

Fiscal Impact Analysis of Development Scenarios

Prepared for:

The City of Champaign, Illinois



February 5, 2010

Prepared by:



February 5, 2010

Mr. Rob Kowalski, AICP, Assistant Planning Director
City of Champaign
102 N. Neil Street
Champaign, Illinois 61820

Dear Mr. Kowalski:

I am pleased to present to you the results of the *Fiscal Impact Analysis of Development Scenarios* study for the City of Champaign. As you are aware, this study examines whether revenues generated by *new growth* are sufficient to cover the resulting costs for service and facility demands placed on the City over the next twenty years. TischlerBise evaluated the fiscal impact analysis of two scenarios:

- Scenario 1: **Growth Within the Service Area**—all growth occurs within the current sanitary sewer service area.
- Scenario 2: **Growth Beyond the Service Area**—growth occurs both within and outside of the current sanitary sewer service area.

A cursory review of the results would lead the reader to believe that the City will be able to cover the costs of growth under the conditions of Scenario One but not under Scenario Two. However, this conclusion would fail to consider several factors:

1. The fiscal impact analysis results for each scenario are a snapshot based on the FY2009 budget and levels of service. Thus, it is assumed that these *current levels of service* will continue through the 20-year analysis period. If any levels of service are insufficient or the City raises any levels of service, costs will increase reducing the net fiscal impacts.
2. Road projects and fire station construction are assumed to be debt financed over a period of twenty years. Thus, the debt payments extend beyond the time period of this analysis. *Remaining debt service* for the Growth **Within** the Service Area scenario totals \$52.5 million eliminating the positive impact of this scenario while the remaining

debt service for the Growth **Beyond** the Service Area totals \$96.4 million creating a more extreme deficit.

When all debt service is included in the calculations, both scenarios result in net deficits: \$19.7 million in Scenario One and \$116.1 million in Scenario Two. Thus, the City is unable to cover the cost of growth in either scenario when all capital costs are considered.

3. The Growth **Beyond** the Service Area also requires expansion of the sanitary sewer service area with four projects including the extension of interceptor sewers and new lift stations. These sewer project costs have not been captured in this analysis because sanitary sewer service is not provided by the City but by the Urbana-Champaign Sanitary District. These costs and the difficulty of the projects should be considered in addition to the net fiscal impact, as the City often carries the cost of sewers and is reimbursed as development occurs.

Consideration of these factors and the fact that both scenarios will result in fiscal deficits leads to the following conclusions:

- The current revenue sources available to the City to fund capital improvements to serve new development are limited. Thus, the City should consider **alternative financing sources** such as impact fees for growth-related infrastructure.
- Related to the above bullet point, the implementation of a **tiered impact fee program** that charges more for development outside the current sanitary sewer service area could assist the City in directing development in a phased manner.
- **Easing the burden on the operating budget to offset capital expenditures** will allow the City to devote more resources to road maintenance, which has not had adequate funding, as well as other services that have been reduced in the FY2010 budget including police, fire, and public works staffing.
- It is important to acknowledge that **fiscal issues are only one way** to evaluate development and growth trends. Environmental, land use, and social issues should also be taken into consideration when determining what is best for the City.

I look forward to discussing the results and options for addressing the City's capital revenue deficit with you further.

Sincerely,

L. Carson Bise
President, TischlerBise

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I. EXECUTIVE SUMMARY

A. BACKGROUND

TischlerBise is under contract with the City of Champaign, Illinois, to evaluate the fiscal impact of development under two growth scenarios. Growth within each of the two scenarios is allocated to seven different fiscal analysis zones (FAZs) in the City. A fiscal impact analysis determines whether revenues generated by *new growth* are sufficient to cover the resulting costs for service and facility demands placed on the City. It can be regarded as a snapshot of the current budget. For this analysis, FY2009 budget is used to represent a “snapshot” of current revenues, costs, and levels of service.

The revenue and cost projections are based on the assumption that in most cases the current level of spending, as provided in the FY2009 budget, will continue over time. The current level of spending is referred to as the current level-of-service in this type of analysis. Enterprise funds (i.e., self-funded operations) and internal services funds are not included in this analysis since revenues generated from fees are assumed to cover costs to provide those services. In addition, current 2009 dollars are used throughout and all results are shown in \$1,000s.

The first step of the analysis was to determine current service levels and capacities and associated revenues and costs. This was done through on-site interviews with City staff and other relevant personnel as well as a review of the City’s FY2009 Budget and other relevant documents. Results are provided in the Appendix to this report—*Levels of Service / Revenue and Cost Assumptions* document (*LOS Document*)—issued under separate cover. The *LOS Document* contains the revenue and cost projection assumptions that are used in the customized fiscal impact model for this analysis.

The *Fiscal Impact Analysis of Development Scenarios* report herein provides the results of the fiscal impact analysis of the two scenarios as well as a detailed breakdown of the results within each of the seven fiscal analysis zones.

B. DEVELOPMENT SCENARIOS

TischlerBise evaluated the fiscal impact analysis of two scenarios, which are summarized below.

- Scenario 1: **Growth Within the Service Area**—all growth occurs within the current sanitary sewer service area.
- Scenario 2: **Growth Beyond the Service Area**—growth occurs both within and outside of the current sanitary sewer service area.

While the pace of growth in each scenario is very similar, the mix of land uses varies as does the amount of growth in each of the fiscal analysis zones. Land uses are based on approved

developments as well as the assumptions in the *Champaign Tomorrow* plan. The seven areas of the City examined in the study are defined by central transportation nodes:

- Area A: Olympian Drive at Prospect Avenue;
- Area B: Olympian Drive Extended (future interchange with I-74);
- Area C: Bradley Avenue at Staley Road;
- Area D: Staley Road at Kirby Avenue;
- Area E: Southwest Champaign (area surrounding the I-57 and Curtis Road interchange);
- Area F: Curtis Road Interchange with I-57; and
- Area G: Infill development in the urban core of the City.

An overview map of the seven FAZs can be seen in Section II; more detailed maps of each area are included in Appendix B. A summary of the two development scenarios and base year data is shown below.

Figure 1: Summary of Scenarios

	Base Year*	Net Increase 2009-2029	
		Sc. 1: Growth Within Service Area	Sc. 2: Growth Beyond Service Area
Population	75,254	18,452	19,332
Housing Units	31,860	8,453	8,453
Jobs	39,906	9,785	10,885
Nonres. Floor Area (1,000 sf)	15,345	3,985	3,688

* Base year population data is taken from the Draft *Champaign Tomorrow: Existing Conditions Report*, housing units are based on 2007 Special Census and 2000 U.S. Census, jobs data is from the Illinois Workforce Information Center, and nonresidential floor area data is estimated based on the number of jobs.

C. FISCAL IMPACT RESULTS

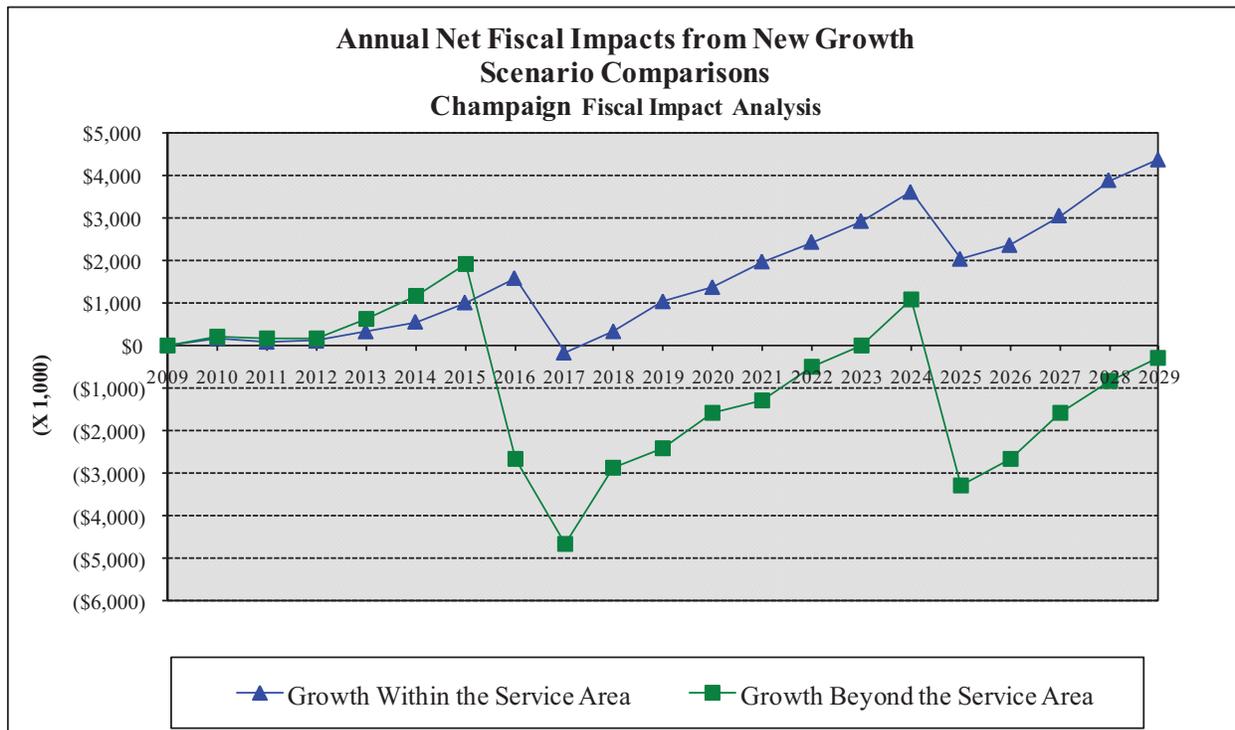
Fiscal impact results are shown in different ways. First, *annual* net results are discussed and show the fiscal impacts from one year to the next for each of the scenarios. *Cumulative* results are shown reflecting total revenues, expenditures, and net fiscal results over the 20-year development timeframe. Finally, results *by FAZ* are then presented detailing the difference between results in the two scenarios for each FAZ.

1. ANNUAL NET RESULTS

Figure 2 shows the *annual* (year to year) net results to the City for each of the growth scenarios over the twenty-year study time horizon. Each year reflects total revenues generated minus total expenditures incurred in the same year. Both capital and operating costs are included. By showing the results annually, the magnitude, rate of change, and timeline of deficits and

revenues can be observed over time. The “bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred. Data points above the \$0 line represent net positive annual results; points below the \$0 line represent annual deficits. Each year’s result is *not* carried forward into the next year. This enables a comparison from year-to-year of the net results without distorting the revenue or cost side of the equation. In reality, those net positive results would be carried forward or deficits would be funded through other means such as debt financing for capital improvements where there is a shortfall.

Figure 2: Annual Net Results of Two Growth Scenarios



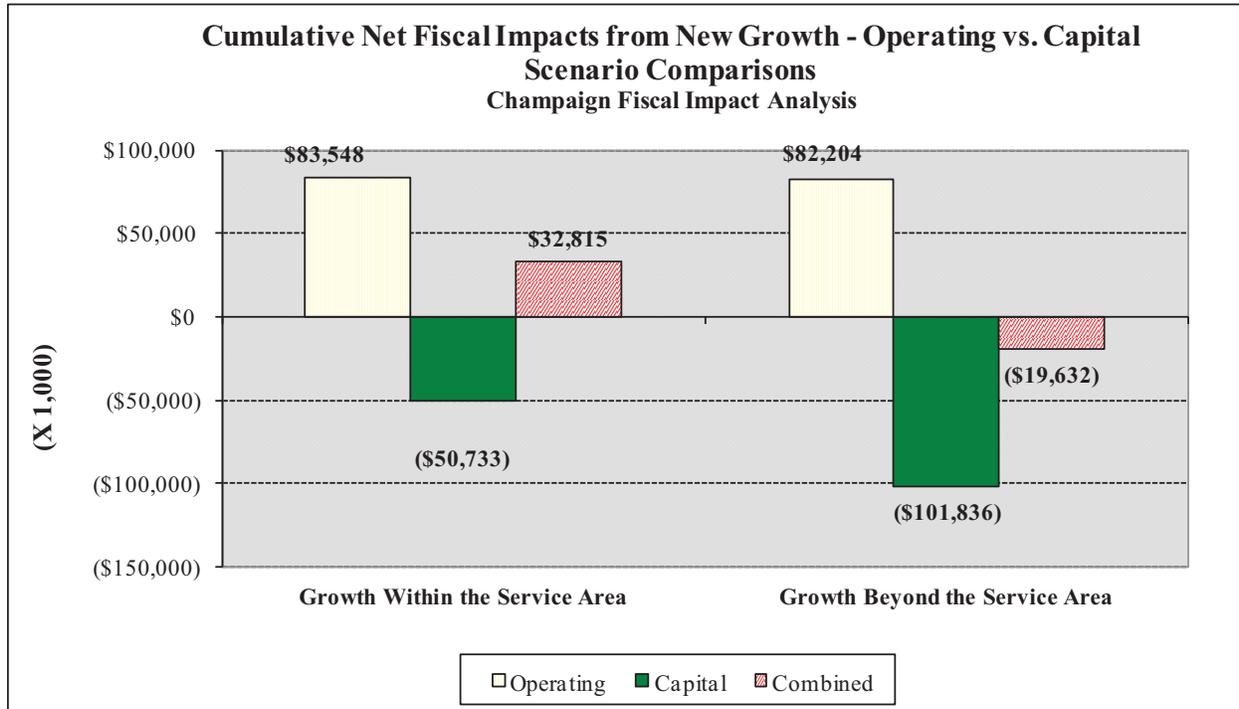
As shown in Figure 2, the annual net fiscal impact is neutral or positive for both scenarios through FY2017. After this year, major variances can be explained by the need to construct capital projects. For the Growth **Within** the Service Area scenario, road projects are triggered in FY2017 and FY2025 causing decreases in the net fiscal impact. The net fiscal impact remains neutral or positive in all years for this scenario.

The decrease in the net fiscal impact begins in FY2016 for the Growth **Beyond** the Service Area scenario; this decrease is caused by the beginning of road projects. The net deficit increases in FY2017 when a new fire station is constructed and fire station #4 is relocated. Another significant decrease in the net fiscal impact occurs when the second set of road projects begin in FY2025.

2. CUMULATIVE NET RESULTS

The largest changes in the net fiscal impact from one year to another for each of the growth scenarios are triggered by capital projects. *Cumulative* figures comparing the net operating and net capital impacts make this even clearer. The relative size of each of these cumulative net positive and negative results as well as a comparison of the cumulative net fiscal impact can be seen in Figure 3 below.

Figure 3: Cumulative Net Results of Two Growth Scenarios



Although the operating results are similar, the cumulative capital deficit for the Growth **Beyond** the Service Area scenario is nearly double that of the Growth **Within** the Service Area capital deficit making the combined results quite different for each scenario. The \$83.5 million net positive operating result for Growth **Within** the Service Area offsets the \$50.7 million capital deficit for a total net positive impact of \$32.8 million while the Growth **Beyond** the Service Area's net fiscal impact is a deficit of \$19.6 million due to the \$101.8 million capital deficit and the \$82.2 million net positive operating result.

Three additional factors must be considered when analyzing these fiscal results:

1. The fiscal impact analysis results for each scenario are a snapshot based on the FY2009 budget and levels of service. Thus, it is assumed that these *current levels of service* will continue through the 20-year analysis period. If any levels of service are insufficient or the City raises any levels of service, costs will increase reducing the net fiscal impacts.

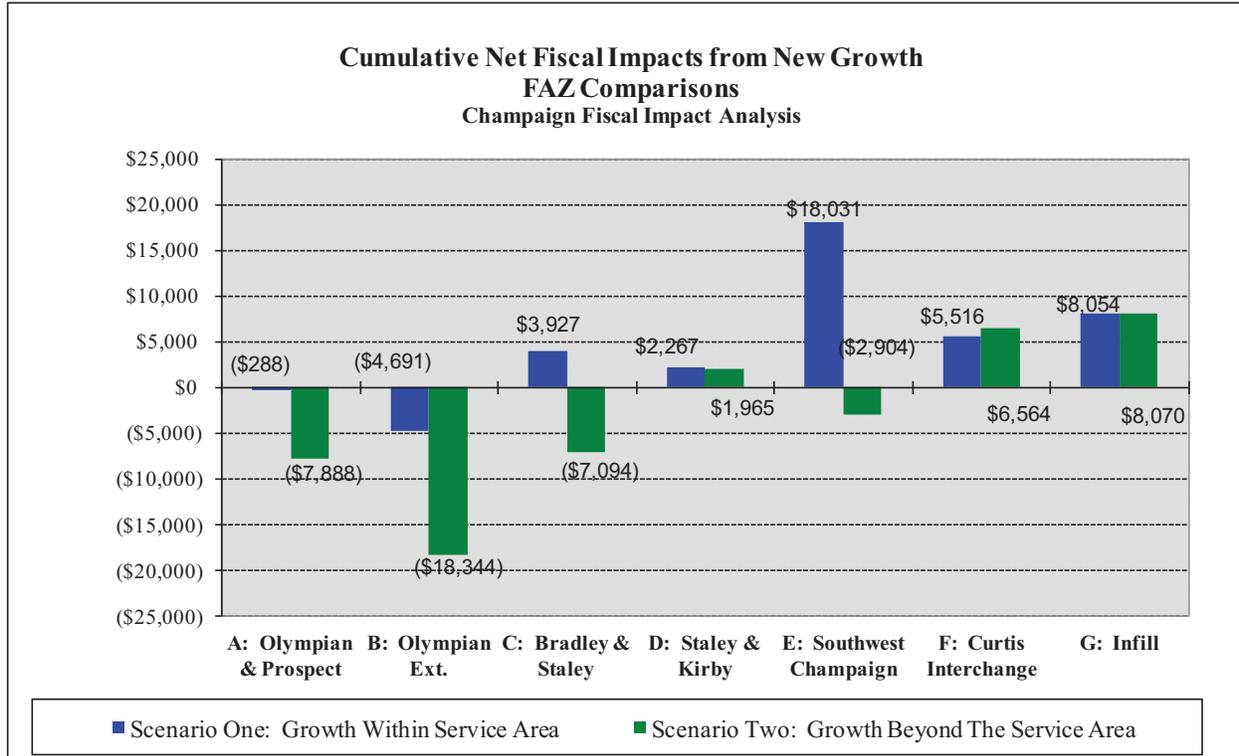
2. Road projects and fire station construction are assumed to be debt financed over a period of twenty years. Thus, the debt payments extend beyond the time period of this analysis. *Remaining debt service* for the Growth **Within** the Service Area scenario totals \$52.5 million eliminating the positive impact of this scenario while the remaining debt service for the Growth **Beyond** the Service Area totals \$96.4 million creating a more extreme deficit.
3. The Growth **Beyond** the Service Area also requires expansion of the sanitary sewer service area with four projects including the extension of interceptor sewers and new lift stations. These sewer project costs have not been captured in this analysis because sanitary sewer service is not provided by the City but by the Urbana-Champaign Sanitary District. These costs and the difficulty of the projects should be considered in addition to the net fiscal impact. However the City often carries the cost of sewers and is reimbursed as development occurs.

3. FISCAL ANALYSIS ZONES

This section provides a summary of the fiscal impact analysis results for each fiscal analysis zone (FAZ). The *cumulative* figures reflect total revenues generated minus operating and capital expenditures over the 20-year development timeframe.

As shown in Figure 4, three of the FAZs with positive net cumulative results in the Growth **Within** the Service Area scenario maintain positive results in the Growth **Beyond** the Service Area scenario: Staley and Kirby, Curtis Interchange, and Infill FAZs. In fact, the Curtis Interchange and Infill FAZs show very little difference in fiscal impact in the two scenarios and maintain net positive impacts in each year of the analysis. Two FAZs, Olympian and Prospect as well as Olympian Extended, have net deficits in both scenarios. Only the Bradley and Staley and Southwest Champaign FAZs change from a net positive result to a net deficit.

Figure 4: Net Fiscal Impacts by FAZ



Net deficits can be attributed to capital costs including road improvements and construction that occur in all FAZs except the Curtis Interchange and Infill; the Bradley and Staley FAZ has no road projects in the Growth **Within** the Service Area scenario. In the Growth **Beyond** the Service Area Scenario, there are also fire capital expenditures in the Olympian Extended, Bradley and Staley, and Staley and Kirby FAZs. More details on revenues and expenditures specific to each FAZ can be found in Section VI of this study.

Debt service payments beyond the twenty-year timeframe of this study must also be considered. Both road projects and the new public works building are assumed to be debt financed over a period of twenty years. Because of this, additional debt service is owed on these improvements after the projection period, thereby increasing overall costs. Additional debt service beyond year 20 totals \$52.5 million for the Growth **Within** the Service Area FAZ and totals \$96.4 million for the Growth **Beyond** the Service Area scenario; a breakdown by FAZ and the impact on the net fiscal impact in each scenario is shown in Figure 5 below.

Figure 5: Additional Debt Service Beyond Year 20 with Revised Net Fiscal Impact

	ADDITIONAL DEBT SERVICE						
	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill
Scenario One: Growth Within Service Area							
Additional Debt Service	\$10,853	\$6,899	\$132	\$19,233	\$15,287	\$51	\$51
Net Fiscal Impact including Additional Debt Service	(\$11,141)	(\$11,590)	\$3,795	(\$16,966)	\$2,744	\$5,465	\$8,003
Scenario Two: Growth Beyond The Service Area							
Additional Debt Service	\$18,705	\$16,221	\$12,282	\$21,591	\$27,456	\$120	\$48
Net Fiscal Impact including Additional Debt Service	(\$26,593)	(\$34,565)	(\$19,376)	(\$19,626)	(\$30,360)	\$6,444	\$8,022

Within both scenarios, additional debt service has a significant impact on the results particularly in the Olympian and Prospect, Olympian Extended, and Staley and Kirby FAZs. In the Growth **Beyond** the Service Area Scenario, it also deepens the deficit in the Bradley and Staley FAZ and eliminates the net positive impact in the Southwest Champaign FAZ. Only the Curtis Interchange and Infill FAZs maintain positive results, as they have no road projects.

For the Development **Beyond** the Service Area, the City must consider the cost and difficulty of the sanitary sewer extension projects to serve each of these FAZs together with their net fiscal impacts. Figure 6 below shows the net fiscal impacts together with descriptions of the sewer projects.

Figure 6: Scenario Two Net Fiscal Impacts and Sanitary Sewer Extension Projects

FAZ	Growth Beyond Scenario Net Fiscal Impact	Sanitary Sewer Projects
A: Olympian & Prospect	(\$7,888)	North: Easy with developer costs
B: Olympian Extended	(\$18,344)	North: Easy with developer costs Northwest: difficult and very costly
C: Bradley & Staley	(\$7,094)	Northwest: difficult and very costly
D: Staley & Kirby	\$1,965	West: difficult and expensive
E: Southwest Champaign	(\$2,904)	West: difficult and expensive South: easy with moderate costs
F: Curtis Interchange	\$6,564	South: easy with moderate costs
G: Infill	\$8,070	None

Given the considerations of the additional debt service and the sanitary sewer projects, the Infill and Curtis Interchange are the most fiscally appealing areas for development in the Growth **Beyond** the Service Area scenario. For the Growth **Within** the Service Area scenario, these two FAZs are fiscally appealing; the Bradley and Staley, Staley and Kirby, and Southwest Champaign FAZs also generate net positive impacts for the City in this scenario.

D. CONCLUSIONS

Based on the results presented above, a number of conclusions can be drawn:

- Cumulative fiscal results for the City are \$52 million more favorable for the Growth **Within** the Service Area scenario than the Growth **Beyond** the Service Area scenario. The net fiscal impact of the Growth **Within** the Service Area scenario is a \$32.8 million positive impact while it is a \$19.6 million deficit for the Growth **Beyond** the Service Area scenario.
- It is important to note the **debt service** for public works and road projects that goes **beyond the twenty-year timeframe** of this study must be considered, as it totals \$52.5 million in the Growth **Within** the Service Area scenario and \$96.4 million in the Growth **Beyond** the Service Area scenario, creating an overall deficit in each of the scenarios. The City must also weigh the cost and difficulty of the **sanitary sewer projects** necessary in the Growth **Beyond** the Service Area scenario.
- **While positive impacts are generated in the operating budget, the City is severely constrained as to the amount of revenue available for support of capital improvements needed to serve new development.** The City's primary sources for funding capital infrastructure are intergovernmental revenues and an annual transfer made from the General Fund to the Capital Improvements Project Fund. However, most of these funds go simply to maintain existing City infrastructure. The amount of this transfer is driven by what the City can afford in a given year and often comes in as a lower priority than ongoing operations funding. The City also utilizes capital-specific property tax and General Obligation bonds, which are financed over a period of 20 years and paid back through property tax.
- The **average annual net fiscal impacts** of the Growth **Within** the Service Area Scenario show positive results for years 1-10 and years 11-20 as well as over the entire twenty-year period while they are deficits for the Growth **Beyond** the Service Area scenario. For both scenarios, the results are more favorable in the first ten years than in years 11-20.
- **New growth under both scenarios generates net positive impacts in the operating budget.** This is because the City's revenue structure has **two large growth-related revenue sources** in the sales tax and property tax. Additionally, most City departments interviewed indicated that they have **capacity available** to serve new development which resulted in lower operating expenditures.
- Within the operating budget, the Growth **Beyond** the Service Area scenario is \$1.3 million less favorable than the Growth **Within** the Service Area scenario. Both revenues and expenditures are higher for the Growth **Beyond** the Service Area scenario. The **mix of development**—including more single family detached housing

units as well as more office space, more retail, and less industrial development—results in **7% higher property tax revenues and 17% more sales tax revenue** which nearly offset the higher expenditures.

- The difference in fiscal impact results of the two scenarios is driven mainly by much higher capital costs—\$52.3 million higher—for the Growth **Beyond** the Service Area scenario. The acreage available for development in this scenario is more than double that of the Growth **Within** the Service Area scenario; the larger area available leads to a more scattered and leapfrog approach to development which requires the expansion of fire service areas as well as the road network. As the results show, this is an inefficient development pattern.
- The current revenue sources available to the City to fund capital improvements to serve new development are so limited. Thus, the City should consider **alternative financing sources** such as impact fees for growth-related infrastructure, particularly for road projects.
- Related to the above bullet point, the implementation of a **tiered impact fee program**, that charges more for development outside the current water and sanitary sewer service area, could assist the City in directing development in a phased manner.
- **Easing the burden on the operating budget to offset capital expenditures** will allow the City to devote more resources to road maintenance, which has not had adequate funding, as well as other services that have been reduced in the FY2010 budget including police, fire, and public works staffing.
- The City may choose to **encourage development in certain FAZs**. With no new capital revenue sources, infill development would provide the best fiscal impact for the City followed by the Curtis Road Interchange and Bradley and Staley FAZs.
- **The analysis does show that the City benefits from encouraging revitalization of the urban core.** Over the twenty-year timeframe, the development of 419 higher value multi-family units and 371,000 square feet of retail development in the form of mixed-use mid-rise buildings in the urban core area generates over \$400,000 annually to the City. The findings specific to this FAZ are representative of this type and amount of development within any area of the current City that would not require any increase in the levels of service.
- If new capital revenues are identified that offset capital costs, all FAZs are attractive with **positive operating results**. The most favorable result is in Staley and Kirby FAZ followed by Southwest Champaign and Olympian and Prospect FAZs.
- As discussed throughout this report and as detailed in the *LOS Document*, the costs assumed are based on **current levels of service for services and infrastructure**. For some

services, City staff have indicated a need for an improved level of service. An improved level of service would result in less favorable fiscal impacts.

- It is important to acknowledge that **fiscal issues are only one way** to evaluate development and growth trends. Environmental, land use, and social issues should also be taken into consideration when determining what is best for the City.
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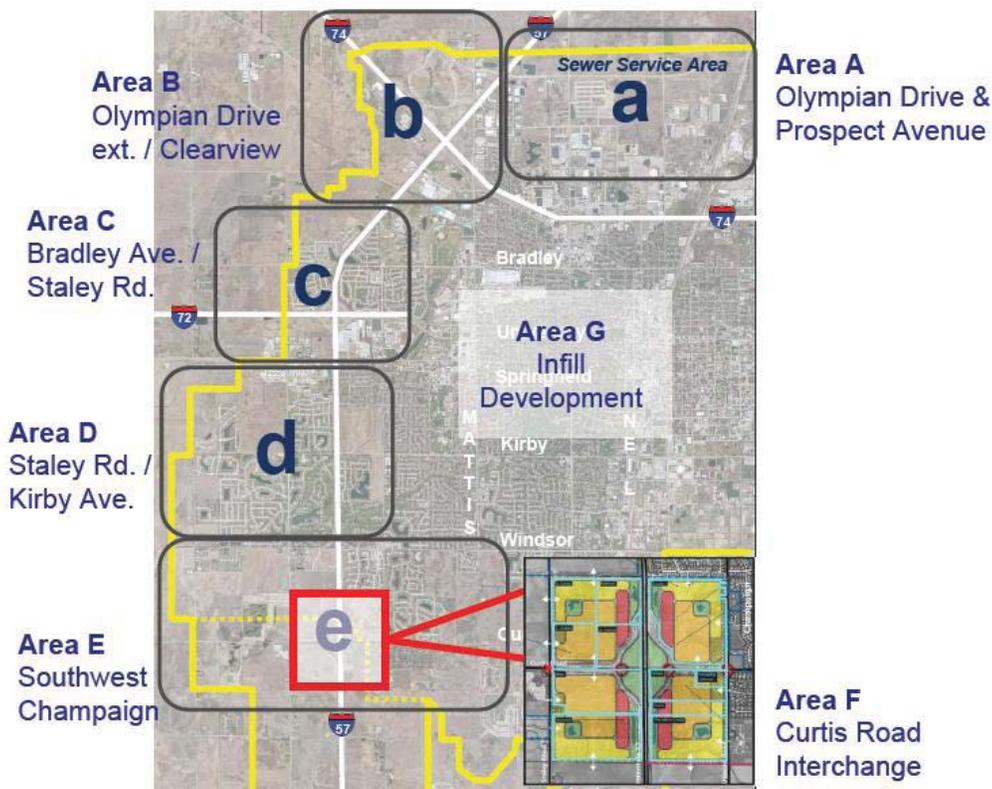
II. DEVELOPMENT SCENARIOS

Two growth scenarios were developed to be analyzed for their impact on the City's operating and capital budgets. For purposes of the fiscal impact analysis, these scenarios were developed for seven subareas, or fiscal analysis zones (FAZ):

- Area A: Olympian Drive at Prospect Avenue;
- Area B: Olympian Drive Extended (future interchange with I-74);
- Area C: Bradley Avenue at Staley Road;
- Area D: Staley Road at Kirby Avenue;
- Area E: Southwest Champaign (area surrounding the I-57 and Curtis Road interchange);
- Area F: Curtis Road Interchange with I-57; and
- Area G: Infill development in the urban core of the City.

Please see Appendix B for more information on the forecasted demographics in each area and Appendix C for the methodology used to develop demographic projections for each area. Figure 7 below shows the location of the various fiscal analysis zones.

Figure 7: Overview Map of Fiscal Analysis Zones



The two scenarios are intended to show the fiscal implications of public policy decisions about key planning issues on broad land use patterns. The Development Within the Service Area

scenario illustrates the impact of development within the current sanitary sewer service area; it assumes that no new sewer projects will be completed to serve the FAZs. Additionally, the only infrastructure specific to each FAZ required is road construction. The Development **Beyond** the Service Area scenario assumes that the sanitary sewer service area will be extended with four capital projects described in Figure 8 below.

Figure 8: Sanitary Sewer Projects Necessary for Development Beyond the Service Area Scenario

Geographic Location	Boundaries of Area (approximate)	FAZ Serviced	Difficulty of Project	Cost of Project
North	<u>North:</u> Ford Harris Road <u>South:</u> current sanitary sewer service area boundary <u>East:</u> Urbana boundary line <u>West:</u> just west of Duncan Road	<u>Area A:</u> Olympian Drive at Prospect Ave. <u>Area B:</u> eastern portions of Olympian Extended	Easy	Developer costs per current requirements for extending sewers
Northwest	<u>North:</u> Ford Harris Road <u>South:</u> I-72 <u>East:</u> just west of Duncan Road & current sanitary sewer service area boundary <u>West:</u> sanitary district boundary line	<u>Area B:</u> western portions of Olympian Extended <u>Area C:</u> Bradley Ave. at Staley Rd.	Very difficult due to topography & distance to treatment plant	Very costly
West	<u>North:</u> I-72 <u>South:</u> Curtis Road <u>East:</u> current sanitary sewer service area boundary <u>West:</u> Barker Road	<u>Area D:</u> Staley Road at Kirby Avenue <u>Area E:</u> Southwest Champaign	Difficult due to topography & distance to treatment plant	Expensive
South	<u>North:</u> current sanitary sewer service area boundary <u>South:</u> Old Church Road <u>East:</u> I-57/Duncan Road <u>West:</u> Rising Road	<u>Area E:</u> Southwest Champaign <u>Area F:</u> Curtis Rd. Interchange	Easy—currently being considered	Moderate

Because sanitary sewer services are provided through an enterprise fund, the cost of these infrastructure projects is not included in this analysis. However, the difficulty and cost of extending the sanitary sewer service areas to each FAZ should be considered when land use decisions are made.

In addition to these sewer infrastructure projects, the area available for development in the Development **Beyond** the Service Area scenario would also require other City services, which are included in the study, to extend their service areas to a wider geographic area. For example, to maintain current levels of service, one fire station would need to be relocated and a new first station established.

A. SCENARIO ONE: DEVELOPMENT WITHIN THE SERVICE AREA

The Development **Within** the Service Area scenario continues existing development trends and assumes that total population growth is consistent with the recent slowdown in the beginning and then increases to average level of the past ten years by FY2019. Job growth grows proportionate to population growth by holding the current population to jobs ratios of 1.89 constant.

Growth within each FAZ is dependent upon the approved developments and acreage available for uncommitted development. As Figure 9 below indicates, the City’s population is projected to increase by 18,700 persons over twenty years. At the fiscal analysis zone level (FAZ), the largest population increases are in the Olympian Drive and Prospect Avenue (6,141) and Southwest Champaign (4,509) FAZs, closely followed by the Staley Road and Kirby Avenue (3,984) FAZ. In keeping with the population growth assumed in these four FAZ’s, the housing unit increases are the highest as well.

The mix of residential units is driven primarily by the type of housing units that have been approved in a given FAZ. For example, in the Olympian Drive and Prospect Avenue FAZ, a large number of multi-family units have been approved while the Infill Development FAZ is expected to only be mixed-use developments with multi-family units and first floor neighborhood retail. For more detail on the mix of development within each FAZ, please see Appendices B and C.

Figure 9: Summary of Development Within the Service Area Scenario

	Fiscal Analysis Zone (FAZ)							TOTAL
	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill	
Population	6,141	769	1,820	3,984	4,509	778	699	18,700
<i>Housing Units</i>								
Single Family Detached High PP	41	25	26	174	170	0	0	435
Single Family Detached Medium PP	356	116	210	646	565	55	0	1,948
Single Family Detached Low PP	329	66	68	269	452	0	0	1,183
Attached Housing	86	51	272	243	352	130	0	1,134
Multi-family Units	2,361	43	244	174	294	217	419	3,752
Total Housing Units	3,173	300	819	1,506	1,833	402	419	8,453
Nonresidential Building Area	1,476,958	109,855	605,853	970,993	722,696	94,770	129,718	4,110,843
<i>Employment</i>								
Industrial	1,138	14	652	690	0	0	0	2,494
Office	1,438	357	137	624	1,048	122	0	3,725
Neighborhood Retail	680	37	176	799	1,343	187	371	3,593
Big Box Commercial	0	0	0	0	0	0	0	0
Total Employment	3,256	408	965	2,113	2,391	309	371	9,812

Total employment in the City is projected to increase by 9,812 jobs by 2029. The Olympian Drive and Prospect Avenue FAZ has the largest increase in employment, with 3,256 new jobs. This FAZ also has the largest increase in nonresidential building area, with a net increase of 1.5 million square feet. Note that the mix of nonresidential development varies among the FAZs. The Olympian Drive and Prospect Avenue FAZ is expected to have far more industrial

development than any other FAZ while the Curtis Road Interchange is the only FAZ with big box commercial development.

B. SCENARIO TWO: DEVELOPMENT BEYOND THE SERVICE AREA

The Development **Beyond** the Service Area scenario has the same level of total growth as scenario one, which is consistent with current and past development trends. Although the pace of total growth in Scenario Two is the same as Scenario One, new developments are more scattered throughout each FAZ. This is due to the fact that each FAZ (except Area G, which is infill development) is larger in area as a result of the assumed expansion of the sanitary sewer service area. Because the increase in acreage of each FAZ from scenario one to scenario two is different, the allocation of new housing units and nonresidential space has shifted.

Growth occurs in each Fiscal Analysis Zone based on the amount of land the zone has available. More development occurs in those areas where the land area increases the most from scenario one to scenario two. For example, the acreage of the Olympian Extended FAZ in scenario two is 3.4 times its area in scenario one while the acreage of the Olympian Drive and Prospect Avenue FAZ in scenario two is only 1.7 times larger than in scenario one. Thus, development shifts from Olympian and Prospect to other areas because there is relatively less land available while Olympian Extended attracts more development because more land is available.

Despite these shifts in where development occurs, the area with the greatest population growth remains the Olympian Drive and Prospect Avenue (4,113) FAZ. However, in this scenario, it is closely followed by the Staley Road and Kirby Avenue (3,976) and Olympian Extended (3,457) FAZs. In keeping with the population growth assumed in these four FAZ's, the housing unit increases are the highest as well. Like scenario one, the mix of housing units varies by FAZ; in this scenario, there is more development of uncommitted land and thus the mix of housing units and nonresidential development in each FAZ is different from in scenario one. For example, the number of multi-family units in the Olympian Drive and Prospect Avenue FAZ actually declines while the number of single family units of all types increases. The mix of development has implications for both revenues and costs, as different types of land uses generate different revenues and demand different services.

Figure 10: Summary of Development Beyond the Service Area Scenario

	Fiscal Analysis Zone (FAZ)							TOTAL
	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill	
Population	4,113	3,457	2,357	3,976	3,133	1,706	699	19,440
<i>Housing Units</i>								
Single Family Detached High PP	89	109	74	158	123	0	0	553
Single Family Detached Medium PP	372	467	289	549	390	119	0	2,187
Single Family Detached Low PP	312	291	197	353	312	0	0	1,466
Attached Housing	184	227	229	287	243	286	0	1,457
Multi-family Units	950	314	197	229	203	478	419	2,790
Total Housing Units	1,907	1,408	986	1,577	1,273	883	419	8,453
Nonresidential Building Area	1,004,037	517,252	434,806	752,812	502,060	208,338	129,718	3,549,023
<i>Employment</i>								
Industrial	790	79	118	240	0	0	0	1,227
Office	936	1,455	496	819	728	300	0	4,735
Neighborhood Retail	456	299	635	1,049	933	0	371	3,743
Big Box Commercial	0	0	0	0	0	604	0	604
Total Employment	2,181	1,833	1,250	2,108	1,661	905	371	10,309

In this scenario, job growth is highest in the Olympian and Prospect (2,181) FAZ followed closely by the Staley and Kirby (2,108) FAZ. The Olympian and Prospect FAZ also has the greatest increase in nonresidential building area (1 million square feet). Like the residential land uses, the mix of nonresidential land uses in each FAZ are different than they were in scenario one. The overall amount of industrial development has decreased while office and retail have increased.

III. APPROACH AND MAJOR ASSUMPTIONS

A fiscal impact analysis determines whether revenues generated by new growth are sufficient to cover the resulting costs for service and facility demands placed on the City. It can be regarded as a snapshot of each jurisdiction's current budget. For this analysis, FY2009 budget is used to represent a "snapshot" of current revenues, costs, and levels of service. The current level of spending as depicted in the budget is referred to as the current level of service in this type of analysis.

The *LOS Document* in Appendix A discusses services and facilities provided by the City included in this analysis that will be impacted by new development. The service level, revenue, and cost assumptions are based on TischlerBise's on-site interviews with staff, a detailed analysis of the current fiscal year budget and other documents, and the Cost of Land Use Analysis conducted previously.

The assumptions outlined below are utilized along with growth scenario projections to calculate the fiscal impact on the City's budget—including operating and capital expenditures—over a 20-year period. Calculations are performed using a customized fiscal impact model designed specifically for this assignment.

A. COST AND REVENUE FACTORS

All costs and revenues directly attributable to new development are included in this analysis. Some costs and revenues are not expected to be impacted by demographic changes, and are considered as fixed costs and revenues in this analysis. To determine fixed costs and revenues, TischlerBise reviewed the FY2009 budget and all available supporting documentation. In other cases, the costs are variable based on certain factors. Personnel and other operating costs are projected as are capital expenditures. Projections of capital costs are based on discussions with staff. Capital costs vary by development scenario.

B. LEVEL OF SERVICE

The cost projections are based on the "snapshot approach" in which it is assumed the current level of service, as funded in the City's FY2009 budget, will continue through the 20-year analysis period. Current demand base data was used to calculate unit costs and service level thresholds. Examples of demand base data include population, housing units, employment by type, and vehicle trips. In summary, the "snapshot" approach does not attempt to speculate about how levels of service, costs, revenues and other factors will change over 20 years. Instead, it evaluates the fiscal impact to the City as it currently conducts business. A discussion is provided in the *LOS Document* and results under this assumption are provided herein.

C. COST AND REVENUE STRUCTURE

The analysis includes the General Fund, non-self sustaining Special Revenue Funds, and Capital Revenues/Expenditures. Only those funds affected by new development are included in the analysis. Furthermore, only those revenues and costs *directly attributed* to new development are assumed. Indirect, or spin-off, impacts are not included.

D. CASE STUDY-MARGINAL APPROACH

This fiscal impact analysis conducted by TischlerBise incorporates the case study-marginal cost approach wherever possible. The case study-marginal methodology is the most realistic method for evaluating fiscal impacts. This methodology takes site or geographic-specific information into consideration. Therefore, any unique demographic or locational characteristics of new development are accounted for, as well as the extent to which a particular infrastructure or service operates under, over or close to capacity. Therefore, available facility capacity determines the need for additional capital facilities and associated operating costs. Many of the administrative/general government costs that are impacted by general growth in the City, regardless of location, are projected using a marginal/average cost hybrid methodology that attempts to determine capacity and thresholds for staffing but projects non-salary operating costs using an average cost approach.

E. INFLATION RATE

The rate of inflation is assumed to be zero throughout the projection period, and cost and revenue projections are in constant 2009 dollars. This assumption is in accord with current budget data and avoids the difficulty of forecasting as well as interpreting results expressed in inflated dollars. In general, including inflation is complicated and unpredictable. This is particularly the case given that some costs, such as salaries, increase at different rates than other operating and capital costs such as contractual and building construction costs. And these costs, in turn, almost always increase in variation to the appreciation of real estate, thus affecting the revenue side of the equation. Using constant 2009 dollars reinforces the snapshot approach and avoids these problems.

F. NON-FISCAL EVALUATIONS

It should be noted that while a fiscal impact analysis is an important consideration in planning decisions, it is only one of several issues that should be considered. Environmental, social and public safety issues, for example, should also be considered when making planning and policy decisions. The above notwithstanding, this analysis will enable interested parties to understand the fiscal implications of future development.

IV. FISCAL RESULTS: COMPARING TWO SCENARIOS

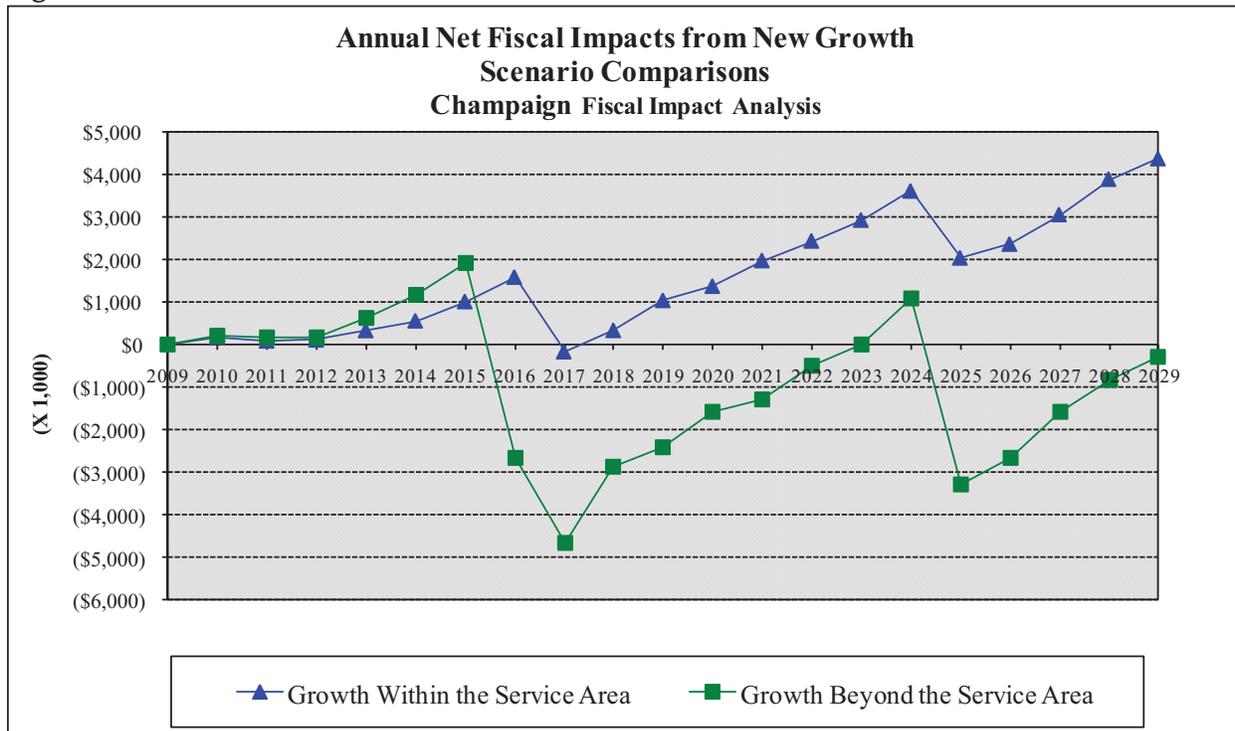
The following section compares the results of the two potential growth scenarios: Growth **Within** the Service Area and Growth **Beyond** the Service Area. For each scenario, the results shown are the sum of the results in each of the seven fiscal analysis zones (FAZs). More details on the FAZ-specific results are provided in sections V and VI.

Fiscal impact results are shown in a number of different ways. First, *annual* net results are discussed and show the fiscal impacts from one year to the next. *Average annual* results are then shown to summarize the general fiscal impacts over time. Finally, *cumulative* results are shown reflecting total revenues, expenditures, and net fiscal results over the 20-year development timeframe.

A. ANNUAL NET RESULTS

Figure 11 shows the *annual* (year to year) net results to the City for each of the growth scenarios over the twenty-year study time horizon. Each year reflects total revenues generated minus total expenditures incurred in the same year. Both capital and operating costs are included. By showing the results annually, the magnitude, rate of change, and timeline of deficits and revenues can be observed over time. The “bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred. Data points above the \$0 line represent positive annual results; points below the \$0 line represent annual deficits. Each year’s result is *not* carried forward into the next year. This enables a comparison from year-to-year of the net results without distorting the revenue or cost side of the equation. In reality, those positive impacts would be carried forward or deficits would be funded through other means such as debt financing for capital improvements where there is a shortfall.

Figure 11: Annual Net Results of Two Growth Scenarios



As shown in Figure 11, the annual net fiscal impact is neutral or positive for both scenarios through FY2016. After this year, major variances can be explained by the capital projects.

In FY2017, there is a significant decrease in the net fiscal impact for the Growth Within the Service Area scenario which is caused by the beginning of road projects; additional road projects begin in FY2025. An accompanying downturn in the net fiscal impact is seen this year as well. The slight leveling of the net fiscal impact between FY2019 and FY2020 and FY2025 and FY2026 is caused by the triggering of new streets maintenance workers and new snow removal trucks coupled with added police officers and vehicles. However, the net fiscal impact remains positive in all years except FY2017.

The decrease in the net fiscal impact begins in FY2016 for the Growth Beyond the Service Area; this decrease is caused by the beginning of road projects. The net deficit increases in FY2017 when the new fire station and moving fire station #4 both occur. Another significant decrease in the net fiscal impact occurs when the second set of road projects begin in FY2025.

B. AVERAGE ANNUAL NET RESULTS

Figure 12 below shows the *average annual* net fiscal results (average revenues minus average operating and capital expenditures) for all funds included in the analysis. The results shown are for three time periods—(1) Years 1-10; (2) Years 11-20; and (3) Years 1-20 (entire 20-year development timeline). The costs and revenues included are those that are defined and discussed throughout this report and the *LOS Document*. All operating and new capital costs

are included in the net fiscal results and represent those accruing from growth in each of the three development scenarios.

Figure 12: Average Annual Net Fiscal Impact

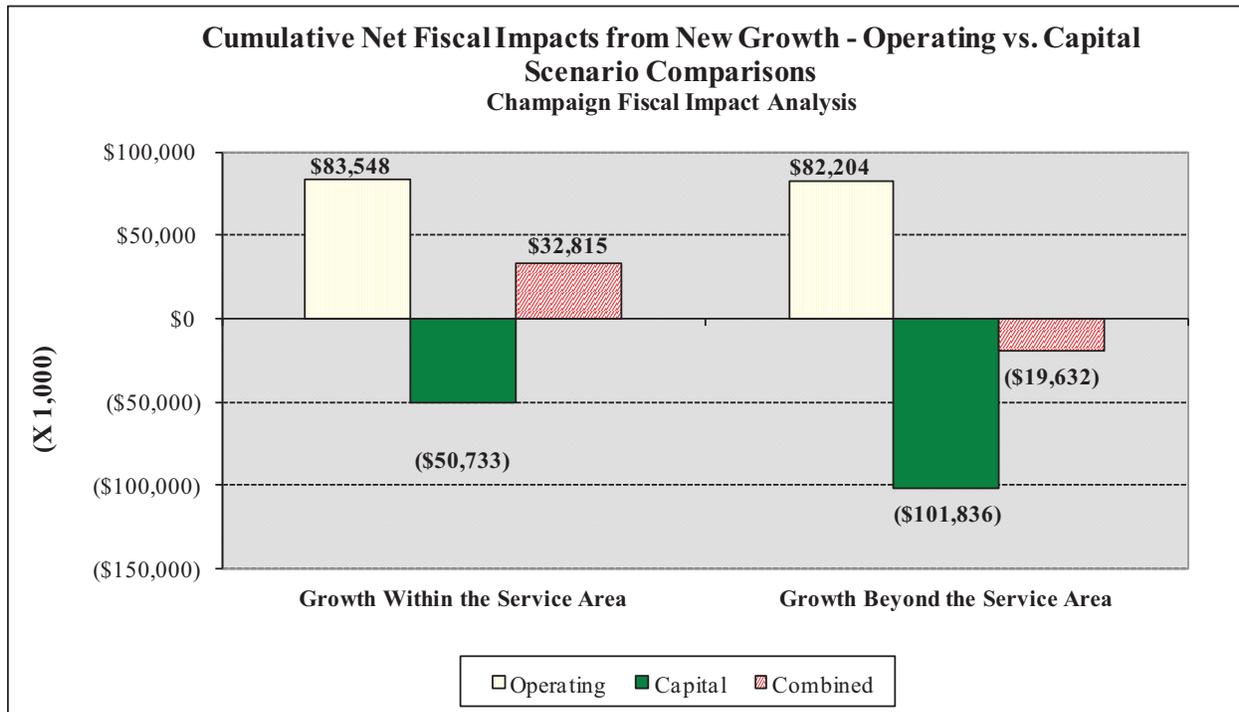
Average Annual Net Fiscal Impact	SCENARIO	
	Scenario One: Growth Within Service Area	Scenario Two: Growth Beyond Service Area
Years 1-10	\$490	(\$851)
Years 11-20	\$2,792	(\$1,112)
Years 1-20	\$1,641	(\$982)

As shown in Figure 12, the average annual net fiscal impacts of the Growth **Within** the Service Area Scenario are positive for all time periods while they are deficits for the Growth **Beyond** the Service Area scenario. For each scenario, the results are more favorable in the first ten years than in years 11-20.

C. CUMULATIVE NET RESULTS

Cumulative figures reflect total revenues generated minus operating and capital expenditures over the 20-year development timeframe. As mentioned above, there are positive net operating results and a net capital deficit in each of the scenarios. The relative size of each of these cumulative results as well as a comparison of the cumulative net fiscal impact can be seen in Figure 13 below.

Figure 13: Cumulative Net Results of Two Growth Scenarios



Although there is only a difference of \$1.3 million in the net cumulative operating results, the cumulative capital deficit for the Growth **Beyond** the Service Area is double that of the Growth **Within** the Service Area capital deficit making the combined results quite different for each scenario. The \$83.5 million positive operating result for Growth **Within** the Service Area offsets the \$50.7 million capital deficit for a total positive impact of \$32.8 million while the Growth **Beyond** the Service Area’s net fiscal impact is a deficit of \$19 million due to the \$101.8 million capital deficit and the \$82.2 million positive operating result.

Three additional factors must be considered when analyzing these fiscal results:

1. The fiscal impact analysis results for each scenario are a snapshot based on the FY2009 budget and levels of service. Thus, it is assumed that these *current levels of service* will continue through the 20-year analysis period. If any levels of service are insufficient or the City raises any levels of service, costs will increase reducing the net positive impact of the Growth **Within** the Service Area scenario and adding to the deficit of the Growth **Beyond** the Service Area scenario.
2. Road projects and fire station construction are assumed to be debt financed over a period of twenty-years. Thus, the debt payments extend beyond the time period of this analysis. *Remaining debt service* for the Growth **Within** the Service Area scenario totals \$52.5 million eliminating the positive result in this scenario while the remaining debt service for the Growth **Beyond** the Service Area totals \$96.4 million creating a more extreme deficit.

3. The Growth **Beyond** the Service Area also requires expanding the sanitary sewer service area with four projects including the extension of interceptor sewers and new lift stations. These sewer project costs have not been captured in this analysis because sanitary sewer service is not provided by the City but by the Urbana-Champaign Sanitary District. These costs and the difficulty of the projects should be considered in addition to the net fiscal impact.

D. DISCUSSION OF THE RESULTS

- Cumulative fiscal results for the City are \$52 million more favorable for the Growth **Within** the Service Area scenario than the Growth **Beyond** the Service Area scenario. The net fiscal impact of the Growth **Within** the Service Area scenario is a \$32.8 million positive impact while it is a \$19.6 million deficit for the Growth **Beyond** the Service Area scenario.
- The difference in fiscal impact results is driven mainly by much higher capital costs—\$52.3 million higher—for the Growth **Beyond** the Service Area scenario. The acreage available for development in this scenario is more than double that of the Growth **Within** the Service Area scenario; the larger area available leads to a more scattered and leapfrog approach to development which requires the expansion of fire service areas as well as the road network. Thus, one fire station must be moved, a new fire station must be built, and many more lane miles of roads must be improved or constructed.
- Including the debt service payments for fire station construction and road projects that are incurred beyond the twenty-year timeframe of this study would add \$52.5 million to the capital costs in the Growth **Within** the Service Area scenario and \$96.4 million to the Growth **Beyond** the Service Area scenario.
- The net capital deficits occurring in both scenarios further supports the fact that the current fiscal structure is inadequate for funding capital needs in Champaign. The City needs to identify alternative capital revenue sources such as impact fees to fund capital needs particularly for road projects.
- Easing the burden on the operating budget to offset capital expenditures will allow the City to devote more resources to road maintenance, which has not had adequate funding, as well as other services that have been reduced in the FY2010 budget including police, fire, and public works staffing.
- Within the operating budget, the Growth **Beyond** the Service Area scenario is \$1.3 million less favorable than the Growth **Within** the Service Area scenario. Both revenues and expenditures are higher for the Growth **Beyond** the Service Area scenario. The mix of development—including more single family detached housing units as well as more office space, more retail, and less industrial development—results

in 7% higher property tax revenues and 17% more sales tax revenue which nearly offset the higher expenditures.

- As discussed throughout this report and as detailed in the *LOS Document*, the costs assumed are based on *current levels of service* for services and infrastructure. For some services, City staff have indicated a need for an improved level of service. An improved level of service would increase cumulative deficits and reduce cumulative positive impacts.
 - It is important to acknowledge that fiscal issues are only one way to evaluate development and growth trends. Environmental, land use, and social issues should also be taken into consideration when determining what is best for the City.
-

V. FISCAL RESULTS: FISCAL ANALYSIS ZONES IN SCENARIO ONE

The following section provides further discussion on the fiscal impact analysis results and revenue and cost details for development in Scenario One: Growth Within the Service Area.

A. FISCAL IMPACT RESULTS

Fiscal impact results are shown in a number of different ways. First, *annual* net results are discussed and show the fiscal impacts from one year to the next. *Average annual* results are then shown over different time intervals to provide an easy way to compare multiple FAZs and summarize the general fiscal impacts over time. Finally, *cumulative* results are shown reflecting total revenues, expenditures, and net fiscal results over the 20-year development timeframe.

1. ANNUAL NET RESULTS

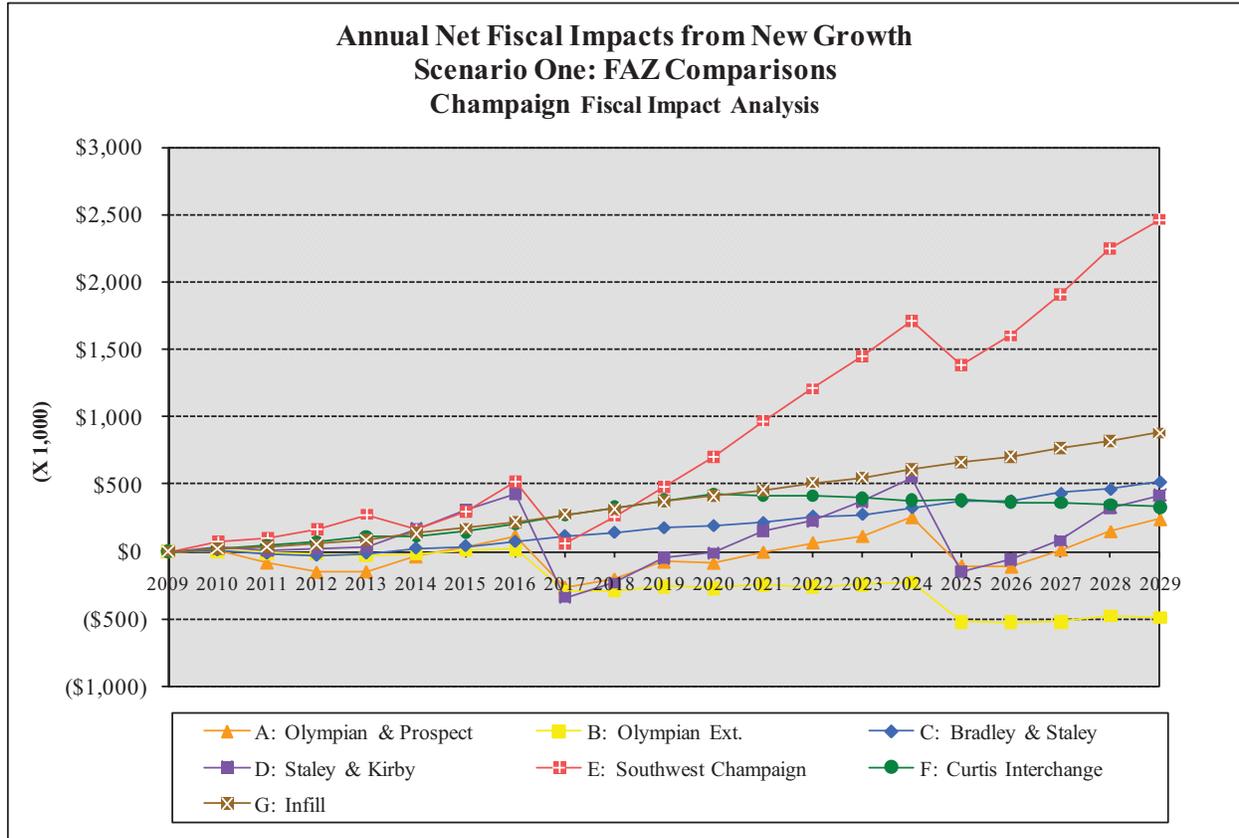
Figure 14 shows the *annual* (year to year) net results to the City for each of the seven FAZs over the study time horizon. Each year reflects total revenues generated minus total expenditures incurred in the same year. Both capital and operating costs are included. By showing the results annually, the magnitude, rate of change, and timeline of deficits and revenues can be observed over time. The “bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred. Data points above the \$0 line represent positive annual results; points below the \$0 line represent annual deficits. Each year’s result is *not* carried forward into the next year. This enables a comparison from year-to-year of the net results without distorting the revenue or cost side of the equation. In reality, those positive impacts would be carried forward or deficits would be funded through other means such as debt financing for capital improvements where there is a shortfall.

As shown in Figure 14, four of the FAZs have net positive impacts each year:

- C: Bradley and Staley;
- E: Southwest Champaign;
- F: Curtis Road Interchange;
- G: Infill.

Both the Olympian and Prospect and Staley and Kirby FAZs have net impacts which vacillate between net deficits and net positive impacts while the Olympian Extended FAZ net impact is generally negative.

Figure 14: Annual Net Fiscal Results



Net deficits and most downward movement in any of the FAZs' annual results can be attributed to capital costs, as each of the FAZs produces a positive net operating impact and all but the Curtis Interchange and Infill FAZs produce net capital deficits. The trends for each FAZ are:

- A: Olympian and Prospect—The capital net deficit outweighs the positive operating impact beginning in year two. As this area grows, it begins to make up some of this deficit until demand for road improvements and construction is triggered in FY2017 and FY2025. The positive operating impact does not outweigh the capital deficit in this area as well as in others because of the high cost of road projects and the mix of development. Most residential development is lower valued multi-family housing coupled with far more industrial and office development than retail. While the property tax generated can cover the operating expenditures, without the boost from retail-generated sales tax the capital costs cannot be offset.
- B: Olympian Extended—The net fiscal impact is neutral or a deficit each year. The net operating impact is the lowest in this FAZ because this FAZ has a low level of residential and retail development. Its nonresidential development is 88% office—bringing in lowest level of sales tax revenue of any of the FAZs. Thus, it is impossible

for the positive operating impact to make up for the significant capital deficit created primarily by capital costs for roads.

- C: Bradley and Staley—This area was not identified for arterial road improvements, and the net positive operating impact is large enough to make up for the capital deficit creating overall net positive or neutral results in all years.
- D: Staley and Kirby— The combination of the largest number of single family detached units of any FAZ and retail development results in high revenues. The operating revenues average 2.5 times the operating expenditures. Until the need for road improvements is triggered, the net positive operating impacts cover the capital deficits. Because this area’s road costs are the highest at a total of \$22.4 million, it is not surprising that there are net deficits in the years that roads are constructed and the immediate years after construction.
- E: Southwest Champaign—A net positive impact occurs each year in this area due to the large amount of development occurring and the mix of development. Residential development is a balance of all housing unit types while neighborhood retail makes up more than 50% of nonresidential development. This area has the most square footage of neighborhood retail development and thus the highest sales tax revenues. The positive operating revenues are even greater than in the Staley and Kirby FAZ averaging 2.6 times the operating expenditures. Like that FAZ, the downward spikes in the annual net fiscal impact are explained by the road projects triggered in FY2017 and FY2025, which total \$17.7 million. Note that the cost of road projects along the border of this FAZ and the Curtis Road Interchange FAZ have been included in the capital costs of the Southwest Champaign FAZ.
- F: Curtis Road Interchange—This FAZ produces increasing net positive impacts as long as development continues occurring in this area; once it reaches its full development potential in FY2020, the results remain at this level. Like the Bradley and Staley FAZ, arterial road improvements were not identified in this area, and the net positive operating impact is large enough to make up the capital deficit creating overall net positive impacts in all years. Please note that arterial improvements to Staley and Duncan Roads were listed in the Southwest Champaign FAZ.
- G: Infill—As development increases over the twenty-year period, the net positive impact increases. Infill development does not require capital infrastructure, and the balance of retail and higher value multi-family housing units creates a positive net impact.

2. AVERAGE ANNUAL NET RESULTS

Figure 15 below shows the *average annual* net fiscal results (average revenues minus average operating and capital expenditures) for all funds included in the analysis. The results shown are for three time periods—(1) Years 1-10; (2) Years 11-20; and (3) Years 1-20 (entire 20-year development timeline). The costs and revenues included are those that are defined and discussed throughout this report and the *LOS Document*. All operating and new capital costs are included in the net fiscal results and represent those accruing from growth in each of the three development scenarios.

As shown in Figure 15, average annual results only show net deficits in the Olympian and Prospect and Olympian Extended FAZs. Over the 20-year time frame, the Southwest Champaign FAZ produces the most favorable annual result. The average annual net fiscal impact is higher in all FAZs during the second ten years of development except for in the Olympian Extended FAZ, which requires more road improvements and construction. The higher net impacts in the other areas are due to operating and capital costs being incurred without a broader tax base to support those expenses. As more retail gets developed—and with it retail sales tax revenue—as well as additional property tax revenues from expanding tax rolls, the deficit for Olympian and Prospect turns to a neutral impact while in the other areas impacts become more favorable. Average annual net impacts over the 20-year period range from a low of \$235 million deficit in the Olympian Extended FAZ to a high of over \$902 million for the Southwest Champaign FAZ.

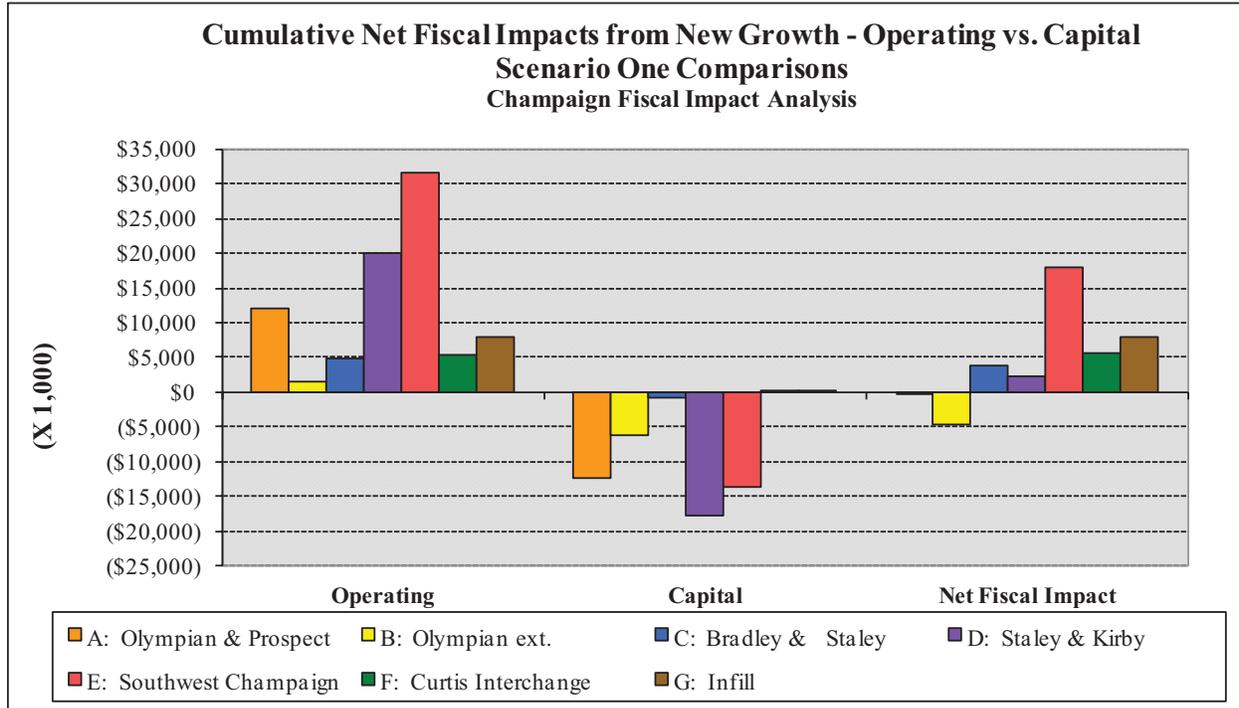
Figure 15: Average Annual Results

SCENARIO ONE: GROWTH WITHIN SERVICE AREA							
Average Annual Net Fiscal Impact	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill
Years 1-10	(\$81)	(\$90)	\$49	\$37	\$238	\$169	\$168
Years 11-20	\$52	(\$379)	\$343	\$190	\$1,565	\$383	\$637
Years 1-20	(\$14)	(\$235)	\$196	\$113	\$902	\$276	\$403

3. CUMULATIVE NET RESULTS

Cumulative figures reflect total revenues generated minus operating and capital expenditures over the 20-year development timeframe. As shown in Figure 16, all scenarios generate cumulative net positive fiscal operating impacts and capital deficits.

Figure 16: Cumulative Net Results



While most FAZs have a combined net positive impact, the combined net fiscal impact is relatively neutral for the Olympian and Prospect FAZ and a deficit in the Olympian Extended FAZ. These results indicate that to support new development at current levels of service, the City must identify additional capital revenues to offset the costs.

As noted above, these results are based on current levels of service; if the City wished to provide an increased level of service, the net fiscal deficits would be worsened and the positive impacts reduced or eliminated.

Debt service payments beyond the twenty-year timeframe of this study must also be considered. Both road projects and the new public works building are assumed to be debt financed over a period of twenty years. Because of this, additional debt service is owed on these improvements after the projection period, thereby increasing overall costs. Additional debt service beyond year 20 totals \$52.5 million; a breakdown by FAZ and the impact on the net fiscal impact is shown in Figure 17 below.

Figure 17: Additional Debt Service beyond Year 20 with Revised Net Fiscal Impact

Additional Debt Service	SCENARIO ONE: GROWTH WITHIN SERVICE AREA						
	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill
Roads	\$10,406	\$6,842	\$0	\$18,942	\$14,960	\$0	\$0
Public Works	\$447	\$57	\$132	\$291	\$327	\$51	\$51
TOTAL	\$10,853	\$6,899	\$132	\$19,233	\$15,287	\$51	\$51
Net Fiscal Impact including Additional Debt Service	(\$11,141)	(\$11,590)	\$3,795	(\$16,966)	\$2,744	\$5,465	\$8,003

The addition of this debt service worsens the deficit in the Olympian Extended FAZ while eliminating the neutral or positive impact of the Olympian and Prospect, and the Staley and Kirby.

4. DISCUSSION OF THE RESULTS

- The cumulative net fiscal impact of all seven FAZs is a \$32.8 million favorable result. This result suggests that were the City to develop within the current service area, new development would contribute an additional \$1.6 million annually to the budget.
- However, the debt service for capital projects that go beyond the twenty-year timeframe of this study totals \$52.5 million, which creates an overall deficit of \$19.7 million for the scenario as a whole.
- The impact of the net capital deficits and remaining debt service combined with the net positive operating impacts emphasize that the City must identify alternative revenue sources such as impact fees to fund capital needs particularly for roads.
- The City may choose to encourage development in certain FAZs more than others. With no new capital revenue sources, infill development would provide the best fiscal impact for the City followed by the Curtis Road Interchange, Bradley and Staley, and Southwest Champaign FAZs.
- If new capital revenue sources are identified and can offset capital costs, all of the FAZs are attractive with net positive operating results. The most favorable operating impact is in Southwest Champaign FAZ followed by the Staley and Kirby, Olympian and Prospect, and Infill FAZs.
- The Infill FAZ is seven mixed use development projects each comprised of 4,000 square feet of first floor neighborhood retail and 60 upper story rental apartments located in the urban core area of the City. The findings specific to this FAZ are representative of this type and amount of development within any area of the current City which would not require any increase in the levels of service.
- Main revenue sources for the City are sales and property taxes. Together these two sources comprise over 43% of the revenues projected for each FAZ.

- As discussed throughout this report and in the *LOS Document*, the costs assumed are based on *current levels of service* for services and infrastructure. For some services, City staff have indicated a need for an improved level of service. Improved levels of service would increase cumulative deficits and reduce cumulative positive results.
- It is important to acknowledge that fiscal issues are only one way to evaluate development and growth trends. Environmental, land use, and social issues should also be taken into consideration when determining what is best for the City.

B. REVENUE AND COST DETAIL

Further details on revenue and cost projections for each FAZ within the Growth Within the Service Area scenario are presented and discussed in this section. Results are shown as cumulative as well as percentage of the total. For additional detail on projection methodologies and revenue and expenditure components, please see the *LOS Document* found in Appendix B.

1. OPERATING REVENUES AND EXPENDITURES

a. Revenues

Operating revenues are detailed below in Figure 18 for each FAZ showing cumulative and the share of total revenues generated as well as the average annual revenues. Operating revenues include those in the General Fund (broken out by type), Urban Renewal Fund, Library Funds, and Food and Beverage Tax Fund.

Figure 18: Cumulative Operating Revenues by FAZ

Cumulative Operating Revenue from New Growth - FAZ Comparisons (x\$1,000)
Champaign Fiscal Impact Analysis

Category	SCENARIO ONE: GROWTH WITHIN SERVICE AREA													
	A: Olympian & Prospect		B: Olympian ext.		C: Bradley & Staley		D: Staley & Kirby		E: Southwest Champaign		F: Curtis Interchange		G: Infill	
	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%
General Fund Property Taxes	\$7,257	20%	\$1,498	34%	\$3,226	27%	\$8,434	24%	\$14,327	25%	\$1,731	16%	\$1,578	14%
General Fund Sales Taxes	\$13,135	37%	\$716	16%	\$3,394	29%	\$15,418	43%	\$25,922	46%	\$5,821	54%	\$7,448	66%
General Fund Income Taxes	\$6,147	17%	\$770	17%	\$1,822	16%	\$3,988	11%	\$4,514	8%	\$1,256	12%	\$728	6%
Other Taxes	\$1,786	5%	\$224	5%	\$529	5%	\$1,159	3%	\$1,312	2%	\$333	3%	\$212	2%
Fines	\$10	0%	\$1	0%	\$3	0%	\$6	0%	\$7	0%	\$2	0%	\$1	0%
Permits, Licenses, & Fees	\$501	1%	\$63	1%	\$148	1%	\$325	1%	\$368	1%	\$88	1%	\$59	1%
Other	\$434	1%	\$54	1%	\$129	1%	\$282	1%	\$319	1%	\$81	1%	\$51	0%
Urban Renewal Fund: Utility Tax	\$670	2%	\$84	2%	\$199	2%	\$435	1%	\$492	1%	\$125	1%	\$79	1%
Library Property Tax	\$4,257	12%	\$879	20%	\$1,892	16%	\$4,947	14%	\$8,405	15%	\$1,016	9%	\$926	8%
Library: Other	\$286	1%	\$36	1%	\$85	1%	\$186	1%	\$210	0%	\$58	1%	\$34	0%
Food & Beverage Tax	\$1,048	3%	\$131	3%	\$311	3%	\$680	2%	\$770	1%	\$214	2%	\$124	1%
TOTAL	\$35,532	100%	\$4,455	100%	\$11,738	100%	\$35,859	100%	\$56,646	100%	\$10,725	100%	\$11,241	100%

As shown in Figure 18, the largest revenue source is sales tax in all areas except the Olympian Extended FAZ. In this FAZ, there is very little retail development resulting in a greater reliance on property tax and income tax revenues. Similarly, although the Olympian and Prospect FAZ has the most development, it has more office and industrial development resulting in lower sales tax revenues than the other areas; its lower property tax revenues can be attributed to the fact that almost 75% of its residential development is multifamily.

The Curtis Road Interchange and Infill FAZs are much more reliant on sales tax revenues than other areas due to their lower population growth and lower value residential development.

Despite the fact that it has less development than the Olympian and Prospect Avenue FAZ and a similar level of development as the Staley and Kirby FAZ, the Southwest Champaign FAZ has revenues approximately 60% higher than in each of these two areas. This high level of general fund revenues is driven by higher sales tax revenues from retail development and higher property tax revenues from a greater number of single family detached and attached housing units. The high level of revenue for this FAZ is reflected in the net fiscal impacts, as this FAZ also has the largest operating and total net positive impact.

In sum, FAZs with significant retail development coupled with high value residential development generate the highest general fund revenues.

b. Expenditures

Operating expenditures are detailed below in Figure 19 for each FAZ showing cumulative expenditures over the 20-year development timeframe and share of total operating expenditures generated. Operating expenditures include those in the General Fund, Urban Renewal Fund, and Library Funds.

Figure 19: Cumulative Operating Expenditures by FAZ

Cumulative Operating Expenditures from New Growth - FAZ Comparisons (x\$1,000)
Champaign Fiscal Impact Analysis

Category	SCENARIO ONE: GROWTH WITHIN SERVICE AREA													
	A: Olympian & Prospect		B: Olympian ext.		C: Bradley & Staley		D: Staley & Kirby		E: Southwest Champaign		F: Curtis Interchange		G: Infill	
	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%
Mayor, Council, & City Manager	\$847	4%	\$106	4%	\$251	4%	\$549	3%	\$622	2%	\$158	3%	\$100	3%
General Government	\$8,756	37%	\$1,077	37%	\$2,578	37%	\$5,842	37%	\$6,824	27%	\$1,745	33%	\$1,176	37%
Human Resources	\$249	1%	\$31	1%	\$74	1%	\$162	1%	\$183	1%	\$46	1%	\$30	1%
Public Works	\$4,474	19%	\$557	19%	\$1,297	19%	\$3,171	20%	\$3,855	15%	\$743	14%	\$686	22%
Police	\$3,584	15%	\$432	15%	\$1,047	15%	\$2,467	16%	\$7,440	30%	\$1,290	24%	\$532	17%
Fire	\$578	2%	\$71	2%	\$170	2%	\$389	2%	\$2,398	10%	\$470	9%	\$80	3%
Neighborhood Services	\$126	1%	\$16	1%	\$37	1%	\$82	1%	\$92	0%	\$18	0%	\$14	0%
IT	\$803	3%	\$101	3%	\$238	3%	\$521	3%	\$590	2%	\$150	3%	\$95	3%
Urban Renewal	\$477	2%	\$60	2%	\$142	2%	\$310	2%	\$351	1%	\$98	2%	\$57	2%
Library	\$3,616	15%	\$453	16%	\$1,072	16%	\$2,346	15%	\$2,655	11%	\$574	11%	\$418	13%
TOTAL	\$23,511	100%	\$2,902	100%	\$6,906	100%	\$15,838	100%	\$25,009	100%	\$5,292	100%	\$3,189	100%

The largest share of operating expenditures is for General Government; the General Government expenditures include the police and fire pension fund costs, which are included as a part of the finance transfers budget. These combined costs make up 50% of total General Government operating expenditures in this scenario. The other 50% of costs includes Legal, Finance, Workers' Comp, Human Resources, and Planning.

Other categories making up more than 10% of operating expenditures include Public Works, Police, and Library. While the percentage of costs remains generally the same across the FAZs, Police costs are higher in the Southwest Champaign and Curtis Road Interchange FAZs due to the addition of six police officers needed to serve this area. These officers are needed for two reasons: (1) the response time from other parts of the City is greater and (2) the high level of big box and retail development results in a higher demand for services in these areas.

Note that while normally Fire would be included as top expenditure category, the current fire service areas would not need to be expanded; only three additional firefighters would need to be added to the service area covering the Southwest Champaign and Curtis Road Interchange FAZs making fire costs slightly higher in these areas.

2. CAPITAL REVENUES AND EXPENDITURES

a. Revenues

Capital revenues are detailed below in Figure 20 for each FAZ showing cumulative and the share of total revenues generated as well as the average annual revenues. Capital revenues include those in the Motor Fuel Tax, Library Improvements, and Capital Improvements Funds.

Figure 20: Cumulative Capital Revenues by FAZ

Cumulative Capital Fund Revenue from New Growth - FAZ Comparisons (x\$1,000)
Champaign Fiscal Impact Analysis

Category	SCENARIO ONE: GROWTH WITHIN SERVICE AREA													
	A: Olympian & Prospect		B: Olympian ext.		C: Bradley & Staley		D: Staley & Kirby		E: Southwest Champaign		F: Curtis Interchange		G: Infill	
	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%
Motor Fuel Tax Fund	\$1,584	28%	\$198	27%	\$469	27%	\$1,027	24%	\$1,163	19%	\$324	25%	\$188	18%
Library Improvements Fund	\$284	5%	\$59	8%	\$126	7%	\$330	8%	\$561	9%	\$68	5%	\$62	6%
Capital Improvements Fund	\$3,782	67%	\$469	65%	\$1,141	66%	\$3,007	69%	\$4,346	72%	\$882	69%	\$812	76%
TOTAL	\$5,650	100%	\$726	100%	\$1,737	100%	\$4,365	100%	\$6,071	100%	\$1,273	100%	\$1,061	100%

The Capital Improvements Fund generates most capital revenue with over 65% in all FAZs; included in it are property tax and intergovernmental revenue. Motor Fuel Tax Fund revenues are also significant. These revenues are generated by population growth in each FAZ, as the state distributes these funds to the City based on population. Finally, the only revenues impacted by growth in Library Improvements Fund revenues are property taxes.

b. Expenditures

Capital expenditures are detailed below in Figure 21 for each FAZ showing cumulative expenditures over the 20-year development timeframe and share of total capital expenditures generated.

Figure 21: Cumulative Capital Expenditures by FAZ

Cumulative Capital Expenditures from New Growth - FAZ Comparisons (x\$1,000)
Champaign Fiscal Impact Analysis

Category	SCENARIO ONE: GROWTH WITHIN SERVICE AREA													
	A: Olympian & Prospect		B: Olympian ext.		C: Bradley & Staley		D: Staley & Kirby		E: Southwest Champaign		F: Curtis Interchange		G: Infill	
	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%
General Government	\$1,258	7%	\$158	2%	\$373	14%	\$816	4%	\$924	5%	\$146	12%	\$143	14%
Roads	\$8,517	47%	\$5,600	80%	\$0	0%	\$15,498	70%	\$12,247	62%	\$0	0%	\$0	0%
Public Works	\$6,674	37%	\$1,024	15%	\$1,823	69%	\$4,822	22%	\$5,144	26%	\$725	61%	\$736	70%
Fire	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Police	\$74	0%	\$9	0%	\$22	1%	\$51	0%	\$308	2%	\$50	4%	\$11	1%
Library	\$1,435	8%	\$180	3%	\$425	16%	\$931	4%	\$1,054	5%	\$270	23%	\$169	16%
TOTAL	\$17,959	100%	\$6,970	100%	\$2,643	100%	\$22,119	100%	\$19,677	100%	\$1,190	100%	\$1,059	100%

In this scenario, there are no capital costs for fire, as the existing fire stations have the capacity to provide service to new development. Cumulative capital costs for general government,

police, and library are each less than \$1.4 million for each FAZ; these capital costs include expansion of general government facilities, police vehicles, and library collections.

As shown in Figure 21, road improvements and construction represent the largest capital cost item in those FAZs that require road projects. The FAZs that require no road improvements or construction in this scenario—Bradley and Staley, Curtis Road Interchange, and the Infill FAZs—have significantly lower capital expenditures.

Public Works capital costs are the second-largest capital cost including the new public works building, expansion of the parking building, and new vehicles and equipment. Both road projects and the new public works building are assumed to be debt financed. Therefore, expenditures shown above represent debt service payments from year of “construction” to end of the 20-year projection period. Because of this, additional debt service is owed on these improvements after the projection period, thus increasing overall costs. Additional debt service beyond year 20 totals \$52.5 million; a breakdown by FAZ is shown in Figure 22 below.

Figure 22: Additional Debt Service beyond Year 20

Additional Debt Service	SCENARIO ONE: GROWTH WITHIN SERVICE AREA						
Category	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill
Roads	\$10,406	\$6,842	\$0	\$18,942	\$14,960	\$0	\$0
Public Works	\$447	\$57	\$132	\$291	\$327	\$51	\$51
TOTAL	\$10,853	\$6,899	\$132	\$19,233	\$15,287	\$51	\$51

VI. FISCAL RESULTS: FISCAL ANALYSIS ZONES IN SCENARIO TWO

The following section provides further discussion on the fiscal impact analysis results and revenue and cost details for development in Scenario Two: Growth **Beyond** the Service Area.

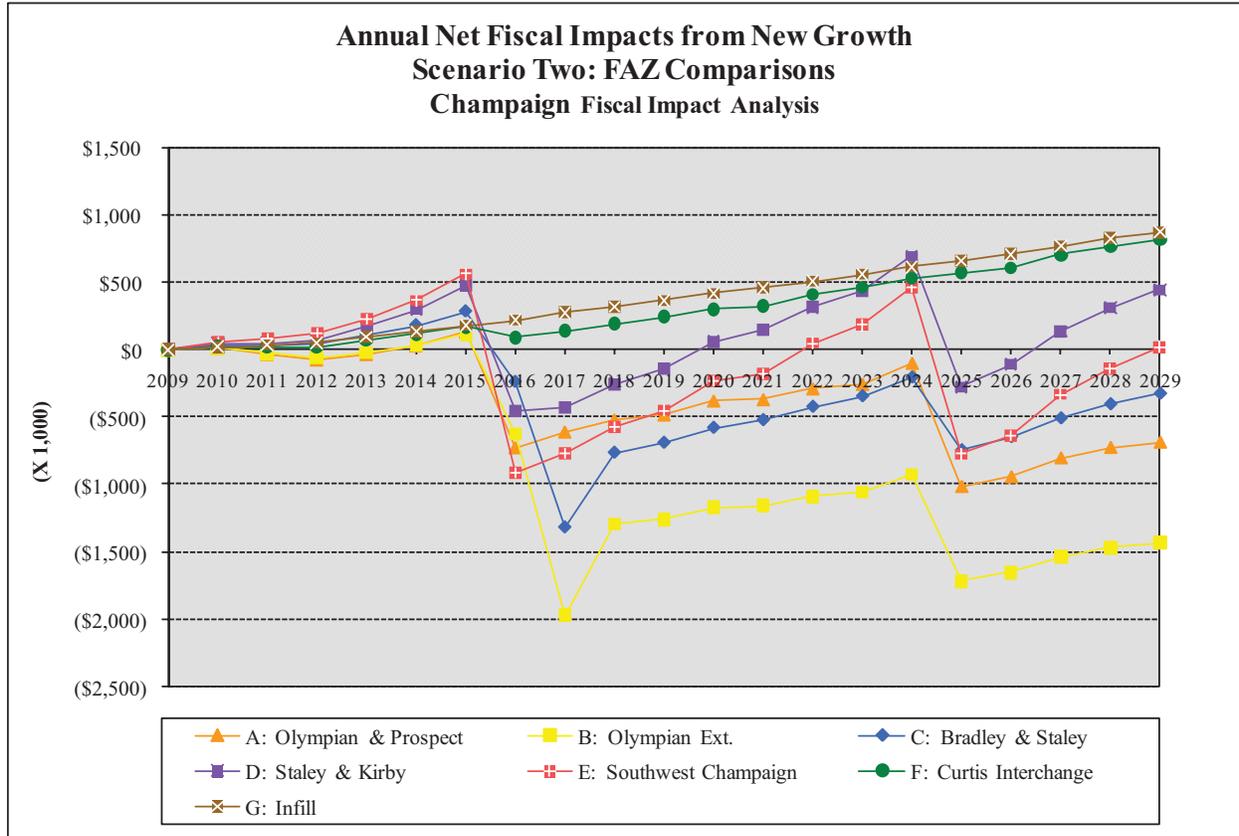
A. FISCAL IMPACT RESULTS

Fiscal impact results are shown in a number of different ways. First, *annual* net results are discussed and show the fiscal impacts from one year to the next. *Average annual* results are then shown over different time intervals to provide an easy way to compare multiple FAZs and summarize the general fiscal impacts over time. Finally, *cumulative* results are shown reflecting total revenues, expenditures, and net fiscal results over the 20-year development timeframe.

1. ANNUAL NET RESULTS

Figure 23 shows the *annual* (year to year) net results to the City for each of the seven FAZs over the study time horizon. Each year reflects total revenues generated minus total expenditures incurred in the same year. Both capital and operating costs are included. By showing the results annually, the magnitude, rate of change, and timeline of deficits and revenues can be observed over time. The “bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred. Data points above the \$0 line represent positive annual results; points below the \$0 line represent annual deficits. Each year’s impact is *not* carried forward into the next year. This enables a comparison from year-to-year of the net results without distorting the revenue or cost side of the equation. In reality, those positive impacts would be carried forward or deficits would be funded through other means such as debt financing for capital improvements where there is a shortfall.

Figure 23: Annual Net Fiscal Results



Only two FAZs have net positive impacts each year: Curtis Road Interchange and Infill. All other FAZs show both positive and negative net results; movement in the results can be attributed to capital costs. The trends for each FAZ are:

- A: Olympian and Prospect—The capital net deficit outweighs the positive operating impact beginning in year two. As this area grows, it begins to make up some of this deficit until demand for road improvements and construction is triggered in FY2016 and FY2025. The positive operating impact does not outweigh the capital deficit because of the high cost of road projects and the mix of development. 50% of the residential development is lower value multi-family housing coupled with far more industrial and office development than retail. While the revenues generated can cover the operating expenditures, significant capital costs outweigh these positive operating impacts in seventeen of the twenty years.
- B: Olympian Extended—This FAZ shows only modest positive in three of the twenty years. This FAZ’s nonresidential development is 79% office with only 299,000 square feet of neighborhood retail space leaving it very reliant on property and income tax revenues. These revenue factors make for a basically neutral net operating impact which provides virtually no offset of the net capital deficit. This is particularly striking in FY2016 and FY2025 when road projects are triggered and also in FY2017 when the

debt service for the new fire station and the addition of a fire company are added to the costs.

- C: Bradley and Staley—The net fiscal impact in this FAZ is positive in the first six years. However, once the need for road infrastructure is triggered in FY2016, each year's net fiscal impact is a deficit. In FY2017, the deficit deepens when capital costs begin for the debt service of both the new fire station and relocating station #4 as well as operating expenditures for the new fire company for the new station.
- D: Staley and Kirby—Scenario Two in this FAZ assumed a smaller area compared to the other FAZs. However, the net operating revenues average over 2.8 times the operating expenditures for this FAZ. These large revenues are the result of this FAZ projected to have retail development and single family residential development. Net deficits over \$10,000 only occur in FY2016-2019 and FY2025-2026. These are caused by road projects beginning in FY2016 and FY2025 as well as the move of fire station #4 in FY2017.
- E: Southwest Champaign—Although this FAZ has the highest road project costs of \$33.7 million, a net positive impact occurs in ten of the twenty years due to the large amount of development occurring and the mix of development. Residential development is a balance of all housing unit types while neighborhood retail makes up more than 50% of nonresidential development. This area has nearly the same amount of neighborhood retail development as Staley and Kirby and thus high sales tax revenues; the positive operating impacts are the same as in the Staley and Kirby FAZ with operating revenues averaging 2.8 times the operating expenditures. Like that FAZ, the downward spikes in the annual net fiscal impact are explained by the road projects triggered in FY2016 and FY2025 and the addition of fire and police staff in FY2016 and FY2017.
- F: Curtis Road Interchange—This FAZ produces increasing net positive impacts with increasing levels of development. Arterial road improvements were not identified in this area, and the positive net operating impact is large enough to make up for the capital deficit creating overall net positive results in all years. The only downturn in the net results is a result of the addition of fire and police staff in FY2017. Please note that arterial improvements to Staley and Duncan Roads were listed in the Southwest Champaign FAZ.
- G: Infill—As development increases over the twenty-year period, the net positive impact increases. Infill development does not require capital infrastructure, and the balance of retail and higher value multi-family housing units creates a net positive impact.

2. AVERAGE ANNUAL NET RESULTS

Figure 24 below shows the *average annual* net fiscal results (average revenues minus average operating and capital expenditures) for all funds included in the analysis. The results shown are for three time periods—(1) Years 1-10; (2) Years 11-20; and (3) Years 1-20 (entire 20-year development timeline). The costs and revenues included are those that are defined and discussed throughout this report and the *LOS Document*. All operating and new capital costs are included in the net fiscal results and represent those accruing from growth in each of the three development scenarios.

As shown in Figure 24, average annual results show net deficits in the Olympian and Prospect, Olympian Extended, Bradley and Staley, and Southwest Champaign FAZs. In those FAZs with net deficits, the deficits are more extreme during the second ten years of development because they require more road projects and the Bradley and Staley FAZ has debt payments for both the new fire station and moving fire station #4.

Over the 20-year time frame, the Infill FAZ produces the most favorable average annual net result. In each of the scenarios with positive average annual results, the impacts are more favorable in the second ten years because of the broader tax base supporting the expenses. As more retail gets developed—and with it retail sales tax revenue—as well as additional property tax revenues from expanding tax rolls, more revenues are generated to offset costs. Average annual net impacts over the 20-year period range from a low of \$917 million deficit in the Olympian Extended FAZ to a high of over \$404 million for the Infill FAZ.

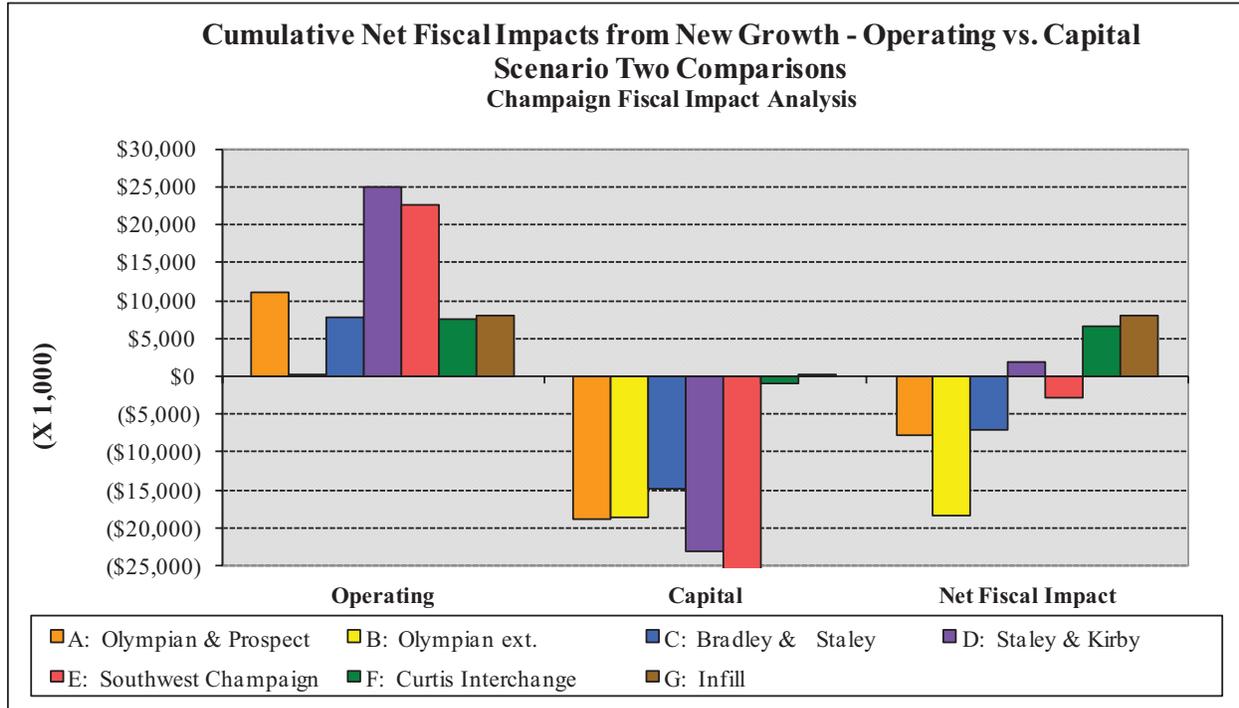
Figure 24: Average Annual Results

SCENARIO TWO: GROWTH BEYOND THE SERVICE AREA							
Average Annual Net Fiscal Impact	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill
Years 1-10	(\$231)	(\$511)	(\$236)	(\$18)	(\$131)	\$108	\$168
Years 11-20	(\$558)	(\$1,324)	(\$473)	\$215	(\$159)	\$549	\$639
Years 1-20	(\$394)	(\$917)	(\$355)	\$98	(\$145)	\$328	\$404

3. CUMULATIVE NET RESULTS

Cumulative figures reflect total revenues generated minus operating and capital expenditures over the 20-year development timeframe. As shown in Figure 25, all scenarios generate cumulative positive net fiscal operating impacts and capital deficits.

Figure 25: Cumulative Net Results



The combined net fiscal impacts are mixed. Four FAZs have net deficits: Olympian and Prospect, Olympian Extended, Bradley and Staley, and Southwest Champaign. The remaining three FAZs have net positive impacts: Staley and Kirby, Curtis Road Interchange, and Infill. These results indicate that to support new development at current levels of service, the City must identify additional capital revenues to offset the costs.

For this Development **Beyond** the Service Area scenario, the City must also consider the cost and difficulty of the sanitary sewer extension projects needed to serve each of these FAZs together with their net fiscal impacts. Figure 26 below shows the net fiscal impacts together with descriptions of the sewer projects.

Figure 26: Net Fiscal Impacts and Sanitary Sewer Extension Projects

FAZ	Net Fiscal Impact	Sanitary Sewer Projects
A: Olympian & Prospect	(\$7,888)	North: Easy with developer costs
B: Olympian Extended	(\$18,344)	North: Easy with developer costs Northwest: difficult and very costly
C: Bradley & Staley	(\$7,094)	Northwest: difficult and very costly
D: Staley & Kirby	\$1,965	West: difficult and expensive
E: Southwest Champaign	(\$2,904)	West: difficult and expensive South: easy with moderate costs
F: Curtis Interchange	\$6,564	South: easy with moderate costs
G: Infill	\$8,070	None

Debt service payments beyond the twenty-year timeframe of this study must also be considered. Both road projects and the new public works building are assumed to be debt financed over a period of twenty years. Because of this, additional debt service is owed on these improvements after the projection period, thereby increasing overall costs. Additional debt service beyond year 20 totals \$96.4 million; a breakdown by FAZ and the impact on the net fiscal impact is shown in Figure 27 below.

Figure 27: Additional Debt Service beyond Year 20 with Revised Net Fiscal Impact

Additional Debt Service	SCENARIO TWO: GROWTH BEYOND THE SERVICE AREA						
	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill
Roads	\$18,417	\$15,981	\$12,117	\$21,315	\$27,237	\$0	\$0
Public Works	\$288	\$240	\$165	\$276	\$219	\$120	\$48
TOTAL	\$18,705	\$16,221	\$12,282	\$21,591	\$27,456	\$120	\$48
Net Fiscal Impact including Additional Debt Service	(\$26,593)	(\$34,565)	(\$19,376)	(\$19,626)	(\$30,360)	\$6,444	\$8,022

The addition of this debt service worsens the deficit in the Olympian and Prospect, Olympian Extended, Bradley and Staley, and Southwest Champaign FAZs while eliminating the neutral impact of the Staley and Kirby FAZ. Only the Curtis Interchange and Infill FAZs maintain net positive results because these FAZs do not have road projects.

As noted above, the results are based on current levels of service; if the City wished to provide an increased level of service, the net fiscal deficits would be worsened and the positive impacts reduced or eliminated.

4. DISCUSSION OF THE RESULTS

- The cumulative net fiscal impact of all seven FAZs is \$19.6 million deficit. This result suggests that were the City to develop within the current service line boundaries, new development would, on average, cost the City \$982,000 annually.
- However, the debt service for public works and road improvements and construction that goes beyond the twenty-year timeframe of this study totals \$96.4 million, which creates an overall deficit of \$116.1 million for the scenario as a whole.
- This overall \$116.1 million deficit does not take into account the cost of sanitary sewer projects to extend the service areas to all areas of each FAZ. The City must also weigh the cost and difficulty of these projects. Given both of these considerations, the Infill and Curtis Interchange are the most fiscally appealing areas for development.
- The impact of the net capital deficits and remaining debt service emphasize that the City must identify alternative revenue sources such as impact fees to fund capital needs particularly for roads, public works, and fire.
- The City may choose to encourage development in certain FAZs more than others. With no new capital revenue sources, infill development would provide the best fiscal impact for the City followed by the Curtis Interchange and Staley and Kirby FAZs.
- If new capital revenue sources are identified and can absorb some or all of the capital costs, all of the FAZs are attractive with positive net operating impacts. Only the Olympian Extended FAZ's positive operating impact is small enough to be considered neutral. The most favorable result is in the Staley and Kirby FAZ followed by the Southwest Champaign and Olympian and Prospect FAZs.
- The Infill FAZ is seven mixed use development projects each comprised of 4,000 square feet of neighborhood retail and 60 rental apartments located in the urban core area. The findings specific to this FAZ are representative of this type and amount of development within any area of the current City which would not require any increase in the levels of service; the development does not require additional police officers, firefighters, road construction, or other capital projects.
- Main revenue sources for the City are sales and property taxes. Together these two sources comprise make up 48% to 73% of the revenues projected for each scenario.
- As discussed throughout this report and as detailed in the *LOS Document*, the costs assumed are based on *current levels of service* for services and infrastructure. For some services, City staff have indicated a need for an improved level of service. Improved levels of service would increase cumulative deficits and reduce cumulative positive impacts.

- It is important to acknowledge that fiscal issues are only one way to evaluate development and growth trends. Environmental, land use, and social issues should also be taken into consideration when determining what is best for the City.

B. COST AND REVENUE DETAIL

Further details on revenue and cost projections for each FAZ within the Growth **Beyond** the Service Area scenario are presented and discussed in this section. Results are shown as cumulative as well as percentage of the total. For additional detail on projection methodologies and revenue and expenditure components, please see the LOS Document found in Appendix B.

1. OPERATING REVENUES AND EXPENDITURES

a. Revenues

Operating revenues are detailed below in Figure 28 for each FAZ showing cumulative and the share of total revenues generated as well as the average annual revenues. Operating revenues include those in the General Fund (broken out by type), Urban Renewal Fund, Library Funds, and Food and Beverage Tax Fund.

Figure 28: Cumulative Operating Revenues by FAZ

Cumulative Operating Revenue from New Growth - Scenario Comparisons (x\$1,000)
Champaign Fiscal Impact Analysis

Category	SCENARIO TWO: GROWTH BEYOND THE SERVICE AREA													
	A: Olympian & Prospect		B: Olympian ext.		C: Bradley & Staley		D: Staley & Kirby		E: Southwest Champaign		F: Curtis Interchange		G: Infill	
	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%
General Fund Property Taxes	\$6,706	25%	\$6,751	29%	\$4,825	20%	\$8,516	20%	\$10,199	25%	\$2,312	14%	\$1,578	14%
General Fund Sales Taxes	\$9,052	33%	\$5,937	26%	\$12,627	51%	\$20,849	50%	\$18,538	46%	\$9,413	58%	\$7,448	66%
General Fund Income Taxes	\$4,238	16%	\$3,562	16%	\$2,429	10%	\$4,097	10%	\$3,228	8%	\$1,779	11%	\$728	6%
Other Taxes	\$1,232	5%	\$1,035	5%	\$706	3%	\$1,191	3%	\$938	2%	\$517	3%	\$212	2%
Fines	\$7	0%	\$6	0%	\$4	0%	\$6	0%	\$5	0%	\$3	0%	\$1	0%
Permits, Licenses, & Fees	\$344	1%	\$289	1%	\$197	1%	\$332	1%	\$262	1%	\$144	1%	\$59	1%
Other	\$299	1%	\$252	1%	\$172	1%	\$289	1%	\$228	1%	\$126	1%	\$51	0%
Urban Renewal Fund: Utility Tax	\$462	2%	\$388	2%	\$265	1%	\$446	1%	\$352	1%	\$194	1%	\$79	1%
Library Property Tax	\$3,934	14%	\$3,960	17%	\$2,830	12%	\$4,996	12%	\$5,983	15%	\$1,356	8%	\$926	8%
Library: Other	\$197	1%	\$166	1%	\$113	0%	\$191	0%	\$150	0%	\$83	1%	\$34	0%
Food & Beverage Tax	\$722	3%	\$607	3%	\$414	2%	\$698	2%	\$550	1%	\$303	2%	\$124	1%
TOTAL	\$27,193	100%	\$22,953	100%	\$24,581	100%	\$41,613	100%	\$40,433	100%	\$16,229	100%	\$11,241	100%

General Fund property taxes and sales taxes together make up more than 55% of operating revenues in each of the seven FAZs. Only in the Olympian Extended FAZ is more property tax generated than sales tax, which can be attributed to the mix of development, as this FAZ's nonresidential development is only 16% neighborhood retail.

The Southwest Champaign and Staley and Kirby FAZs have significantly higher revenues than the other areas. They each generate at least 26% more in property taxes and at least 47% more in sales taxes than the other areas. The mix of land uses in these areas contains more retail development generating more sales tax. The higher property taxes are generated by a mix of development with more neighborhood retail and office development as well as residential development that is more than 65% single family detached housing units, which have higher assessed values than attached or multi-family units.

The Curtis Road Interchange and the Infill FAZs generate the least amount of revenue. This is fitting as these areas also have less growth than the other areas.

b. Expenditures

Operating expenditures are detailed below in Figure 29 for each FAZ showing cumulative expenditures over the 20-year development timeframe and share of total operating expenditures generated. Operating expenditures include those in the General Fund, Urban Renewal Fund, and Library Funds.

Figure 29: Cumulative Operating Expenditures by FAZ

Cumulative Operating Expenditures from New Growth - FAZ Comparisons (x\$1,000)
Champaign Fiscal Impact Analysis

Category	SCENARIO TWO: GROWTH BEYOND THE SERVICE AREA													
	A: Olympian & Prospect		B: Olympian ext.		C: Bradley & Staley		D: Staley & Kirby		E: Southwest Champaign		F: Curtis Interchange		G: Infill	
	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%
Mayor, Council, & City Manager	\$584	4%	\$491	2%	\$335	2%	\$564	3%	\$445	3%	\$245	3%	\$100	3%
General Government	\$6,054	37%	\$5,060	22%	\$3,649	22%	\$6,144	37%	\$4,894	28%	\$2,538	29%	\$1,180	37%
Human Resources	\$182	1%	\$153	1%	\$104	1%	\$176	1%	\$139	1%	\$76	1%	\$31	1%
Public Works	\$3,135	19%	\$2,597	11%	\$2,030	12%	\$3,433	21%	\$2,816	16%	\$1,264	14%	\$695	22%
Police	\$2,393	15%	\$1,987	9%	\$1,524	9%	\$2,561	15%	\$5,175	29%	\$2,418	28%	\$526	16%
Fire	\$397	2%	\$9,565	42%	\$7,209	43%	\$409	2%	\$1,661	9%	\$820	9%	\$80	3%
Neighborhood Services	\$95	1%	\$80	0%	\$54	0%	\$92	1%	\$72	0%	\$39	0%	\$16	1%
IT	\$554	3%	\$465	2%	\$317	2%	\$535	3%	\$422	2%	\$232	3%	\$95	3%
Urban Renewal	\$329	2%	\$277	1%	\$189	1%	\$318	2%	\$251	1%	\$138	2%	\$57	2%
Library	\$2,447	15%	\$2,057	9%	\$1,402	8%	\$2,365	14%	\$1,864	11%	\$1,020	12%	\$418	13%
TOTAL	\$16,169	100%	\$22,732	100%	\$16,814	100%	\$16,598	100%	\$17,737	100%	\$8,792	100%	\$3,198	100%

The largest share of operating expenditures is dependent upon whether an FAZ has a need for additional fire or police staff. Overall, the largest expenditure categories are General Government, Public Works, Police, and Fire together making up more than 80% of operating costs.

In the Olympian Extended and Bradley and Staley FAZs, a new fire station with a new fire company is needed to serve development in these areas. Because of this additional staffing, the largest share of operating expenditures in these FAZs is Fire followed by General Government, Public Works, and Police.

In the Curtis Road Interchange and Southwest Champaign areas, the largest expenditure categories are General Government and Police. Police expenditures are higher in these areas because of the need for six additional officers to provide sufficient response time and due to the higher demand created by a concentration of big box and neighborhood retail development.

Four categories of expenditures make up over 87% of the expenditures in each of the remaining FAZs—Olympian and Prospect, Staley and Kirby, and Infill. The highest costs are General Government followed by Public Works, Police, and Library.

2. CAPITAL REVENUES AND EXPENDITURES

a. Revenues

Capital revenues are detailed below in Figure 30 for each FAZ showing cumulative and the share of total revenues generated as well as the average annual revenues. Capital revenues include those in the Motor Fuel Tax, Library Improvements, and Capital Improvements Funds.

Figure 30: Cumulative Capital Revenues by FAZ

Cumulative Capital Fund Revenue from New Growth - FAZ Comparisons (x\$1,000)
Champaign Fiscal Impact Analysis

Category	SCENARIO TWO: GROWTH BEYOND THE SERVICE AREA													
	A: Olympian & Prospect		B: Olympian ext.		C: Bradley & Staley		D: Staley & Kirby		E: Southwest Champaign		F: Curtis Interchange		G: Infill	
	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%	Cum. Rev.	%
Motor Fuel Tax Fund	\$1,092	27%	\$918	26%	\$626	22%	\$1,056	22%	\$832	19%	\$458	28%	\$188	18%
Library Improvements Fund	\$263	6%	\$265	8%	\$189	7%	\$334	7%	\$400	9%	\$91	6%	\$62	6%
Capital Improvements Fund	\$2,723	67%	\$2,290	66%	\$1,986	71%	\$3,353	71%	\$3,103	72%	\$1,079	66%	\$812	76%
TOTAL	\$4,078	100%	\$3,473	100%	\$2,801	100%	\$4,742	100%	\$4,335	100%	\$1,628	100%	\$1,061	100%

The Capital Improvements Fund generates most capital revenue with over 66% in all FAZs; included in it are property tax and intergovernmental revenue. Motor Fuel Tax Fund revenues are also significant. These revenues are generated by population growth in each FAZ, as the state distributes these funds to the City based on population. Finally, the only revenues impacted by growth in Library Improvements Fund revenues are property taxes.

b. Expenditures

Capital expenditures are detailed below in Figure 31 for each FAZ showing cumulative expenditures over the 20-year development timeframe and share of total capital expenditures generated.

Figure 31: Cumulative Capital Expenditures by FAZ

Cumulative Capital Expenditures from New Growth - FAZ Comparisons (x\$1,000)
Champaign Fiscal Impact Analysis

Category	SCENARIO TWO: GROWTH BEYOND THE SERVICE AREA													
	A: Olympian & Prospect		B: Olympian ext.		C: Bradley & Staley		D: Staley & Kirby		E: Southwest Champaign		F: Curtis Interchange		G: Infill	
	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%	Cum. Exp.	%
General Government	\$843	4%	\$708	3%	\$483	3%	\$815	3%	\$642	2%	\$350	14%	\$143	14%
Roads	\$16,656	72%	\$14,450	66%	\$10,955	62%	\$19,281	69%	\$24,634	82%	\$0	0%	\$0	0%
Public Works	\$4,458	19%	\$3,699	17%	\$2,545	14%	\$4,434	16%	\$3,720	12%	\$1,652	66%	\$711	69%
Fire	\$0	0%	\$2,313	10%	\$3,083	17%	\$2,259	8%	\$0	0%	\$0	0%	\$0	0%
Police	\$50	0%	\$41	0%	\$32	0%	\$53	0%	\$190	1%	\$88	4%	\$11	1%
Library	\$984	4%	\$827	4%	\$564	3%	\$951	3%	\$749	3%	\$412	16%	\$169	16%
TOTAL	\$22,990	100%	\$22,038	100%	\$17,662	100%	\$27,793	100%	\$29,936	100%	\$2,501	100%	\$1,034	100%

In each FAZ, Roads and Public Works comprise between 66% and 95% of all capital expenditures.

The Olympian Extended, Bradley and Staley, and Bradley and Kirby FAZs also have significant capital Fire expenditures. The cost of the new fire station is allocated between Olympian Extended and Bradley and Staley FAZs. Additionally, station #4 must be moved to serve the Bradley and Staley FAZ and the Staley and Kirby FAZ.

Public Works capital costs are the second-largest capital cost including the new public works building, expansion of the parking building, and new vehicles and equipment. Both road projects and the new public works building are assumed to be debt financed. Therefore, expenditures shown above represent debt service payments from year of “construction” to end of the 20-year projection period. Because of this, additional debt service is owed on these improvements after the projection period, thus increasing overall costs. Additional debt service beyond year 20 totals \$101 million; a breakdown by FAZ is shown in Figure 32 below.

Figure 32: Additional Debt Service beyond Year 20

Additional Debt Service	SCENARIO TWO: GROWTH BEYOND THE SERVICE AREA						
Category	A: Olympian & Prospect	B: Olympian ext.	C: Bradley & Staley	D: Staley & Kirby	E: Southwest Champaign	F: Curtis Interchange	G: Infill
Roads	\$18,417	\$15,981	\$12,117	\$21,315	\$27,237	\$0	\$0
Public Works	\$288	\$240	\$165	\$276	\$219	\$120	\$48
TOTAL	\$18,705	\$16,221	\$12,282	\$21,591	\$27,456	\$120	\$48

