

## **MEMORANDUM**

To: Leslie Gould and Sophie Martin, Dyett & Bhatia  
From: Jason Moody and Ashleigh Kanat  
Subject: Qualitative Evaluation of Fiscal Impacts of Land Use Alternatives A through D; EPS #18491  
Date: May 7, 2010

*The Economics of Land Use*



This memorandum provides a qualitative evaluation of the relative fiscal implications of General Plan Alternatives A through D on the City's key General Fund revenues and expenditures. It has been prepared by Economic & Planning Systems, Inc. (EPS), as a subconsultant to Dyett & Bhatia, as part of the City of Turlock General Plan Update study process. A detailed fiscal analysis that quantifies the net impact at build-out will be prepared after the preferred alternative is defined.

In this current economic climate many jurisdictions are fiscally stressed and growing increasingly concerned about their ability to fund the delivery of public services to new development on an ongoing basis. Consequently, the relative fiscal impacts of the four General Plan Alternatives will have important implications on the feasibility of implementing the preferred option consistent with existing or improved levels of service. The General Plan Update will also require an evolving assessment of the potential impact that the State's recent budget crisis could have on property tax, sales tax, and other significant sources of current City revenues.

### **Summary of Key Fiscal Implications**

Fiscal impact analyses are prepared to help decision makers understand and quantify the fiscal impacts of land use decisions. A fiscal impact analysis evaluates revenue impacts and annual operating and maintenance costs associated with providing public services on the City's General Fund, based on the current (or most recently adopted) City budget. Potential new City costs associated with developing public infrastructure or facilities to serve future growth are not estimated as part of a fiscal analysis. These costs are typically covered through

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a variety of other, non-General Fund sources such as impact fees, assessment districts, or developer contributions of various kinds. EPS will estimate and compare the financing and feasibility of the public infrastructure associated with each alternative as part of a subsequent task.

The relative net fiscal impacts of various development patterns depend on the size and specific characteristics of the project alternative, including location of the new development (e.g., within City boundaries, within a redevelopment area), local and regional market conditions for the type of land use under consideration, and existing public service capacity by location. At this preliminary stage in the planning process, project-specific information about the development associated with each alternative, particularly the residential development, is unknown (and would be premature to estimate).

As a result, to the extent that the Alternatives depict approximately equal quantities of any given land use, the geographic location of growth is the only basis for comparing the relative fiscal performance of a particular land use category. However, once available, details such as the size of the units, the quality of construction, the anticipated tenure of the units, the mix of market rate and affordable units, and supportable values per square foot will allow a more nuanced evaluation of the fiscal impacts of any given alternative.

Summarized below are key fiscal implications that are applicable to all four of the Alternatives. Where specific conclusions can be drawn about a particular alternative, based on that alternative's proposed land uses, locations, and configurations at build-out, they are noted below.

**1. Development on land requiring annexation may produce serious fiscal deficits, and/or increased CDF fund charges, because of minimal property tax accruing to the City's General Fund.**

If past annexation agreements are any indication, the City receives minimal property tax revenue from these areas, suggesting that growth through annexation may have negative implications on the General Fund compared with infill development. Consequently, going forward, the City may want to consider strategies for negotiating more favorable annexation agreement(s) with the County. The City will also need to establish, and likely augment, the CFD funds paid by annexation sites to cover the full cost of public services. Citizens in recent new subdivisions sometimes complain about these fees, but they are absolutely essential to providing basic services.

**2. Development occurring within the City's redevelopment areas generates tax increment to the City's Redevelopment Agency but minimal "pass-through" revenue to the City's General Fund.**

Most of the property tax from growth within the City's redevelopment areas is diverted to the redevelopment agency, but the City's General Fund does receive pass-throughs that vary by redevelopment area. In the amended redevelopment area, the percentage of tax increment that accrues to the City's General Fund is just 5.9 percent (compared to a City-wide average of 8 to 10 percent). This factor may make development in these areas problematic from a General Fund fiscal impact perspective; however it is beneficial in terms of redevelopment dollars available for neighborhood improvements for older City areas that do not have other

financial sources available. Given that portions of the redevelopment area extend beyond the City boundaries, the General Fund is likely to be particularly hard hit on future development that needs to be annexed and is in a redevelopment area.

**3. *The annual fiscal impact of residential development is sensitive to several factors.***

The value of the homes affect property taxes, property transfer taxes, average household income which impacts sales tax revenue, and motor vehicle in-lieu fees. This means that a home priced 10 percent higher than another is likely to generate more than 10 percent more in annual tax revenue. At this point, the alternatives are all similar, because they have the same number of units, and the more compact development in Alternatives A and C do not uniformly result in greater or lesser fiscal impacts. Some price discounting for higher density units may or may not occur, depending on underlying land value, the demand for higher density products, ownership vs. rental status, and many other factors.

Public service costs required by new residential development will also affect the results, particularly if the development is in an area of the City requiring a geographic expansion of services or if the amount of new development triggers demand for new public facilities (e.g., new fire station, new police beats, and new public works corporation yard). Alternatives B, C, and D will have significantly greater costs than Alternative A, because they require major new public facilities west of Highway 99. The costs associated with building public facilities can be significant, but are generally not funded through the General Fund. However, ongoing maintenance costs are typically funded through the General Fund and will be estimated as part of the fiscal impact analysis of the preferred alternative.

**4. *New retail uses produce substantial positive fiscal benefits, assuming that local or regional demand supports a net increase in taxable sales. Consequently, the significant amount of regional serving retail included in Alternatives B and D could provide a substantial fiscal benefit compared with Alternatives A and C--but only if the new retail results in increased capture of local and regional sales.***

New retail development can have a significantly positive General Fund impact through the generation of sales tax. Alternatives B and D include significant new retail capacity in the northwestern portion of the City with frontage along Highway 99. This retail could be positioned to attract regional consumers from outside the City, thus increasing the capture of regional sales. This retail could also be added to Alternatives A and C, in either the north or south ends of the City along Highway 99.

However, to the extent that current demand is largely being met by existing businesses, and the new retail does not expand retail offerings to increase sales capture, the associated sales tax revenue may simply represent a shift of sales from existing businesses. Consequently, the benefit of new retail would be reduced or virtually zero. The demand for this additional retail is not likely to occur until at least 15 years or beyond, given the amount of vacant commercial retail land that already is in the City and improved for development, north and south of Monte Vista Avenue along Highway 99. However the City would need to designate the land in this General Plan, in order to ensure the commercial capacity for the long-term future.

**5. Fiscal expenditures related to providing public safety services to the new development depend on the amount of new development and the geographic proximity of the new development to existing core service areas.**

If new development is planned for the northwest (or other) areas that are geographically separated from existing core service areas, it is likely that new police beats and or sub-stations, new fire stations, additional road miles, and the corresponding additional staffing and maintenance will be required. Conversely, for development that is more concentrated within the existing core service areas (i.e., infill development or small development projects near existing City boundaries), the focus may be more on providing incremental staffing and not necessarily on adding the high cost of new facilities.

## **Description of Alternatives**

Each General Plan alternative offers varying combinations of a range of land uses and represents different policy perspectives with respect to the location and type of growth in the City. With the exception of the amount of community commercial proposed in Alternatives A and C compared with Alternatives B and D, the Alternatives are basically very similar. All Alternatives plan for approximately 15,000 residential units.<sup>1</sup> Alternatives B and D call for inclusion of approximately 150 acres of community commercial along Highway 99 in the northwest area of the City that is not included in Alternatives A and C. The areas set aside as urban reserve represent land expected to be developed in the future but not as part of this General Plan update process. Consequently, the acreage totals discussed below do not include urban reserve land as this land will remain fiscally neutral to the City until it is annexed.<sup>2</sup> The primary land uses (residential and commercial) and their general placement in the City for each alternative are illustrated in the attached maps.

## **Annual General Fund Revenues**

This section provides an overview of the categories of General Fund revenues that are typically affected by new development, and when possible, discusses the relative performance of each General Plan alternative.

### **Property Taxes**

The property taxes generated by new development are derived from the assessed value of secured and unsecured property,<sup>3</sup> and the City's general fund share of the 1 percent base

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<sup>1</sup> The number of units proposed in each of the four Alternatives is within the range bracketed by EPS's previous growth projections. At the low end, EPS estimated 11,800 new households between 2008 and 2030, and at the high end, EPS estimated 17,600 new households.

<sup>2</sup> It is unlikely that the urban reserve land will be annexed by the City until a development plan is in place. Although the City will not incur expenses associated with the land until it is annexed, adjacent property value could be affected positively or negatively by a property's proximity to open space and/or anticipated development.

<sup>3</sup> Unsecured property refers to owned and leased business equipment.

property tax rate. Changes in assessed value are capped by Proposition 13, which limits the annual increase to 2 percent or the California Consumer Price Index (whichever is lower). When property is sold the assessed value is reset at the sale price, thus establishing a new base for property tax collection. The property tax rate may exceed 1 percent if voters have approved general obligation debt/bonds.

On average, the City's General Fund currently receives 8 to 10 percent of each property tax dollar.<sup>4</sup> The actual amount of property tax generated will depend on two key considerations: (1) whether or not the land will need to be annexed into the City, and/or (2) whether or not the land is located in the City's redevelopment area.

### ***Implications of Annexation***

Most of the new land being considered for development as part of this General Plan process is currently located in the unincorporated County. Consequently, before development, the land will need to be annexed into the City, and a Local Agency Formation Commission (LAFCo) tax-sharing agreement will be required. The actual fiscal impacts of the preferred alternative will depend on the specific tax-sharing agreement negotiated between the City and County. In previous tax-sharing agreements, the City receives 30 percent of the County's property tax share that is attributable to an increase in assessed value above the base amount (i.e., the tax increment). Stanislaus County currently receives approximately 11 percent of each property tax dollar.<sup>5</sup> Consequently, this results in General Fund revenue of 3.3 percent, which is significantly less than the City's current average of 8 to 10 percent of total property tax (not just the increment).<sup>6</sup>

For annexations of unincorporated County "islands," the agreement is different. When a County "island" is annexed, the City receives 34 percent of the County's share of property tax including the base amount. Consequently, if past agreements are any indication, new property annexed to the City will generate significantly less property tax than property currently located in the City. Although the reduction in City property tax relative to existing rates would be less acute for County islands annexations, in either case, similar tax-sharing agreements going forward would make it very difficult for new development to "pay its own way" from a fiscal perspective.

### ***Implications of the Redevelopment Area***

In each of the Alternatives, there is at least a portion of new development slated for the City's redevelopment area. If new development occurs within the redevelopment area, the property tax increment accrues primarily to the City's redevelopment agency, not the General Fund. However, the City's General Fund does receive "pass-through" allocations of property tax revenue that vary by redevelopment area. The AB 1290 statutory pass-through associated with the amended redevelopment area (the only redevelopment area affected by any of the General Plan Alternatives) is 16 percent of the pass-through set asides.

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<sup>4</sup> City of Turlock Adopted Budget, FY 2009/2010.

<sup>5</sup> County of Stanislaus FY 2008/2009 Budget, page 110.

<sup>6</sup>  $30\% \times 11\% = 3.3\%$ .

Because the amended redevelopment area is subject to AB 1290, the pass-through percentages are determined by statute as follows:

- In years 1 through 10, the City's General fund receives 16 percent of the 20 percent of the property tax increment that is set aside for taxing entities other than the Redevelopment Agency (e.g. City, County, special districts).
- The percent of property tax increment set aside for other taxing entities increases to 36.8 percent in years 11 through 30, and 48 percent in years 31 through 45.
- Because the amended redevelopment area is 14 years old, the percentage of tax increment that accrues to the City's General Fund is 16 percent of 36.8 percent, or 5.9 percent. This factor may make development in these areas problematic from a General Fund fiscal impact perspective.

However, the generation of tax increment benefits the City as most of the funds are reinvested in capital projects within the redevelopment area (in addition 20 percent is allocated to an affordable housing fund). Additionally, growth in redevelopment areas can generate positive impacts on retail and job creation which should be considered.

### **Residential Property Taxes**

In estimating property taxes, the market value of the residential units is the single most critical assumption. Market value is determined by location, size, the quality and character of a project, market supply and demand trends (e.g., unsold inventory of comparable homes), whether the unit is for sale or for rent, and other intangibles.

At this preliminary stage of the planning process, market values of the proposed residential units are unknown. Given that each alternative proposes approximately 15,000 units, if the average market price of the units in each alternative is equal, then each alternative will generate equal amounts of residential property tax. However, market values will vary by type of unit. Alternatives A, B and C propose a residential unit mix that is 60 to 65 percent townhomes, condominiums, apartments, and senior housing, compared with 45 to 50 percent in Alternative D.<sup>7</sup>

One of the central questions being posed of many general plan processes is whether compact development will have greater or lesser fiscal impacts than more traditional single-family, suburban development.<sup>8</sup> Based on fiscal analysis in other communities, compact development does not uniformly result in greater or lesser fiscal impacts. In highly urbanized areas, compact development has the ability to generate higher property valuations on a per-acre basis compared to single-family development. In more rural and/or less developed areas, it is likely that the opposite is true—for example, five single-family homes on one acre could generate higher value than ten townhomes on that same acre.

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<sup>7</sup> Future Turlock Growth: Concept Alternative, December 2009.

<sup>8</sup> This topic was the subject of an earlier memorandum prepared by EPS, dated November 3, 2009.

Actual property valuations depend on a variety of factors, including, but not limited to, underlying land values and the demand for higher-density housing products in a particular jurisdiction (or even a subarea within a jurisdiction). Though it is not necessarily true that higher-density units command lower market values than lower-density residential construction, some price discounting is reasonable. Rental units also typically have lower values than for-sale equivalents, but the relative mix by product type and tenure is not known at this time.

Although aggregate assessed value of the Alternatives may not end up being materially different, Alternative A proposes more new development in the City's redevelopment area than the other three Alternatives, which will divert property tax revenue to the Redevelopment Agency.

### **Commercial Property Taxes**

The amount and value of the commercial component of each alternative also affects property tax revenue. At the low end, Alternative C envisions 1.29 million square feet of commercial space, while Alternatives B and D provide for 3.93 million square feet. Alternative A proposes 1.70 million square feet. All of the alternatives exceed the projected demand for commercial space, in order to have extra commercial land at prime locations. Values per square foot will vary by type of commercial use (i.e., office, retail), location, market demand, and supply. Office uses typically generate higher property tax revenue than retail uses because the buildings are generally of better quality and include a higher level of tenant improvements (but retail uses also generate sales tax, which typically offsets the difference in property tax revenues, as discussed below).

Although the amount and type of industrial development will also have a major impact on property tax revenues, this is not a differentiating factor between the General Plan Alternatives. Specifically, none of the General Plan alternatives proposes changes in the amount or location of future industrial development.

### **Public Facilities and Open Space**

Public facilities, parks, and urban reserve land will not generate property tax revenue. However, if properly maintained and patrolled, parks can be an important amenity, and proximity to a park can increase property values. Although urban reserve land is unlikely to be annexed by the City until development plans are in place, adjacent property value could be affected positively or negatively by a property's proximity to open space and/or anticipated development.

### **Property Transfer Tax**

When a property is sold or otherwise transferred, the City collects a transfer tax. For-sale residential units typically "turn over" about once every ten years although this can vary by product type (e.g., starter home versus move-up). Because rental residential properties, as well as commercial office and retail properties, are often held as investment properties, they tend to turn over infrequently, resulting in very low property transfer tax revenue. The mix of ownership and rental residential units is unknown at this point.

## Sales Taxes

New retail development can have a positive General Fund impact through the generation of sales tax. Alternatives B and D include significant new retail capacity in the northwestern portion of the City with frontage along Highway 99. This retail could be positioned to attract regional consumers from outside the City, thus increasing the capture of regional sales. Of the 8.375 percent sales tax rate applied to sales in the City of Turlock, 0.95 percent is returned to the City's General Fund.

Each alternative's taxable sales will be attributable to sales to new residents and employees, net new sales of goods and services to existing residents and employees (either through increased capture of existing sales or increased household spending), and increased capture from outside non-resident sources. Sales tax is also generated by business-to-business purchase transactions (i.e., the purchase of office supplies from a local office supply store).

The incomes of new households will be an important factor in determining the increase in sales tax revenue generated by new development. If there is not enough population or employment growth to generate new retail demand equal to new supply, or if the new retail is redundant to what is already available in the City, new retail development may only shift sales from existing retail establishments. This type of shifting behavior does not generate new sales tax revenue. Given that each Alternative offers approximately the same number of residential units, the amount of sales tax generated by household spending is likely to be similar.

From a land use demand perspective, previous analysis prepared for the Existing Conditions report found that the City does not need to designate substantially more land for retail development, as the supply of land available for retail exceeds the projected demand from population and employment growth over the next 20 years. However, from a fiscal perspective, sales tax revenue estimates are sensitive to *where* in the City new retail is located because location of retail can affect performance.

Alternatives B and D dedicate a significant amount of land with frontage along Highway 99 in the northwest area of the City for regional retail. The Existing Conditions report estimated the expenditures generated by residents, employees, and businesses in the City to be \$559.2 million in 2008. Retail sales in the City were approximately \$935.5 million. In other words, the City currently captures \$376.3 million more in retail sales than would be expected based on the expenditure potential of its residents, employees, and businesses. This suggests that a variety of consumer groups commute to Turlock from other jurisdictions to purchase retail goods. If appropriately targeted, new retail development can improve a City's capture rate by keeping more household spending in the City or attracting more spending from outside the City.

As noted, other employment-generating development will also increase sales tax revenue through business-to-business transactions and employee spending (especially employees from other jurisdictions). Although estimating the retail spending by new workers is relatively straightforward, the level of business-to-business sales can vary significantly by type of business. For example, some manufacturers, especially in technology sectors such as computer, software, and medical devices, often report significant point of sale transactions. However, firms involved in food or raw material processing generally do not since their products are sold

elsewhere. Thus, the economic development implications of the various General Plan Alternatives will need to be considered as part of the fiscal analysis.

### **Business License Taxes**

Turlock assesses business license taxes on all businesses operating within the City. While certain categories of businesses pay a fixed rate, most businesses pay a business license tax that is based on gross receipts and that ranges from \$80 to \$940 per year. A \$50 application fee is also due at the time of application. Business license revenues, including the portion allocated to police services, increased from nearly \$420,000 in FY 2000/01 to \$1.5 million in FY 2008/09. Thus, General Plan Alternatives with a stronger emphasis on economic development (e.g., more land dedicated to commercial uses) are likely to generate more revenue from this source.

### **Other Annual Revenues**

Other revenues associated with new development include motor vehicle in-lieu fees, franchise fees, fines and penalties, transient occupancy taxes (TOT), and fees/charges for service. Most of these revenue items expand in relative proportion to population and employment growth. While none of the four Alternatives proposes new hotel rooms, EPS will estimate the TOT for the preferred alternative, assuming that both residential and commercial uses generate hotel night stays. The residential use generates visitor nights, while the commercial uses generate stays related to business travel.

## **Annual General Fund Expenditures**

This section provides an overview of the categories of General Fund expenditures that are typically affected by new development.

### **Public Safety**

The annual expenditures associated with police and fire service can be significant and have grown from 66 to 77 percent of the General Fund budget over the last eight years.<sup>9</sup> Typically, public safety expenditures (e.g., police and fire) comprise more than 50 percent of the General Fund cost associated with serving new development, although this can vary significantly depending on the unique circumstances of individual projects.<sup>10</sup> These costs can be much higher if new growth causes demand for service to exceed capacity thus triggering the need for new facilities. For example, in smaller projects, the police and fire expenditures can be estimated using an average expenditure per resident equivalent, assuming that any given project contributes cumulatively to the need for future service level increases, along with the demands of other new development. However, a single major project may create the need for a large increment of additional service, such as staffing and maintenance for a new fire station or police sub-station.

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<sup>9</sup> Existing Conditions Report, Chapter 2, page 2-23.

<sup>10</sup> Based on EPS experience preparing fiscal impact analyses of new development in various cities across California.

## **Fire**

The City of Turlock has four fire stations and 48 line firefighter positions in the department.<sup>11</sup> The Fire Department responded to 5,026 emergency calls for service in 2008. The City is divided into four districts and is served by an engine company in each district.

- Fire Station 1 is located at 540 E. Marshall Street
- Fire Station 2 is located at 791 S. Walnut Road
- Fire Station 3 is 501 E. Monte Vista Avenue
- Fire Station 4 is located at 2820 N. Walnut Road

The Fire Department has established a five-minute response time as the maximum acceptable limit and is reportedly operating at capacity with regard to this service standard. As noted in the Existing Conditions report, Fire Department staff estimate that existing facilities and staffing will not be adequate to maintain a sufficient level of service for future growth in the City. Therefore, one or more new fire stations would be required to serve the new development associated with each of the Alternatives. The costs associated with building a new fire station can be significant (between \$1 and \$3 million), but are generally not funded through the General Fund. As noted above, EPS will estimate and compare the financing and feasibility of the public infrastructure associated with each alternative as part of a subsequent task.

The amount of new development projected for each alternative represents a significant expansion of land acreage as well as new population. The relative fiscal impact of each will depend on the capacity and geographic reach of each station relative to the location and amount of growth. Considering the fire districts as currently configured, Alternative A would have the most impact on Fire Station 1, while Alternatives B, C, and D would impact both Fire Stations 1 and 4. Alternatives B and D would have the most impact on Fire Station 4, while Alternative C would have the most impact on Fire Station 1.

However, as noted above, it is unlikely that the existing fire stations will be able to accommodate the new growth associated with the General Plan Alternatives. The fiscal analysis of the preferred alternative will need to understand the “service capacity thresholds” of each station—the point at which a station is operating at maximum capacity and a new station, including new equipment and new personnel, is needed to serve growth. Because Alternative A would only impact one quadrant of the City, it is likely that a single new fire station could serve the new development. Each of the other three Alternatives depicts new growth in the northwest and southeast areas of the City and therefore could require two new stations depending on the existing stations’ capacity to provide service to new growth areas. An understanding of each station’s service capacity threshold should be considered as part of the preferred alternative selection process.

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<sup>11</sup> Includes 3 Battalion Chiefs, 15 Captains, 15 Engineers, and 15 Fire Fighters. Source: <http://www.turlock.ca.us/citydepartments/fireservices/operations>.

### **Police**

The City's 13.3 square miles is currently divided into six patrol beats. There were 81 sworn officers in 2008 who responded to 110,000 calls for service that same year.<sup>12</sup> In 2008, the City staffs 1.16 sworn officers per 1,000 residents, which is less than the General Plan's stated goal of 1.5. As currently configured, the new development envisioned by Alternatives B, C, and D will impact beats 2 and 4. Alternative A will impact beat 2. The fiscal costs associated with retail uses are typically related to relatively high calls for police service. Parks may generate calls for police service depending on the level and type of activity in the park. Calls for service are relatively low for office space.

The Existing Conditions report indicates that existing facilities and staffing are not adequate to maintain a sufficient level of service for the City's future population growth. However, the General Fund cost implications of the various Alternatives will depend on the relative cost of expanding or modifying beat structures and adding personnel. If new development is planned for areas that are geographically separated from existing core service areas, it is likely that both new beats (and potential sub-stations) and additional staffing may be required. Conversely, for development that is more concentrated within the existing core service areas, the focus may be more on additional patrol (e.g., staffing). The extent to which existing personnel and the existing beat configuration can accommodate new development will need to be discussed before the selection of the preferred alternative. If new development under any of the Alternatives requires a new beat and new personnel, the fiscal implications should be well understood.

Of course, various development patterns can also have differential impact on crime rates (and thus public safety costs). However, it is difficult to predict *a priori* whether a particular alternative is likely to have a positive or negative impact on crime given the variety of factors at play. For example, highly dense urban environments can have higher per square mile crime rates but lower per capita crime rates. Factors such as income, education, and employment generally play a much more important role. Absent any additional information, the fiscal analysis will assume similar per capita crime rates across each alternative.

### **Public Works and Recreation and Parks**

There are annual operations and maintenance expenses associated with streets and park land. Public works expenditures can be estimated using an average expenditure per resident equivalent or using a per service unit (e.g., per road mile or per park acre). For road maintenance, total miles are generally a more important contributor than population.

For parks, the population/acreage cost relationship can vary depending upon the level of improvements and programming. For example, more passive recreation areas have a low cost per acre relative to areas with intensive landscaping and recreational facilities (e.g., ball fields and play structures). In addition, parks can generate user fees, which may offset some costs (although these rarely offset operation and maintenance costs).

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<sup>12</sup> The Turlock City Council reduced the number of police officers funded through the General Fund from 81 to 77 in February 2010. Source: City of Turlock City Council Agenda, 2/9/2010.

Ultimately, the fiscal analysis will need to include more explicit assumptions about the nature of the park facilities envisioned. However, after adjusting for offsetting revenues, Parks, Recreation & Facilities currently account for less than 7 percent of the City's General Fund budget. This is in part attributable to park maintenance district financing mechanisms incorporated into many new development areas. If future parks are provided in a similar manner, they are unlikely to represent a significant factor in the City's fiscal well-being.

### **Other Expenditures**

Many of the costs associated with new residential development will be estimated on a per-capita basis and depend on the number of people estimated to live in each household unit. There are some costs that are generally recoverable through fees assessed at the time of service and are therefore fiscally neutral. Some of these costs include building, planning, engineering, sewer, water, animal control, and recreation. Other expenditures including administrative or managerial services (e.g., City Attorney, City Clerk, Finance) do not vary significantly with marginal increases in population or employment and generally exhibit economies of scale (i.e., fixed costs). However, a significant amount of new development can generate demand for another increment of additional service.