

Chapter 9: Fiscal Impacts of the Plan

1. Introduction

This chapter details the analysis of the fiscal impact of growth associated with the 2026 Comprehensive Plan. To determine the impact, a fiscal model was developed. The model projects revenue and expenditures in the city's general fund based on budgetary data provided by the City, submitted development calculations, and assumptions regarding future service levels.

The result obtained from the fiscal impact model show an \$101,189,000 positive balance in the general fund over the first 10 years of the plan. Thus, the development anticipated in the City under the Focused Growth Framework will boost revenues while maintaining the current level of service for city functions.

2. Methodology for Model

The Suffolk fiscal model is based on historical data and the current financial condition of the City. The model uses this data to predict future fiscal conditions based on development projected in the Focused Growth Framework.

The first step in the process of creating the model is gathering financial data from the City. This data was entered into the model using the same categories the City uses in the budgeting process. For this model, the data from the 1995 through 2006 budgeted fiscal years was used. It is assumed that the data for that period will be representative of future years and that the levels of service and revenue streams will remain reasonably constant.

After compiling the historical data, estimates were developed for future

residential and non-residential development based on the development calculations shown in Table 3-12. This table shows that by 2025 approximately 20,400 housing units will be constructed and the City's population will increase by 50,600 people. The number of commercial jobs in Suffolk is estimated to increase by almost 50,000 with the construction of 16,226,000 square feet of commercial space. In the industrial sector, another 16,300 jobs will be added, along with 16,226,000 square feet of space.

Taking into consideration the above development calculations and model format, expenditures and revenues were estimated for the City. The following section offers a description of how each of those parts was calculated.

3. Descriptions of Projections

For the Suffolk fiscal model, revenue (money taken in by the city through taxes and other means) and expenditure (money spent by the city or transferred to other accounts) projections are limited to the City's general fund. The general fund is used for the day to day activities of city government. In addition, the City has enterprise funds, debt service, and special revenue funds which have been excluded for this model as they are self supporting through fees.

General Fund Revenue

Revenue to the City's general fund is classified in three categories each with several subcategories. The first category – Fees, Charges, and Services – has historically provided nearly 80% of the City's General Fund revenue. Funds from the Commonwealth make up nearly 20% of the General Fund City revenue. The final category, Federal grants, makes up less than 1% of the General Fund revenue. These three categories are presented in Table 9-1

Future revenue from these categories was forecasted using a variety of methods and mathematical equations according to the type of revenue and historical trends. The process of deciding how to project each of the revenue sources involved significant analysis and discussion with representatives from the City.

Population and employment growth were the most common factors driving the revenue projections. In general, the approach for forecasting future revenues included the calculation of historical per-person or per-employee revenues (as appropriate), and

projection using the forecasted population and employment scenarios.

General Fund Expenditures

Table 9-2 provides an overview of expenditures for the most recent three budget years. The table shows the aggregate expenditure categories for the general fund which were included in the model. These categories are also used to organize the expenditure items for the purpose of forecasting future City expenditures under the assumed development schedule. All projections are made under the assumption that the current level of service remains constant. As explained in Chapter 7, Municipal Facilities, the City may need to expend additional funds in various categories to achieve the "targeted" (desired) level of service in regards to, for example, schools, public safety, parks and recreation, and libraries. However, the positive funds balance may be able to accommodate some of that increased spending.

After determining which City departments were components of each category, variables were determined that would drive prediction of future expenditures. These "expenditure drivers" were decided upon as the factor most closely tied to the department's expenditures. After meetings with the City and discussions with department representatives, a single expenditure driver was identified and agreed upon for each department. For many departments, population growth was the driving factor, while for others, housing growth or changes in employment were most appropriate.

After understanding which variables drove the expenditures for each

department, the model was able to generate regression equations for each department's expenditures. This regression estimation provides the average relationship over time, for the 5 years of data available, between the expenditures of each department and the expenditure driver. This regression equation is essentially an average cost

method that uses the average relationship from the 5-year period, as opposed to a standard average cost method that only accounts for 1 or 2 years. Then, using future values of the expenditure driver, it was possible to estimate the future expenditures of the department.

**Table 9-1
Revenue for the City of Suffolk**

Revenue Category	Fiscal Year		
	2004 Actual	2005 Budget	2006 Budget
Fees, Charges, and Services			
General Property Taxes	\$51,400,944	\$57,094,095	\$67,364,395
Other Local Taxes	\$25,040,092	\$26,816,605	\$28,812,808
Permits, Fees, and Licenses	\$1,459,690	\$1,820,000	\$1,825,700
Fines and Forfeitures	\$654,009	\$550,000	\$650,000
Use of Money and Property	\$1,411,712	\$5,360,268	\$1,247,540
Charges for Services	\$1,406,911	\$1,489,036	\$1,611,287
Miscellaneous	\$633,219	\$716,000	\$763,500
Recovered Costs	\$170,610	\$195,942	\$195,942
Total Fees, Charges, and Services	\$82,177,187	\$94,041,946	\$102,471,172
Commonwealth			
Non-Categorical Aid	\$3,041,024	\$3,392,129	\$3,571,742
Shared Expenses	\$2,966,351	\$2,103,169	\$2,258,790
Categorical Aid	\$7,645,535	\$7,802,666	\$8,217,943
Total Commonwealth	\$12,645,910	\$13,297,964	\$14,048,475
Federal	\$128,327	\$146,000	\$51,000
Total Revenue	\$97,579,649	\$106,861,330	\$120,599,974

Source: City of Suffolk, 2005

**Table 9-2
Expenditures for the City of Suffolk**

Expenditure Category	Fiscal Year		
	2004 Actual	2005 Budget	2006 Budget
General Government	\$6,082,177	\$6,747,564	\$7,485,805
Judicial	\$3,883,652	\$4,251,142	\$4,573,125
Public Safety	\$21,020,757	\$23,608,072	\$26,655,661
Public Works	\$6,698,913	\$8,114,862	\$9,101,457
Health and Welfare	\$9,186,246	\$10,287,763	\$10,798,768
Support of Schools	\$30,386,932	\$34,231,400	\$39,213,979
Parks, Recreation, and Culture	\$3,594,021	\$4,119,477	\$4,711,243
Community Development	\$4,545,738	\$5,818,859	\$6,226,838
Non-Departmental	\$5,896,400	\$7,105,188	\$9,182,259
Other Public Services	\$2,261,511	\$2,577,003	\$2,650,839
Total General Fund	\$93,556,347	\$106,861,330	\$120,599,974

Source: City of Suffolk, 2005

4. Results of Model

The Suffolk fiscal model was created to project revenues over the first 10 years of the plan's 20 year horizon. The results of the model are primarily dependent upon the development projection assumptions. To project beyond the first 10 years is not warranted due to the inherent inaccuracy of projecting so far into the future. However, as the plan is implemented and growth tracked over time, the analysis can and should be periodically conducted.

This model predicts future revenues and expenditures based on the expected development of the City. These development calculations were projected based on available land, zoning, and current residential and commercial absorption rates. The fiscal

impacts are sensitive to the specific development patterns and the accuracy of the development calculations.

Revenues

Table 9-3 shows the projected revenues from the fiscal model by category for fiscal years 2007, 2010, and 2015.

The two largest categories of revenue (general property taxes¹ and other local taxes and fees) represent over 70% of the City's revenue. Table 9-4 provides a detailed breakdown of those two categories. Within those two categories, the largest contributors of revenue to the City are: personal property taxes, utility

¹ Property appreciation was based on a 20-year historical average of 5.4% annual growth.

taxes, businesses licenses, and the restaurant and food tax. Personal property taxes are driven by population growth and, due to recent and anticipated population growth, these taxes are forecast to grow. Utility taxes and restaurant and food taxes are driven by the rate of combined population and employment growth.

Essentially, when more people are in the City, there is a greater usage of restaurants and utilities. Finally, the business license fees are driven by employment growth. As the City adds jobs, these companies are required to pay licensing fees, which represent an important source of revenue.

**Table 9-3
Projected Future Revenue for the City of Suffolk**

Revenue Category	Fiscal Year		
	2007 Projected	2010 Projected	2015 Projected
Fees, Charges, Services			
General Property Taxes	\$81,427,000	\$107,151,000	\$166,862,000
Other Local Taxes	\$26,848,000	\$30,249,000	\$36,875,000
Permits, Fees, and Licenses	\$1,576,000	\$1,733,000	\$2,039,000
Fines and Forfeitures	\$671,000	\$734,000	\$838,000
Use of Money and Property	\$404,000	\$433,000	\$488,000
Charges for Services	\$1,476,000	\$1,620,000	\$1,861,000
Miscellaneous	\$640,000	\$700,000	\$799,000
Recovered Costs	\$163,000	\$179,000	\$204,000
Total Fees, Charges, Services	\$113,205,000	\$142,799,000	\$209,966,000
Commonwealth			
Non-Categorical Aid	\$3,757,000	\$4,105,000	\$4,673,000
Shared Expenses	\$2,563,000	\$2,805,000	\$3,200,000
Categorical Aid	\$9,332,000	\$10,210,000	\$11,644,000
Total Commonwealth	\$15,652,000	\$17,120,000	\$19,517,000
Federal	\$101,000	\$110,000	\$126,000
Total Revenue	\$128,958,000	\$160,029,000	\$229,609,000

Source: URS Corp., 2006

**Table 9-4
Projected Future Revenue Breakdown for Selected Categories**

Revenue Category	Fiscal Year		
	2007 Projected	2010 Projected	2015 Projected
General Property Taxes			
Real Estate Tax	\$49,708,000	\$71,507,000	\$123,348,000
Public Service Corporation Tax	\$1,777,000	\$1,858,000	\$2,002,000
Personal Property Tax	\$29,097,000	\$32,674,000	\$39,781,000
Penalties and Interest on Taxes	\$845,000	\$1,111,000	\$1,731,000
Total Property Taxes	\$81,427,000	\$107,150,000	\$166,862,000
Other Local Taxes			
Sales and Use	\$6,173,000	\$6,914,000	\$8,364,000
Business and Occupation Licenses	\$4,550,000	\$5,540,000	\$7,170,000
Franchise	\$324,000	\$354,000	\$404,000
Motor Vehicle	\$1,505,000	\$1,647,000	\$1,879,000
Bank Stock	\$245,000	\$247,000	\$250,000
Recordation	\$772,000	\$844,000	\$963,000
Probate	\$11,000	\$12,000	\$14,000
Tobacco	\$1,481,000	\$1,621,000	\$1,849,000
Admission	\$389,000	\$426,000	\$486,000
Hotel and Motel	\$263,000	\$409,000	\$555,000
Restaurant and Food	\$2,977,000	\$3,335,000	\$4,034,000
Emergency Telephone Service	\$1,383,000	\$1,512,000	\$1,726,000
Utility	\$6,775,000	\$7,589,000	\$9,180,000
Total Other Local Taxes	\$26,848,000	\$30,249,000	\$36,875,000

Source: URS Corp., 2006

Expenditures

Table 9-5 shows the projected expenditures from the fiscal model by category for Fiscal Years 2007, 2010, and 2015. The model was created to project expenditures over a 10-year period, but not all years are necessary for illustration. All of the figures in the table are in 2005 dollars.

There are two areas of expenditure that may have a significant impact on the fiscal condition of the City; education and transportation.

Education spending is one of the largest expenditure categories for the City. In Suffolk, the population and number of public school students has been increasing in recent years. More than one out of every three dollars the City spends is in support of schools. These increases, along with the projected increases in population and number of students have precipitated the need for school expansion and construction which will increase the support of Schools for the City. Table 9-6 provides historical data and projections for the future. All future projections are in 2005 dollars.

The analysis performed by the fiscal model assumed that capital spending per pupil would remain consistent based on current trends. However, as shown in Chapter 7, the City's schools are currently over the recommended level of service based on square feet of space per pupil. To meet the recommended level of service, additional capital spending would be required, lowering the overall positive impact of the model. However, this would be required independent of growth in the City.

Transportation is the other item that may materially impact the results of the fiscal model. As shown in Chapter 6, the City has large pool of unfunded roadway construction need. According to analysis done for this 2026 Comprehensive Plan, there are approximately \$450 million in needed roadway projects with only \$80 million in anticipated Commonwealth construction dollars over the 20 year planning horizon. Additional construction dollars will need to be found either from the City, Commonwealth, or federal sources to meet the need.

**Table 9-5
Projected Future Expenditures for the City of Suffolk**

Expenditure Category	Fiscal Year		
	2007 Projected	2010 Projected	2015 Projected
General Government	\$7,715,000	\$9,129,000	\$11,457,000
Judicial	\$4,773,000	\$5,483,000	\$6,642,000
Public Safety	\$28,031,000	\$34,741,000	\$45,800,000
Public Works	\$8,933,000	\$10,755,000	\$13,742,000
Health and Welfare	\$11,458,000	\$13,328,000	\$16,382,000
Support of Schools	\$41,961,000	\$50,754,000	\$65,116,000
Parks, Recreation, and Culture	\$4,820,000	\$5,820,000	\$7,453,000
Community Development	\$7,006,000	\$8,504,000	\$10,951,000
Non-Departmental	\$9,486,000	\$13,089,000	\$18,974,000
Other Public Services	\$2,886,000	\$3,420,000	\$4,301,000
Total General Fund	\$127,069,000	\$155,023,000	\$200,818,000

Source: URS Corp., 2006

**Table 9-6
Education Breakout**

Category	Fiscal Year				
	1995 Actual	2000 Actual	2005 Actual	2010 Projected	2015 Projected
Support of Schools	\$13,955,000	\$22,902,000	\$34,231,000	\$52,370,000	\$67,462,000
Number of Students	10,020	11,610	13,850	16,220	18,543
Expense per student	\$1,393	\$1,973	\$2,472	\$3,229	\$3,638

Source: URS Corp., 2006

In addition to forecasting expenditures, the model forecasted the number of full time equivalents (FTEs) for certain positions. All calculations for the number of FTEs were made holding constant the level of service provided by the City. Using regression analysis, the model looked at the population of the City and the number of employees for each position over an 11-year period. Future population figures were entered into the equation to produce the number of FTE needed for each position.

Table 9-7 presents this data for selected positions and for all budgeted City employees. As stated above, and in Chapter 7, Municipal Facilities, additional employees would be needed to raise the level of service for some departments. For example, based on the highest level of service standard, 264 police officers would be required in 2011, while the model predicted 230—a number sufficient to maintain the City’s current level of protection. The fire department would also require additional employees, not accounted for in the model to meet the most aggressive level of service standard.

**Table 9-7
Projected Full Time Equivalent City Employees**

Category	Fiscal Year				
	1995 Actual	2000 Actual	2005 Budgeted	2010 Projected	2015 Projected
Police ¹	110	130	190	230	270
Fire ²	60	120	190	280	360
Sheriff	16	20	20	30	30
Public Utilities	70	90	100	110	130
Public Works	30	60	90	140	180
Total Employees	630	780	990	1250	1480

1. 264 police officers required to meet highest LOS standard in 2011, 302 in 2016. (See Table 7-3)
 2. 308 firefighters required to meet highest LOS Standard in 2011, 352 required in 2016. (See Table 7-4)
 Source: URS Corp., 2006

5. Summary

The net impacts of development, shown in Table 9-8, were calculated by subtracting the expenditure projections from the revenue projections. The fiscal model shows that development is a net gain to the City. The aggregate benefit

to the City of development over the first 5 years is a net gain of \$13,125,000. Over the entire ten year planning period a cumulative positive balance of \$101,189,000 is projected.

**Table 9-8
Net Fiscal Impact of Development on City of Suffolk**

	Fiscal Year(2005\$)		
	2007 Projected	2010 Projected	2015 Projected
Revenue Projections	\$128,958,000	\$160,029,000	\$229,609,000
Expenditure Projections	\$127,069,000	\$155,023,000	\$200,818,000
Net Impacts ^a	\$1,889,000	\$5,006,000	\$28,791,000

Source: URS Corp., 2006

^a Reported net impacts reflect the fiscal year's impacts and not an aggregate amount. Parentheses indicate negative values.