



Legislation Text

File #: 01628, Version: 3

Fiscal Note

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 parcels.

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 proposed settlement agreement and the inclusion of a significant number of existing residents within the attachment area will act to increase the budgetary impact of this boundary adjustment when compared to the typical annexation.

Revenue Sharing

The state approved cooperative plan between the Cities of Madison and Fitchburg and the Town of Madison required a revenue sharing payment in cases of "early attachment" of Town property such as this one. That plan states that the Town will retain the property taxes collected for 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. The currently proposed settlement agreement pertains to the second allowable early attachment, which is broken into 3 phases. The attachment of Phase 1 property prior to the end of 2006 would require no revenue sharing in 2006 or 2007. It would, however, require the City to make an annual payment to the Town beginning in 2008.

On January 1, 2006, the properties located within the proposed Attachment Area 1 had a total assessed value of \$12,268,880 and the Town, with a reported 2006 municipal tax rate of 8.15 mills, will assess municipal property taxes of approximately \$100,000, payable in 2007. The Town would retain these collected in 2007 and the City would pay \$112,000 to the Town annually from 2008 through 2016.

Service Costs

Operating impacts associated with serving Attachment Area 1 would begin to be felt in 2007. The area proposed for attachment includes 49 parcels containing approximately 128 dwelling units and an estimated 250 to 300 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.

No estimate has been made regarding the additional resources that will be needed to serve this newly attached area and no funding is provided in the 2007 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 additional budgeted resources, 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 the newly attached area.

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

attached.

Future Tax Revenue Growth

After the City reassesses properties in Attachment Area 1, the taxes collected on this newly added value are estimated to total approximately \$115,000, about equal to the \$112,000 annual revenue sharing payment to the Town. These additional taxes would first be received in 2008.

Much of the attached territory, as well as adjacent lands currently located within the City, may be considered for inclusion within the boundaries of a newly created TIF district. If this would occur, 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. Thus, new development and redevelopment of existing property would serve to increase the incremental taxes flowing to the TIF district, and future growth in property value from the newly attached area would not be available to fund operating budget services until the TIF district is closed. TIF increment could, however, be used to fund the required revenue sharing payments in the future if such a district is created.

Summary

No estimate has been made of the operating costs or capital investment needed to serve the properties and residents within the proposed Attachment Area 1. Funding for additional staffing and other service costs is not included in the 2007 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 \$112,000 to the Town of Madison for 9 years, beginning in 2008. This payment would be roughly equal to the base year taxes the City would collect from the newly attached properties. Finally, if future property tax revenue growth derived from the attachment area will be committed to TIF redevelopment purposes, it will not be available to fund increased operating costs incurred to serve this area until the TIF district is closed.

Title
SECOND SUBSTITUTE - Creating Section 15.01(549) of the Madison General Ordinances entitled "City Boundaries" and being part of the chapter entitled "Aldermanic Districts and Wards" attaching to the 13th and 14th Aldermanic Districts the Badger-Ann-Park Street Attachment, amending Sections 15.02(57) and (106) and creating Section 15.02(140) of the Madison General Ordinances to add portions of the attached property to Wards 57, 106, and new Ward 140, respectively, and amending Section 15.03(13) to establish Ward 140 in the 13th Aldermanic District.

Body
FOR FULL TEXT, SEE 01628-2NDSUBBODY IN ATTACHMENTS.