

FISCAL IMPACT MODEL AND SUSTAINABILITY ANALYSIS

To evaluate "fiscal sustainability" of changes in land use, consultants developed a *Fiscal Impact Model* to forecast which of four growth scenarios would result in enough extra revenue after 20 years to pay for a town wish list of "amenities." Consultants determined that none of the scenarios could generate the \$20 million price tag of the amenities, so they used a \$12 million goal instead.

The four growth scenarios range from a Base Scenario with "very little" commercial/industrial growth, to a high growth scenario with 310,000 sq ft of new commercial space and 360 new hotel rooms. Scenarios are based on 20 year population rate increases of ~8%, 20%, 30% or 50%. The Model forecasts that the scenarios would generate \$5.6 million, \$10.0 million, \$14.6 million or \$18.5 million in extra revenue, respectively, in order of lowest to highest growth.

Because consultants used a \$12 million amenity goal, the two lower growth scenarios appear to result in losses, when in fact all scenarios demonstrated financial gain. Unfortunately, the model does not include all the costs required to implement the higher growth scenarios.

WHAT ARE THE CONCERNS REGARDING THE FISCAL MODEL?

The model omits millions of dollars in infrastructure capacity expansions (sewer, water, intersections) necessary to accommodate the high growth scenarios. While the Town's Water and Sewer Fund cannot be used to pay for amenities, that does not mean the cost of increasing capacity to accommodate the growth should be ignored. The cost of critical services must be included in a sustainability model.

The "Base Scenario" uses growth rates that are lower than would be realized under the current Comprehensive Plan and zoning that are in place--omitting, for example, projects that have already been approved. This creates a false impression about the town's current growth policies and their effect on the town's budget.

Further, the model includes numbers that are only guesstimates with potentially large margins of error. The advertised fiscal advantages of the higher growth scenarios are quickly lost when accounting for all expenses and assumptions.

1) Costs Omitted from the High Growth Mixed Use Scenarios:

- Transportation-related costs:
 - The town's cost share of building the Western Bypass and the Southern Bypass.
 - Intersection improvements needed for higher population levels.
- Larger facilities and new land for Public Works to service a larger public.

- \$6.5 million in water production and storage capacity increases.¹
- Millions of dollars in sewage treatment plant expansion projects, beyond the already funded MBBR conversion, to increase capacity to 3.0 MGD.^{2,3}
- Myriad projects/studies listed in the Plan, including the price of expanding the town's economic development program which the consultant flag as critical to recruiting the number of office jobs in the highest growth scenario.
- Loss of future proffers⁴ and the detailed traffic impact assessments that accompany rezoning requests.

2) Omitted Costs and Revenues Associated with All Growth Scenarios:

- Extension of the Timber Fence Parkway to Waterloo Road
- All BPOL revenues.⁵
- All tax revenue and service costs associated with the Walker Drive PUD.⁶ Its omission hurts the results of the Base Scenario the most.
- The cost of Tax Increment Financing.

3) Unknown Effect of Major Modeling Assumptions. The model relies on "guesstimates" for two critical calculations which have a direct impact on the model's results:

- The Proportional Share of the Expenditure Allocation
 - The model uses building square footage to determine what proportion of town expenditures goes to residences versus businesses. But it is land use, not square footage, that is the primary driver of town services (compare a restaurant to a storage unit, or a multi-family home to the same sized single family home).
- Efficiency Adjustments for Economies of Scale
 - This is an estimate, not a hard number - as such it should display a margin for error, and show the effect of that margin on the ultimate results.

¹ Well #4, \$400,000; clearwell storage, \$1.1 million; extension of the Warrenton Reservoir dam, \$4.9 million.

² Cost estimates vary widely between town documents, but range from \$3 million to \$10 million.

³ The highest growth scenario may require more aggressive and more expensive I&I repair work than other growth scenarios. I&I must be held to 800,000 gpd to accommodate the sewer plant capacity needs of the highest growth scenario.

⁴ The Walker Drive PUD proffers (tallied at well over \$1M with the splash pad) could be lost if the owners may simply reapply under the new mixed use ordinance.

⁵ CFFC brought this omission to the Town's attention--the consultant agreed it was in error.

⁶ Consultants omitted the PUD because it was approved prior to adoption of the new Comp Plan, but also omitted the growth and benefits of the PUD from the Base Scenario.

4) Business growth targets may not be realized.

- The consultants affirm in writing that the market is not robust enough to support the industrial occupancy goals of the high growth scenario (*Fiscal Sustainability Analysis* p.11). Without these jobs, increasing our population to the extent proposed will only dilute our work:live ratio.
- Warrenton's population boomed 44% from 2000-2010. Based on the promoted theory that rapid growth creates wealth, we should have benefited mightily. But in a workshop, consultants cautioned that Warrenton's size even after experiencing 44% growth was probably too small to trigger this effect. Is 50% growth over 20 years going to create what 44% growth in 10 years could not?
- The dollar gains in the model rely on an unrealistic 100% business occupancy rate.

5) Reliance on Ponzi Scheme Financing. The higher population growth scenarios require expensive increases in water and sewer capacity that would be financed by tap fees. Incentivizing growth to obtain tap fees to pay for the growth only creates a short term illusion of wealth in exchange for the enormous, long term liabilities of maintaining and repairing a larger system.

6) It's not free just because the County pays for it. This "fiscal sustainability" analysis ignores the cost of schools, county park and recreation facilities, library services, county cost sharing for state road network, and court services, all of which will increase with higher populations. These costs affect Warrentonians too.

WE RECOMMEND THE FOLLOWING:

1. The Fiscal Model contains too many soft numbers, undisclosed inputs, and omitted costs to produce reliable results. Either:
 - Correct and improve the fiscal model, or
 - Ignore its "results" and abandon the assumption that the 50% growth figure represents the critical mass that will result in the greatest net revenues.
2. Do not increase growth through by-right zoning and SUPs. Retain authority to incrementally evaluate and forecast impacts by requiring rezoning for higher densities and mixed use.
3. Be fully transparent about the costs of projects that are needed or under consideration to implement *Plan Warrenton 2040*.
4. Create land use policies that would result in a more fiscally responsible 20 year growth rate, closer to 20%.