

Supplemental Council Memo Henderson Branch Sewer

The following memo contains information that either clarifies existing information or is new information relating to the Henderson Branch Sewer project.

Tax Revenues

It is estimated that the City will receive approximately \$479,612 in tax revenue. The information on sales tax and gross receipts tax was self-disclosed by the businesses in the proposed annexation area. The property tax information was obtained from the Boone County Assessor's Office website.

- **Sales Taxes.** It is estimated that the City will collect a total of \$438,520 in sales tax. The City currently has a 2% City sales tax. That 2% is dispersed between five different funds and the estimated sales tax would be distributed as follows:
 - General Fund (0.959%): \$210,270
 - Public Improvement Fund (0.041%): \$8,990
 - Parks Sales Tax (0.25%): \$54,815
 - Transportation Sales Tax Fund (0.5%): \$109,630
 - Capital ¼ Cent Sales Tax Fund (0.25%): \$54,815
- **Property Taxes.** It is estimated that the City will collect a total of \$18,217 in property tax.
- **Gross Receipts Taxes.** It is estimated that the City will collect a total of \$22,775 in gross receipts tax. Gross Receipts taxes are collected on telephone, natural gas, electric (Boone Electric), and Cable Franchise Fees. (It is important to point out only one company submitted their gross receipts tax information.)

Of the above mentioned tax revenues, approximately \$251,262 would be allocated to the General Fund. The remaining \$228,250 would be allocated to Special Revenue Funds (Public Improvement Fund: \$8,990; Parks Sales Tax: \$54,815; Transportation Sales Tax Fund: \$109,630; Capital ¼ Cent Sales Tax Fund: \$54,815).

Services Provided

It is anticipated that the City will provide the following services to the proposed annexation area: police, fire, sewer, solid waste, and storm water. (The revenue/ expense comparison of these specific services will be discussed in the following sections.)

Other services not specifically listed would not be provided because there is either not an anticipated need for those particular services in this area or the services would remain the responsibility of other government jurisdictions and entities. For example, all of the existing streets and roads are private, state, or federal roads. As a result, the City would not be responsible for providing maintenance, snow removal, or any of the other street services to the existing roads in the proposed annexed area.

Calculating the Cost for Providing Police and Fire Services

There are three different methods that were used to calculate a cost for providing police and fire services to the proposed annexation area.

- **Actual/ True Cost.** The actual true cost of the coverage is minimal due to the fact that there would not be any additional costs incurred over normal daily operations besides some additional fuel and wear and tear on the apparatus. Since we are not expecting to add additional apparatus, personnel, or stations to specifically cover this annexation, there would be no additional expense to the service we are already supplying. (Having said that, there has been a long standing expressed need for an additional fire station in the Northwest section of the city and that remains a consideration with/or without further annexation in that area).
- **Conceptual Cost (Cost per Incident).** An overall “Cost per Incident” evaluation in which the current budget of the fire department is averaged over the current number of yearly calls in order to calculate the cost allocated to each call. While this approach takes into account the full cost of fire department operations (training, benefits, overhead, etc...) it is also misleading in the sense that if you follow that logic, each additional call would actually drive down the cost per incident. Therefore it is not an effective measure.
 - **Conceptual Cost per Incident for Fire services:** During FY2015, the approved budget was \$17,182,916 and the number of incidents was 11,435, resulting in a cost per incident of \$1503 per call. Over the last three years there was an average of 90 incidents for fire services in the proposed annexed area. As a result, the conceptual cost per incident for fire services for this area is \$135,270 per year.
 - **Conceptual Cost per Incident for Police services:** During FY2015, the approved budget was \$21,311,583 and the number of calls for service was 76,539 resulting in a cost of \$278.44 per call for service. Over the last three years there was an average of 330 incidents per year for police services in the proposed annexed area. As a result, the conceptual cost per incident for police services for this area is \$91,885.20 per year.
- **Conceptual Cost (Cost per Run):** A “Cost Per Run” evaluation would be looking at what a single run would cost in terms of vehicle maintenance, salaries and benefits of those likely to be involved (single crew), and fuel and then multiplying that by the anticipated call volume for the annexed area. This is also not a true calculation of cost as those costs are already established and would be paid regardless of the annexation.
 - **Conceptual Cost per Run for Fire services:** Currently, the cost for of salary/benefits for a standard 3 person-single company would be approximately \$88 per hour and the average duration of a call is 30 minutes. Rough estimate of fuel/maintenance per hour would be \$3 per mile. Calculated from the nearest fire station, the cost per run of each round trip would be \$423. Over the last three years there was an average of 90 incidents for fire services in the proposed annexed area. As a result, the conceptual cost per run for fire services for this area is \$38,070 per year.
 - **Conceptual Cost per Run for Police Services:** Currently, the cost of salary, benefits, equipment, fuel, training, etc. for a single officer in a police vehicle is approximately \$48.07 per hour. The average duration of a call for service (including travel time, dealing with the call, administrative duties and paperwork, etc.) will be estimated at 3 hours. A cost per run is estimated \$144.21. Over the

last three years there was an average of 330 incidents per year for police services in the proposed annexed area. As a result, the conceptual cost per run for police services for this area is \$47,589.30 per year.

Overall Fiscal Impact

Regardless of how the cost to provide police and fire services is calculated, the revenue exceeds the costs for the annexation area. The tables on the following pages represent an overall fiscal impact (recurring costs and expenses) using each of the three calculation methods previously discussed.

