

Fiscal Note for Substitute Badger Ann Park Attachment Ordinance

The inclusion of any new property within the City's boundary will have some fiscal impact, as assessable property is added to the City tax roll and as services are extended to new areas. Usually, annexations involve undeveloped land in relatively unpopulated peripheral locations. In these situations, the initial cost of providing City services is relatively low, and the tax revenues derived from future taxable development is typically sufficient to fund the increased City costs associated with extending infrastructure and services to the newly developing area. When annexations involve previously developed properties, they typically occur in small increments, often involving single parcels. In these cases, the impact on existing service delivery routes, schedules and staffing requirements is minor. Often, the additional tax revenues derived from the annexed property will more than cover the marginal cost associated with extending services to the new area.

The proposed attachment of Town of Madison territories located in the vicinity of Badger Road, Ann Street and Park Street presents a considerably different case, however. The revenue sharing provision contained in the cooperative agreement, the inclusion of a significant number of existing residents within the attachment area and the expectation that future property value growth will be used for TIF project purposes all will act to increase the budgetary impact of this boundary adjustment when compared to the typical annexation.

Revenue Sharing

The adopted intergovernmental agreement between the Cities of Madison and Fitchburg and the Town of Madison provides for a revenue sharing payment in cases of "early attachment" of Town property such as this one. The agreement states that the Town will retain the property taxes collected in the most recent year, and the City will provide a revenue sharing payment to the Town, equal to that amount, for the succeeding 9 years. While this provision would have no budgetary impact in 2005 or 2006, it would require an annual payment to the Town beginning in 2007.

On January 1, 2005, the properties located within the proposed Attachment area had a total assessed value of \$34,963,500 and the Town, with a 2004 municipal tax rate of 7.9 mills, will assess municipal property taxes of approximately \$276,000, payable in 2006. If attachment of this area to the City of Madison occurred today, the Town would retain all taxes collected in 2006 and the City would pay \$276,000 to the Town annually from 2007 through 2015.

Service Costs

Operating impacts associated with serving the existing developed areas would begin to be felt in 2005. The area proposed for attachment includes 85 parcels containing approximately 931 dwelling units and an estimated 1,800 to 1,900 residents along with a number of retail commercial establishments. The dwelling units are almost all located within multifamily attached structures. Responsibility for serving these properties would transfer to the City immediately upon attachment.

Based on discussions between Mayor's Office staff, the Department of Planning and Development, selected operating agencies and the alderperson representing the 14th Aldermanic District, agencies were asked to estimate the operating costs associated with serving the newly attached Town areas. The following table is a compilation of the anticipated

staffing requirements and related service costs reported by agencies. The most significant additional cost reported is related to the addition of 3.5 Police Officer positions to maintain targeted citywide staffing ratios:

Todd Drive Attachment			
Staffing and Service Needs as Reported by Agencies			
Department	Staffing Need / Service Description	Initial Cost	2006 and Future Annual Cost
Police	Overtime associated with additional routine patrol serving the newly attached residential and commercial properties Allocation of 3.5 Police Officers	Undetermined	Undetermined \$ 260,000
Fire		Unreported	Unreported
Health	Public Health Nurse services 0.25 FTE Animal Control Officer to augment minimally staffed service (presently, 3 FTE's City-wide)	Covered by DCDPH Undetermined	Covered by DCDPH \$ 13,000
Streets	Additional variable costs associated with sand, salt, plowing and street repair operations not already performed by City	Unreported	Unreported
Building Inspection	Housing Inspector to provide systematic and complaint based housing code enforcement services	Unreported	Unreported
Assessor	Staff time needed to initially establish assessment records for attached properties	\$ 6,000	
Traffic Engineering	Labor and supply costs associated with traffic signage and pavement marking in newly attached right of way	Unreported	Unreported

No funding is provided in the 2005 Operating Budget for staff and service cost increases related to this attachment. Separate Common Council budget amendments would be required to increase current staffing or expenditure authorizations. Future year service costs would need to be considered as part of those subsequent years' budget deliberations. In the absence of these budget actions, the attachment of this expanded territory will result in the reallocation of existing staff and other operating resources from existing areas of the City to the extent that services are allocated to this newly attached area.

No estimate has been made of infrastructure and capital investments that may be needed to serve the area to be attached.

Future Tax Revenue Growth

The Badger-Ann-Park attachment is proposed in conjunction with the creation of a new Redevelopment District Plan and TIF District, consistent with the cooperative agreement between the City of Madison, City of Fitchburg and Town of Madison. The taxes collected by the City on the Town portion of this newly attached value are estimated to total \$267,000, or about \$9,000 less than the \$276,000 annual revenue sharing payment to the Town.

Much of the attached territory, as well as adjacent lands currently located within the City, would be included within the boundaries of the newly created TIF district. Increased taxes derived from property value growth within the TIF district would be committed to fund the capital project costs anticipated in the adopted TIF plan. All new development, redevelopment and revaluation of existing property would serve to increase the incremental taxes flowing to the TIF district. Consequently, no future growth in property value from the newly attached area will be available to fund operating budget services until the TIF district is closed.

Summary

If the proposed Todd Drive attachment ordinance became effective today, City agencies report that they would incur an undetermined level of costs in 2005 and future years for police overtime and other direct services. In the future, the addition of 3.5 additional Police Officers would be the most significant reported cost of extending services to the newly attached area. No estimate has been made of the capital investment needed to serve the area. Funding for additional staffing and other service costs is not included in the 2005 budget, and in the absence of separate budget amendments to augment the existing service level, any direct services provided within the attachment area will necessarily be reallocated from other existing areas of the City. The City would also be responsible for making annual revenue sharing payments of \$263,000 to the Town of Madison for 9 years, beginning in 2007. This payment would be slightly greater than the base year taxes the City would collect from the newly attached properties. Finally, future property tax revenue growth derived from the attachment area will be committed to TIF purposes and will not be available to fund any increased operating costs incurred to serve this area until the TIF district is closed.