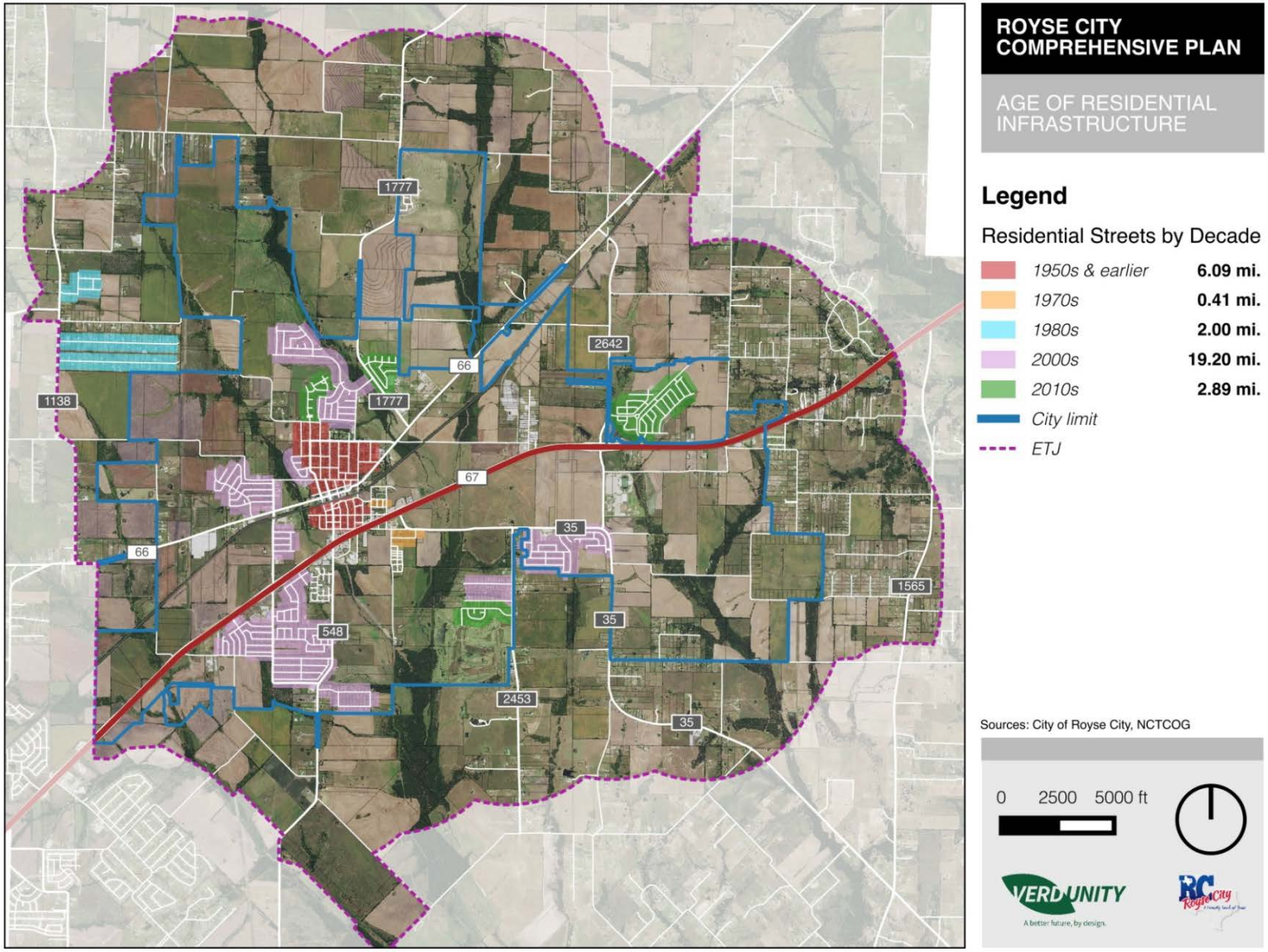
RRR = Repair/Rehabilitation/Replacement

Case Study: Royse City 2030

Merging multi-year financial planning with comprehensive planning

Existing Development

Look for patterns and opportunities and quantify existing liabilities



Financial Highlights – Anywhere, Texas

Strengths/Opportunities

- Economic growth due to location, proximity to DFW and major thoroughfares
- Reasonable income levels, workforce, and positive demographics
- Reasonable tax rate, water rates and debt ratios, with challenges
- Community alliances to leverage resources

Weaknesses/Threats

- Management data to support critical planning
- Financial structure and policy development
- Revenue structure, diversity
- Aging infrastructure without significant financing capacity; reliance on growth

Fiscal/Planning Policies

Location and proximity (financial perspective)

- Proximity to major metro generates economic stability, employment opportunities, regional systems economies
  - Equates to better bond ratings and lower interest costs
  - Equates to growth/stability in tax values for property owner and continued funding sources for services
- Alignment with one school district offers economies for sharing services
- Major thoroughfare access generates high value corridor
  - Commercial values to balance residential mix
  - Diversify revenue sources
  - "Export" costs/fees to transient users (sales tax, court)

Fiscal/Planning Policies

Location and land use

- Emphasize revenue and economic diversification by:
  - Land use – type, density
  - Employment base
  - Funding source: Tax payer, water customer, etc.
- Protect business corridors and high value properties for 'highest and best use'
  - Freeway access
  - Major intersections
- Emphasize regional planning with community partners for any economies of scale, as well as service impacts on density and transportation issues

Fiscal/Planning Policies

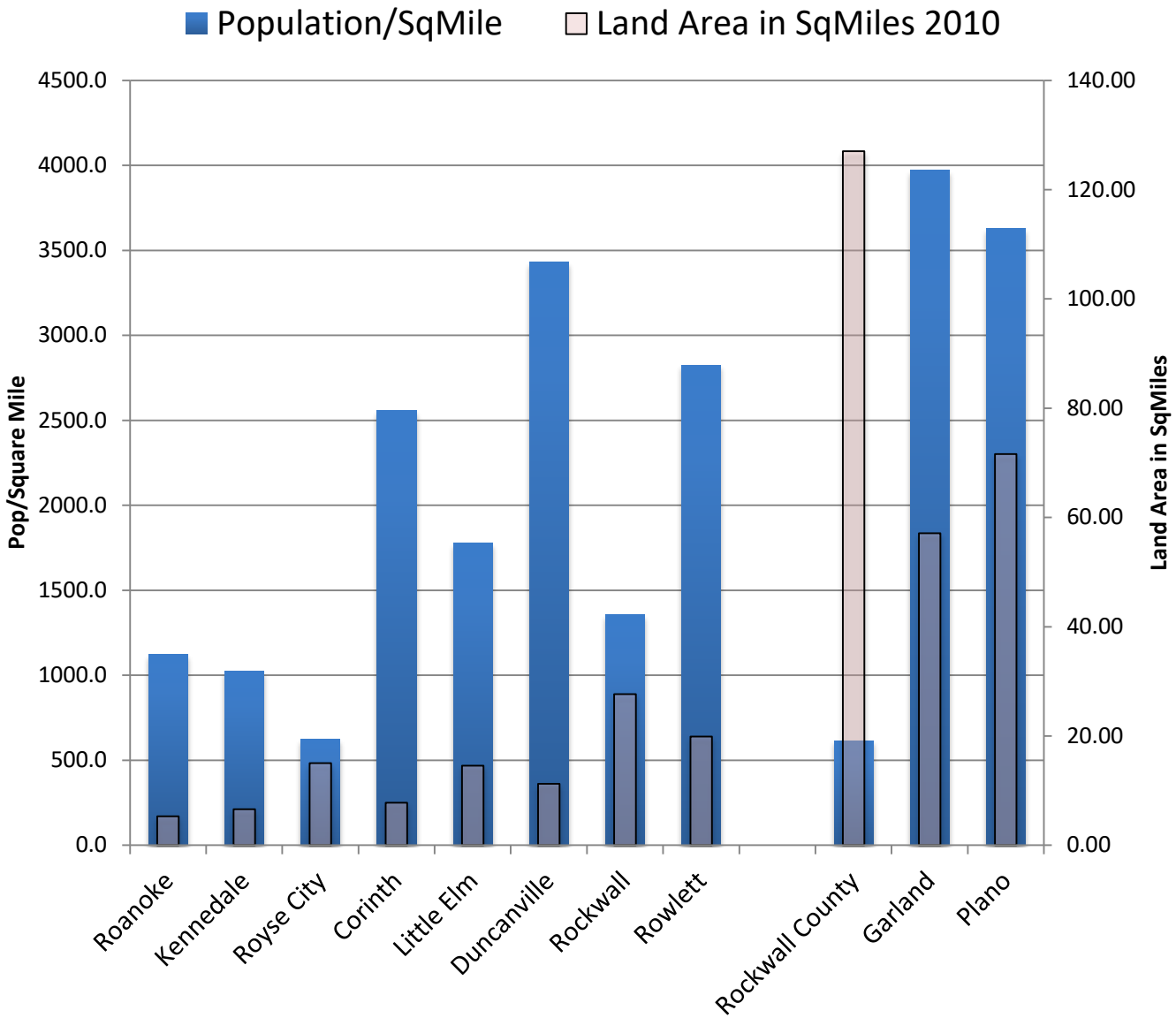
Age, income and employment distribution

- Encourage development that offers income growth and advancement for existing citizens
- Partner with community colleges for trades and technical expertise
- Promote family communities while partnering and planning with area school district
- Recognize that fixed income groups are already getting a tax benefit

Fiscal/Planning Policies

Size and density

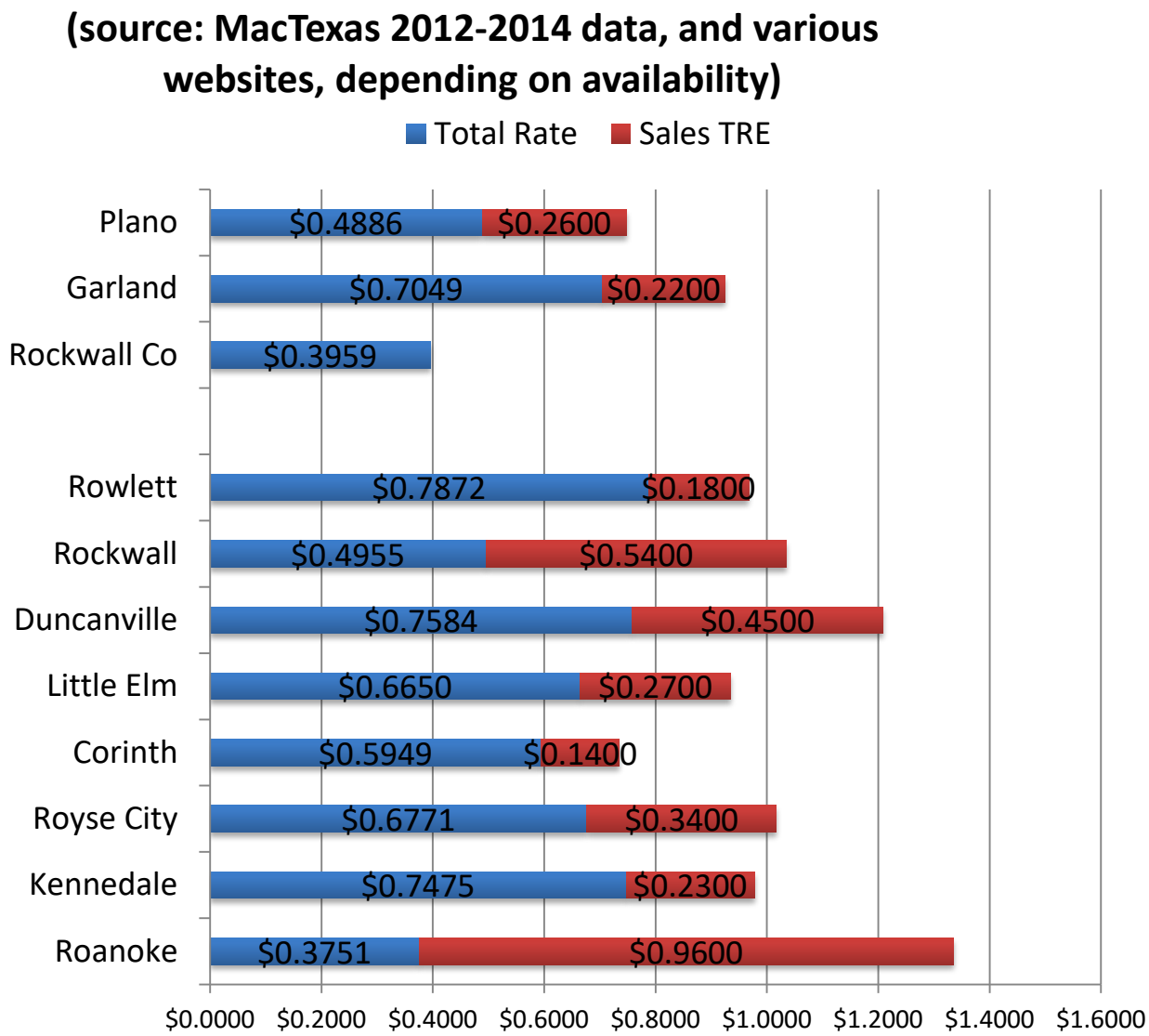
- Contained land area/ETJ
- Low Density means:
  - Options to direct change
  - Uniqueness
  - Fewer payers to share the cost
  - Sometimes greater service costs
  - Influenced by commercial mix



Fiscal/Planning Policies

Property tax and sales tax

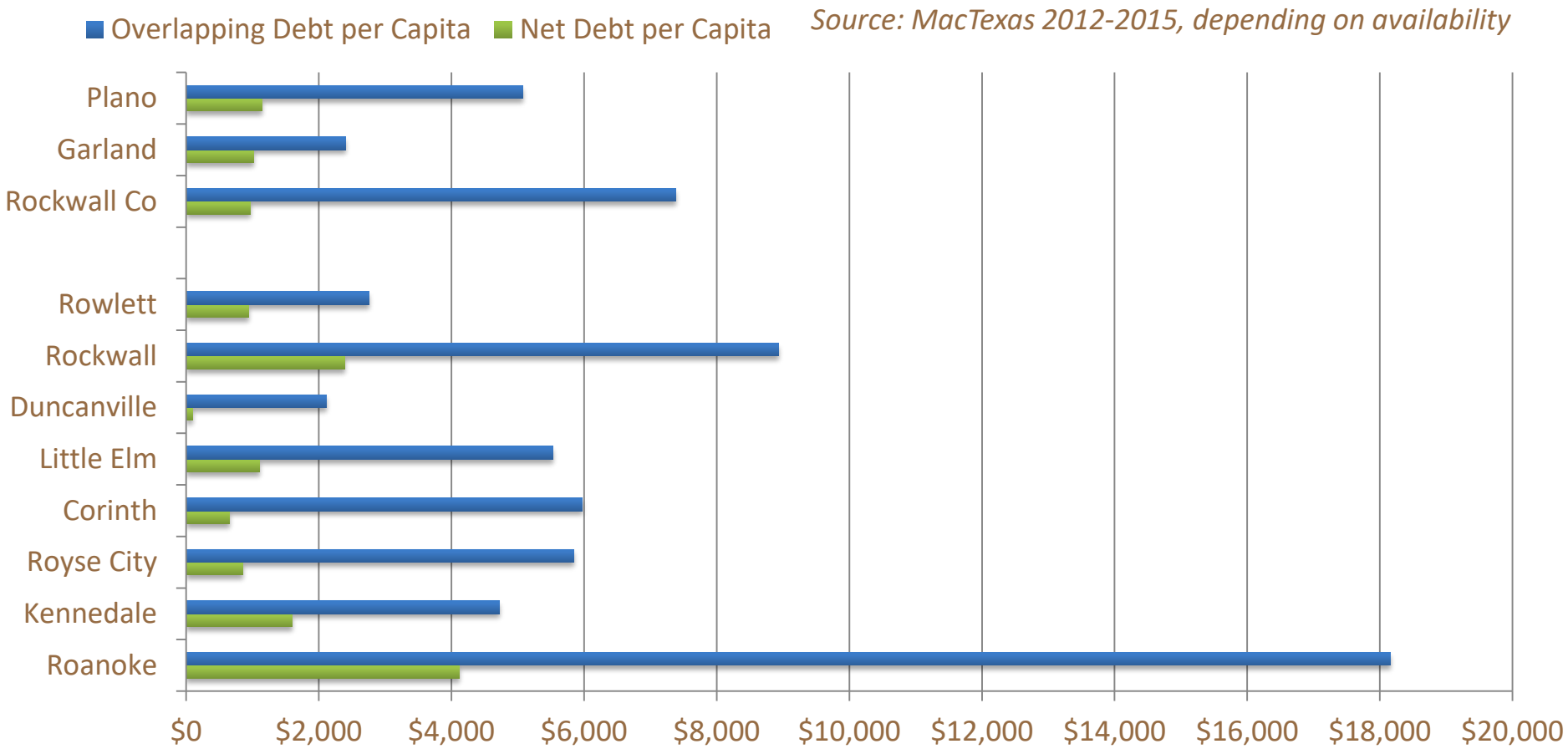
- Rates do NOT include exemptions or incentives
- Sales Tax Rate Equivalent generally offsets need for property tax rate
- 1 cent sales tax cities in DART: Plano, Rowlett Garland; all others are max 2 cents
- Cities with 'additional sales tax' and either 4a and/or 4b: Rockwall, Duncanville, Royse City, Kennedale
- Roanoke only has 4a & 4b
- Two cities have street maintenance tax: Little Elm, Corinth



Fiscal/Planning Policies

Debt per capita ratios

- Debt burden is competitive but rating agencies have concerns on other indicators
- Overlapping debt includes other taxing jurisdictions – community partners – beyond direct control of city

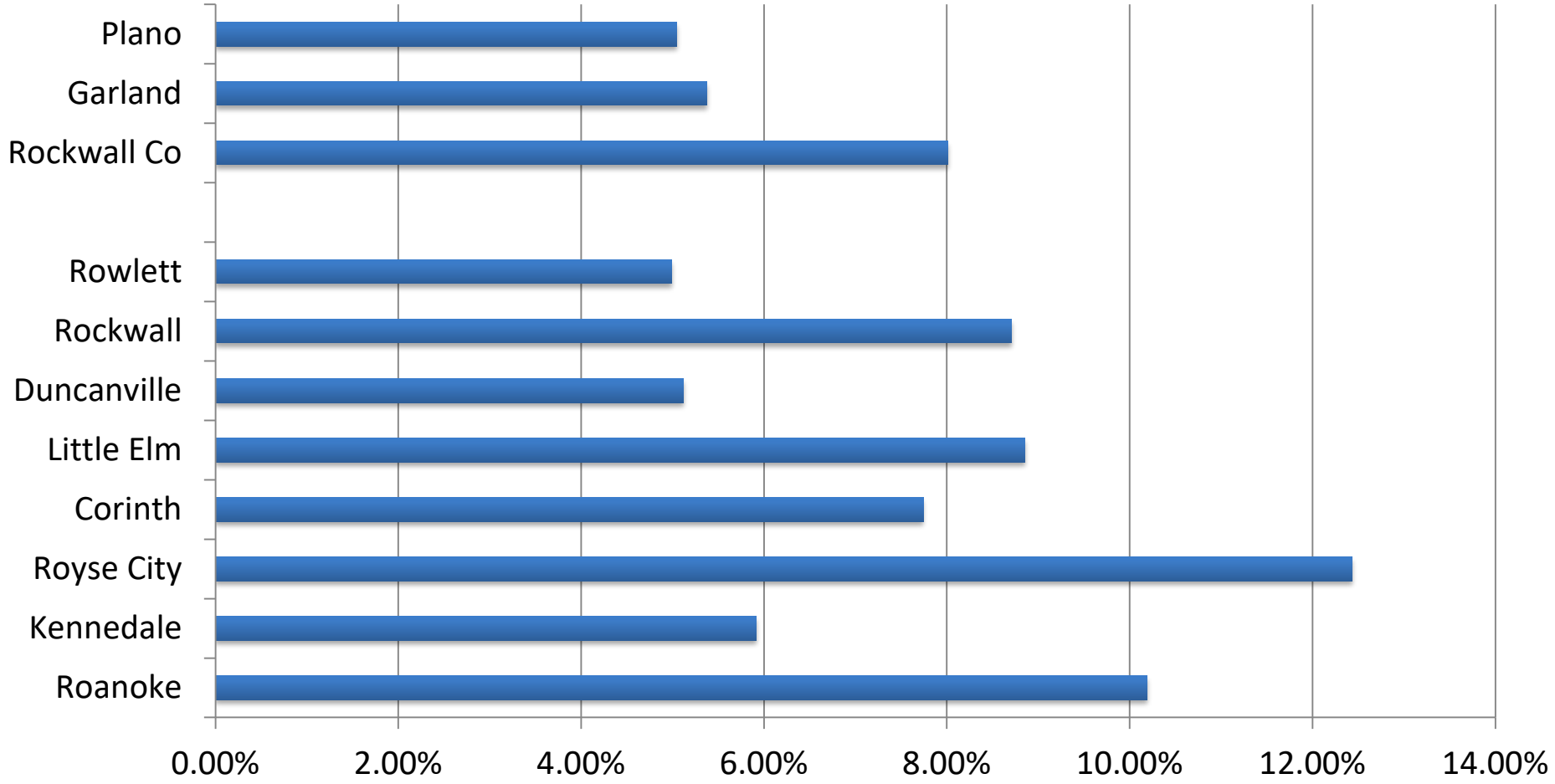


Fiscal/Planning Policies

Debt as percent of property values

- This burden creates strain on tax base, lowers bond rating
- Large portion of debt is water related, an inter-fund equity issue

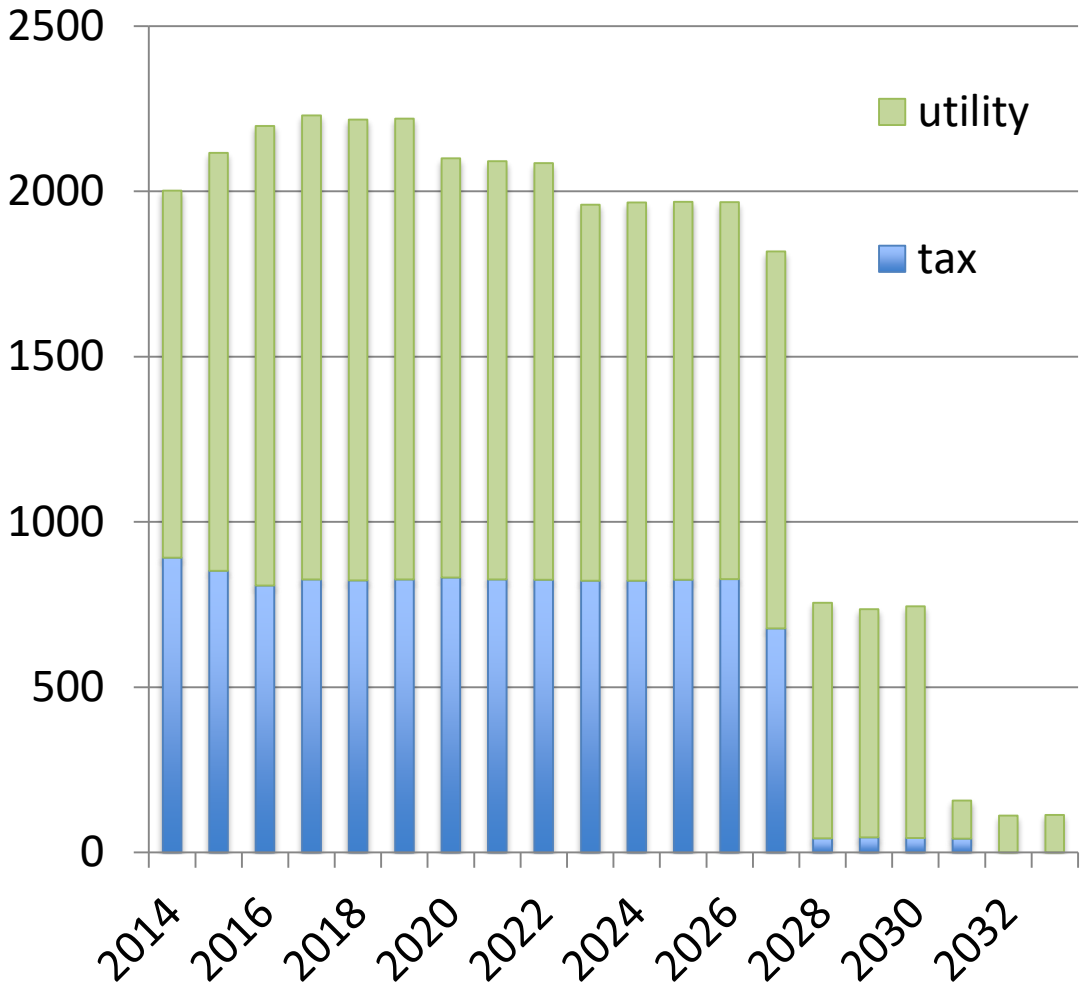
Source: MacData 2012-2015, depending on availability



Fiscal/Planning Policies

Outstanding debt service

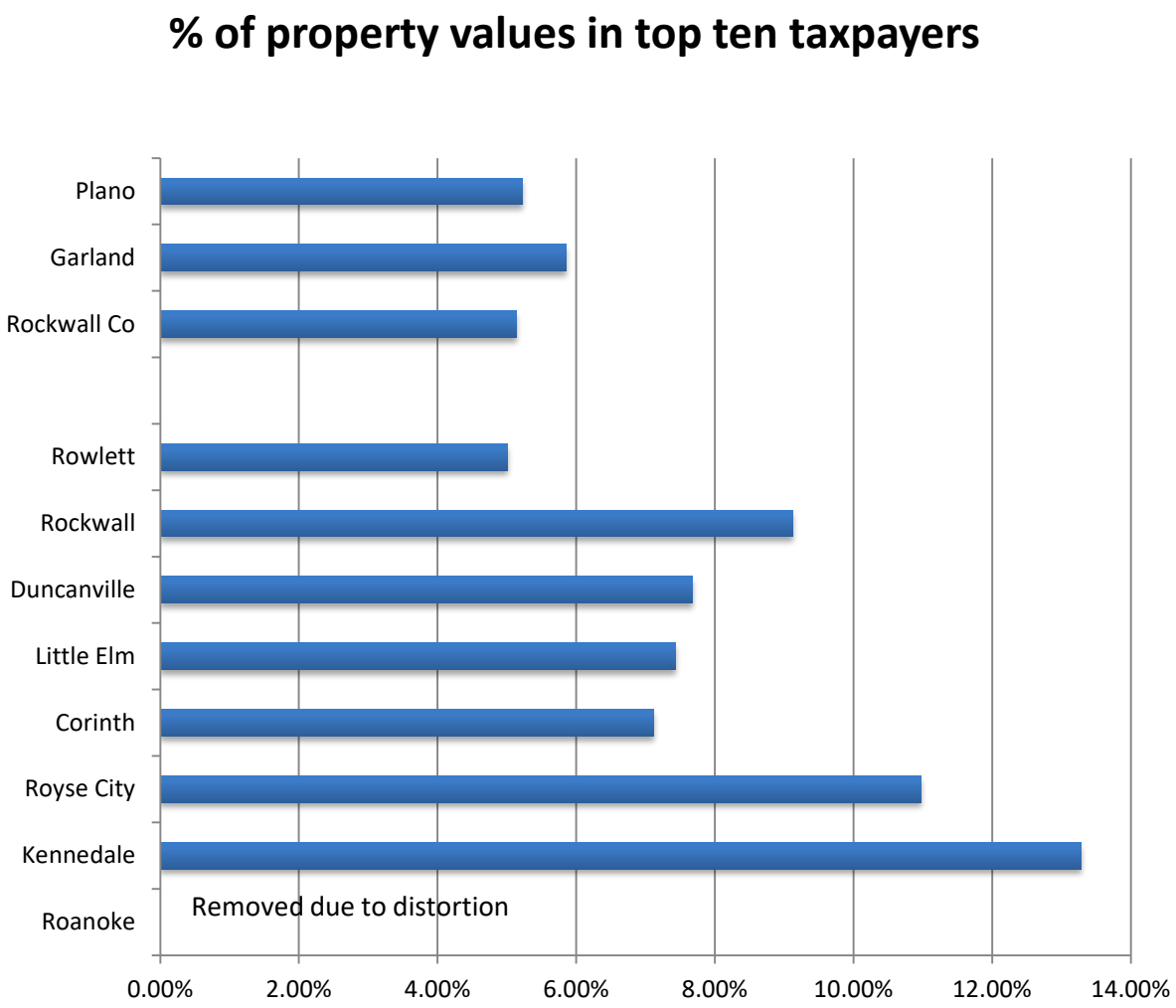
- Current debt goes out to 2033, with outstanding debt of over $20m
- Level debt service for next several years means minimal capacity built into payment schedule until 2027-28
- Any financing capacity will either need to come from a) growth in tax base or b) increases to I&S portion of tax rate



Fiscal/Planning Policies

Revenue diversity

- Diversify by employment, and by land use
- Pursue alternative revenue sources that reach different markets (drainage fees, full impact fees)
- Set cost recovery policies for each service area as a basis for fees



Fiscal/Planning Policies

Utility rates and impact fees

- Water & Sewer Rates – full comparisons pending rate study
  - Single flat rate and volume charge is not as common as those based on meter size, so some redistribution may occur
  - Unique to regional system, NTMWD customers
  - Impact of losing water district customer
  - Evaluate interfund equity issues
- Impact Fees – many cities in region charge combination of roadway, water and wastewater
- Drainage Fees – many cities in region charge drainage utility fee

Fiscal/Planning Policies

Revenues

- Revenue Management
  - Explore all options of user fees, impact fees, and other 'exportable' revenue sources
  - Understand cost of service and interfund equities
- Property taxes
  - Continue to retain as much revenue as possible
  - Closely evaluate any new exemptions/incentives for costs
  - Retain sufficient I&S rate to allow for new debt capacity
- Sales taxes
  - Maximize (2 cent state law limit) to export burden from property owners

Fiscal/Planning Policies

Management and financial data

- Infrastructure inventory data is essential to good CIP planning and cost analysis
  - Expand data inventory from project and track as fixed assets
  - Track condition and/or depreciation equivalent
  - Set policies regarding infrastructure maintenance
  - Incorporate a pay as you go funding stream
- Statistical data (like would be in a CAFR) helps frame any trends and emerging issues

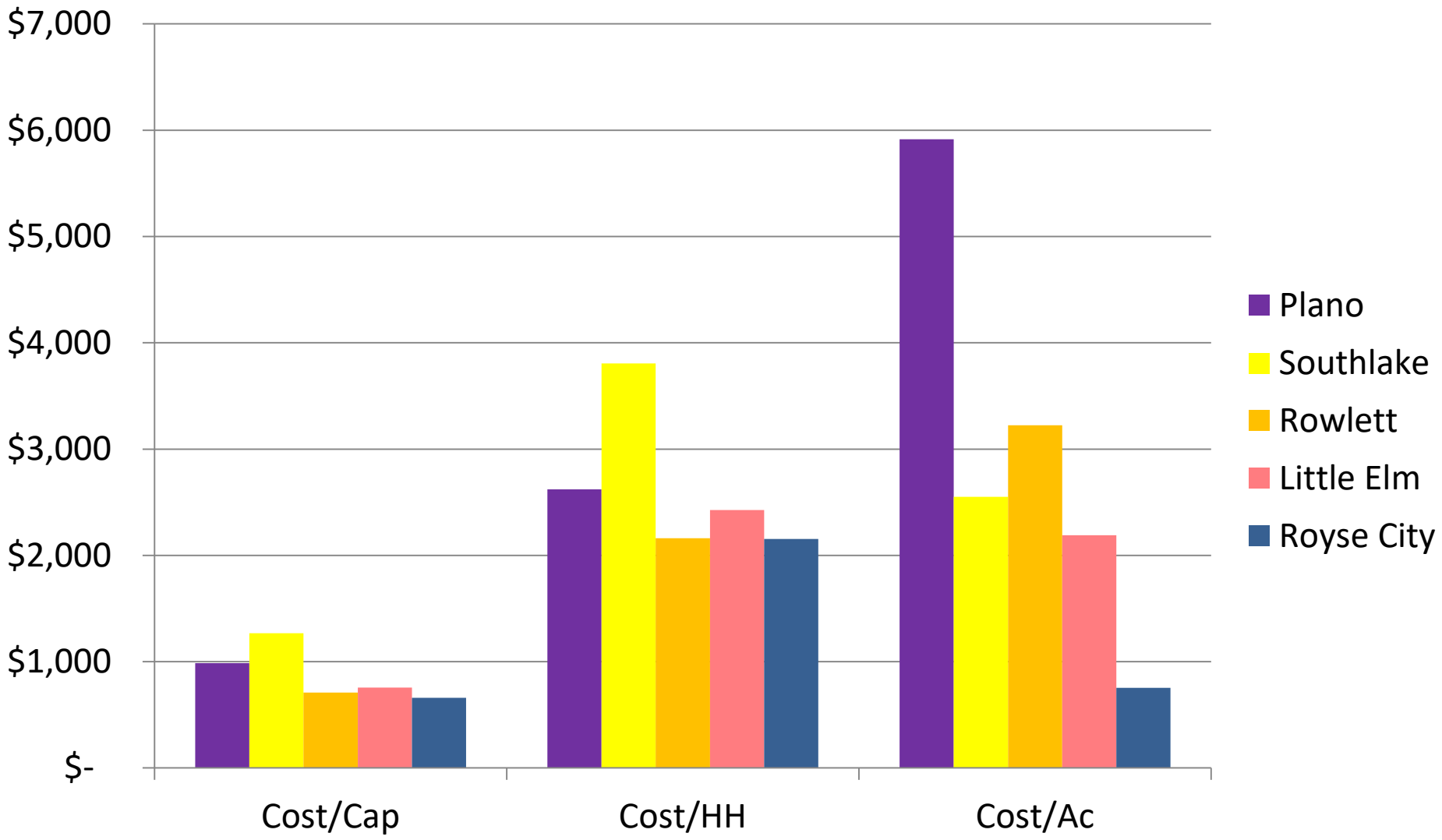
Fiscal/Planning Policies

Fiscal policy and structure

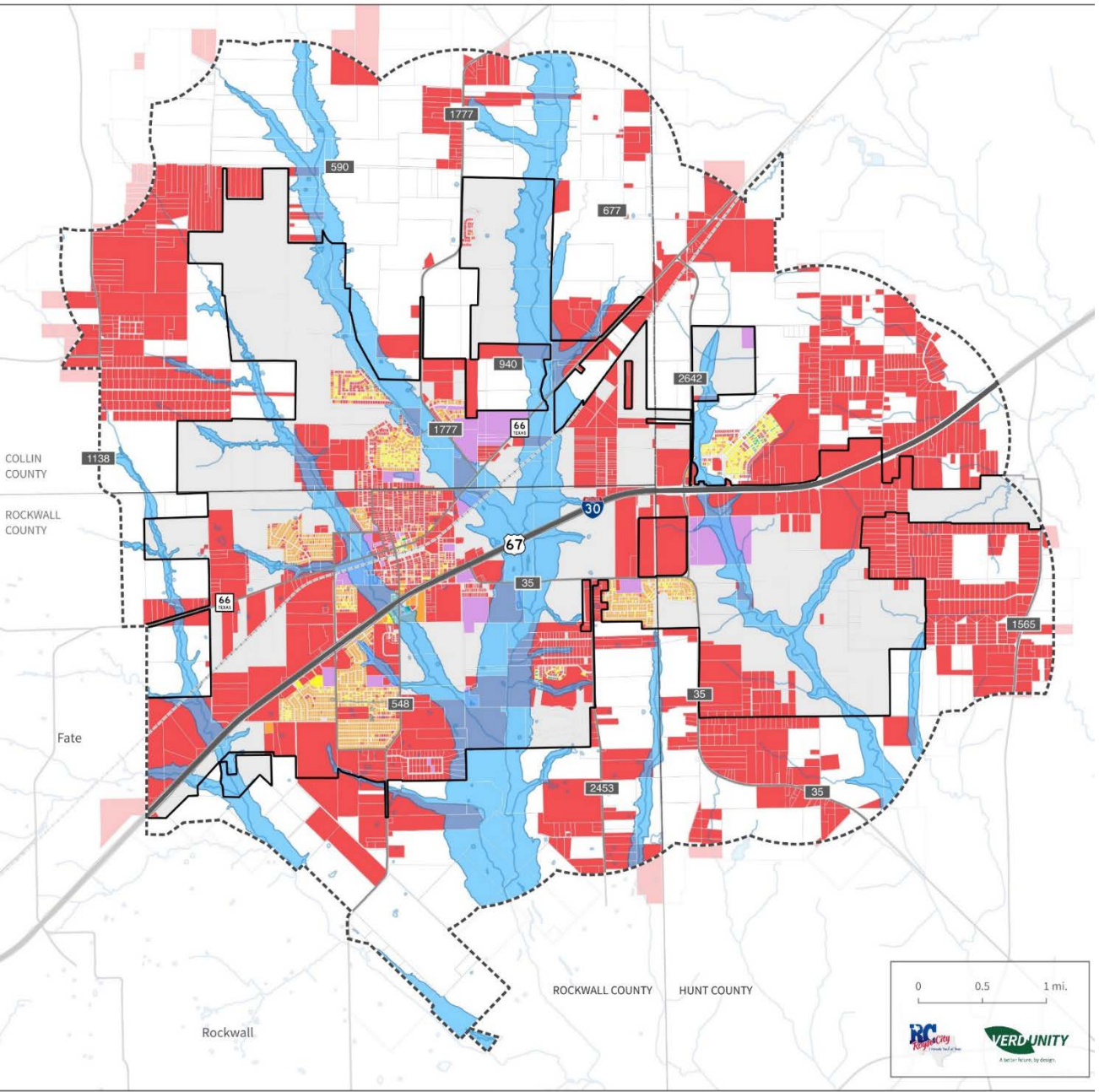
- Formal fiscal policies, like those being discussed in this project, are fundamental to long term success.
- Provides Generational hand off to future councils/staff
- Ensures consistency in direction and operations
- Annual review and new council orientation help to educate and explain the implications

Service Costs (General Fund)

Service costs increase as a community grows and ages



Property Tax Revenue ($/Acre) Analysis



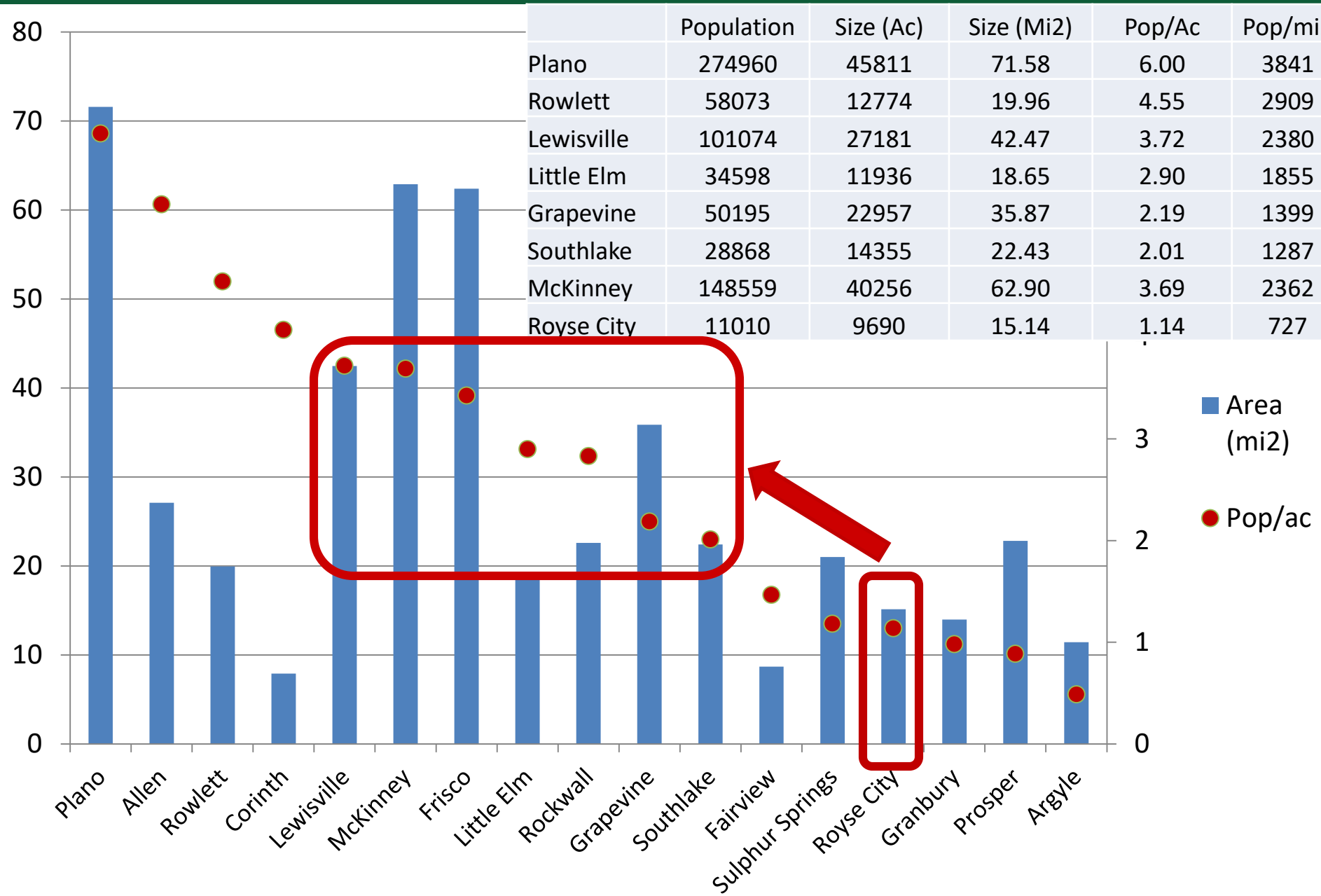
Property Tax Value Map

Tax Value Per Acre

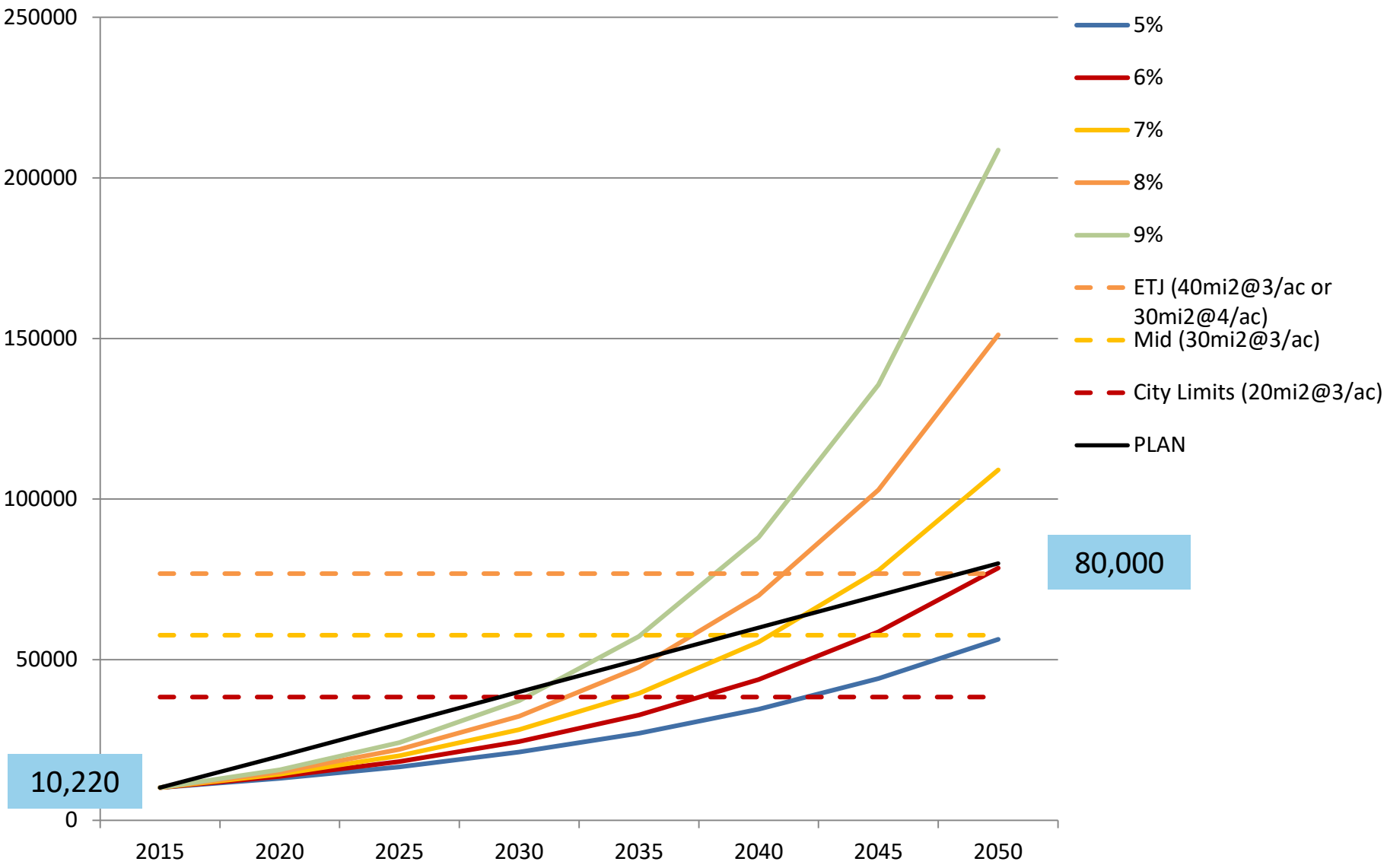
- $0 - $50
- $50 - $3,000
- $3,000 - $6,000
- $6,000 - $10,000
- 10,000 +
- City-owned
- Floodplain
- City Limits
- ETJ Boundary

Population and Density Benchmarks

	Population	Size (Ac)	Size (Mi2)	Pop/Ac	Pop/mi2
Plano	274960	45811	71.58	6.00	3841
Rowlett	58073	12774	19.96	4.55	2909
Lewisville	101074	27181	42.47	3.72	2380
Little Elm	34598	11936	18.65	2.90	1855
Grapevine	50195	22957	35.87	2.19	1399
Southlake	28868	14355	22.43	2.01	1287
McKinney	148559	40256	62.90	3.69	2362
Royse City	11010	9690	15.14	1.14	727



Population Projections



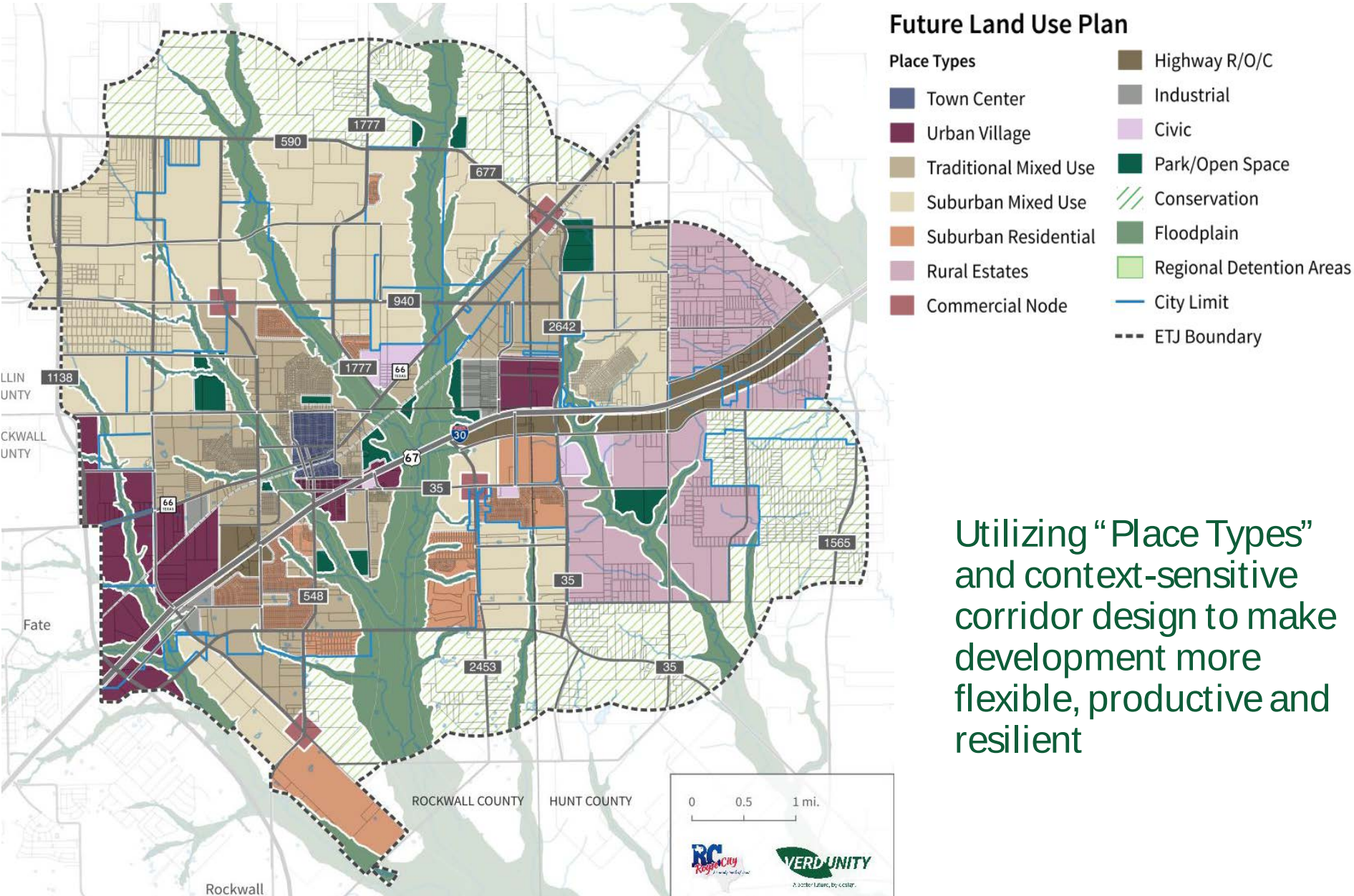
Service Costs, Growth and Density

Pop./Acre Cap	Reference City	City Limits: *20 mi²*	Middle: *30 mi²*	ETJ: *40 mi²*
6	Plano	76,800	115,200	153,600
5	Rowlett	64,000	96,000	128,000
4	Lewisville	51,200	76,800	102,400
3.5	McKinney	44,800	67,200	89,600
3	Little Elm	38,400	57,600	76,800
2	Grapevine/ Southlake	25,600	38,400	51,200
1.5	Royse City	19,200	28,800	38,400

Size (mi²)	Population/Acre	Service Cost	Avg .Home Value
20	6.25	$6,000	$219,761
30	4.17	$4,500	$247,231
30	4.17	$6,000	$329,641
40	3.13	$3,000	$307,665

- Population per household = 3.1
- Residential tax rate of 0.6771
- 50% of general fund expenses covered by residential ad valorem

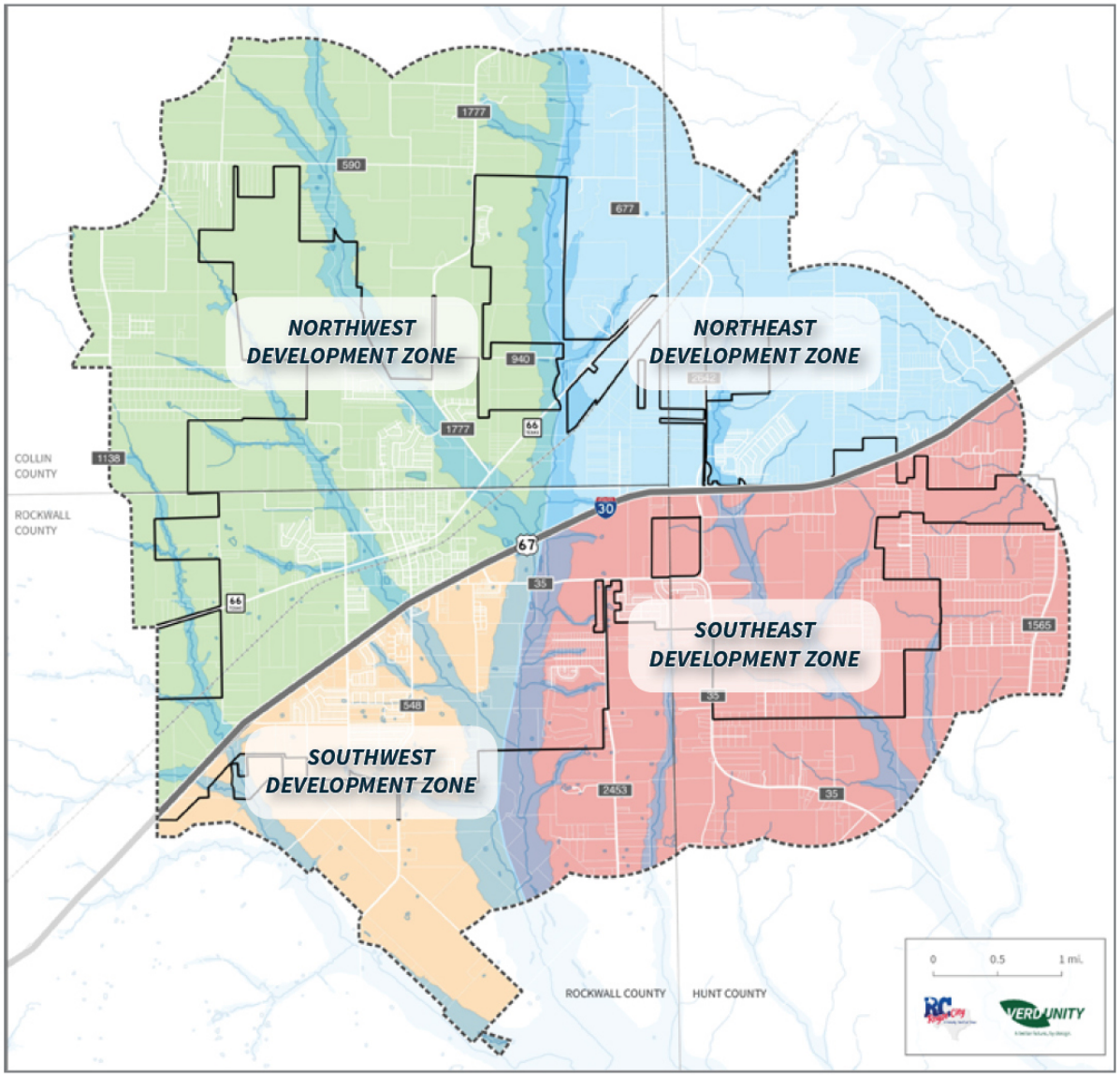
Place Types vs Land Use



Utilizing "Place Types" and context-sensitive corridor design to make development more flexible, productive and resilient

Complete Neighborhoods

Shifting from 20 minute drive to 20 minute walk



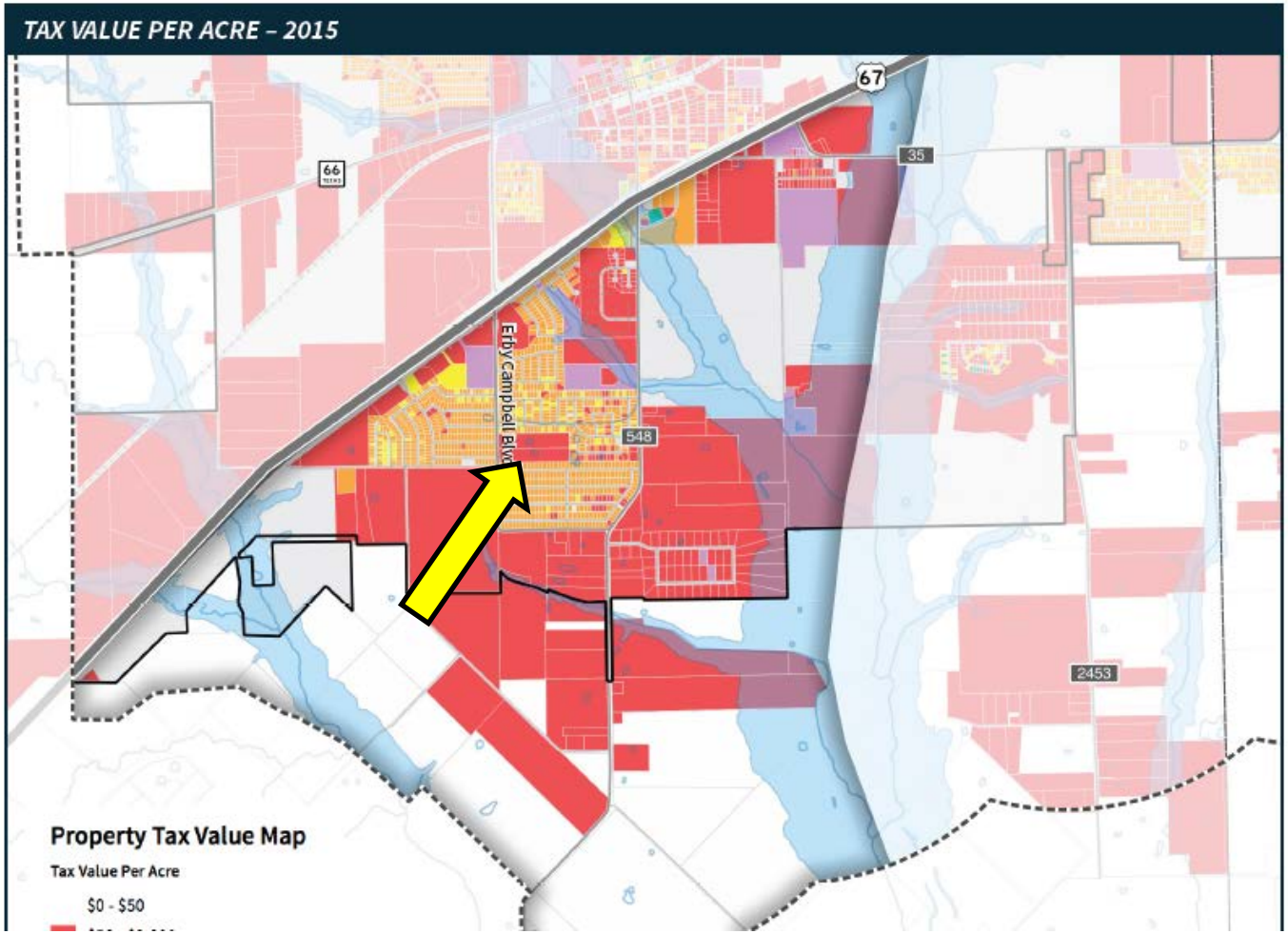
Development Zones were used to plan quality of life needs that fit between local neighborhood and citywide scales

Applying Neighborhood ROI to Improve City Finances

Identifying small projects to enhance Neighborhood Quality of Life

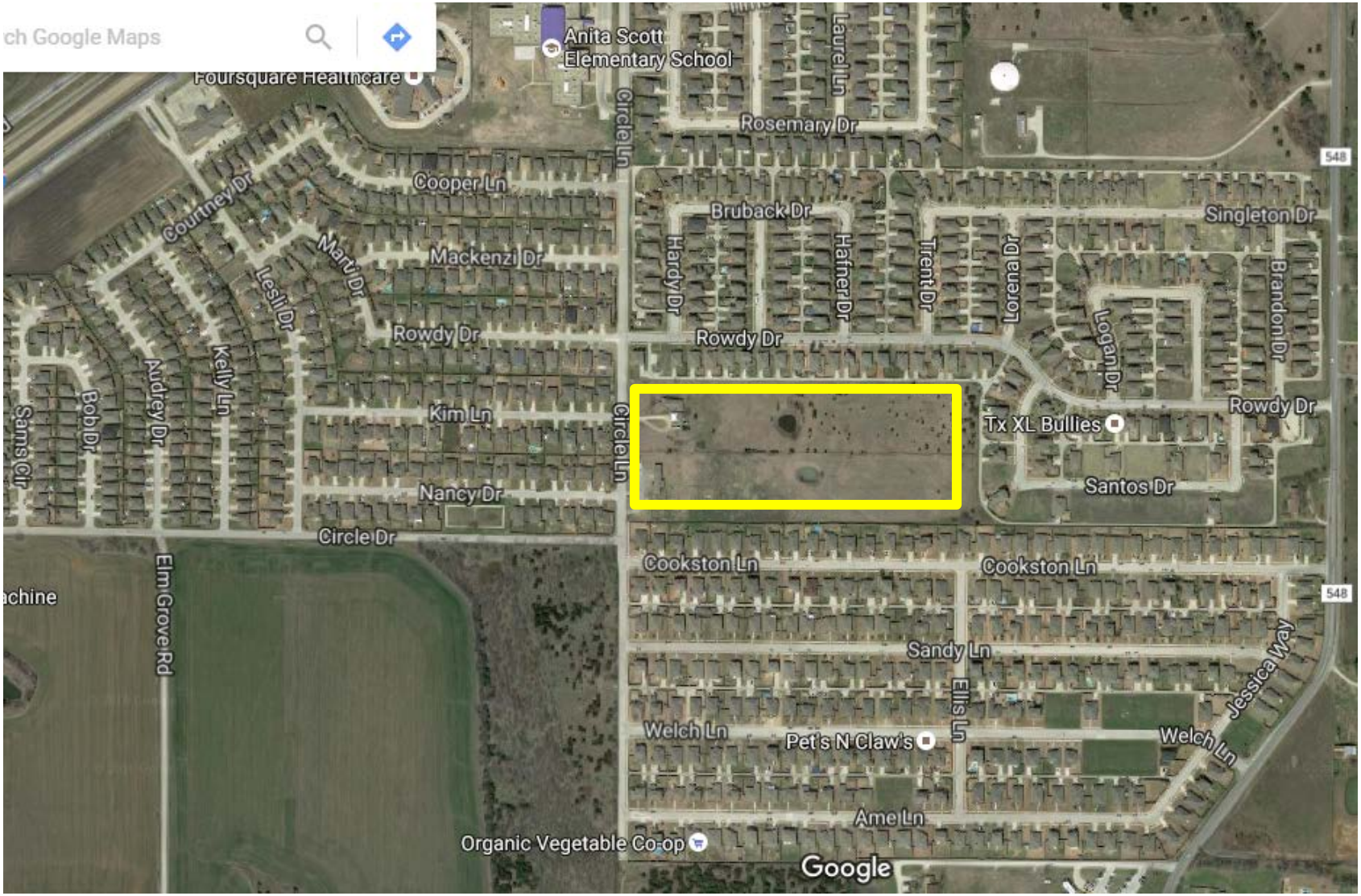
Southwest Development Zone

Assessing Current Conditions



Improving Existing Neighborhoods

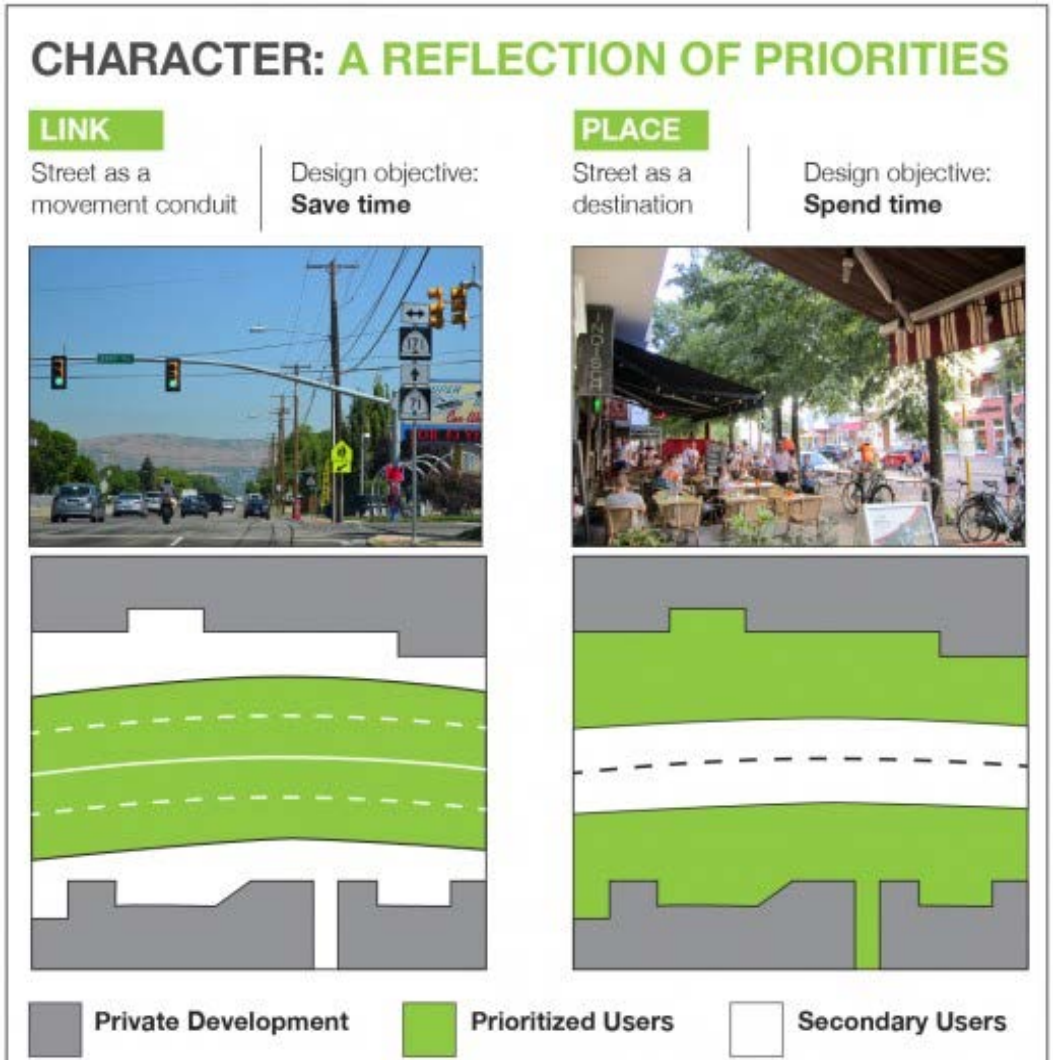
Neighborhood Park opportunity



Prioritizing Public ROW as Links Places

Maximizing efficiency, safety and financial productivity

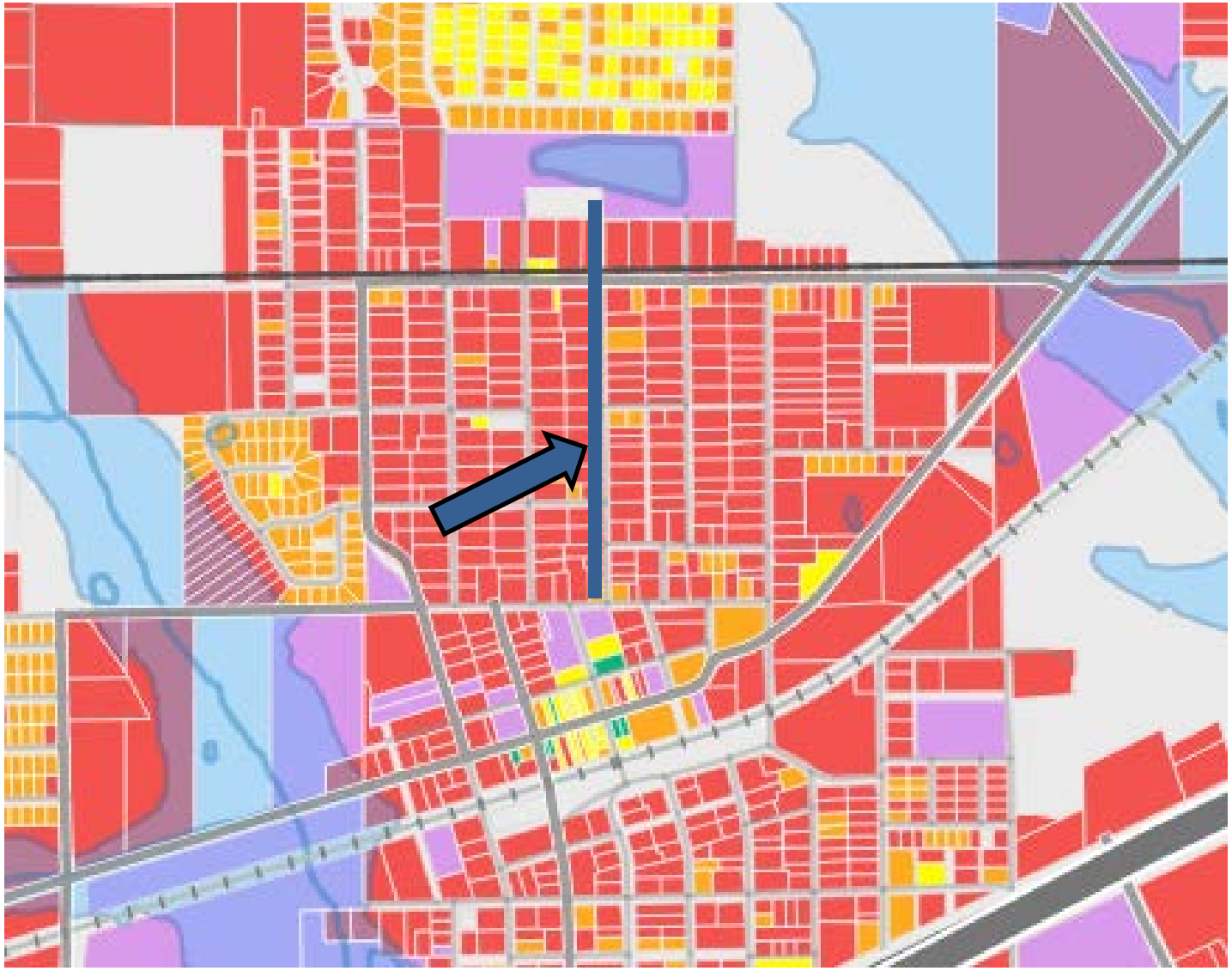
HIGH FUNCTIONAL PRODUCTIVITY



HIGH FISCAL PRODUCTIVITY

Maximizing Infrastructure Investments

Wood Street reconstruction



Improving Existing Neighborhoods

Walking tour with residents

Improving Existing Neighborhoods

Addressing multiple needs with one project

Neighborhood Improvement Projects

Citizen-led projects to strengthen relationships and neighborhood identity

Questions?

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