

MEMORANDUM
FROM
OFFICE OF THE COUNTY MANAGER

DATE: August 26, 2014

To: BoCC

FROM: Roger J. Desjarlais

County Manager

RE: Impact Fees – Re-Projections

Commissioners:

Attached are impact fee re-projections, which have been reviewed by Budget Services, Community Development, and Department of Transportation.

We re-projected using High, Medium, and Low scenarios and would recommend the Medium scenario. The assumptions used and a FAQ are attached.

A few points:

1. The re-projection presented here increases anticipated revenues for roads in 2015 from \$1.2 million to \$4.7 million. There are five road impact fee districts, so this increase is allocated to reserves in each district. The Capital Improvement Plan (CIP) you are approving in September has enough revenues to pay for listed projects and, at this time, does not anticipate the addition or deletion of any projects.
2. As has always been the case, actual collections are added to reserves each year after the September 30 fiscal year-end close-out.
3. Attached is a survey of how other Florida counties project impact fees. Most, like Lee, use the previous year's actual collections as a starting point and methodologies vary slightly from there. All indicated that impact fee collections are difficult to project because there are so many independent variables in the economy that are hard to quantify.

I would recommend discussing this at your September 2 work session.

Attachments

- Re-projection assumptions and FAQ, pp. 2-4
- Re-projection worksheets (road, regional park, community park), pp. 5-7
- Actual monthly collections through July (road, regional park, community park), p. 8
- History of projections vs. actual collections (road impact fees), p. 9
- History of rate changes (single family home and representative commercial), pp. 10-12
- Survey of other counties' methodologies, pp. 13-14

**IMPACT FEES
PROJECTIONS AND FAQ**

(For purposes of simplicity, the following FAQ refers to road impact fees. However, it applies to all impact fees that were reduced by 80% -- roads, community parks, regional parks. School impact fees are projected by the School District. Fire and EMS impact fees were not reduced).

What influences the projections?

Each year in the December to February timeframe, county staff re-projects impact fee revenues. This is done for the next fiscal year and the following four years after that. These estimates are combined with other revenue estimates (such as gas taxes and surplus tolls) to develop the revenue side of the county's 5-year Capital Improvement Plan (CIP). It is matched with the estimated costs of prioritized projects to balance the CIP and determine the timing of projects within the five-year timeframe.

Staff's projections are based on a number of factors, including:

1. Prior year actual collections.
2. Whether impact fee credits are being redeemed.
3. Whether there have been changes, or are proposed changes, in the impact fee rate.
4. Volume of permitting activity, primarily for the last six months.
5. Whether any known large projects are about to begin that would increase collections substantially.

How are differences between projections and actual collections accounted for?

In December, as part of the county's annual audit and closing out of the previous fiscal year, beginning reserve balances are "trued up" to actual, meaning projected numbers are replaced with what was actually either spent (expenses) or collected (revenues). This is the same for impact fees. **The beginning reserve balance is a true reflection of actual dollars sitting in the account.**

How does this impact the 5-year CIP?

The "beginning" reserve balance is a true reflection of monies on hand. The following five years are not real dollars yet, but rather projections that are readjusted each year based on the previous year's actual collections and extrapolated five years out using an escalator. This effort, we hope, gives as accurate and realistic projection as possible. Projections error on the side of being conservative so as not to give a false expectation of what can be accomplished within a given timeframe.

How are differences between projections and actual collections accounted for?

A perception may exist that the county consistently under-projects impact fee revenues as a way to add projects midway through the year. The attached spreadsheet shows the projections vs. actual collections since 2002 and indicates that the county under-projected impact fee collections from 2002 to 2006 (during the run-up to the real estate bubble) and over-projected revenues from 2007 to 2013 (during the economic downturn and recession). This year, 2014, is the first in seven years that the county under-projected revenues.

With 10 months of actual collections this fiscal year, the county estimates that road impact fee collections will be about \$2.1 million for 2014 (compared to an original projection of \$453,200). The \$1.65 million difference will be added into the reserve balances of the impact fees districts where they were collected.

When and how was the 2014 projection of \$453,200 made?

When the Board reduced impact fees by 80% in March 2013, county staff was just completing its 2014 impact fee projections, and planned to use 2013's projected amount of \$2,266,000 again in 2014. The projection simply took the \$2,266,000 and multiplied it by 20%.

When and how was the 2015 projection of \$1,151,000 made?

Because the county began the budget process three months earlier for 2015, the 2015 impact fee projection was done in December 2013. Reserve balances were adjusted to actual and the projection was based on the 2014 projections, by impact fee district, with 6 months at 20% and six months at 100% (assuming rates would return to 100% in March 2015). Some districts were reduced slightly because actual collections were coming in lower than previous projections.

What is the basis for the re-projections?

Based on actual collections through July 2014, staff recognizes that impact fee revenues were under-projected for 2014 by about \$1.65 million.

There appears to have been a significant increase in activity between January 2013 and April 2013, whether it is attributed to the reduction in impact fees, the economy, or some combination of both.

How was the re-projection done?

Because of the uncertainty in the recent upswing in permitting activity, and the changes in rate, county staff decided to do a high, medium, and low re-projection, just as the University of Florida Bureau of Economic and Business Research does its population projections.

Here are the assumptions for each (see worksheet on page 5):

High – county staff took the last six months of available “actual” collections (February through July 2014) and excluded two large projects that would tend to skew normal activity (Golisano Children’s Hospital and new Gartner Group office building). It then took that six months of data and projected for the first six months of fiscal 2015 (October 2014 through March 2015) at the current 20% rate and for the following six months of fiscal 2015 (April 2015 through September 2015) at a projected 100% rate. For 2016 through 2019, it was assumed the same activity, but a five-fold increase in rate (from 20% to 100%), and a 1% increase in total collections each year to incorporate economic growth.

2015 projection: \$4.67 million; Following four years: ranges from \$7.8 million to \$8.1 million.

Staff considers this projection very aggressive, especially in the years following 2015, because while it accounts for a rate increase, there is no way to quantify what will happen to volume.

Medium – same as the High re-projection, however in the years 2016 through 2019, the 2015 projection is held steady with only a 1% increase each year.

2015 projection: \$4.67 million; Following four years: ranges from \$4.7 million to \$4.9 million.

Low – assumes that in 2015, because of the projected increase in rate in March, 75% of the value of permitting would be done in the first six months (as people triggered the discount) and 25% would be done in the last six months; then holds the projection steady except for a 1% escalator each year.

2015 projection: \$3.11 million; Following four years: ranges from \$3.1 million to \$3.2 million.

RECOMMENDATION

Staff recommends using the “Medium” model and assumptions and taking the following steps over the next four months:

1. In December, when actual collections through September 30 (end of fiscal year) are known, “true-up” actual beginning reserves.
2. Also in December, use the “Medium” projection model assumptions, but use actual data from April 2014 through October 2014 (most recent actual data for six months) for the 2015 and future re-projections (2016 through 2020).

Road Impact Fees

When Projection Made	Fiscal Year	Projections	Actual	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	5-YR Total
Feb 2010	2011	\$ 2,516,000	\$ 1,152,341	\$ 2,516,000	\$ 2,516,000	\$ 2,516,000	\$ 2,541,160	\$ 2,566,571					12,655,731
Feb 2011	2012	2,516,000	2,309,908		2,516,000	2,516,000	2,516,000	2,541,160	2,566,571				12,655,731
Feb 2012	2013	2,266,000	1,756,207			2,266,000	2,266,000	2,288,660	2,311,546	2,334,663			11,466,869
Feb 2013 ⁽¹⁾	2014	453,200	1,777,568 *				453,200	1,373,196	2,311,546	2,334,663	2,358,009		8,830,614
Dec 2013 ⁽²⁾	2015	1,151,000	N/A					1,151,000	1,651,000	1,667,500	1,684,165	1,700,997	7,854,662

Re-Projections

High Projection ⁽³⁾	4,665,924	7,854,306	7,932,849	8,012,177	8,092,299	36,557,555
Medium Projection ⁽⁴⁾	4,665,924	4,712,583	4,759,709	4,807,306	4,855,379	23,800,901
Low Projection ⁽⁵⁾	3,110,616	3,141,722	3,173,139	3,204,871	3,236,919	15,867,267

* Through July 2014

(1) Projected at 20% of previous year budget

(2) Prior Year budget plus 6 mos at 100% (slight adjustments to individual districts based on collections)

(3) REPROJECTION (HIGH) Feb-Aug avg. times 6 mos at 20% and 6 mos at 100% (outliers – Golisano/Gartner – excluded); all at 100% for FY15-16; 1% per yr. incr. after that

(4) REPROJECTION (MEDIUM) Feb-Aug avg. times 6 mos at 20% and 6 mos at 100% (outliers – Golisano/Gartner – excluded); 1% per yr. incr. after that

(5) REPROJECTION (LOW) Same as (4) but assumes 75% of permitting done in first six months of year

Regional Parks Impact Fees

When Projection Made	Fiscal Year	Projections	Actual	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	5-YR Total
Feb 2010	2011	\$ 284,000	\$ 287,463	\$ 284,000	\$ 284,000	\$ 284,000	\$ 286,840	\$ 289,708					1,428,548
Feb 2011	3012	284,000	460,713		284,000	284,000	284,000	286,840	289,708				1,428,548
Feb 2012	3013	284,000	353,335			284,000	284,000	286,840	289,708	292,605			1,437,153
Feb 2013 ⁽¹⁾	2014	56,800	294,097 *				56,800	172,104	289,708	292,605	295,531		1,106,748
Dec 2013 ⁽²⁾	2015	200,000	N/A					200,000	300,000	303,000	306,030	309,090	1,418,120

Re-Projections

High Projection ⁽³⁾	1,330,996	2,240,510	2,262,915	2,285,544	2,308,400	10,428,365
Medium Projection ⁽⁴⁾	1,330,996	1,344,305	1,357,749	1,371,326	1,385,039	6,789,415
Low Projection ⁽⁵⁾	887,330	896,203	905,165	914,216	923,359	4,526,273

* Through July 2014

(1) Projected at 20% of previous year budget

(2) Prior Year budget plus 6 mos at 100%

(3) REPROJECTION (HIGH) Feb-Aug avg. times 6 mos at 20% and 6 mos at 100%; all at 100% for FY15-16; 1% per yr. incr. after that

(4) REPROJECTION (MEDIUM) Feb-Aug avg. times 6 mos at 20% and 6 mos at 100%; 1% per yr. incr. after that

(5) REPROJECTION (LOW) Same as (4) but assumes 75% of permitting done in first six months of year

Community Parks Impact Fees

When Projection Made	Fiscal Year	Projections	Actual	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	5-YR Total
Feb 2010	10-11	\$ 222,000	\$ 309,845	\$ 222,000	\$ 222,000	\$ 222,000	\$ 224,220	\$ 226,462					1,116,682
Feb 2011	11-12	222,000	505,590		222,000	222,000	222,000	224,220	226,462				1,116,682
Feb 2012	12-13	222,000	400,554			222,000	222,000	224,220	226,462	228,728			1,123,410
Feb 2013 ⁽¹⁾	13-14	44,400	200,589 *				44,400	134,532	226,462	228,728	231,016		865,138
Dec 2013 ⁽²⁾	14-15	154,000	N/A					154,000	234,000	236,340	238,703	241,090	1,104,133

Re-Projections

High Projection ⁽³⁾	900,681	1,516,146	1,531,307	1,546,620	1,562,087	7,056,841
Medium Projection ⁽⁴⁾	900,681	909,687	918,784	927,972	937,252	4,594,376
Low Projection ⁽⁵⁾	600,454	606,458	612,523	618,648	624,834	3,062,917

* Through July 2014

(1) Projected at 20% of previous year budget

(2) Prior Year budget plus 6 mos at 100%

(3) REPROJECTION (HIGH) Feb-Aug avg. times 6 mos at 20% and 6 mos at 100%; all at 100% for FY15-16; 1% per yr. incr. after that

(4) REPROJECTION (MEDIUM) Feb-Aug avg. times 6 mos at 20% and 6 mos at 100%; 1% per yr. incr. after that

(5) REPROJECTION (LOW) Same as (4) but assumes 75% of permitting done in first six months of year

COMMUNITY PARKS IMPACT FEE COLLECTIONS FISCAL YEAR 2013-2014

DISTRICT	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	TOTAL	Refund of Prior Year Revenues	Original Budget
21 - Fort Myers/Alva	1,560.00	936.00	936.00	1,092.00	624.00	1,716.00	888.20	624.00	2,652.00	8,653.40	19,681.60	0.00	3,000.00
22 - North Ft Myers	1,698.40	2,024.80	2,650.40	1,122.20	1,482.00	3,120.00	3,489.20	3,354.00	1,800.30	3,072.20	23,813.50	0.00	4,000.00
23 - Lehigh	624.00	896.20	156.00	0.00	1,092.00	1,248.00	936.00	312.00	312.00	932.80	6,509.00	0.00	1,000.00
24 - South Fort Myers	2,254.00	1,404.00	2,330.40	700.40	1,633.20	9,498.20	14,222.60	15,650.40	10,470.80	2,954.40	61,118.40	0.00	10,000.00
25 - Pine Island/Matlaacha	624.00	780.00	1,092.00	0.00	1,248.00	468.00	312.00	780.00	936.00	312.00	6,552.00	0.00	600.00
26 - Sanibel/Captiva	156.00	156.00	0.00	312.00	0.00	0.00	0.00	156.00	0.00	0.00	780.00	0.00	600.00
27 - Boca Grande	0.00	0.00	0.00	156.00	0.00	156.00	156.00	1,092.00	0.00	0.00	1,560.00	0.00	600.00
28 - Estero	9,526.00	5,404.20	3,120.00	6,112.60	9,410.80	6,392.80	7,680.80	8,570.60	7,860.40	8,384.40	72,462.60	0.00	24,000.00
29 - Gateway	0.00	156.00	468.00	2,028.00	780.00	156.00	1,716.00	1,092.00	1,092.00	624.00	8,112.00	0.00	600.00
TOTAL	16,442.40	11,757.20	10,752.80	11,523.20	16,270.00	22,755.00	29,400.80	31,631.00	25,123.50	24,933.20	200,589.10	0.00	44,400.00
FY 13-14 Collections less Prior Year Refunds											200,589.10		

REGIONAL PARKS IMPACT FEE COLLECTIONS FISCAL YEAR 2013-2014

DISTRICT	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	TOTAL	Refund of Prior Year Revenues	Original Budget
18700 - Regional Parks	18,070.75	10,697.60	21,238.20	22,638.20	16,433.13	67,821.00	34,596.40	47,605.78	22,237.20	32,689.20	294,027.46	0.00	56,800.00
FY 13-14 Collections less Prior Year Refunds											294,027.46		

ROAD IMPACT FEE COLLECTIONS FISCAL YEAR 2013-2014

DISTRICT	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	TOTAL	Refund of Prior Year Revenues	Original Budget
21 - Boca Grande	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,600.00
22 - North District	27,938.03	27,557.40	35,892.00	13,591.07	25,463.80	33,505.00	36,584.12	46,907.00	25,523.20	31,524.40	304,486.02	0.00	50,600.00
23 - Central District	26,944.86	25,077.54	31,773.06	38,450.10	29,191.00	23,830.20	26,163.60	11,245.00	180,787.56	76,627.13	470,090.05	0.00	150,000.00
24 - Southwest District	29,072.56	15,805.16	2,609.48	36,543.52	46,581.73	68,608.20	491,888.12	15,255.58	34,493.58	45,637.49	786,495.42	0.00	150,000.00
25 - Southeast District	13,402.00	14,742.20	19,254.50	23,261.00	57,020.46	34,998.50	4,020.60	8,705.28	0.00	41,092.46	216,497.00	0.00	100,000.00
TOTAL	97,357.45	83,182.30	89,529.04	111,845.69	158,256.99	160,941.90	558,656.44	82,112.86	240,804.34	194,881.48	1,777,568.49	0.00	453,200.00
FY 13-14 Collections less Prior Year Refunds											1,777,568.49		

Golisano Children's Hospital
448 K

Gartner Group
170 K

Road Impact Fees Collections for FY 01-02 thru FY 13-14 (July)

Fiscal Year	Projection	Actual	Projection Under Actual	Projection Over Actual
2002	11,305,000	11,829,630	524,630	
2003	10,615,000	16,482,738	5,867,738	
2004	11,030,000	27,908,910	16,878,910	
2005	18,051,222	43,839,426	25,788,204	
2006	26,210,000	37,930,592	11,720,592	
2007	40,913,000	32,532,440		8,380,560
2008	71,592,000	12,925,593		58,666,407
2009	11,008,700	6,242,814		4,765,886
2010	4,891,000	2,385,905		2,505,095
2011	2,516,000	1,152,341		1,363,659
2012	2,516,000	2,309,908		206,092
2013	2,266,000	1,756,207		509,793
2014	453,200	1,777,568	1,324,368	
	213,367,122	199,074,072	62,104,442	76,397,492

Impact Fee Allocations

Recipient:	SINGLE FAMILY	
	100%	20%
Roads	\$ 6,701	\$ 1,340
Schools	3,924	785
Community Parks	780	156
Regional Parks	683	137
Fire *	474	474
EMS *	50	50
Total	\$ 12,612	\$ 2,942

Recipient:	COMMERCIAL RETAIL (per 1,000 sq. ft.)	
	100%	20%
Roads	\$ 7,933	\$ 1,587
Fire *	559	559
EMS *	58	58
Total	\$ 8,550	\$ 2,204

* Fire and EMS were not part of 20% reduction

SINGLE FAMILY IMPACT FEE TOTALS

	Road	Regional Park	Community Park	Fire (Max.)	EMS	Schools	TOTAL	Notes
October-00	\$2,436	\$253	\$619	\$560	\$10	N/A	\$3,878	
October-01	\$2,436	\$461	\$655	\$560	\$27	N/A	\$4,139	EMS update 03/01 (increase); Parks update 09/15/01 (increase)
October-02	\$2,436	\$461	\$655	\$560	\$27	\$2,232	\$6,371	School impact fee adopted 12/01/01
October-03	\$2,436	\$461	\$655	\$622	\$30	\$2,232	\$6,436	Fire/EMS update 03/01/03 (increase)
October-04	\$2,971	\$461	\$655	\$622	\$30	\$2,232	\$6,971	Road update 12/04/03 (increase)
October-05	\$2,971	\$691	\$788	\$622	\$30	\$2,232	\$7,334	Parks update 07/03/05 (increase)
October-06	\$2,971	\$691	\$788	\$760	\$94	\$4,309	\$9,613	School update 01/01/06 (increase); Fire/EMS update 06/12/06 (increase)
October-07	\$8,976	\$691	\$788	\$760	\$94	\$4,309	\$15,618	2007 parks update not adopted by BOCC, road update 02/01/07 (increase)
October-08	\$8,976	\$691	\$788	\$760	\$94	\$4,116	\$15,425	School update 09/24/08 (decrease)
October-09	\$8,976	\$691	\$788	\$760	\$94	\$4,116	\$15,425	
October-10	\$8,976	\$691	\$788	\$760	\$94	\$4,116	\$15,425	
October-11	\$6,701	\$691	\$788	\$760	\$94	\$4,116	\$13,150	Road update 06/17/11 (decrease)
October-12	\$6,701	\$683	\$780	\$474	\$50	\$3,924	\$12,612	Fire, EMS, Parks, and School update 04/17/12 (decrease)
October-13	\$1,340	\$138	\$156	\$474	\$50	\$785	\$2,943	80% reduction to road, parks, and school fees 03/13/13 (decrease)

COMMERCIAL
(Retail - per 1,000 sq. ft.)
IMPACT FEE TOTALS

	Road	Fire (Max.)	EMS	TOTAL	Notes
October-00	\$3,992	\$549	\$33	\$4,574	
October-01	\$3,992	\$549	\$52	\$4,593	EMS update 03/01 (increase)
October-02	\$3,992	\$549	\$52	\$4,593	
October-03	\$3,992	\$796	\$47	\$4,835	Fire/EMS update 03/01/03 (Fire-increase; EMS-decrease)
October-04	\$5,063	\$796	\$47	\$5,906	Road update 12/04/03 (increase)
October-05	\$5,063	\$796	\$47	\$5,906	
October-06	\$5,063	\$593	\$138	\$5,794	Fire/EMS update 06/12/06 (Fire-decrease; EMS-increase)
October-07	\$15,837	\$593	\$138	\$16,568	Road update 02/01/07 (increase)
October-08	\$10,983	\$593	\$138	\$11,714	Road update (affected retail and hotel/motel only) 09/23/08 (decrease)
October-09	\$10,983	\$593	\$138	\$11,714	
October-10	\$10,983	\$593	\$138	\$11,714	
October-11	\$7,933	\$593	\$138	\$8,664	Road update 06/17/11 (decrease)
October-12	\$7,933	\$559	\$58	\$8,550	Fire, EMS update 04/17/12 (decrease)
October-13	\$1,587	\$559	\$58	\$2,204	80% reduction to road 03/13/13 (decrease)

A Sample of Florida Counties and How They Forecast Impact Fee Revenue

Summary

Nine of 13 counties contacted on Aug. 20, 2014 provided information about how they forecast impact fee revenue. Most counties look at the revenue of the past two or three years, identify the trend in their local building market, and adjust up or down by 1 to 2 percent. Two counties, Alachua and Brevard use the current year's revenue as the projection for the next year, and Citrus totals only residential revenue over the past five years and takes 20% of that. Regarding the percentage, West Palm was the only anomalous county, and it is estimating a 10% increase for FY '15. Most respondents used the phrases "conservative" or "cautious" to describe their process.

County	Forecasting Method	Comments
Alachua	Based on current collections with an estimated up or down change of around 2% for permit trends and newly approved DOs	Jeff Hayes, Impact Fee Administrator
Brevard	Bases its projection on actual collections of the current year, but may adjust conservatively downward if there are recessionary indicators	"I basically just look at the actual, and assume it's going to be the same. There's no scientific dimension to it." Steve Swanke, Impact Fee Administrator
Broward	Based on current collections with an estimated up or down change of 1-2 % for economic trend	"We don't really do a projection because impact fees are based on the market. We just add a percentage or two if we think there might be an increase. It's better to be conservative, and if we collect more, we can explain that the market was better than expected." Evie Calus, Impact Fee Coordinator
Charlotte	Look at the last two years, consider any imminent economic trends, and estimate conservatively.	"To be honest, we don't do in depth revenue forecasting. We just look at the last two years and we estimate very cautiously and conservatively." Claire Jubb, Customer Service Director
Citrus	Only base it on residential; look back at total revenue for the past five years and take 20% of that as the forecast.	Commercial revenue is too volatile for projections; they adjust up or down cautiously if they see an economic anomaly, like the recession or a single big project that drives revenue up. Heather M. Urwiller, Concurrency/Impact Fee Coordinator
Collier	No one available Wednesday to provide this info	Paula Fleishman, Impact Fee Coordinator
Hernando	No one available Wednesday to provide this info	Barbara in Zoning
Hillsborough	Look at basic permit data to determine if building is trending up or down, and then adjust 1 to 2 percent up or down.	"We usually play very conservative at that. It's so difficult to predict building." Ron Barnes, Impact Fee Coordinator

Lake	They don't forecast impact fee revenue.	"We really don't predict how much we are going to collect." Mary Harris, Growth and Planning
Manatee	Estimate based on permits from the current period and economic expectations for the next 18 months.	"The philosophy is better to be conservative so you don't have to delay a project because you didn't get the revenue you were expecting." Jim Seuffert, Director of Financial Management
Martin	No response	
Palm Beach	Look at local and national building trends and estimate a likely increase or decrease.	"I'm using 10% increase this year because I believe the weather was so bad up north last year and with the demographics of people retiring, there is going to be a lot of people moving down to Florida." – Willie Swoope, impact fee administrator
Pasco	No response	