Growing Pains

Understanding the Impacts of Development Decisions on Revenue and Service Costs

February 6, 2018 | Fulshear, TX

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www.cultivatecollaborative.org

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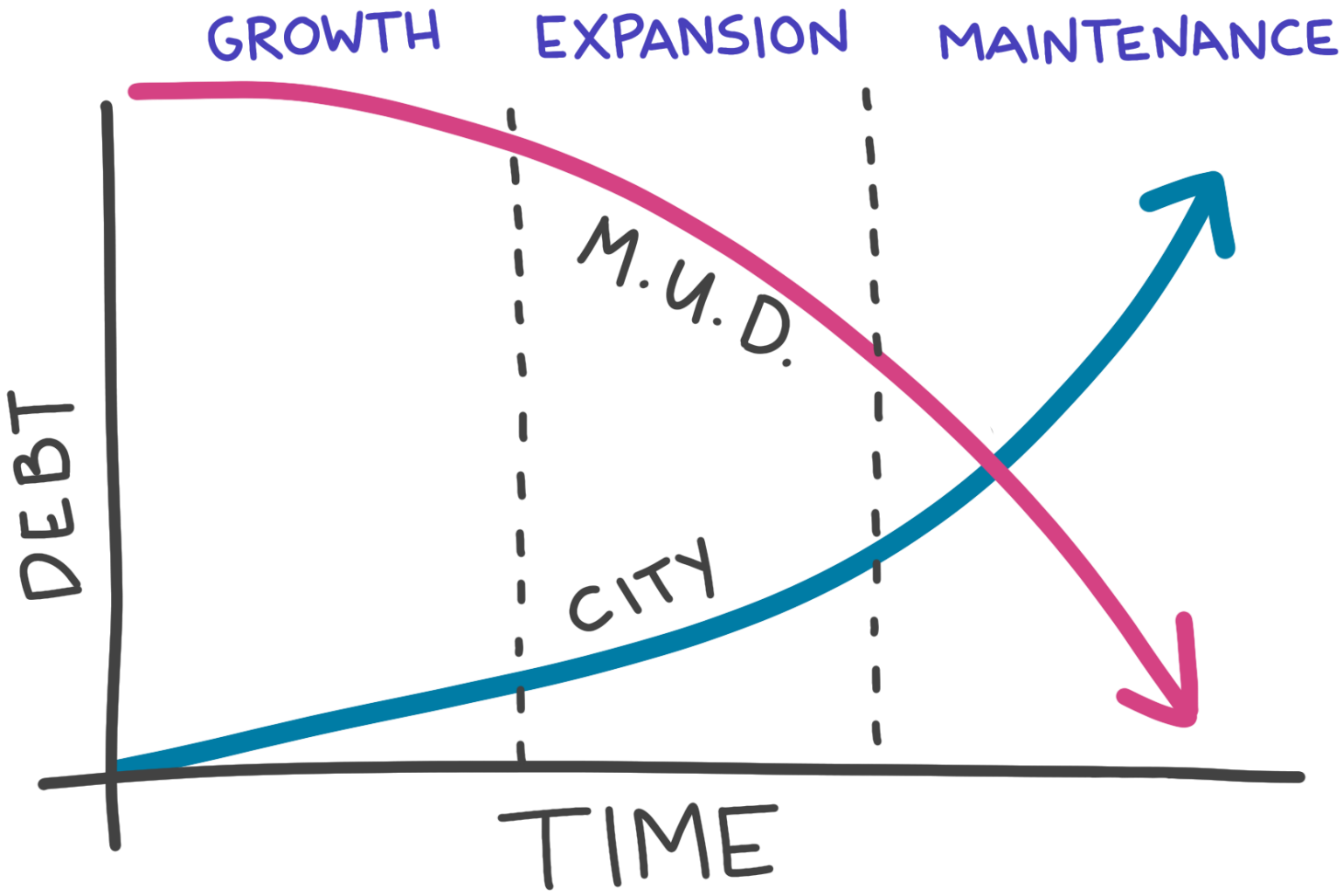
Funding Growth vs Maintenance and Operations



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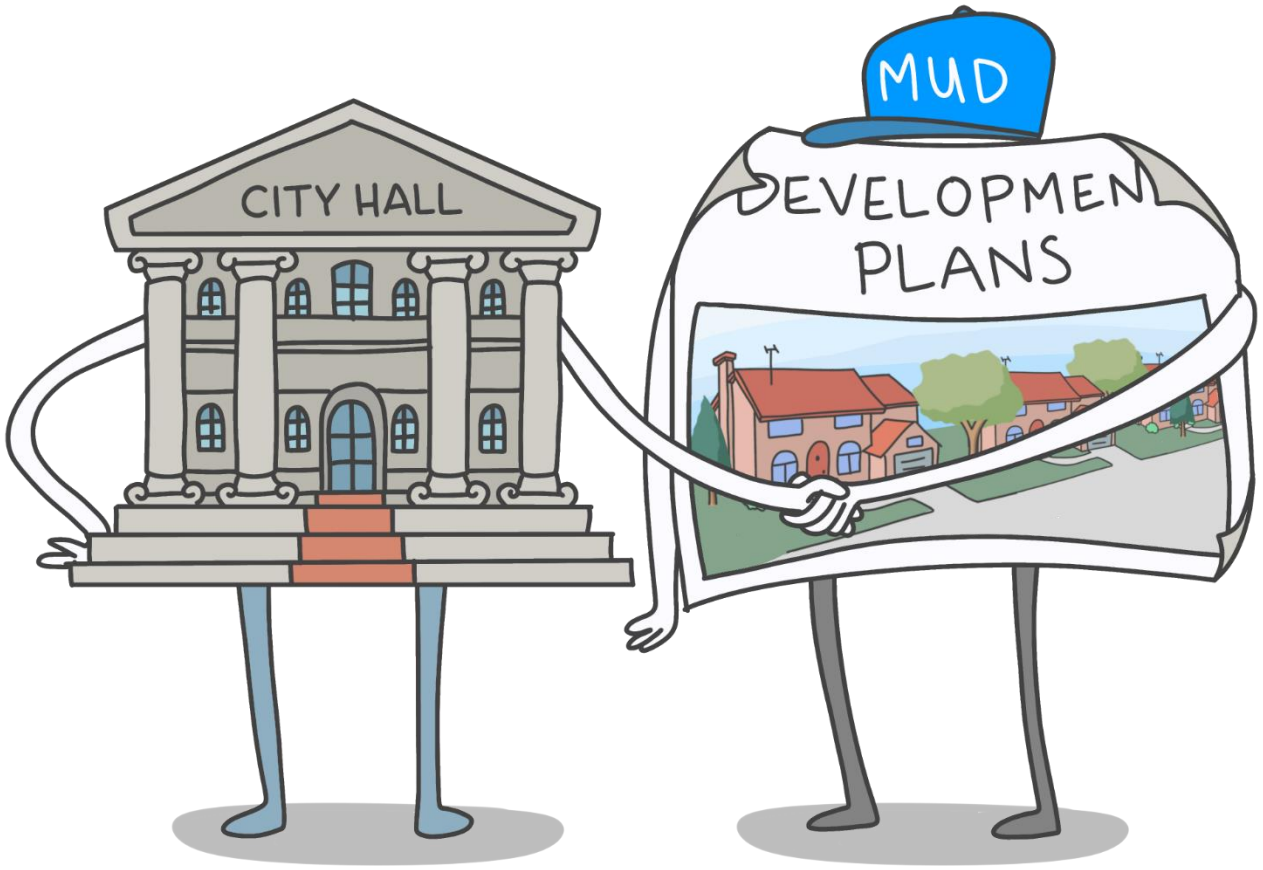
Our Opportunity



1. City and MUDS have identified a need to reevaluate and move forward together

2. Opportunity to negotiate new terms that preserve original commitment but give the City more flexibility

3. Improved transparency and accountability

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Putting the Problem into Context

How did we get here?

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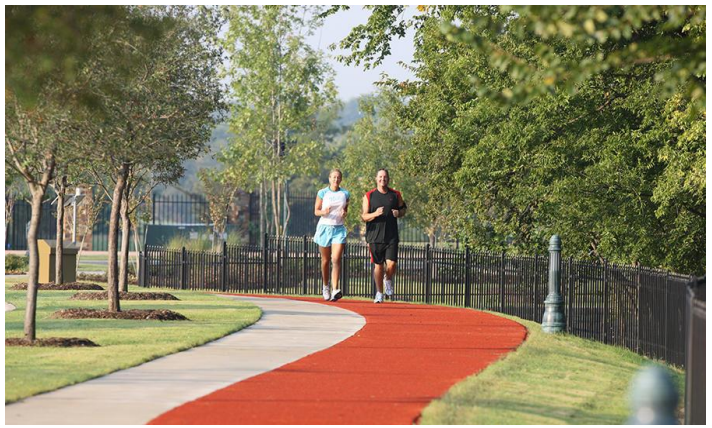
Cities' Biggest Challenge

Addressing Growing Needs (and Wants) with Limited Resources



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Race to Be the Best Place to Live, Work and Play

Post WW2, cities have aggressively pursued higher quality of life in the short-term without consideration of the long-term fiscal and environmental impacts.

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What About Maintenance AFTER Growth?

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Municipal Bankruptcies

Source: governing.com

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Why don’t our cities have enough money to sustain basic services?

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Historic Development Approach

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Historic Development Approach

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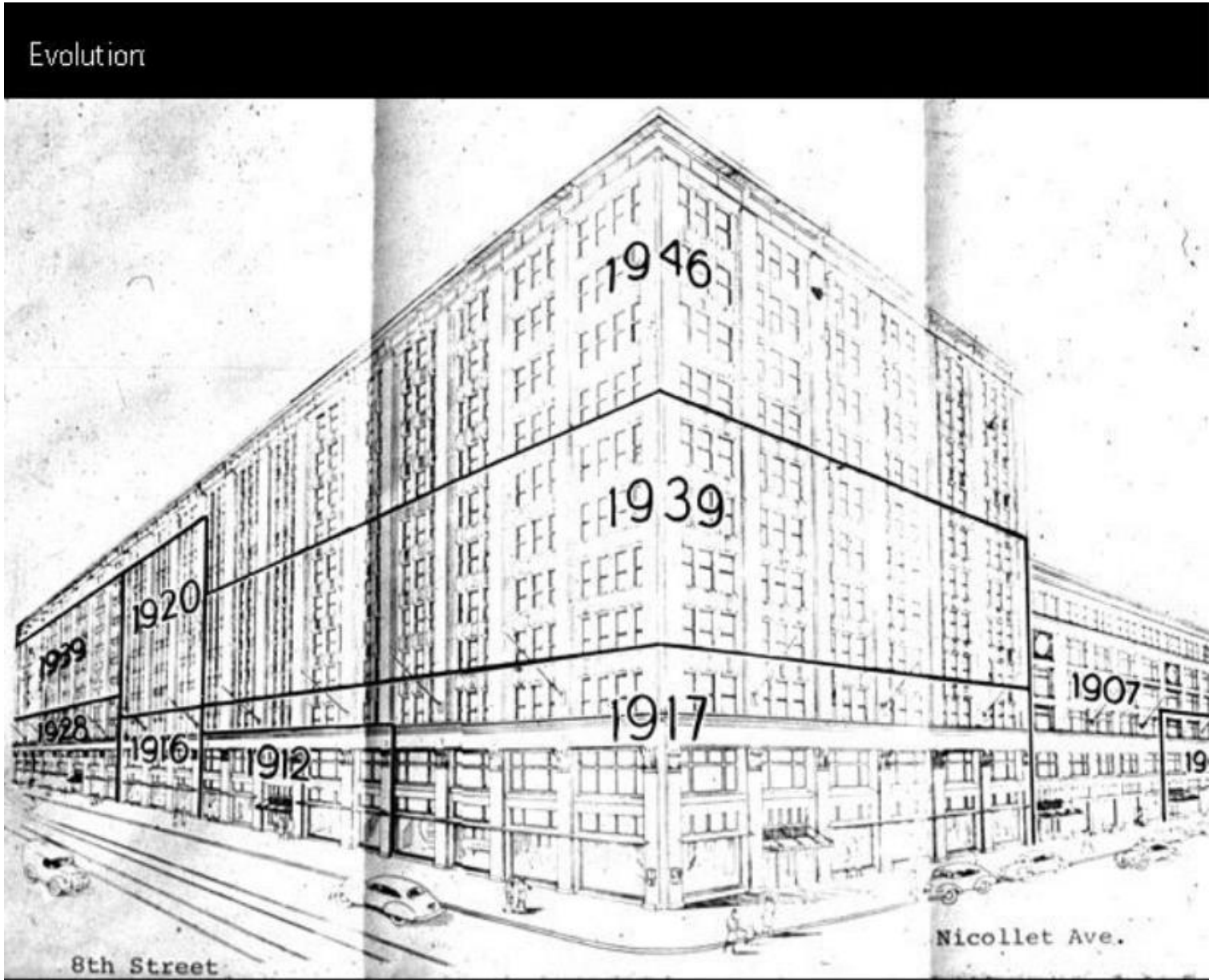
Historic Development Approach



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Post-WW2 Development Approach

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Comparing Value Capture of Development Patterns

Courtesy of: Chuck Marohn, Strong Towns

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Comparing Value Capture of Development Patterns

New Fast Food Restaurant

Property tax revenue/acre = $803,200

"Old & Blighted" Block

Property tax revenue/acre = $1,136,500

Courtesy of: Chuck Marohn, Strong Towns

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Comparing Value Capture of Development Patterns

Auto Oriented “Big Box”
$0.6M/acre

Traditional Grid Downtown
$1.1M/acre

Courtesy of: Chuck Marohn, Strong Towns

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Comparing Value Capture of Development Patterns

	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

Courtesy of: Joe Minicozzi, Urban 3

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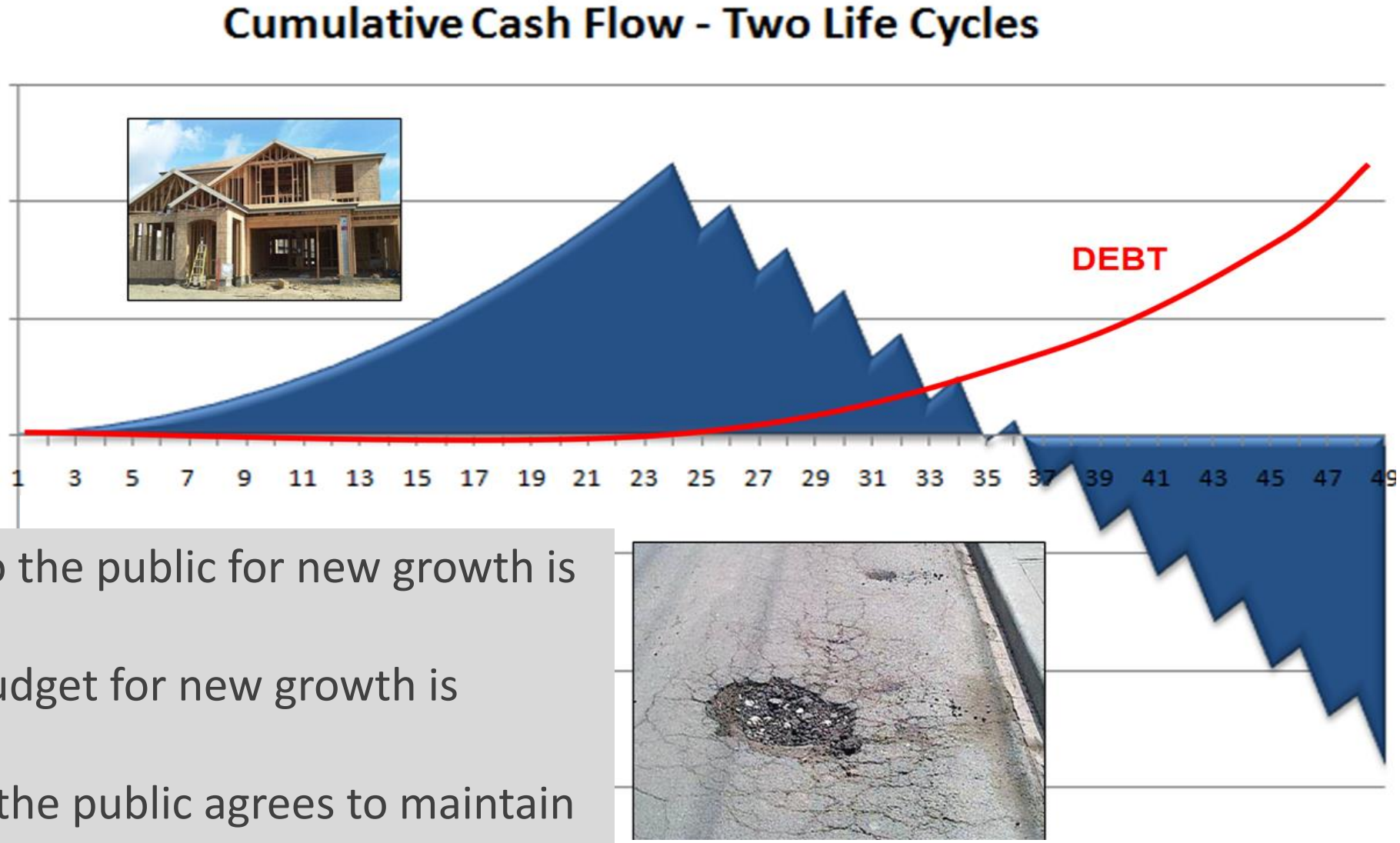
Highest Producing Parcels Tied to Traditional Pattern

Courtesy of: Joe Minicozzi, Urban 3

Long-Term Fiscal Impacts of Suburban Growth Model



- Initial cost to the public for new growth is minimal.
- Benefit to budget for new growth is substantial.
- The catch is the public agrees to maintain the improvements in perpetuity.

Courtesy of: Chuck Marohn, Strong Towns

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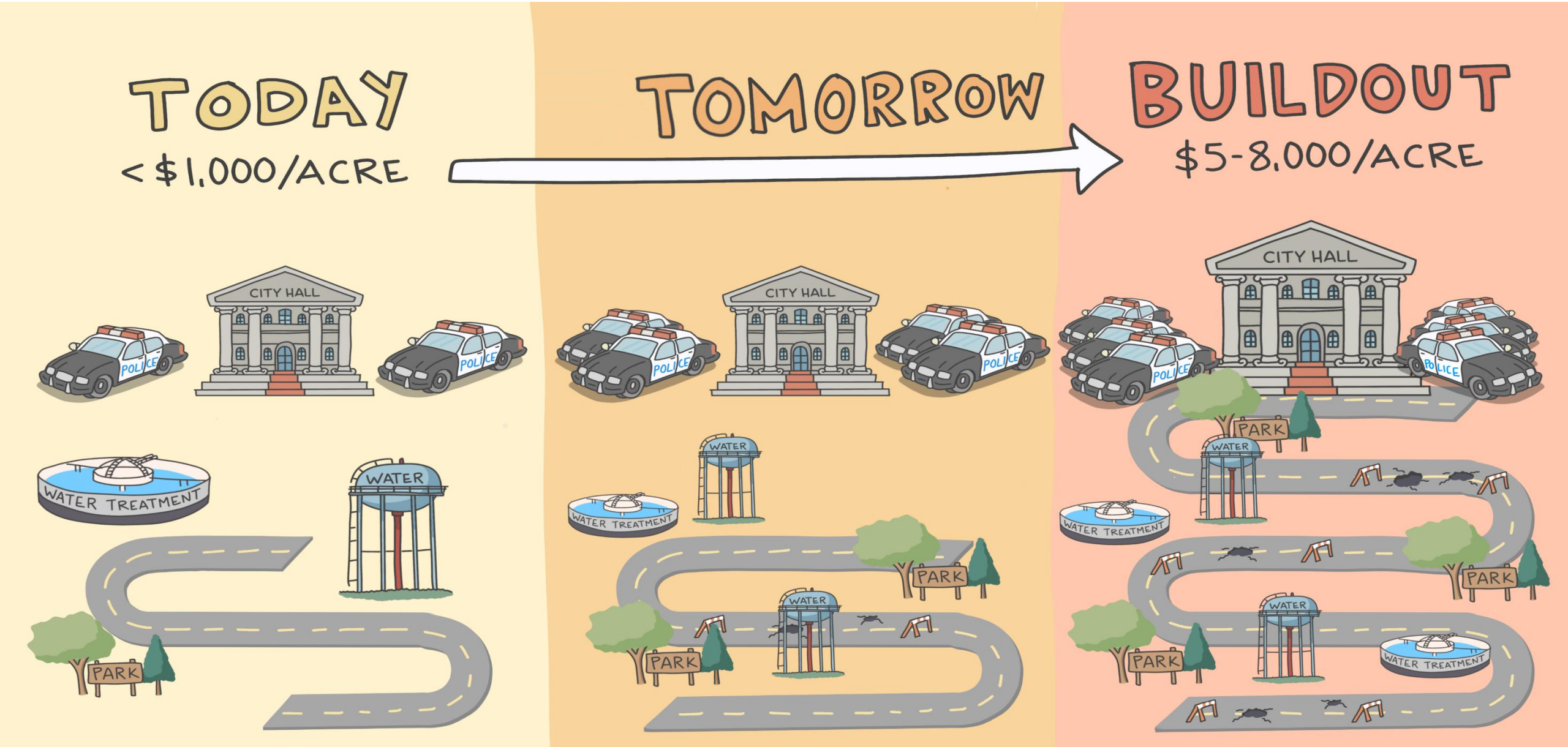
The Evolution of Service Costs



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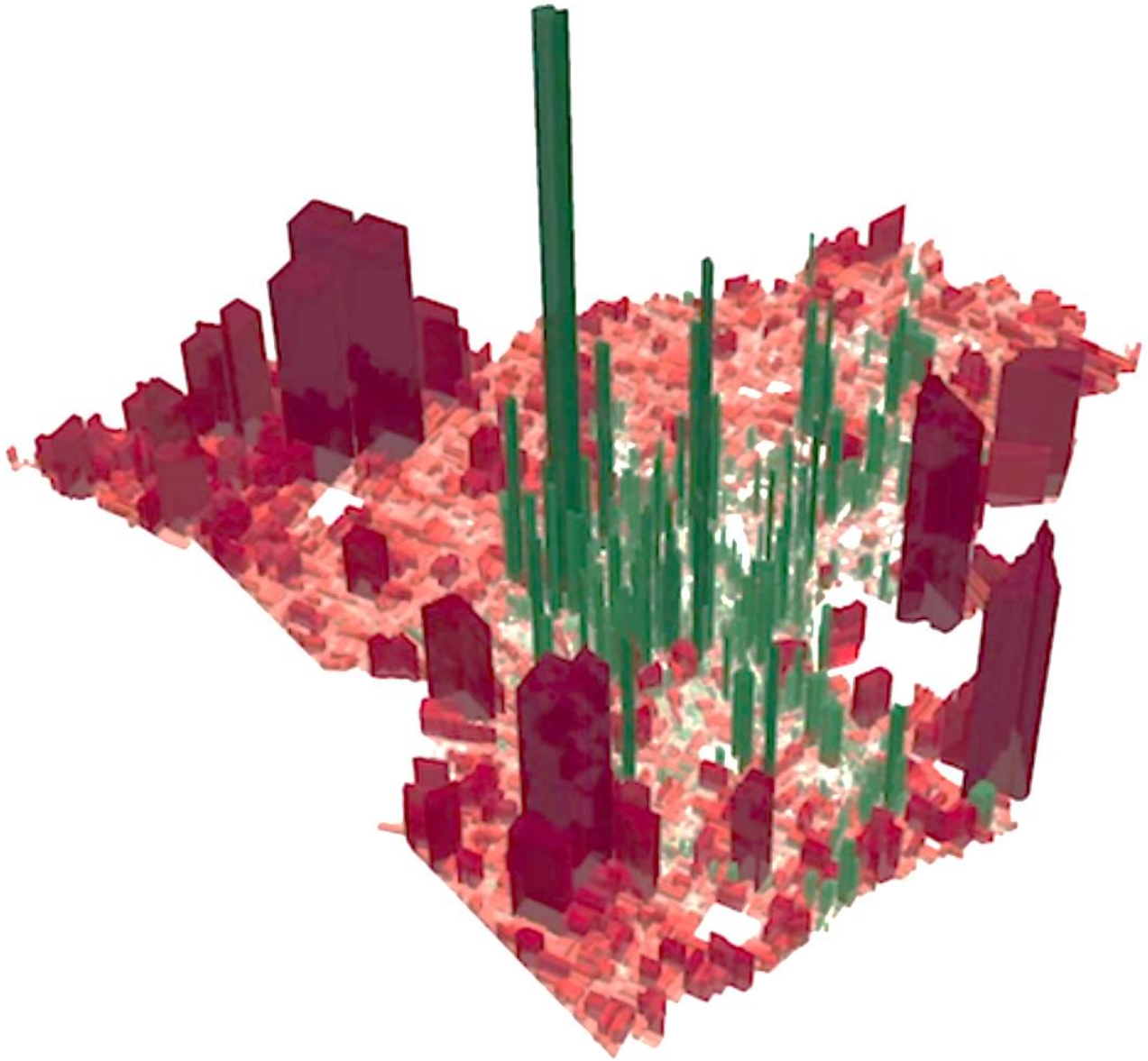
Net Return on Investment (ROI) Modeling

Lafayette, Louisiana

Green = Positive ROI
Red = Negative ROI



Courtesy of: Chuck Marohn, Strong Towns

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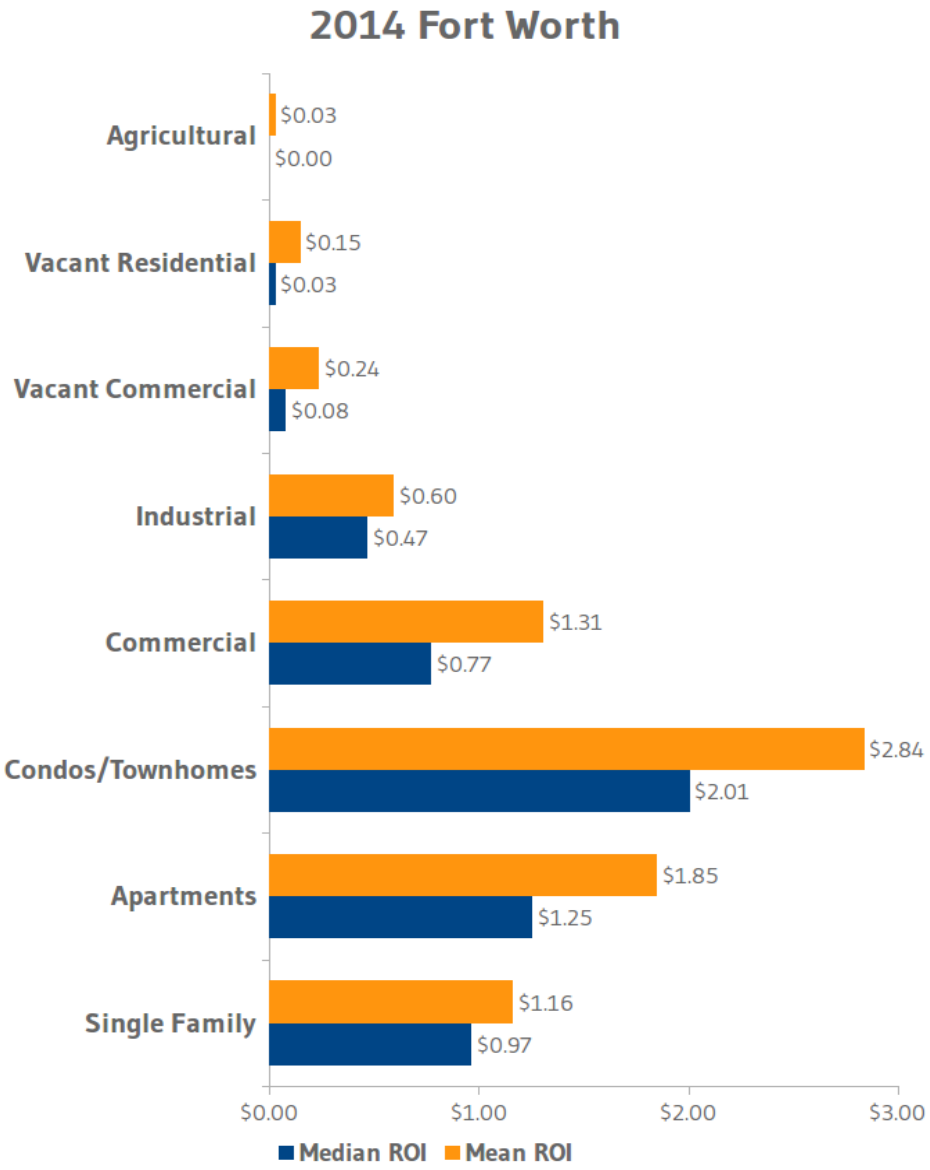
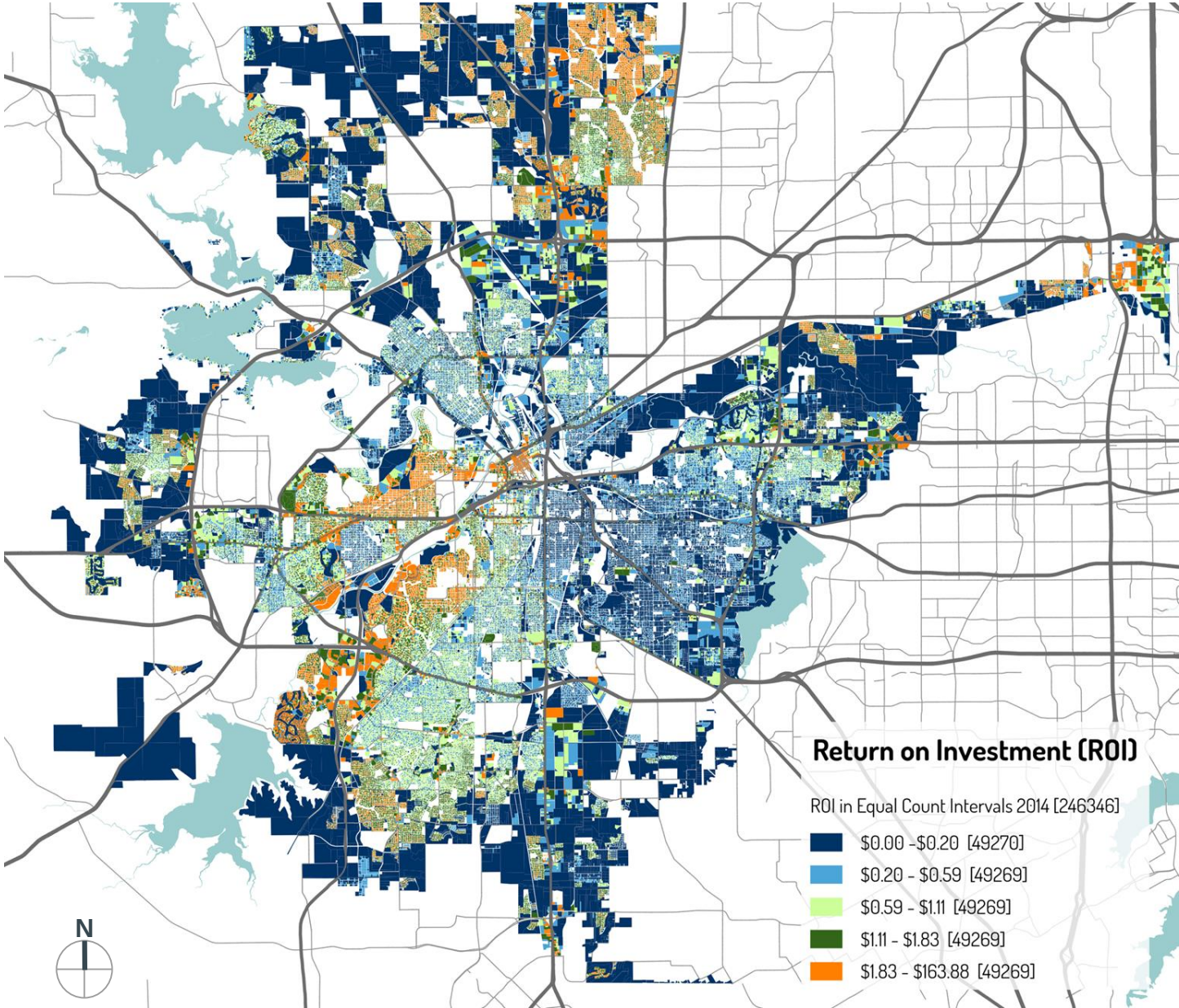
Return on Investment





Courtesy of: Felix Landry, Urbex Solutions

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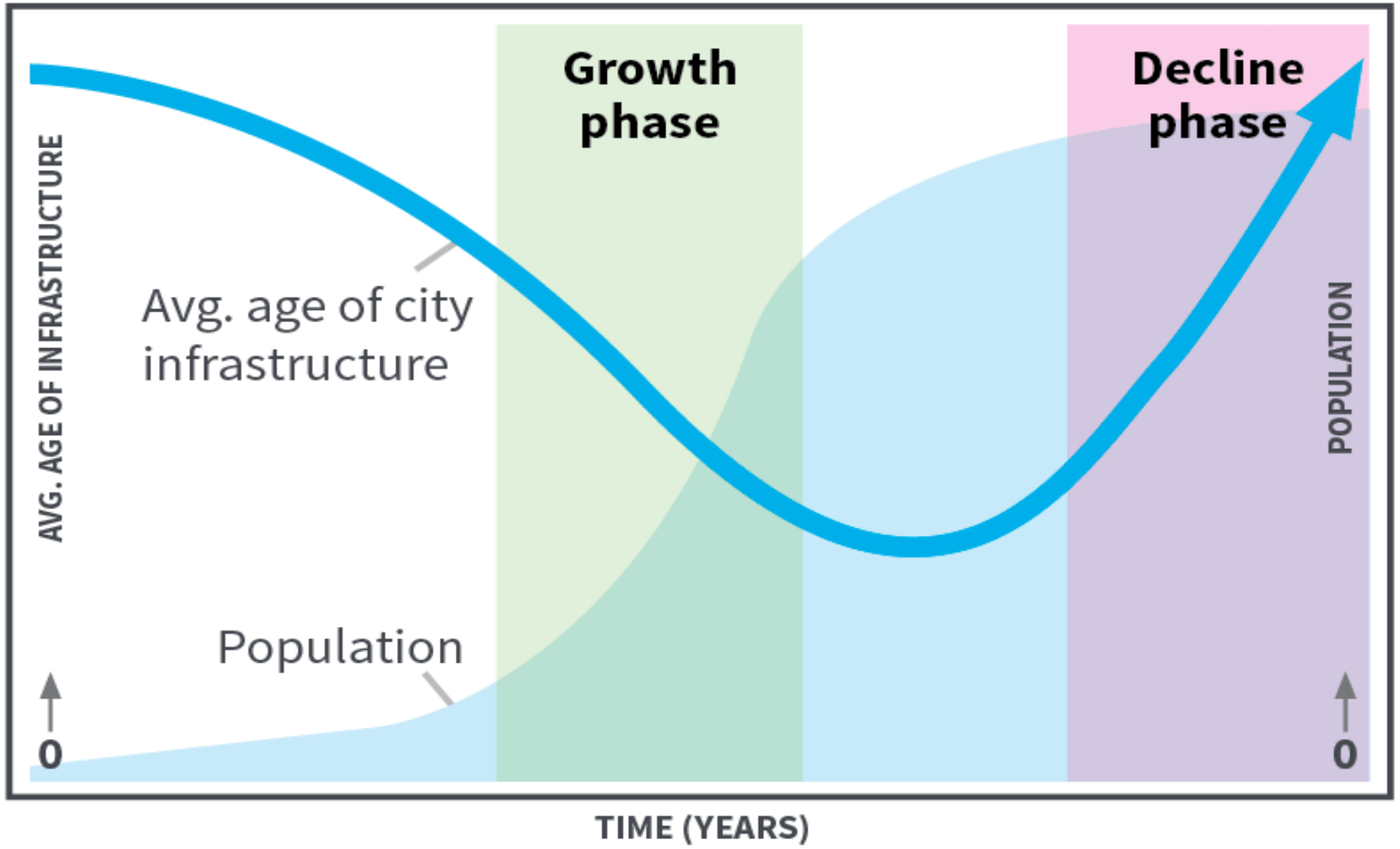
Tracking the “Age” of a City



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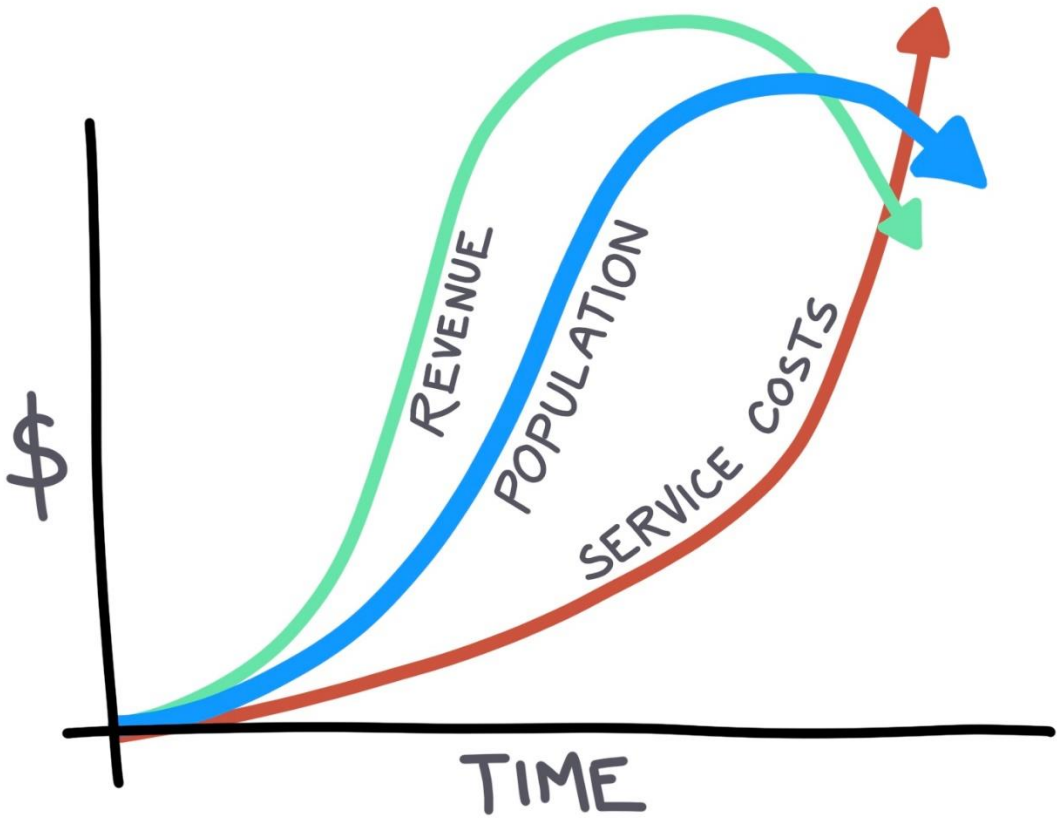
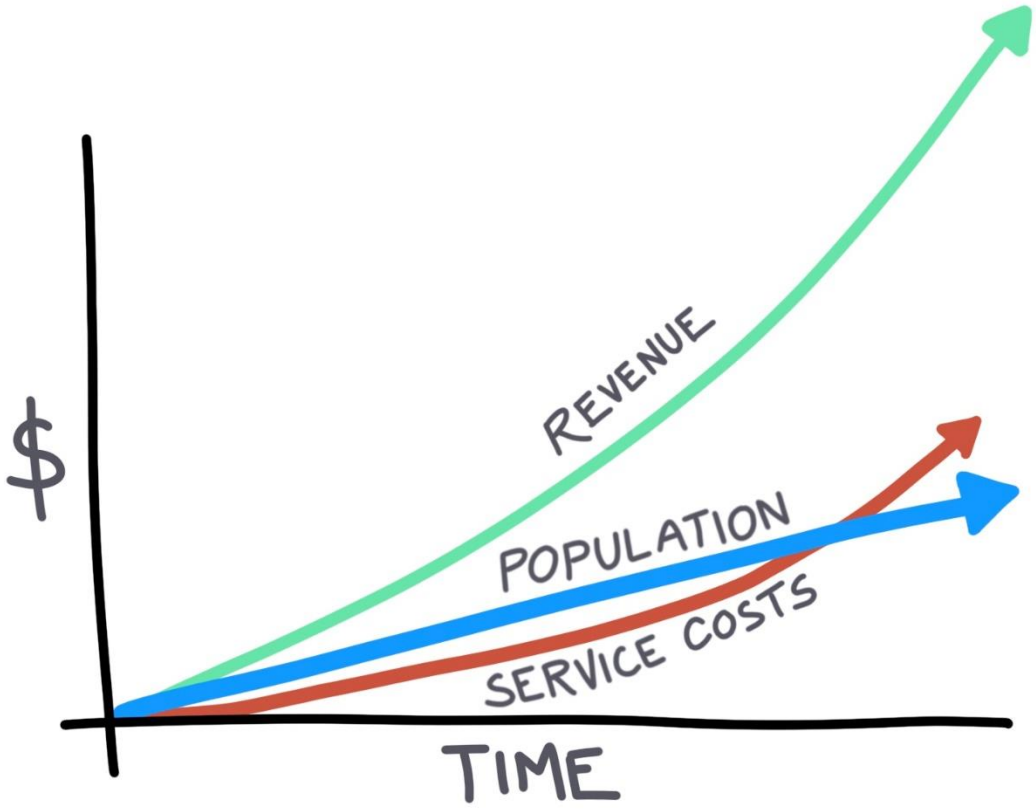
Shifting Back to a Resilient Growth Model

FROM
Rapid Growth



BACK TO
Incremental, Resilient Growth



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So what about Fulshear?

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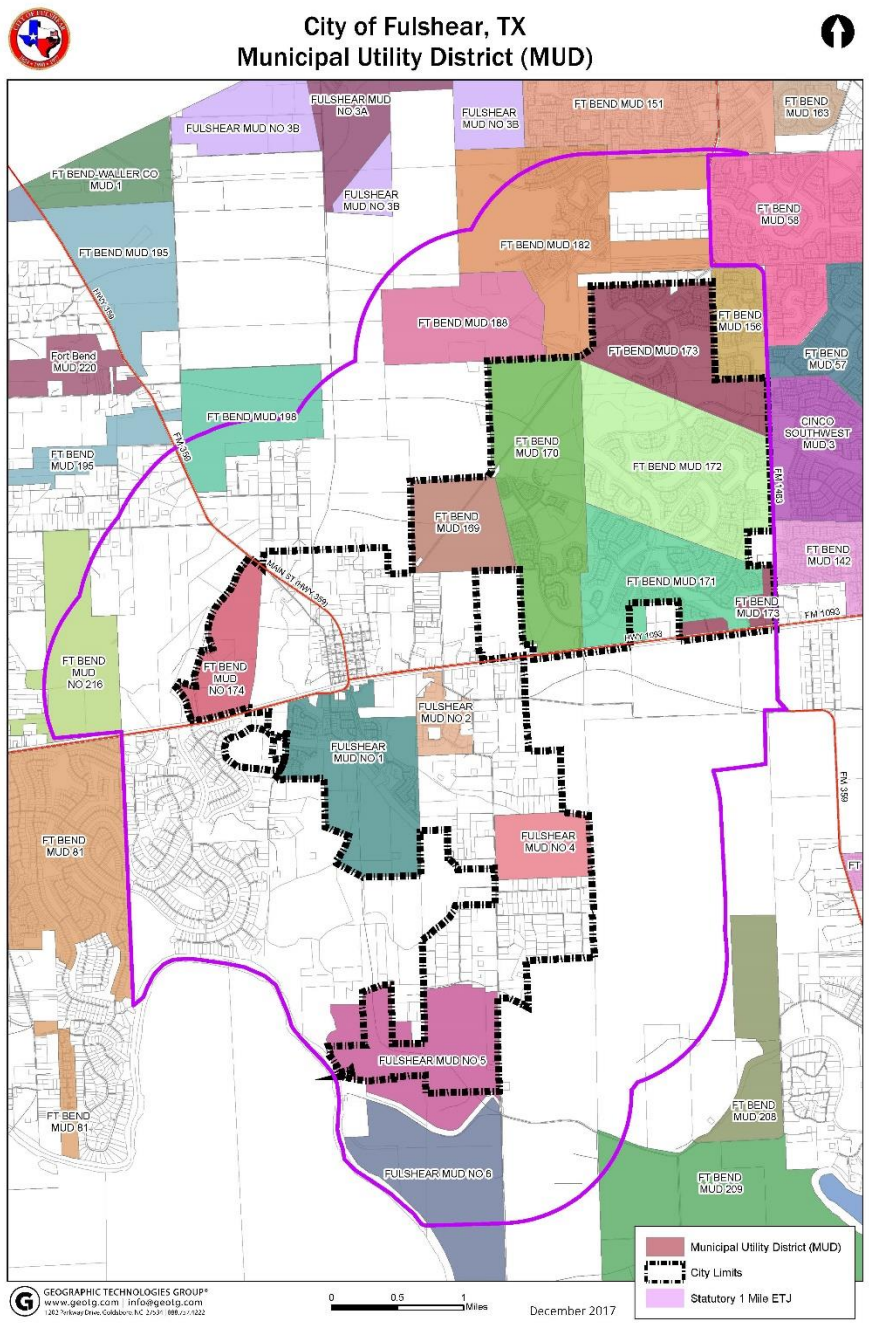

Fulshear Overview

- City Limit Area = 7357 ac (12 mi^2)
- In-City MUD Area = 3993 ac (6.2 mi^2)
- MUDs account for over 50% of the City's area and over 90% of the City's property tax base.

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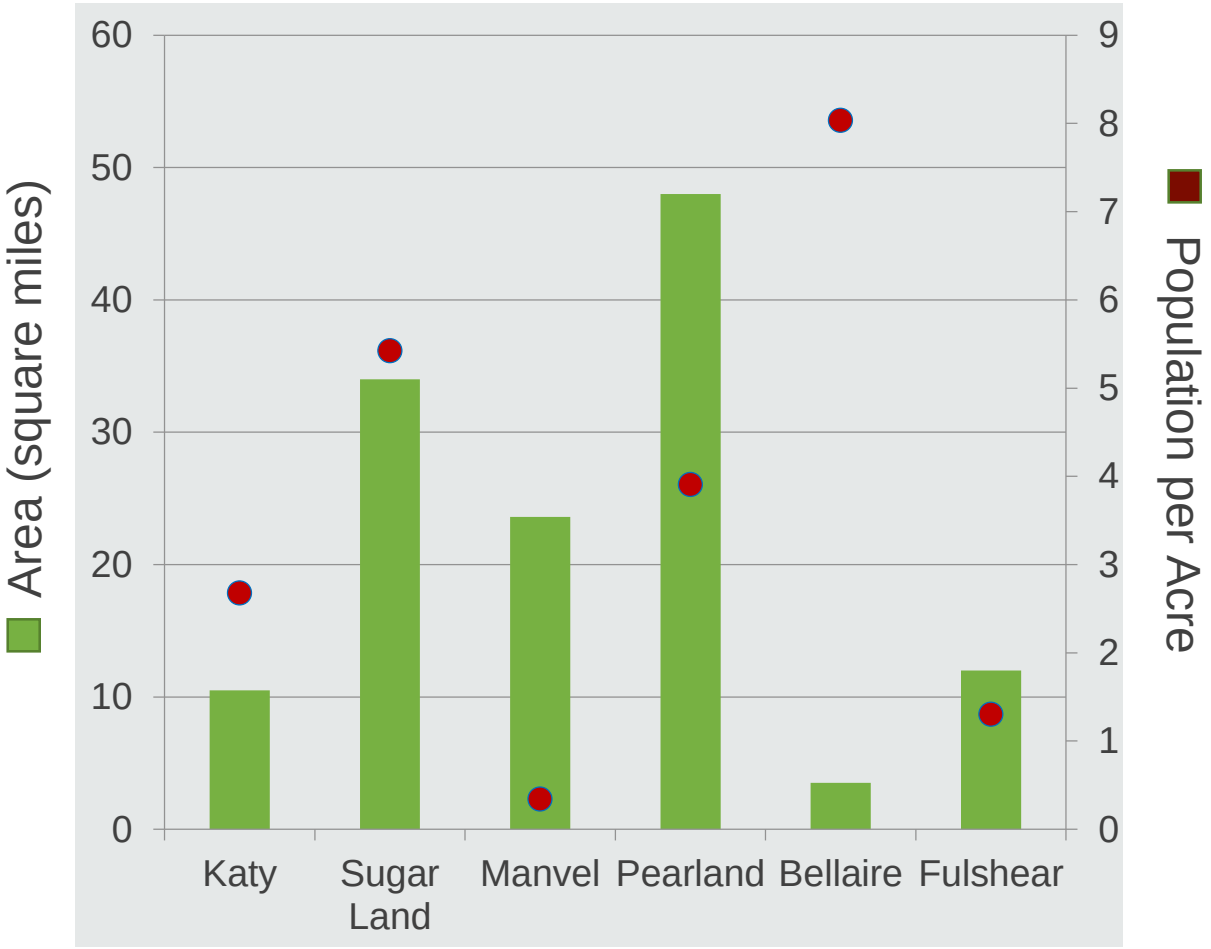
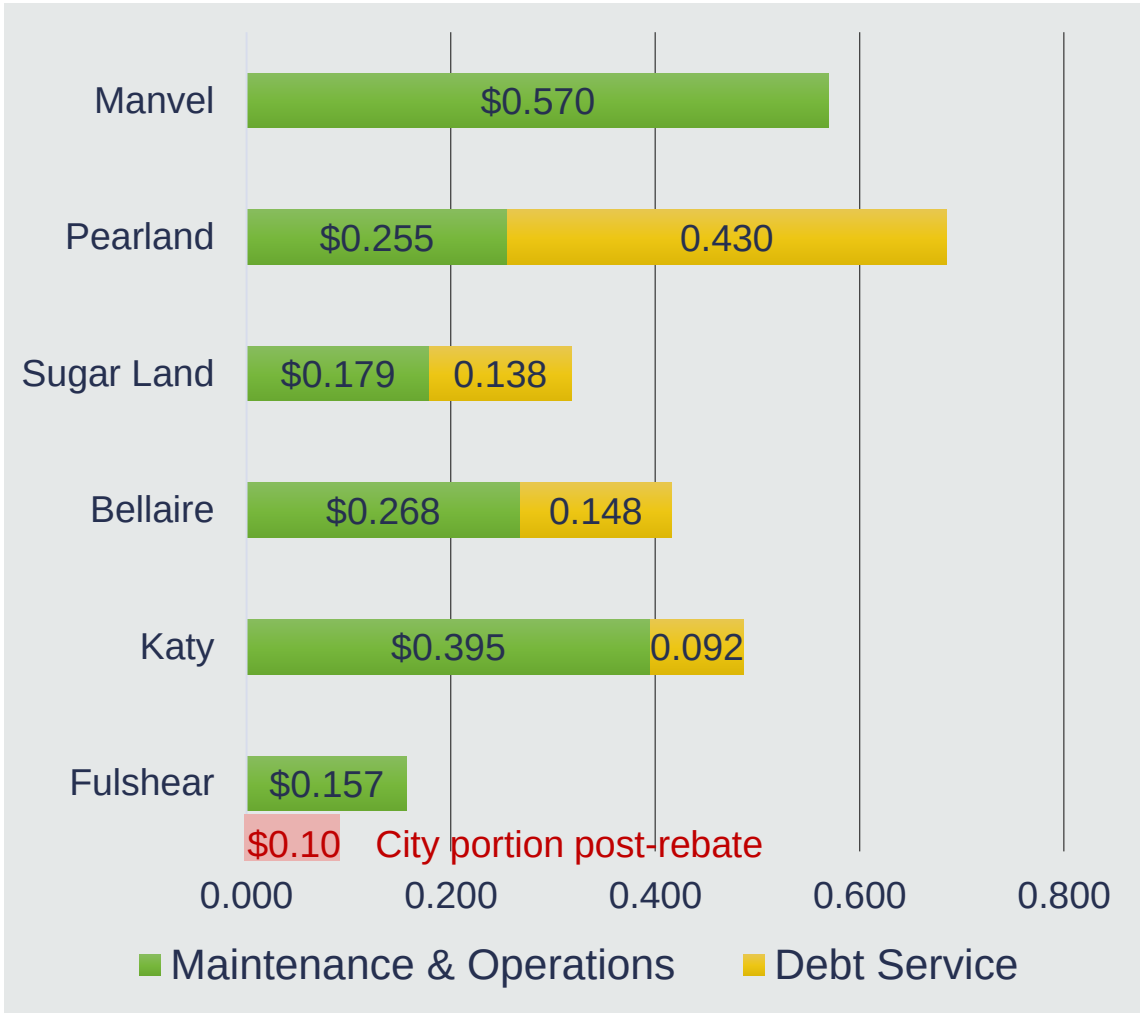
Benchmark Comparison

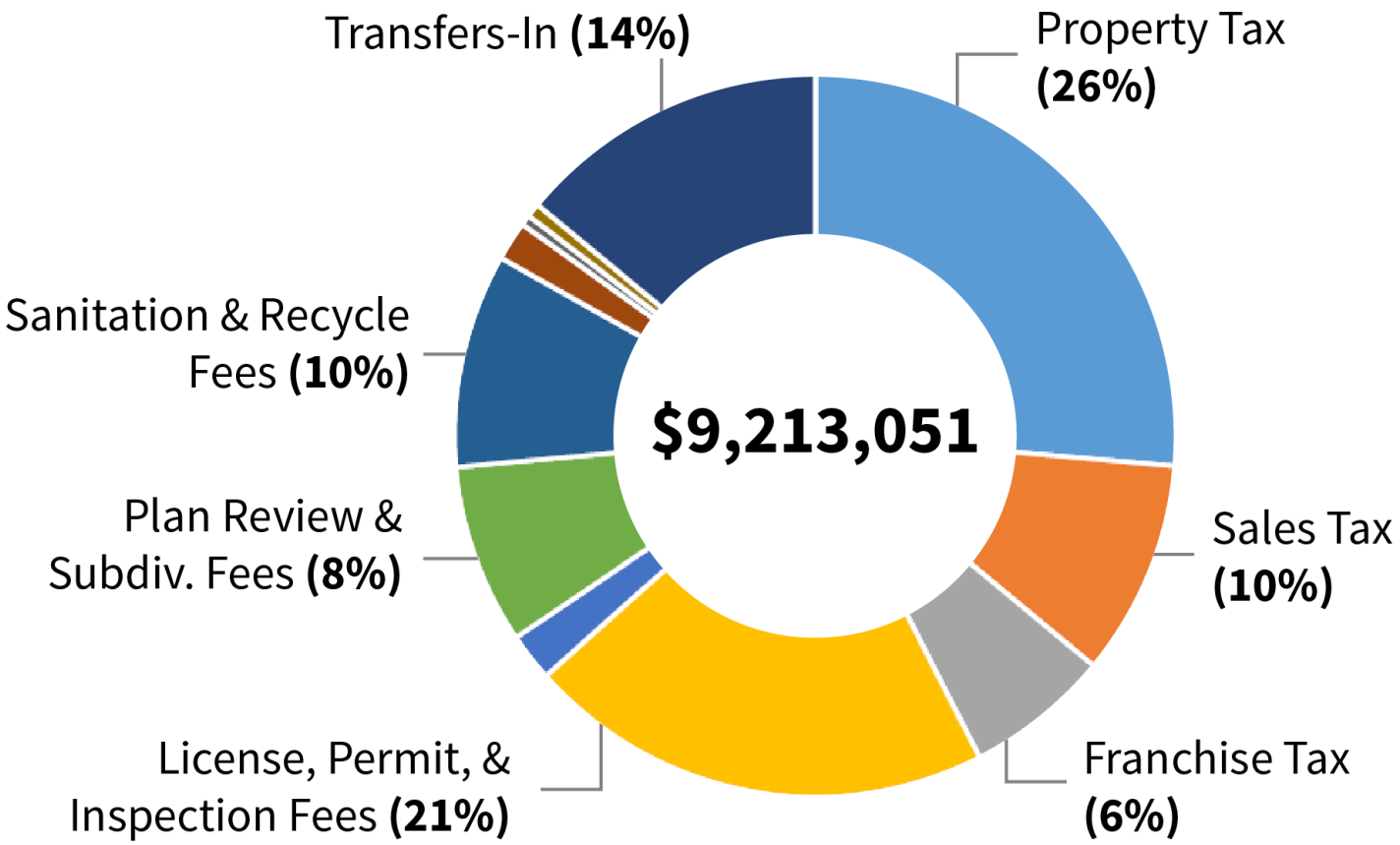
Area and Population Density



Property Tax Rate

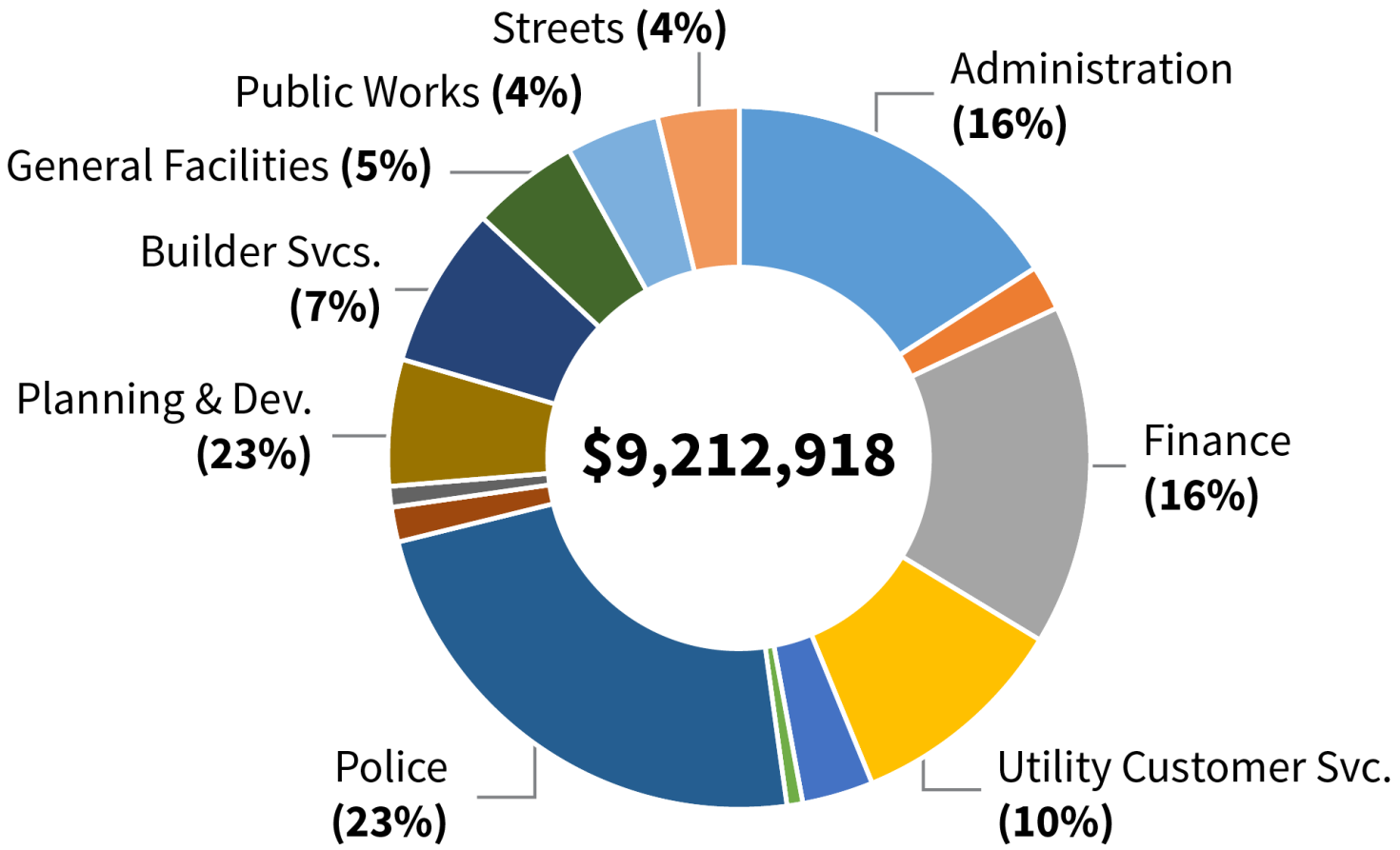


General Fund: Revenue Sources



SOURCE	AMOUNT	
Property Taxes	$	2,395,393
Sales and Uses Taxes	$	1,248,620
Licenses and Permits	$	1,807,900
Fines and Forfeitures	$	150,700
Charges for Service	$	1,516,475
Other Sources	$	1,870,961
Interest	$	40,002
Grant Revenue	$	183,000
TOTAL	**$**	**9,213,051**

General Fund: Expenditures by Department



DEPARTMENT	EXPENDITURES
Administration	$ 1,466,037
Municipal Court	$ 190,558
Finance	$ 1,445,109
Utility Customer Service	$ 935,970
Economic Development	$ 301,300
Communications	$ 67,100
Police	$ 2,149,124
Emergency Management	$ 147,520
Code Enforcement	$ 88,100
Planning and Development	$ 536,669
Builder Services/Permits and Inspections	$ 685,517
General Facilities	$ 459,130
Public Works	$ 395,784
Streets	$ 345,000
TOTALS	**$ 9,212,918**

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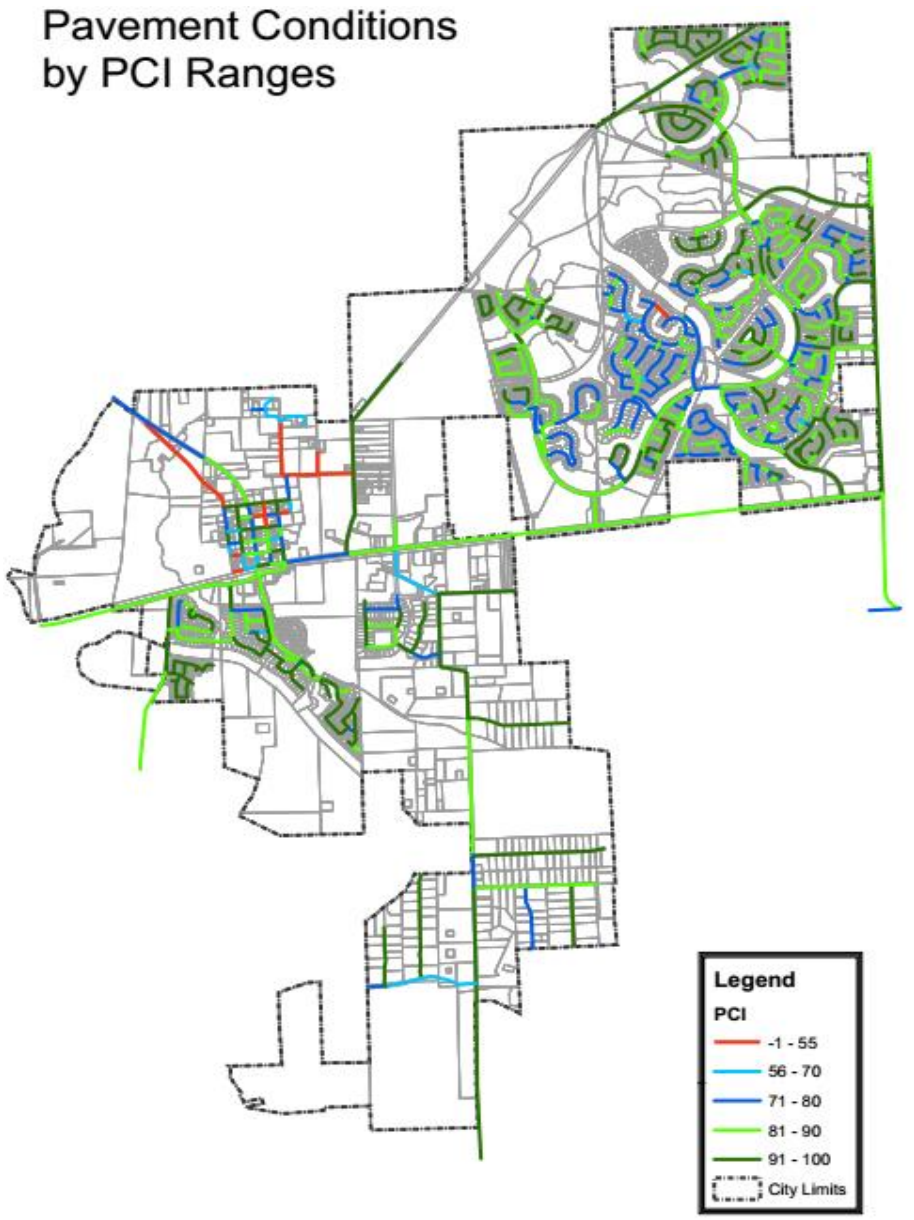
Streets

Street Network Inventory

Category	Description	Miles	% of Mileage
1	Asphalt Segments with PCI	24.6	31.92%
2	Concrete Segments with PCI	48.27	62.63%
3	Not Collected – Unsurfaced	1.67	2.17%
4	Not Collected – Does Not Exist	2.38	3.09%
5	Not Collected – Gated	0.14	0.18%
TOTAL WITH PCI		72.87	94.55%
TOTAL W/O PCI		4.2	5.45%
TOTAL		**77.07**	**100%**

Pavement Condition Index Distribution

City of Fulshear, TX Roadway Network (77 Total Centerline Miles)							
Pavement Type	Very Good (86-100)	Good (71-85)	Fair (56-70)	Poor (41-55)	Very Poor (26-40)	Serious (11-25)	Failed (0-10)
Asphalt	18.64%	10.23%	2.38%	1.81%	0.34%	0.36%	0.00%
Concrete	37.44%	28.10%	0.54%	0.16%	0.00%	0.00%	0.00%
All	56.08%	38.33%	2.92%	1.97%	0.34%	0.36%	0.00%
Miles	43.18	29.51	2.25	1.52	0.26	0.28	0.00



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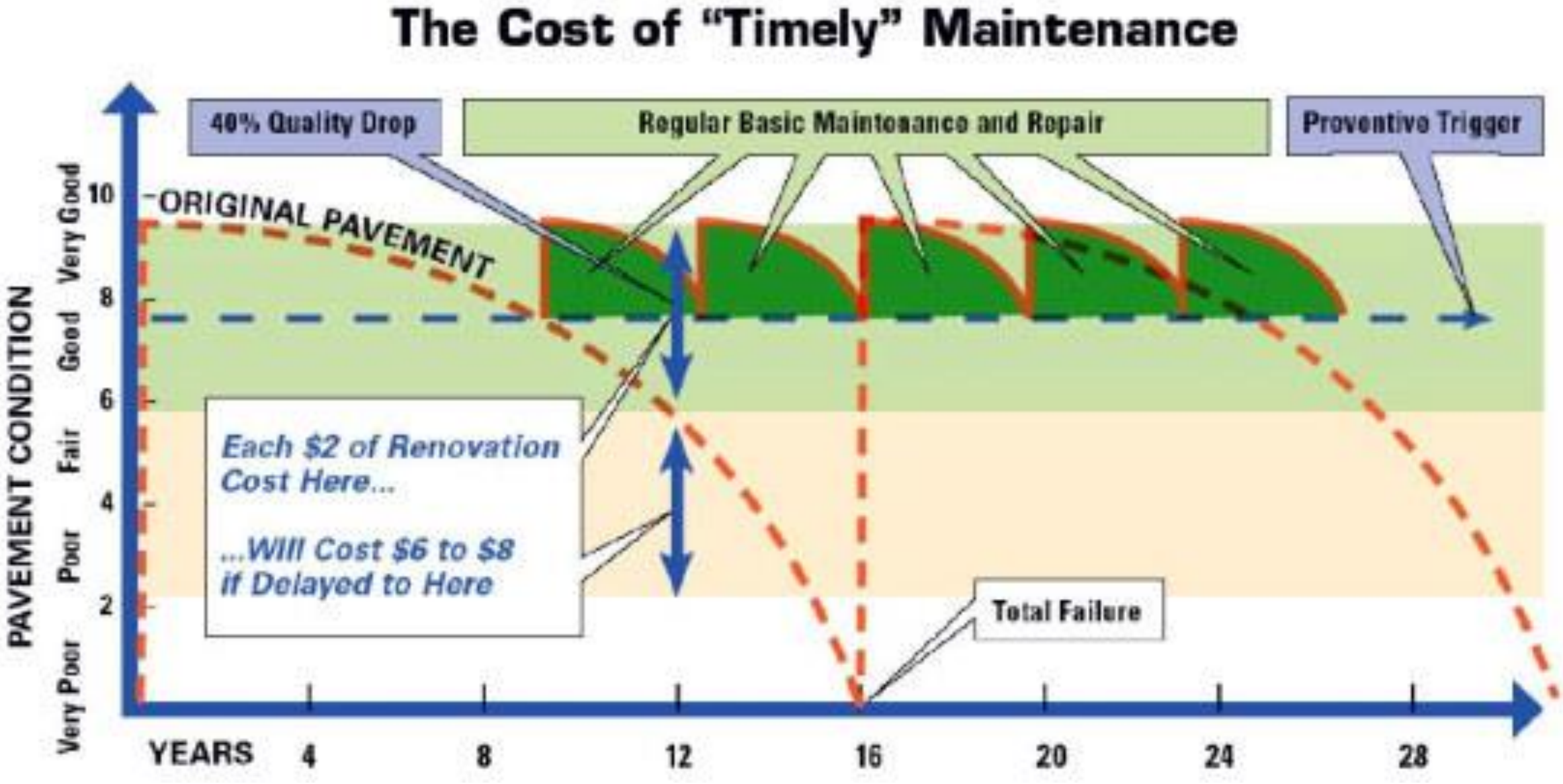
Street Maintenance



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Police Staffing Benchmarks

City	Sworn Officers	Dept	Population	SO/1,000	Dept/1,000	Square Miles	SO/SqMi	Dept/SqMi
Katy	58	76	18,000	3.22	4.22	10.5	5.52	7.24
Pearland	168	223	120,000	1.40	1.86	48	3.50	4.65
Sugar Land	180	229	118,000	1.53	1.94	34	5.29	6.74
West U	26	38	15,500	1.68	2.45	2	13.00	19.00
Bellaire	37	56	18,000	2.06	3.11	3.5	10.57	16.00
Fulshear	**19**	**22**	**10,000**	**1.90**	**2.20**	**12**	**1.58**	**1.83**

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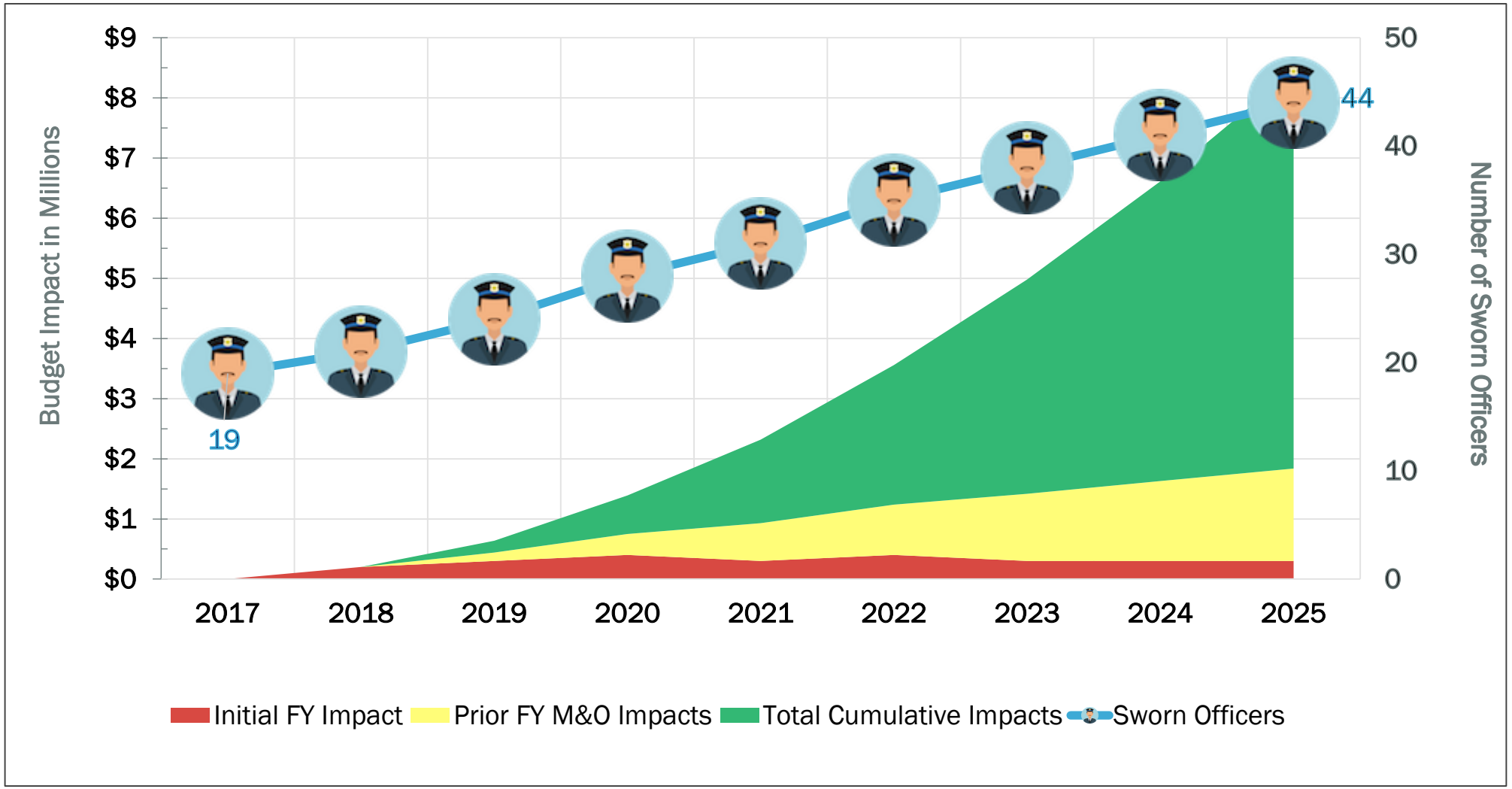
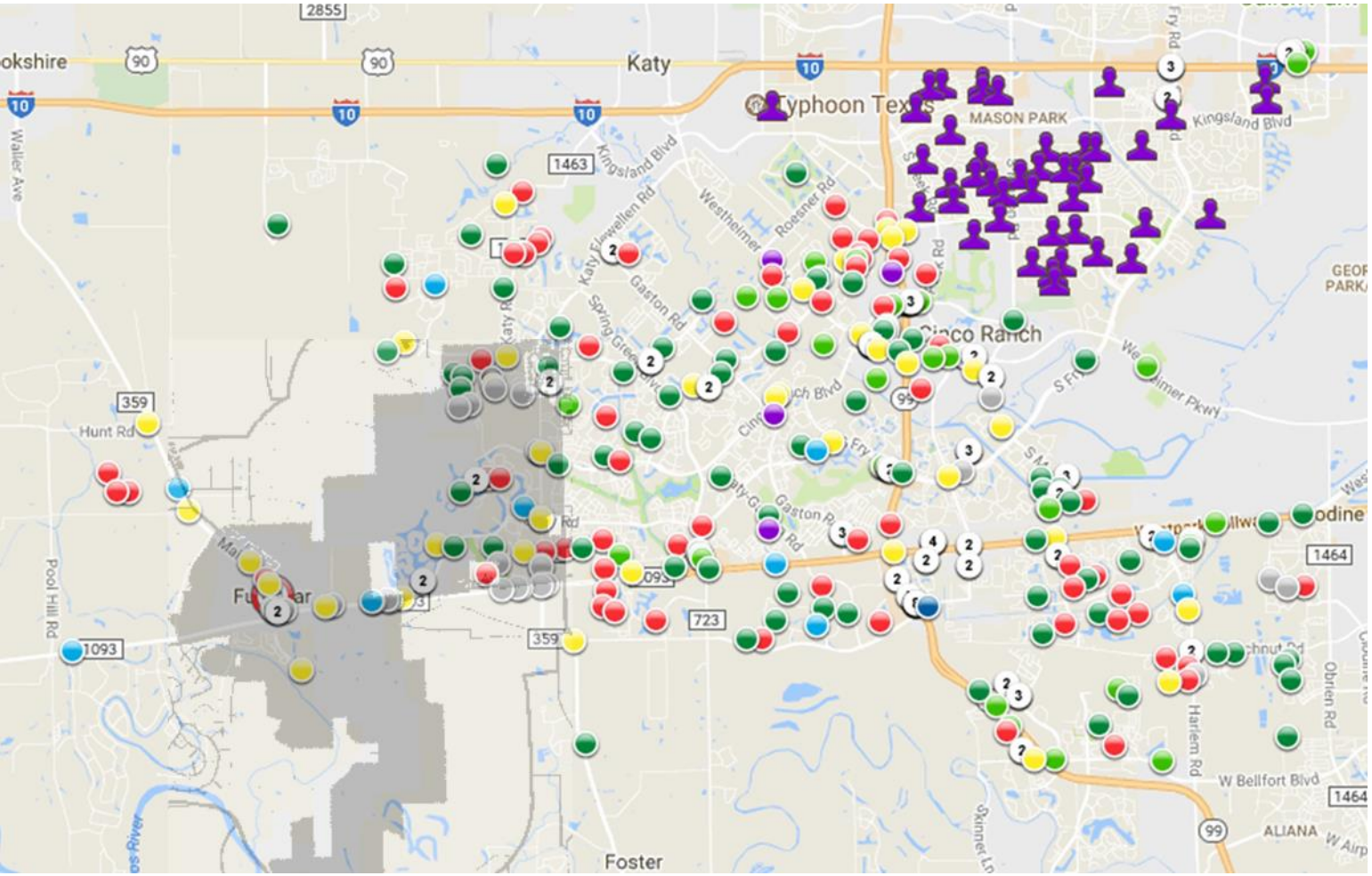
Police Staffing: Projected Needs and Budget Impact



Area Calls for Police Assistance – Dec. 2017



- For calls that are dealing with “in-progress” crimes, the City of Fulshear Police Department average time for response is 2.6 minutes.
- In the areas shown east of the City limits, call volumes and response times can be significantly higher.

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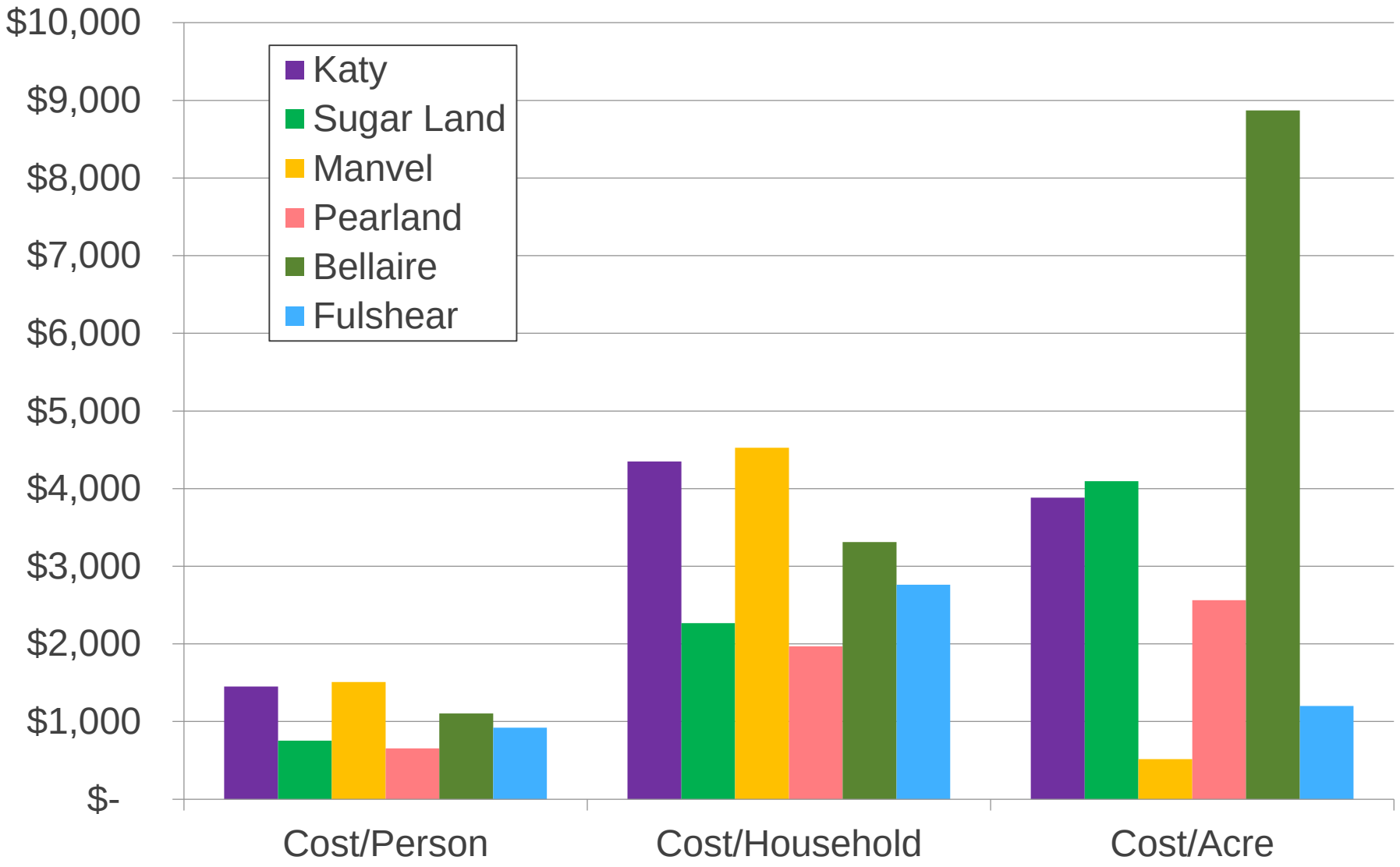
Service Costs (General Fund)



Fulshear Estimates:

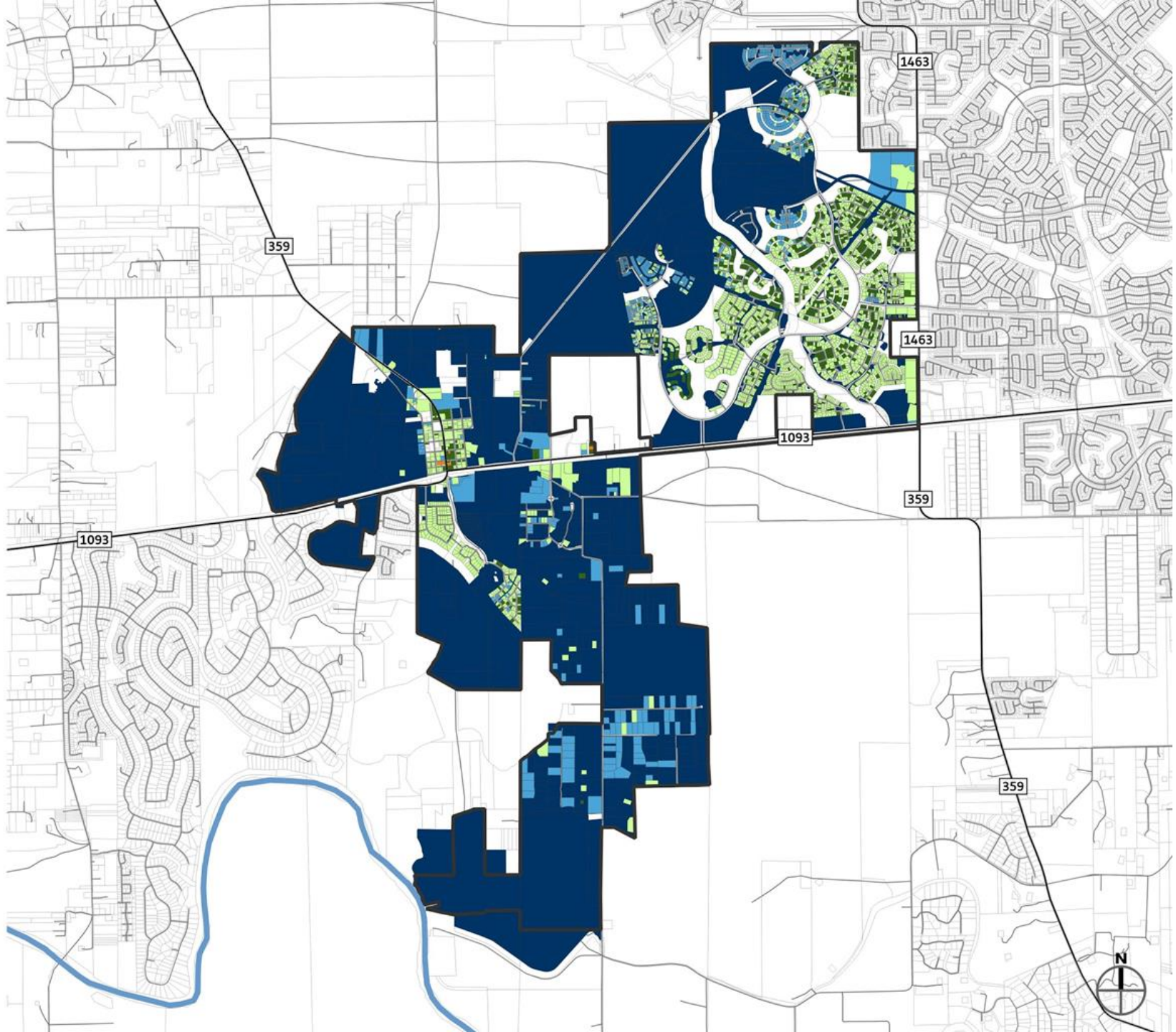
- $921/person
- $2764/household
- $1200/acre

City of Fulshear Return On Investment (ROI) 2017

Return on Investment 2017

Fulshear Parcels

- $0.00 - $0.50
- $0.50 - $1.00
- $1.00 - $4.50
- $4.50 - $8.00
- > $8.00



URBEX SOLUTIONS

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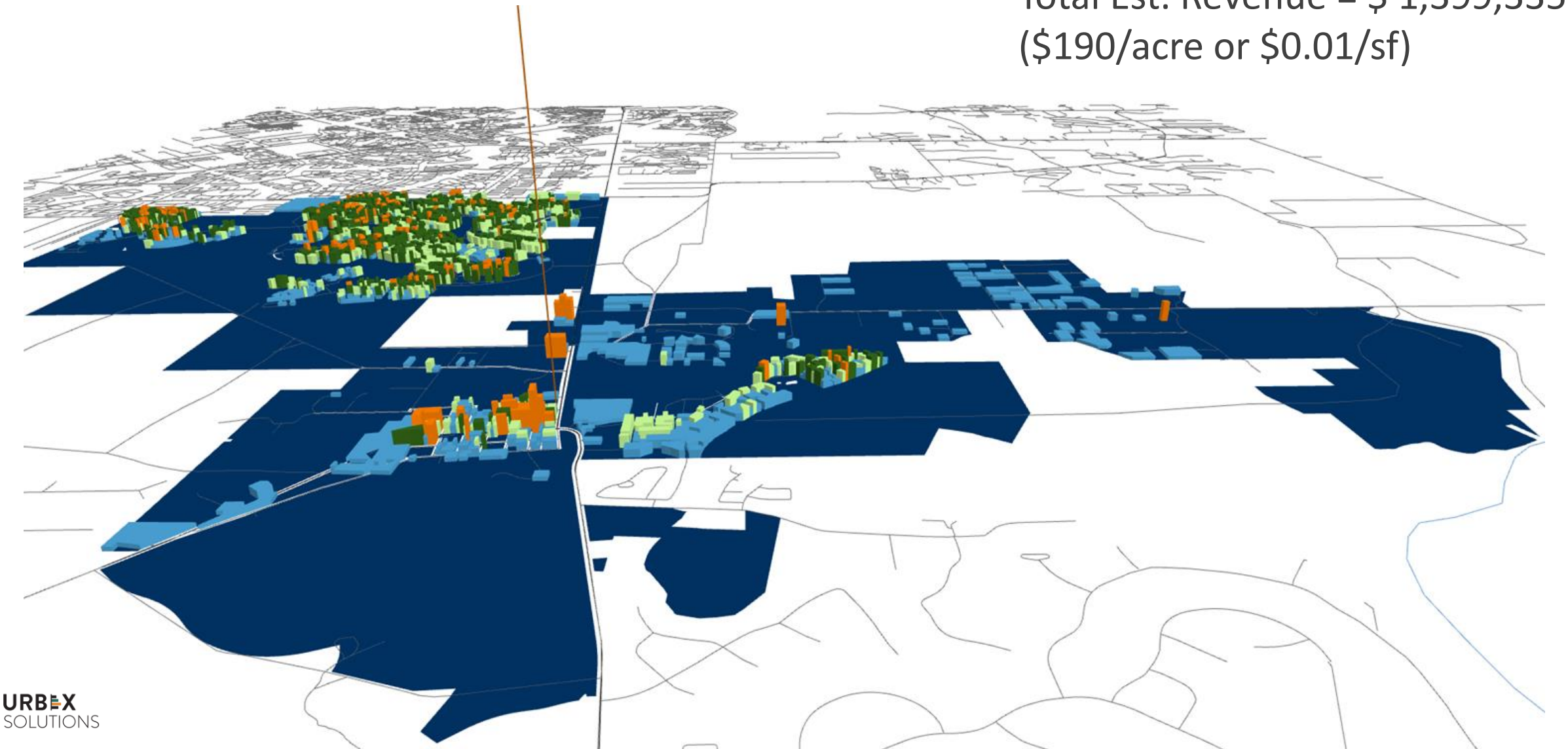
Estimated City Levy Revenue

Total Est. Revenue = $ 1,399,335
($190/acre or $0.01/sf)



URBEX SOLUTIONS

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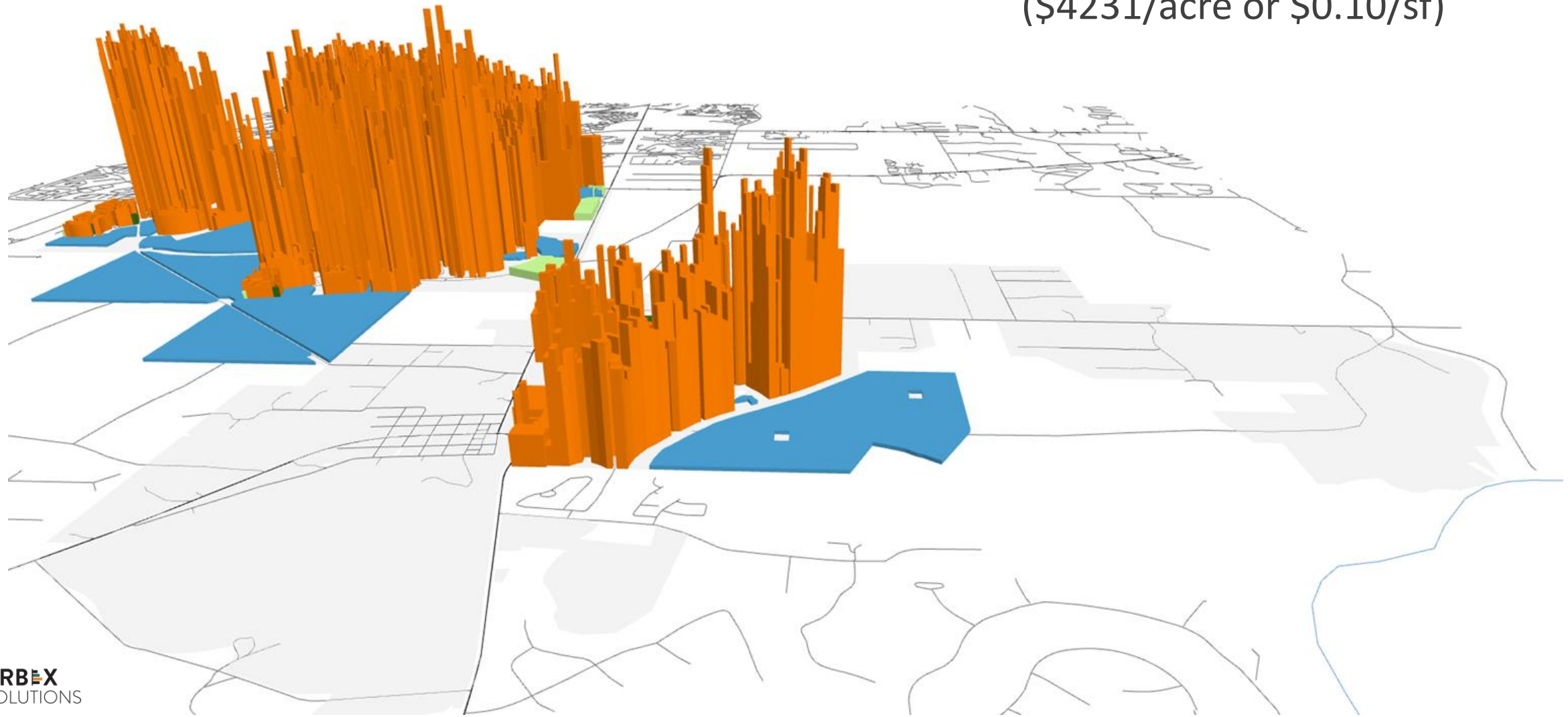
Estimated MUD Levy Revenue

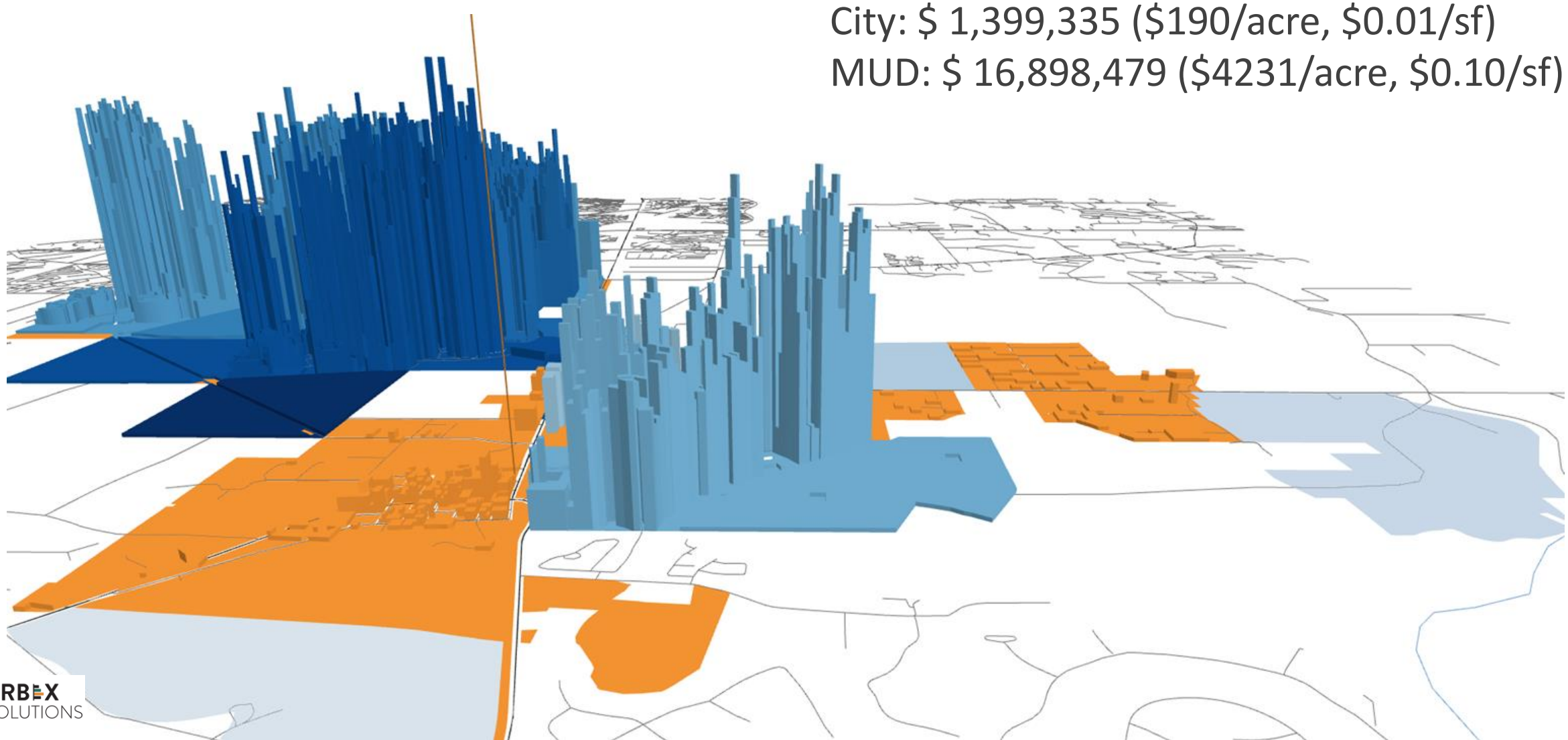
Total Est. Revenue = 16,898,479
($4231/acre or $0.10/sf)



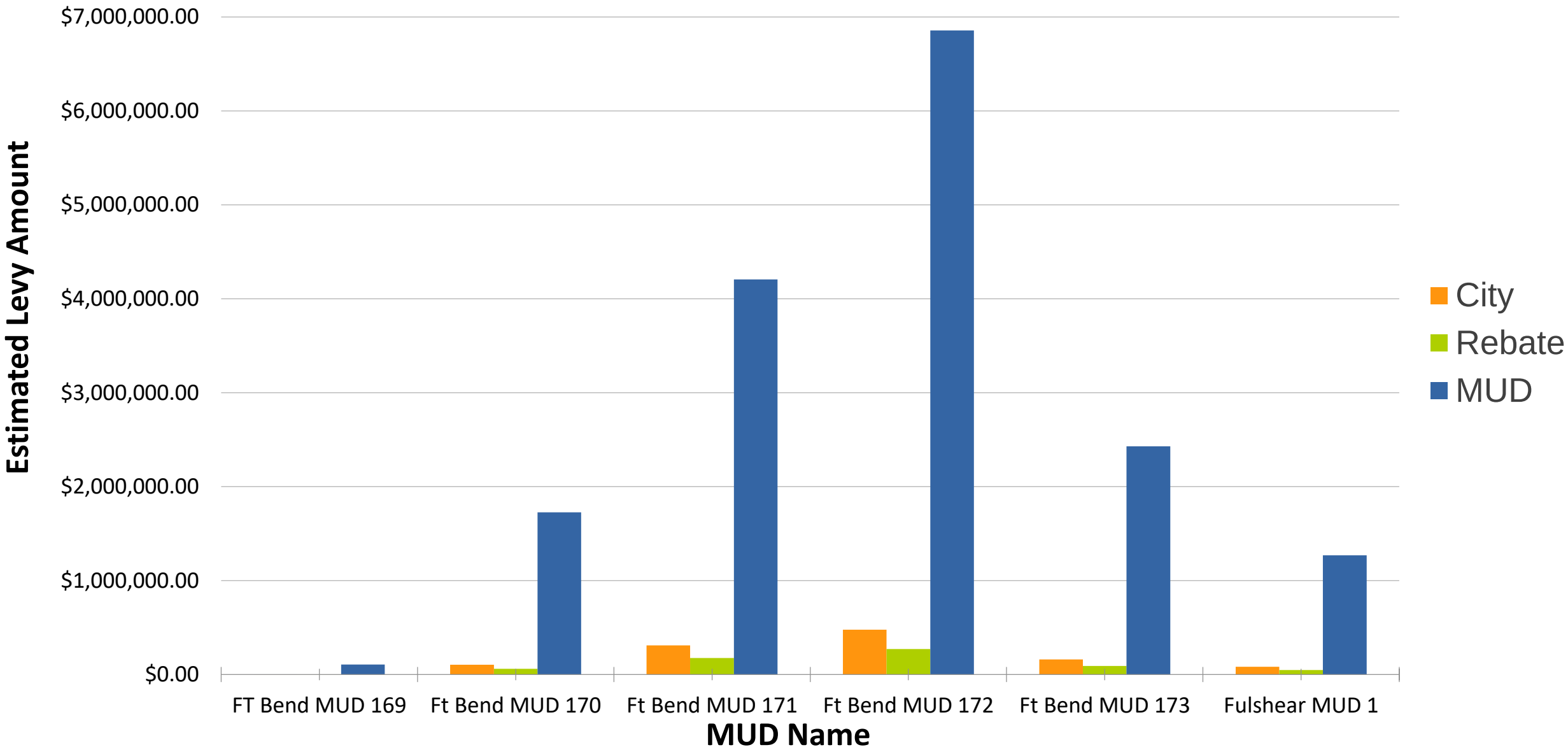
URBEX SOLUTIONS

Estimated Combined Levy Revenue

Total Property Revenue (Levy) = $18,292,814
City: $ 1,399,335 ($190/acre, $0.01/sf)
MUD: $ 16,898,479 ($4231/acre, $0.10/sf)



Estimated Levy & Rebate Amounts



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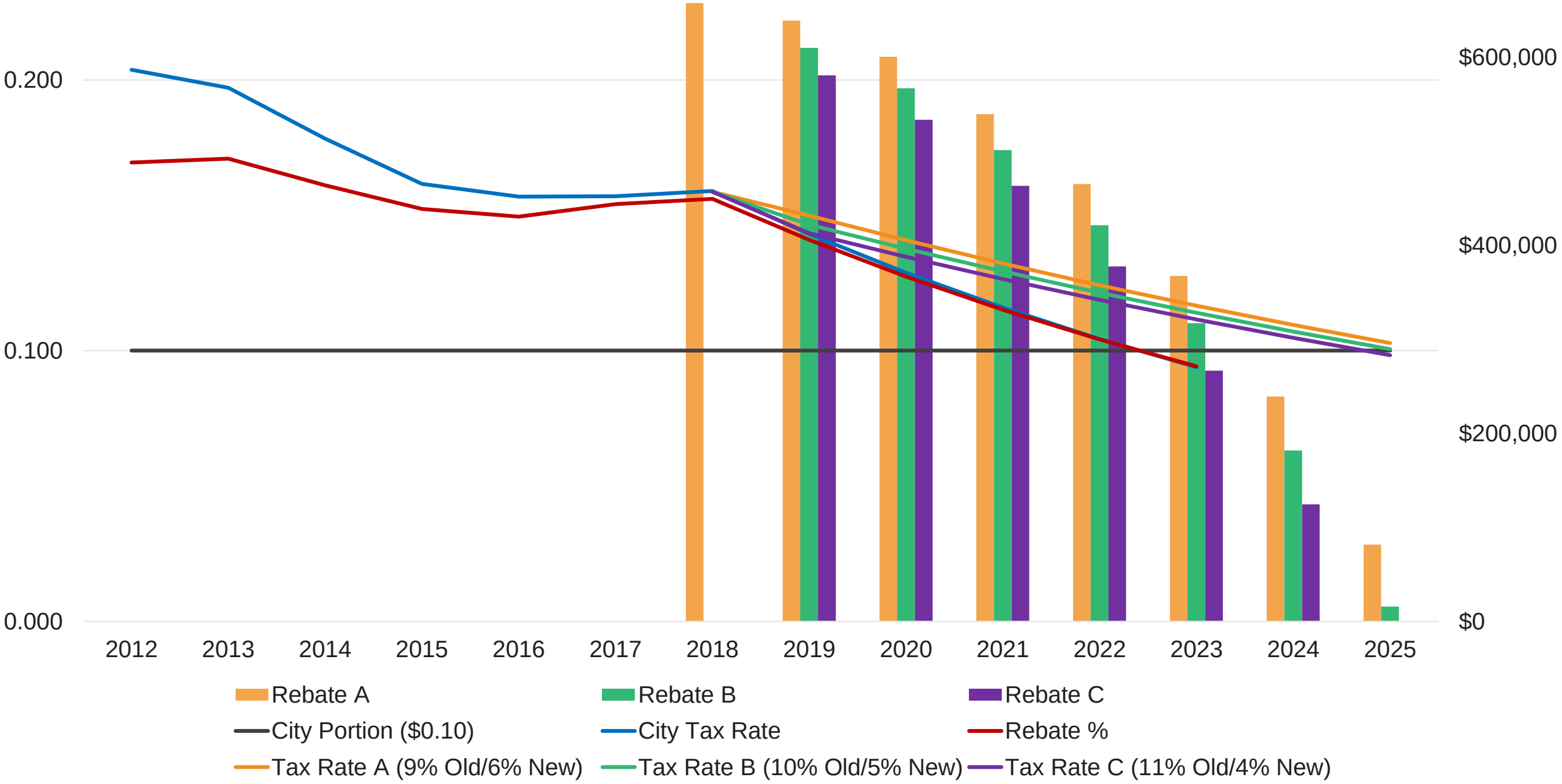
Fulshear Tax Rate Over Time

*Assumes 15% A/V growth per year



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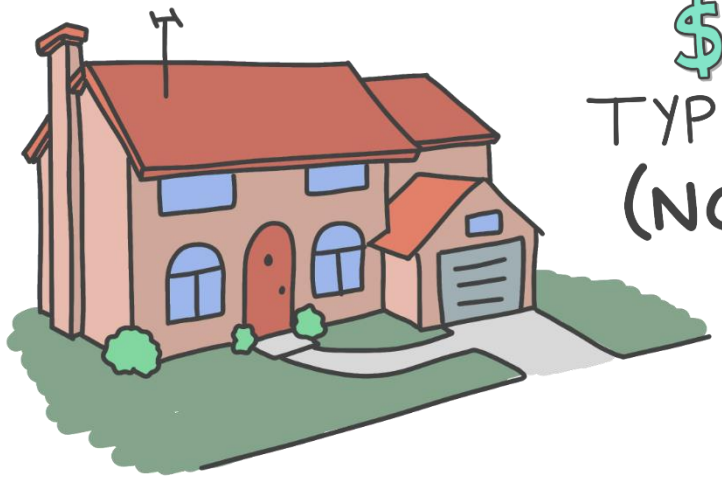
Average Home Contribution



$400K
TYPICAL HOME
(NON- MUD)

$400K
TYPICAL HOME
(IN-CITY MUD)

2017 Sample Tax Bill – NO MUD	$400,000 = Avg. Home Value				
TAXING ENTITY	**EXEMPTIONS**	**EXEMPTIONS AMOUNT**	**TAXABLE VALUE**	**TAX RATE PER 100**	**TAXES PAID**
C04- City of Fulshear	**HS**	**$56,000**	**$344,000**	**0.158691**	**$545.90**
D01- Ft Bend Drainage	HS	$80,000	$320,000	0.016	$51.20
G01- Ft Bend Co Gen	HS	$80,000	$320,000	0.453	$1,449.60
R05- Ft Bend Co ESD 4		$0	$400,000	0.1	$400.00
S13- Katy ISD	HS	$25,000	$375,000	1.5166	$5,687.25
TOTALS	(*LCISD Tax Rate - $1.39)			**2.244291**	**$8,133.95**

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Average Home Contribution

$400K
TYPICAL HOME
(NON- MUD)

$400K
TYPICAL HOME
(IN-CITY MUD)

2017 Sample Tax Bill – IN-CITY MUD	$400,000 = Avg. Home Value				
TAXING ENTITY	**EXEMPTIONS**	**EXEMPTIONS AMOUNT**	**TAXABLE VALUE**	**TAX RATE PER 100**	**TAXES PAID**
C04- City of Fulshear – *BEFORE REBATE*	HS	$56,000	$344,000	0.158691	$545.90
City of Fulshear – AFTER REBATE				**0.1**	**$344**
M232- Ft Bend MUD 171		**$0**	**$400,000**	**1.1175**	**$4,470.00**
D01- Ft Bend Drainage	HS	$80,000	$320,000	0.016	$51.20
G01- Ft Bend Co Gen	HS	$80,000	$320,000	0.453	$1,449.60
R05- Ft Bend Co ESD 4		$0	$400,000	0.1	$400.00
S13- Katy ISD	HS	$25,000	$375,000	1.5166	$5,687.25
TOTALS				**3.361791**	**$12,603.95**

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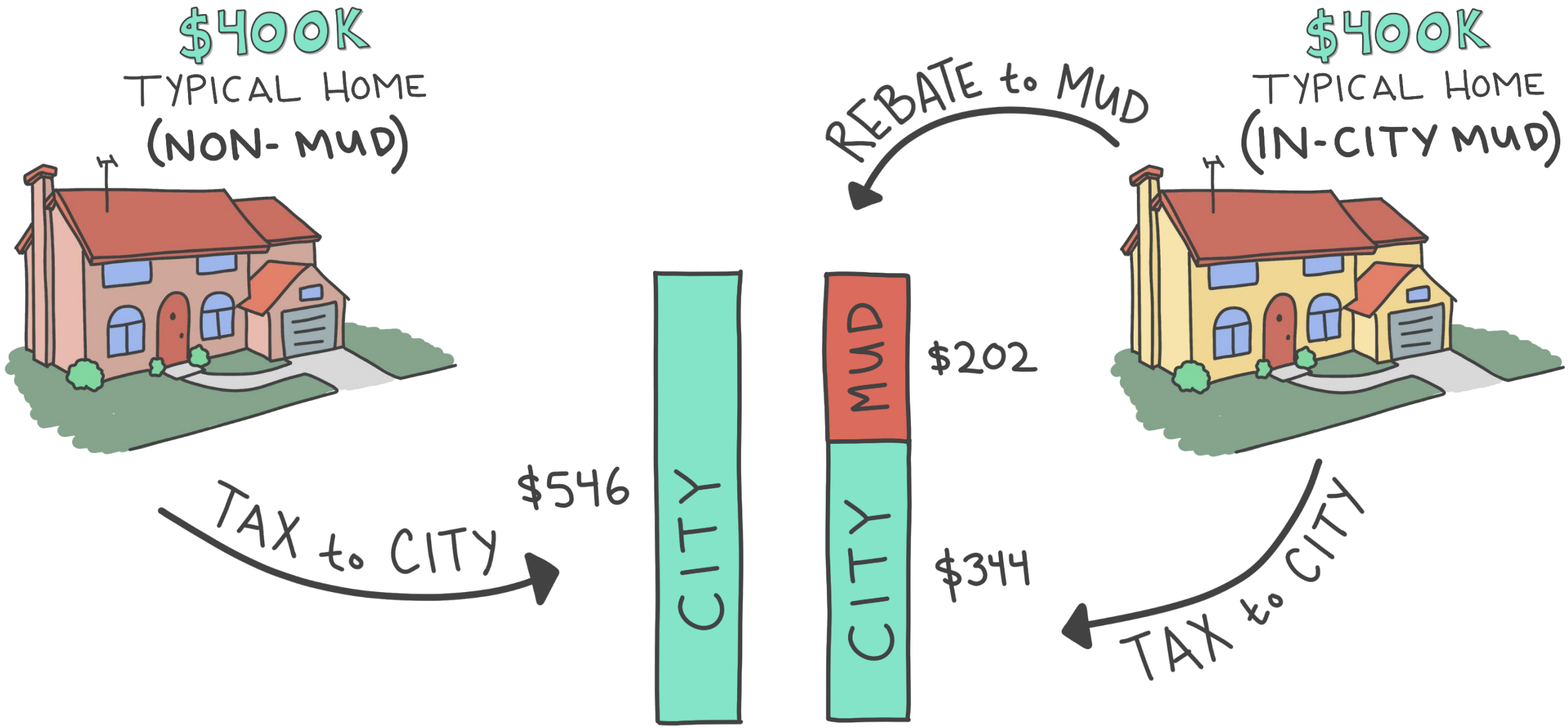
Average Home Contribution



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Moving Forward

What are the next steps?

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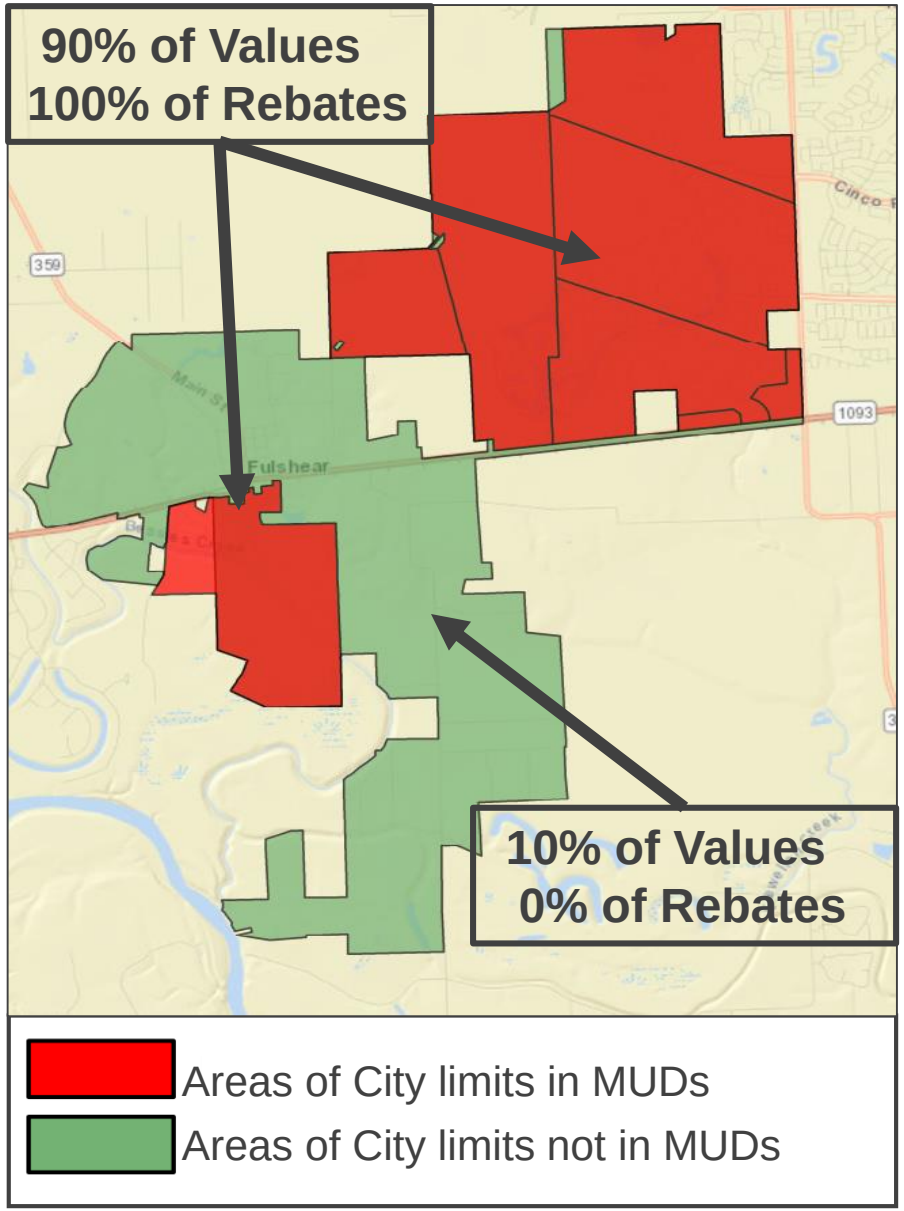
Summarizing the Situation

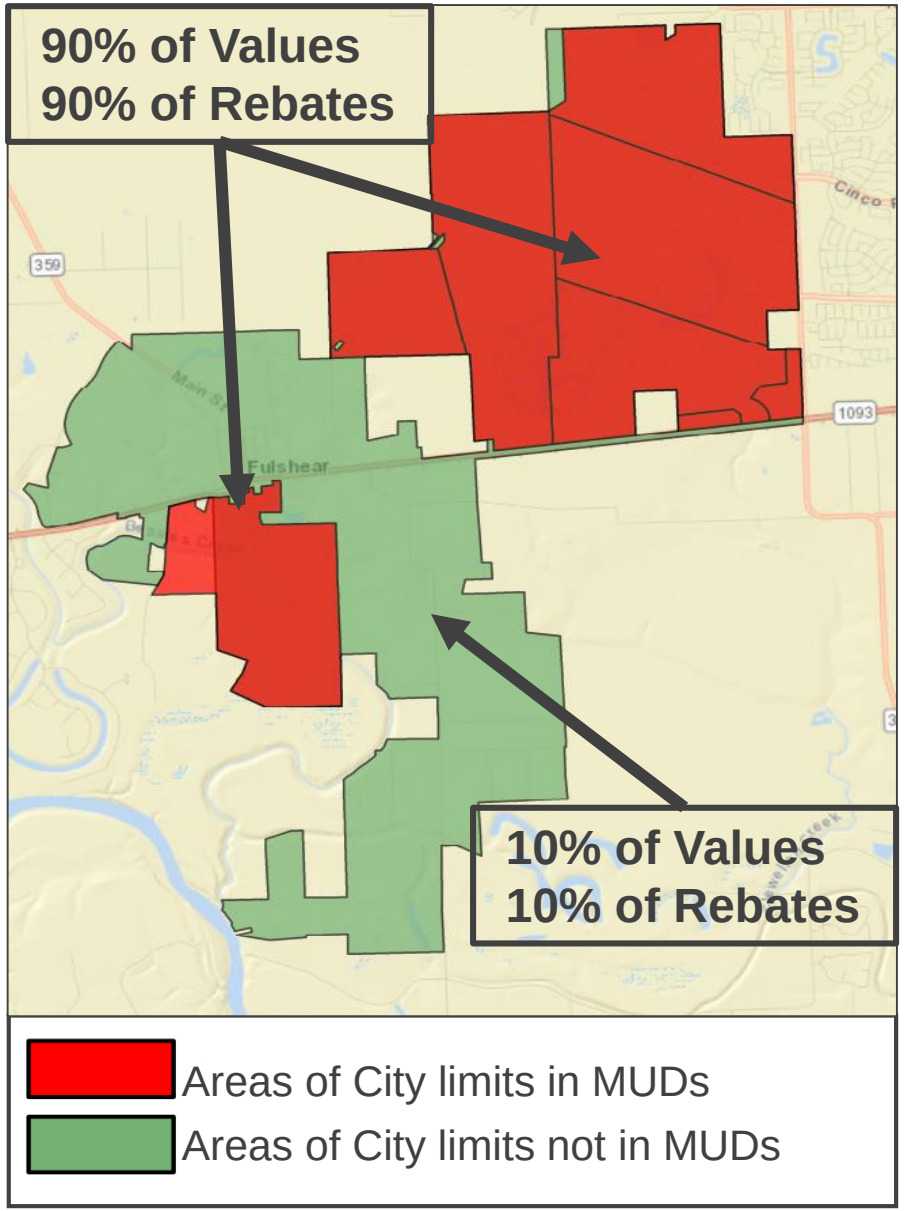
1. Fast growing and high quality of life (thanks to MUDs)
2. Growth is putting pressure on City to increase services, but costs will exceed available revenues (due to low overall tax rate and exacerbated by MUD rebate terms)
3. City needs more flexibility to be able to issue debt to cover infrastructure expansion needs
4. Fulshear is not alone, but being forced into these discussions earlier than most in TX because of the MUD rebate situation
5. Opportunity to negotiate new terms to maintain productive relationship w/ MUDs but also serve all citizens in the community
6. Time sensitive

How the Rebates Currently Work



- The City currently assess a 0.158691 citywide tax rate
- The rebate is that portion of the tax rate (0.058691) collected over $.1000 for MUD properties
- The rebate amount is paid in full from taxes generated by MUD areas
- The City has operational and financial restrictions through these agreements

How the City Would Like the Rebates to Work



- The rebate amount would be a set amount
- A portion of the citywide tax rate would be used to pay the rebate
- The rebate would be paid for by a tax revenue from all City properties
- Restrictions on City operations and finances would be removed

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City's Proposed Principles for Moving Forward

The City has identified the following guidelines/core principles regarding potential revisions to the existing agreements:

1. **Set Rebate Amount** – Rebate will be a set dollar amount or % of MUD debt service without restrictions on City finances and/or operations
   - Will include any mutually agreeable caps
2. **Regionalization** – Utility Systems would be combined and restrictions on operations and finances removed
3. **Rebate to Offset MUD Debt Service** – Rebates paid must be used to reduce the annual debt service payments by the MUDs

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Questions and Discussion