

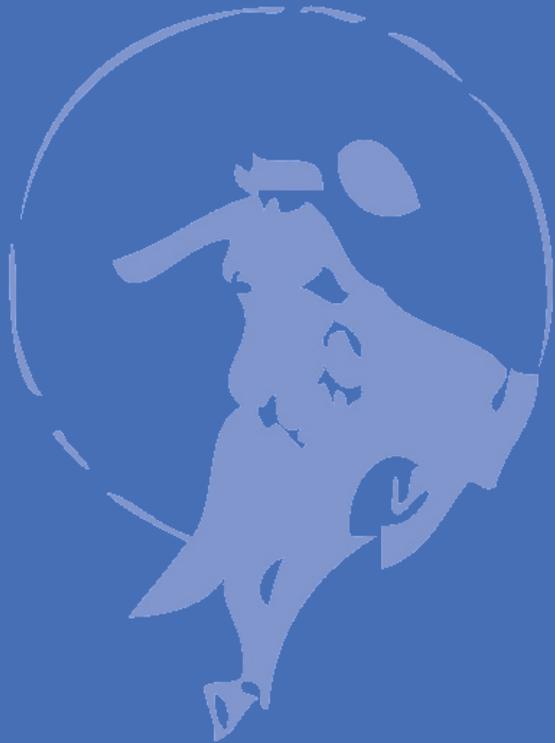
## Appendix I

### *Fiscal Impact Analysis*

## Appendices

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# FISCAL ANALYSIS



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# EXECUTIVE SUMMARY

Managing a municipal corporation is a challenging endeavor. Cities, like businesses, have to manage their operations to preserve the bottom line. Both have costs for their workforce, facilities maintenance, acquiring needed goods and services, even electricity bills. And the ability to attract, retain, and develop a skilled and qualified workforce drives the long-term ability of businesses and local governments to effectively control costs and maintain quality.

Unlike most governmental agencies, however, many private sector businesses have vigorous top-line strategies—marketing and advertising, innovating new products and services, and expanding geographic trade areas. These top-line strategies drive revenues that flow into businesses. And businesses with growing top-line revenues do not have to focus as ruthlessly on their bottom-line management to stay alive.

In reality, cities do manage their top line. Many do not realize they have a top line, and most do not talk about it as such. Nevertheless, for local governments, how land is used in their cities—for residences, producing goods and services, or leisure-time activities—determines almost exclusively how much money city hall takes in each year. And each city's general plan is their top-line management strategy, whether or not they treat it that way.

For the Clovis General Plan Update, the city identified achieving and maintaining a healthy fiscal balance as a key objective. Throughout the process, city staff, the General Plan Advisory Committee, and the Planning Commission and City Council have continuously reinforced that the General Plan needed to ensure that Clovis would be building a city it could afford to own.

This report presents a fiscal analysis of the proposed General Plan land use plan. It is the first measure of how well the objective of planning for a fiscal

balance has been achieved. One may also think of the fiscal analysis as the basis for the city's business plan because it directly links the major element of the city's top-line strategy (the General Plan) to the city's bottom-line strategy (municipal operations) and to the annual budget.

## BASIC FISCAL FINDINGS

The analysis projects that total expenditures in 2035<sup>1</sup> would likely exceed total revenues by \$12.0 million, a deficit of 4.8 percent of expenditures (with a deficit range of 2.0 to 8.8 percent).<sup>2</sup> With the number of assumptions that go into forecasting economic and market conditions 20 years out, one should regard a result within plus or minus 5 percent as being essentially balanced. Thus, the forecast deficit of 4.8 percent likely represents a manageable challenge.

Governmental activities,<sup>3</sup> however, represent a more substantive long-term problem. The analysis projects that expenditures for governmental activities in 2035 would likely exceed revenues by \$18.8 million, a deficit of 16.5 percent of expenditures (with a deficit range of 11.8 percent to 24.9 percent). The size of the likely deficit and the fact that even under optimistic assumptions there would be a significant deficit suggest that balancing the general fund will not be easily manageable and may require structural changes over time. Subse-

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<sup>1</sup> The analysis reports results for the year 2035 as the key metric for evaluating the plan's fiscal sustainability. The analysis provides less reliable results for the full buildout of the General Plan, which could be 80 years hence. The time horizon is discussed on page 9.

<sup>2</sup> The analysis reports results under three scenarios: the primary forecast, a more optimistic scenario, and a more pessimistic. The assumptions underlying the three scenarios are discussed on page 11.

<sup>3</sup> Governmental activities excludes municipal functions that are completely or mostly funded by user fees, namely water, sewer, refuse, and transit, as well as the landscaping and lighting maintenance district.

quent sections in this summary present fiscal management strategies, because growth alone will not ameliorate recent and ongoing budget challenges.

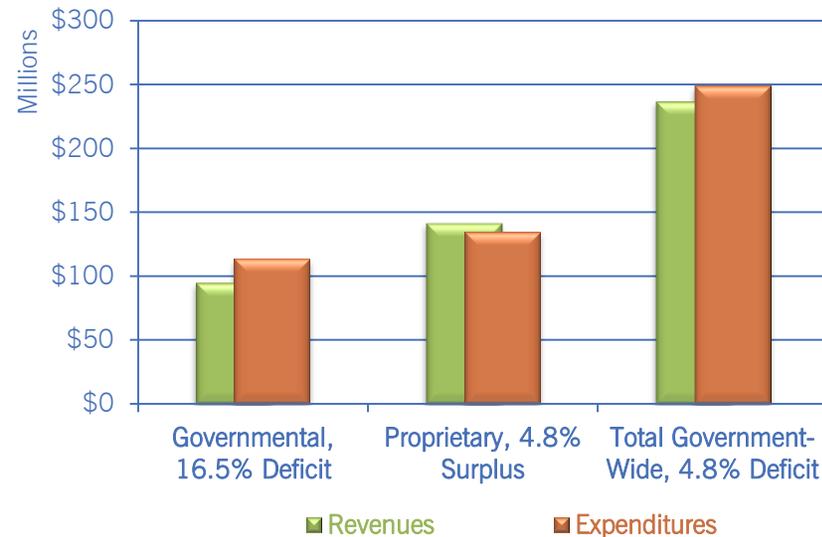
In contrast, the fiscal analysis suggests that proprietary activities—public facilities and services funded completely or primarily by user fees, as well as the landscaping and lighting maintenance district—would generate a surplus of revenue over expenditures. This surplus makes the difference between the large deficit for governmental activities and the smaller deficit for government-wide activities.

Figure 1 shows the revenue and expenditure forecasts for governmental activities, proprietary activities, and total government-wide revenues and expenditures in 2035. The remainder of this summary discusses some of the key findings of the analysis and identifies strategies to ameliorate long-term fiscal imbalances.

## POLICY IMPLICATIONS

The differences among the governmental, proprietary, and government-wide categories are mostly useful to city management and the finance department. Most important to policy making and of most interest to the majority of those reading this report are the differences among the three scenarios. The more pessimistic scenario represents a future in which city policies remain similar to those in place today: predominantly residential growth resulting in continued development as a bedroom community, with new retail and entertainment commensurate only with population growth, and lagging development of employment opportunities. This scenario is fiscally unsustainable, leading to a 24.9 percent funding deficit for governmental activities. To reiterate this key point: past development trends cannot sustain the Clovis way of life and will require major reductions in the levels of service the city can afford to provide.

**Figure 1: Revenue and Expenditure Forecast, City of Clovis CA, 2035**



Source: *The Planning Center* | DC&E, 2013.

The primary forecast explicitly assumes that city policies change, including investment in economic development that generates quality jobs, reinvestment in Shaw Avenue and older areas of the city, and managing residential growth to ensure that it does not outpace the ability of non-residential development to generate revenues that create a fiscal balance. Even with these changes in public policy, the fiscal analysis forecasts that the city would face a 16.5 percent deficit in funding expenditures. Thus, with moderate assumptions, the city will still have to manage operations and expenditures in order to achieve a fiscal balance.

The optimistic scenario assumes that the city changes policies as in the primary forecast and that these changes are very successful. Namely, this scenario assumes that the city achieves its robust employment goals as presented in the 2010 Economic Analysis (prepared for the General Plan Update) and that unique destination retail and entertainment districts are developed to attract visitor spending to compensate for the increased migration of retail spending to the Internet. Even if the city dedicates sufficient resources to these two strategies—above-trend employment growth and attracting a higher share of consumer spending—the optimistic scenario would still generate an 11.8 percent deficit in funding governmental activities. Thus, the city will need to continue judiciously managing its spending and periodically evaluate the levels of service it can and should provide.

## REVENUE STRATEGIES

### RESERVE LAND AREA FOR JOBS

Clovis has traditionally been a bedroom community that grew residents faster than it grew jobs. To promote a more fiscally balanced community, the General Plan Update allocates a large share of land to non-residential, employment-generating uses to help pay the cost to provide public facilities and services needed to accommodate projected residential growth.

The optimistic scenario assumes that all of the planned non-residential land area in the 2035 boundary is developed and generating employment in 2035. This scenario produces an expenditure deficit of 11.8 percent for governmental activities. Decreasing the amount of non-residential employment-generating uses by 10 percent increases the deficit to 15.1 percent.

There is a clear fiscal cost to amending the land use diagram to convert employment-generating uses to residential uses. General Plan policies should pre-

clude changes from employment-generating land use designations to designations that include residential uses unless the proponent can convincingly and unequivocally demonstrate that the land use change would improve the city's fiscal balance.

### INVEST IN ECONOMIC DEVELOPMENT

Beyond simply maintaining the areas planned to generate jobs, the city will also have to invest in economic development activities. The land area planned for employment-generating uses in 2035 would accommodate about 40 percent more jobs than what would be expected based on the past trend of job growth in Clovis.

If the number of jobs in Clovis were to only increase at the past trend rate, the optimistic scenario's projected 11.8 percent deficit for governmental activities would increase to 20.5 percent—almost double. Indeed, if the city even gets halfway from trend job growth to filling out the 2035 planned employment generating uses, the deficit would still be 15.8 percent.

To grow in a fiscally sustainable manner, Clovis can neither ignore economic development nor simply invest in economic development as it has in the past. No, Clovis will need to sustain investment in a robust economic development program over the life of the General Plan. More importantly, there needs to be a commitment across city staff, appointed officials, and elected officials that Clovis is in the business of growing businesses and employment to provide a balanced and sustainable municipal budget.

### INCREASE RETAIL SPENDING IN CLOVIS

The fiscal analysis explored two dimensions of retail sales tax generation. First, projecting retail sales tax revenues requires an understanding of the degree to which increases in sales tax are driven by new households compared to new retail businesses that attract visitors to Clovis to spend money. A statistical

analysis of annual changes in sales tax revenue and annual changes in the number of households indicates that households account for about two-thirds of the production of sales tax.

This finding suggests that efforts to increase sales tax revenue should not only emphasize the quantity and quality of retail businesses in the city but also recognize that increases in the number of households in the city will drive a majority of the increase in sales tax revenues. Importantly however, the increase in sales tax revenues derived from new households is needed just so public facilities and services can keep pace with residential growth. Sales tax revenue generated by new households does not constitute a new revenue source for expanding public facilities and services. In addition, new households that live farther from competitive retail centers and districts in Fresno are more likely to spend a greater share of their disposable income in Clovis than new households living closer to the border with Fresno.

On the business side of the equation, city staff should continue to meet with and talk to existing retail businesses to better understand and address challenges that put downward pressure on their revenues and profitability. With the commencement of baby boomer retirement, there may be a new supply of entrepreneurs interested in opening independent businesses. The city can work with the Central Valley Business Incubator, the UC Merced Small Business Development Center, and other economic development partners to help Clovis residents start up new retail businesses in the city. Finally, the city should continue its efforts to preserve existing and attract new retail businesses to Clovis.

## **MINIMIZE IMPACTS OF INTERNET SALES GROWTH**

The second important dimension of retail sales tax is the share of household consumer spending through Internet commerce versus spending at shops physically located in the city. Market data from the Nielsen Company indicates that about 7.6 percent of Clovis households' consumer spending takes place on the

Internet, thus generating no real sales tax revenue for the city. When looking 20 years in the future, the question is how much local retail spending will take place on the Internet?

The primary fiscal balance forecast assumes that an additional 7.5 percent of residents' retail spending will occur online, for a total of about 15.1 percent. The optimistic scenario assumes no increase over the current rate of online spending. The pessimistic scenario assumes that a total of 22.6 percent of all retail spending takes place online.

The impact of e-commerce's share of retail spending can be seen by looking at the optimistic scenario and varying only the amount of Internet spending. Under the optimistic scenario, the fiscal model projects a deficit of 11.8 percent for governmental activities. Increasing e-commerce's share of retail sales to a total of 15.1 and 22.6 percent increases the deficit to 12.5 and 13.4 percent respectively. The increase in deficits from 11.8 percent to 13.4 percent might not seem significant, but as part of a projected large deficit, every bit of funding matters.

Legislators in Washington DC and Sacramento are discussing possible ways to tax Internet sales and distribute at least a portion of those revenues to local governments. Such discussions are in preliminary stages and might or might not result in future legislation. Should they pan out, however, such changes in Internet taxation could ameliorate at least some of the potential loss in revenues as sales migrate to the Internet.

There is a clear role for the city to play in expanding retail sales through the expansion, creation, and attraction of retail businesses, but the city's role in minimizing the increasing shift to online purchasing is less direct. The two avenues through which public policy can minimize the shift is reducing barriers to bricks-and-mortar purchasing and creating more districts for experience-oriented shopping.

Many online purchases are driven by cost and convenience. The city has few if any tools available to affect the consumer's cost. But the city can apply its planning and development authority to minimize potential roadblocks to purchasing needed goods locally rather than online. Land use policies in the General Plan Update should reinforce the land use diagram's intent to provide convenience goods and services throughout the city in proximity to where people live and to provide comparison goods in fewer locations, near intersections of major roads.

No one can be certain about what the retail landscape will look like in ten years, let alone in 2035. Which big box national retail chains will be around and which ones will be gone? What the Internet is less likely to change is the provision of services, experience-oriented shopping, and dining. City policies should promote development and redevelopment resulting in unique pedestrian-oriented retail districts characterized by independent businesses, restaurants, entertainment, and places where people socialize. Such experience-oriented shopping is less about satisfying an immediate material need and more about the pleasure of shopping and socializing with friends and family. These places are less likely to be disrupted by increases in Internet sales than are conventional strip centers and big box retailers.

## EXPENDITURE STRATEGIES

### MINIMIZE PUBLIC SAFETY HOT SPOTS

Police and fire are the two most costly services provided by Clovis, as is the case with most cities. The fiscal analysis projects that in 2035, spending on police would consume 39 percent of governmental expenditures, and fire department spending would consumer an additional 18 percent.

The fiscal analysis found that 30 properties<sup>4</sup> accounted for 19 percent of the fire department's calls for service.<sup>5</sup> These 30 properties primarily include senior care facilities, mobile home parks, and apartments. The fiscal analysis assumes that land use and development policies effectively minimize the creation of future fire department hot spots in new growth areas. If, however, current hot spots are not ameliorated and new hot spots continue to develop in the future, the 11.8 percent expenditure deficit under optimistic assumptions would increase to a 15.7 percent deficit.

The police department also has business that can require higher demand for services. However, with the large number of police department calls, no specific parcel or address stands out.

The Police Department responds to various types of calls for service throughout the entire city. Top priorities for the Police Department include gangs, property crimes, and blight. While certain parts of the city have a higher number of criminal related activities, no area of the city is immune to crime.

Land use policies can help reduce the likelihood of developing new hot spots in growth areas. For example, development agreements for new senior care facilities could require that owners pay the cost of providing emergency medical services. New development patterns can do a better job of interspersing a variety of housing types in neighborhoods rather than concentrating many apartment developments together. And development standards can require a variety of unit types and sizes to minimize the potential for single demographic groups to concentrate in individual apartment complexes. Urban design standards can

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<sup>4</sup> Because the analysis focused on costs by type of land use, the results are reported for parcels rather than individual address. Thus mobile home parks and apartment complexes may count as individual parcels even though they may include many units with individual addresses.

<sup>5</sup> This is an annual average based on call data for FY08 to FY10. The fire department calls for services are discussed on page 23.

promote safer commercial areas through practices known as Crime Prevention through Environmental Design.

As of the preparation of this report, the city has requested grant funding for a project to address the existing concentrations of calls for emergency medical services. Because the fiscal analysis focuses on future revenues and expenditures, it does not consider strategies to address current police hot spots. However, finding ways to reduce the demand for police services would have long-term benefits for the fiscal balance.

One possible solution to existing and potential fire department hot spots would be to impose a fee for calls for service over a certain number per month or year. There would, of course, be legal considerations to such a fee. And there would be pros and cons that should be considered. For example, a fee might generate revenues to offset fire department services, but it would not be wise public policy if it discouraged businesses and residents from calling in emergencies or if it encouraged businesses to push problems out their doors to avoid the fee of an emergency call. Thus the fiscal analysis does not suggest that such a fee is an appropriate solution but does recommend that it be considered.

## **MINIMIZE NON-CONTIGUOUS DEVELOPMENT IMPACTS**

Traditionally, Clovis has grown outward in an orderly, project-by-project basis, rather than leap-frogging out and backfilling later. Ownership patterns and development interests may change this traditional pattern. It is likely that the city will receive petitions to annex non-contiguous areas in the future.

When a newly annexed area lies across the street from an existing developed part of the city, the burden on the city is relatively small. Fire, police, public utilities are extending their service area very little, and there are housing units and non-residential development over which to spread the costs of extending

public infrastructure and services. As described in this report, extending infrastructure and public services to non-contiguous areas is more costly. The fiscal analysis presented in this report assumes that the city grows outward in an orderly fashion. If, however, growth occurs through non-contiguous annexations, the net fiscal impacts would be more negative than presented herein.

To compensate for the additional cost burdens imposed by non-contiguous development, the city should require detailed analysis and projections of capital costs, ongoing operations and maintenance costs, and the net fiscal impact to the city. The city should also require that proponents of non-contiguous development provide a community facilities district, or other similar funding mechanism, to shift these added cost burdens away from existing city residents and on to the new development proposed in non-contiguous areas. Finally, because CFDs can only pay for an increase in levels of service, establishment of CFDs should occur in conjunction with annexations so that they can pay for the increase in level of service as an area goes from unincorporated county services to city services.

## **RESTORATION OF LEVELS OF SERVICE**

In response to the recession-driven budget pressures, Clovis reduced the levels of staffing and services and deferred maintenance and investments, as did most cities. All three scenarios in the fiscal model assume that levels of staffing and service are restored to pre-Recession norms, at least by 2035.

If levels of service were not increased, however, expenditures would be lower in 2035. The projected 11.8 percent deficit for governmental activities would be reduced to a 7.0 percent deficit, and the total budget (governmental and proprietary activities) would be projected to generate a 1.7 percent surplus in revenues. One of the key sets of policy decisions that the city will have to make over time is to determine the sustainable levels of service that can be provided given the likely level of revenues. For example, during the last few years, the

city has shifted from purchasing public safety vehicles to leasing them. The decision to continue leasing versus returning to purchases will have long-term impacts on the budget.

In addition to determining costs, levels of service influence revenue. Clovis sustains high property values because it is perceived as a safe place to live, has excellent public schools, and provides high quality recreation facilities and programs. Changes in these and other characteristics of Clovis could alter the city's attractiveness as a place to live and lead to long-term reductions in revenues.

## PLANNING RECOMMENDATIONS

In addition to specific revenue and expenditure strategies, the fiscal analysis also provides some guidance for the General Plan Update and its long-term implementation.

### COMPLETE LOMA VISTA

Of the three growth areas, Loma Vista probably represents the best opportunity to capture residents' retail spending in Clovis. The town center is also considered critical to the vision and desirability of the Loma Vista community. However, the town center is unlikely to be developed until a large majority of the planned housing units are built. If other growth areas open for development before Loma Vista reaches that critical mass of households, it is likely that the non-residential land uses needed to provide fiscal balance will not be developed by 2035.

In contrast with the town center the business park area on the east side of Loma Vista might never develop. The business campus area was originally proposed to complement the expansion of McCall Avenue to an expressway, as proposed in the 1993 General Plan. It is no longer clear whether or not there will be funding to connect Loma Vista with the Northeast Growth Area to the

north and the 180 freeway and Selma to the south via McCall expressway. In the absence of a major transportation corridor, there will be little to no market demand for business campus uses on the east side of Loma Vista.

The fiscal analysis and the EIR exclude the business campus portion of Loma Vista from the analysis of 2035 conditions, but both include it for the full buildout analysis. Between now and 2035 it should become clear if McCall will be upgraded. If a decision is made to not upgrade McCall, the General Plan and the Loma Vista Specific Plan may need to be amended to plan different uses in the business campus area. Although development of the business campus is not factored into the projected 2035 fiscal balance, any change in planned uses should consider the potential impact on the fiscal balance at full buildout.

### BALANCE RETAIL DEVELOPMENT

Unlike other land uses, retail businesses are highly sensitive to location. Households looking for a place to live tend to compare housing across a large geographic area. Likewise, commercial and industrial businesses can move across town or even to another city and notice little to no effect on operations. But move a retailer a mile down the road and the fundamentals of its business change significantly; they depend on visibility to and patronage from residents of adjacent and nearby neighborhoods.

When new residential neighborhoods are developed, retailers flock to new nearby retail centers to capitalize on the new market. As those neighborhoods age and transform over time, however, the level of consumer spending often plateaus or declines. Businesses that once flourished find themselves barely hanging on a generation later.

At the same time, some retail centers become destinations, attracting shoppers from a larger trade area. These destinations can often weather socioeconomic

changes in nearby neighborhoods. However, the next shiny new destination retail center usually siphons customers away from the older center. Destinations and retailer businesses that once flourished find themselves in dire straits.

Whatever the cause of retail distress, it inevitably leads to higher structural vacancy rates. Many property owners facing high vacancy rates reduce their lease rates to attract tenants (some rent is better than no rent). With reduced revenues, however, those property owners defer maintenance and reinvestment in their properties. Left unabated, this creates a downward spiral that eventually leads to disinvestment, urban blight, and rising crime and other social pathologies.

The preceding revenue strategies section addressed the need for the city to promote the growth and attraction of retail businesses to generate sufficient retail sales tax revenues. That need must be balanced with the cost of services to deal with decaying retail centers and corridors: new retail centers should not be entitled if they will cannibalize existing retail districts. When there is insufficient household growth to support new retail development, new centers simply shift spending from one center to another without generating new revenue for the city.

The land use diagram was designed to provide a sustainable balance of housing, employment, and retail. That balance, however, is measured in 2035 and at full buildout. In the meantime, the city will likely entertain many requests to develop new retail centers. The General Plan Update should include clear policy guidance requiring analysis and findings that new retail developments will not capture spending from existing retail development, leading to structural vacancies.

In effect, this would mean that there will need to be sufficient new rooftops before new retail centers are developed. While this could be inconvenient for early households in a new area, the city itself would likely not lose all of their

retail spending because residents would likely patronize the nearest existing centers.

## **REVITALIZE SHAW AVENUE**

Shaw Avenue is the main commercial corridor in the city. Nevertheless, changing socioeconomic conditions in adjacent and nearby neighborhoods and the development of newer retail centers elsewhere in the city have taken their toll on Shaw. It suffered high vacancies prior to the recession, which aggravated the situation. With the development of a multitude of new shopping centers that intercept consumers who would previously have traveled to Shaw Avenue, it will not return to its prior prominence as a retail destination.

In conjunction with the General Plan Update, the city is undertaking a grant-funded project to plan for the revitalization of Shaw Avenue. Like the city's efforts with Old Town, Shaw will be an overnight success 20 years in the making.

Part of the strategy for Shaw is to establish land uses that can attract consumers from the larger region, not just the immediate neighborhoods. Commercial recreation and public recreation facilities may figure prominently in this role. Nevertheless, even if Shaw is more of a regional destination, it will still have too much retail building space. So a second part of the strategy is to strengthen the key nodes, creating unique districts that serve different but complementary niches. The final part of the strategy is to provide property owners between these districts with options to redevelop their properties with more profitable uses, which might include boulevard housing or office uses.

The Loma Vista Town Center, while important to the community vision, will not provide for all of the shopping, dining, and entertainment needs of the community. Maintaining and improving the look, feel, and function of Shaw Avenue is vital for Clovis to capture its fair share of the retail spending of Loma Vista resi-

dents and households in the southern and eastern parts of the city. Furthermore, revitalizing Shaw Avenue is also a key strategy to managing police and fire department costs.

Discussion of Shaw Avenue is only tangentially related to the fiscal impact analysis. It is critical, however, to convey an important fact. Planning is the city's one shot to get the fiscal balance of land use right. Once land is developed, it is a timely and costly prospect to effect change or correct mistakes. There will be good arguments for pursuing the next shiny retail development, but those projects should not come at the expense of existing development.

## **PLAN FOR CAPITAL INVESTMENTS**

After the General Plan Update is adopted, the city will update its water and sewer master plans. Those plans will provide detailed estimates of the capital costs to extend water and sewer service to the Northwest and Northeast growth areas. Such detailed cost estimates are beyond the scope of the fiscal analysis.

The fiscal analysis does, however, quantify the funding that the city may have available for capital investments. The primary forecast, along with the pessimistic and optimistic scenarios, assumes that the city will have future debt service payments and capital investments proportional to the current share of spending devoted to these costs. By removing all debt service and capital investment from the analysis, the fiscal model projects that the city would have available \$30.4 million in 2035 for capital improvements and debt service for capital improvements.

This amount includes not just water and sewer, but also refuse, road projects, and other public facilities. The dollar amount can be somewhat misleading because for enterprise activities—namely water, sewer, and refuse—user fees can be adjusted to provide the needed level of capital improvements.

Subsequent to the adoption of the General Plan Update, the city will need to begin its long-term planning for capital investments. However, the General Plan Update should provide policy guidance regarding the timing and scale of future annexations, which will influence the timing and scale of the necessary capital investments.

## **INCREASE USE OF FINANCING AND FUNDING DISTRICTS**

Nevertheless, \$30.4 million for capital improvements for a city of 184,000 people (in 2035) would seem to be insufficient. Clovis may have to rely more on funding and financing districts than it has in the past. For example, about half of the city today is in the landscaping and lighting maintenance district. The fiscal analysis assumes that about half of the 2035 city and half of the full buildout city would also be in the district. Requiring all new developed areas to be in the district would reduce the projected deficits.

Community facility districts (CFDs) are a common vehicle to use Mello-Roos bonds to finance infrastructure improvements and shift repayment onto the new development instead of spreading repayment across users citywide. CFDs can also be used to pay for municipal services. The General Plan Update should provide clear policy guidance for the use of CFDs in growth areas.

With the Shaw Avenue Corridor project, the city is exploring the feasibility of establishing a property-based Business Improvement District (P-BID). A P-BID is a highly versatile district that generates revenues and can provide physical improvements, provide enhanced public services, recruit new businesses, and undertake marketing activities. The General Plan Update should provide policy guidance on the establishment of P-BIDs for new retail and mixed-use developments that are not intended to or may not remain under unified control.



# INTRODUCTION

This document presents the fiscal analysis of the proposed General Plan Update (GPU) for Clovis. When this planning process began, the nation was in the midst of the most severe economic contraction since the two recessions of the Great Depression era. The challenging economic times only underscored what the community, elected officials, and city staff already knew: the updated General Plan must ensure that we are building a city we can afford to own. Even though the economic recession is over and the national economy is growing, the mission to develop in a fiscally sustainable manner is no less pressing and no less important.

The fiscal analysis intends to answer what seems like a fairly simple question: When the city is fully built out pursuant to the updated General Plan, will the municipal revenues generated by the properties, residents, and businesses in Clovis exceed the costs required to provide public services and facilities for those properties, residents, and businesses? As discussed in this and subsequent chapters, this question is anything but simple. While acknowledging the complexity of this task, the fiscal analysis provides a qualified answer to the question.

## TIME AND GEOGRAPHY

### TIME HORIZONS

Although not a part of the environmental impact report (EIR) for the GPU, the fiscal analysis has been prepared in conjunction with it. The EIR and, consequently, the fiscal analysis have two horizon years. At current rates of household growth, fully building all of the development allowed in the GPU could take 80 years. Because growth rates and development patterns will change

over 80 years, the analysis does not identify a specific year. Nevertheless, one time horizon for the analysis is at full buildout of the GPU and is assumed at about 80 years.

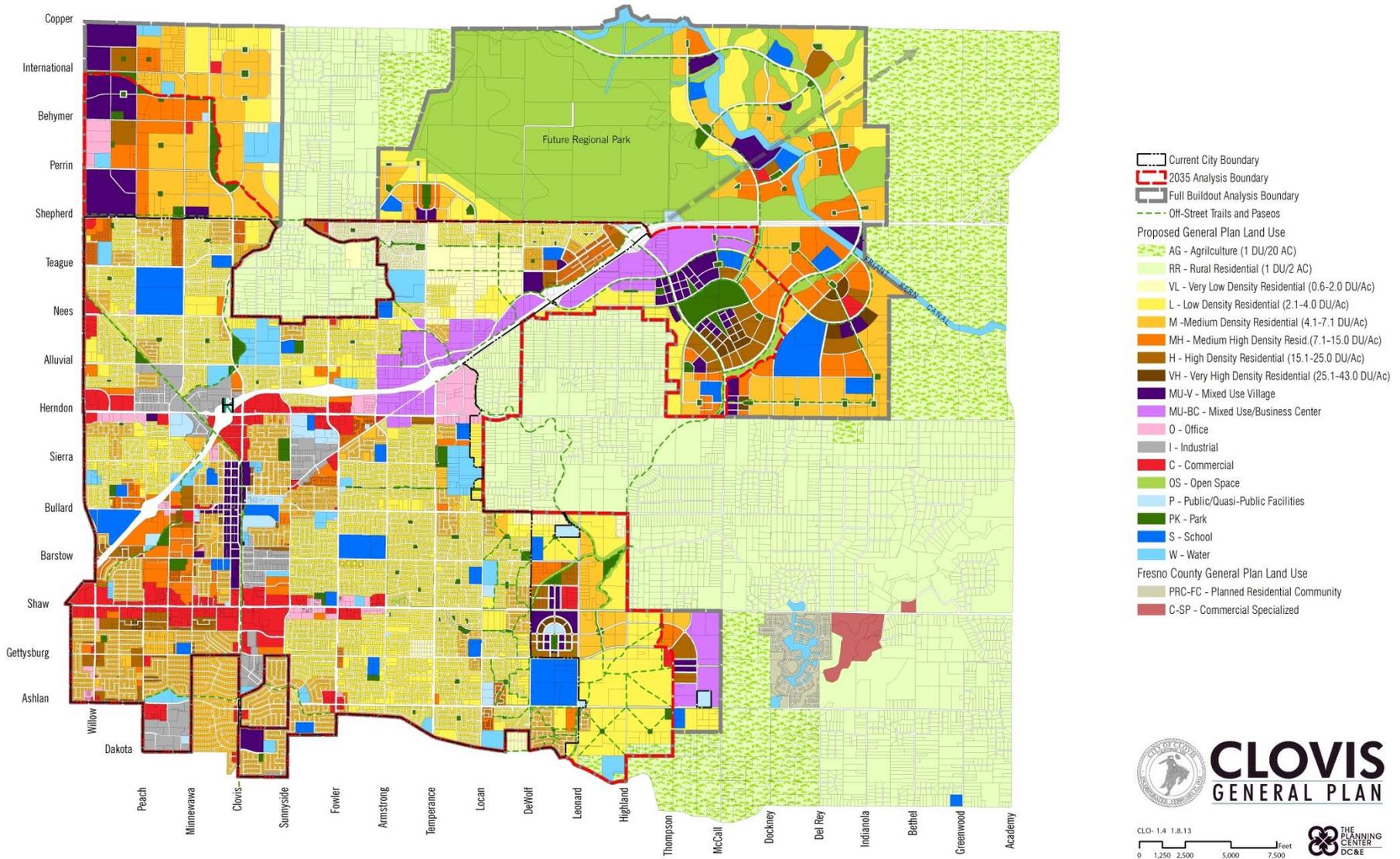
Many of the technical analyses conducted for an EIR, most notably regional traffic, air quality, and noise models, are not appropriate for and not capable of accurately and reliably projecting and evaluating conditions 80 years in the future. The EIR uses a time horizon of 2035, which captures the extent of technical analyses' usefulness and covers about 20 to 25 years of potential growth and development. This time horizon tacitly assumes that the General Plan will be reevaluated and likely updated before 2035. Similarly, the fiscal analysis cannot reliably project economic and budget conditions 80 years into the future. Therefore, the fiscal analysis also uses a 2035 time horizon as the key metric for evaluating the fiscal sustainability of the GPU, although it does assess the potential fiscal balance at full buildout.

### GEOGRAPHIC BOUNDARY

The GPU covers a large area, encompassing areas not currently within the city's boundary. Even though Clovis has an interest in how those extraterritorial areas develop, parcels outside of the city boundary neither generate municipal revenues nor receive services from the city. Therefore, the fiscal analysis only covers areas that are currently in the city or that are envisioned to have been annexed into the city by 2035 or by the time the General Plan has been fully built out.

Figure 2 on the following page shows the areas that are included in the fiscal analysis. There are two areas, one corresponding to the 2035 and the other to full buildout time horizons.

Figure 2: Geographical Boundaries for the Fiscal Analysis



Source: The Planning Center|DC&E, 2013, using data from the Clovis Planning and Development Services Department.

## NON-CONTIGUOUS DEVELOPMENT

Because the fiscal analysis represents two specific snap-shots in time, it does not necessarily address the pattern of annexation and development between now and those two points in time in the future. Nevertheless, a qualitative discussion of the potential impacts of non-contiguous development is warranted.

Traditionally, Clovis has grown outward in an orderly, project-by-project basis, rather than leap-frogging out and backfilling later. Ownership patterns and development interests may change this traditional growth pattern in the two undeveloped Urban Centers. It is possible, if not likely, that the city will receive petitions to annex non-contiguous areas in the future.

When a newly annexed area lies across the street from an existing developed part of the city, the burden on the city is relatively small. Fire, police, and public utilities only marginally extend their service areas. When a newly annexed area is not contiguous to the existing city boundary but is, say, one mile away, the impacts on public services are much greater.

### Fire Department Impacts

The primary impact to the fire department is the added length of time for service calls. The delay in providing EMT and firefighting services could be deadly for those living in non-contiguous, but increases in average response times can cause increases in property insurance premiums throughout the fire department's service area.

The adopted first unit response time standard for the City of Clovis necessitates all development to be within approximately 4 minutes of travel from the nearest fire station. Any development outside of this sphere of protection will receive a diminishing level of service the further it lies outside of this zone. The adopted travel time standard is derived from two main factors: During medical emergencies where a patient has lost circulation, irreversible brain damage begins to

set in around 4 minutes with death occurring between 6 and 10 minutes. During a fire, growth of the fire and its associated toxic byproducts will overwhelm patients and extend beyond the point of saving a potential patient within 6 to 10 minutes after ignition (see studies and standards from NFPA, AHA, SOC, etc.). Travel time is only a component of the total response time but the largest single factor in response time effectiveness.

Another significant impact of non-contiguous development is on firefighter safety and property conservation. An effective response force represents the number of units and firefighters necessary to handle the critical task necessary within the first 5 to 10 minutes of the fire attack (tasks include: search and rescue, ventilation, back-up lines, pump operation, water supply, OSHA Two Out and command). On a typical single family home this number is 16 firefighters. During combat operations, if firefighters and associated equipment are delayed or if they have longer travel distances to cover, the operation will not be as successful resulting in additional risk to firefighters and less effective property conservation.

The third major impact of non-contiguous development is the effect of travel distance on unit availability. When a fire unit is dispatched to a call for service, it is no longer available for any other calls until its assignment is complete. While the fire unit is committed on the call for service, the area it protects has a diminished level of service, but the time that the existing users are at risk may only be 20 minutes on average. However, when the fire unit has to respond to an incident perhaps twice as far away, the existing users are now subject to a diminished level of service that is also approximately double, or 30 to 40 minutes on average.

To address potential fire department deficiencies with non-contiguous development is a simple albeit costly matter: constructing and operating an additional fire station. With growth occurring in a contiguous manner, the fire depart-

ment can put off constructing a new fire station until average response times begin to degrade. By that point, however, there are usually a large number of homes and non-residential development to spread the costs over. With non-contiguous development, though, there will be only a limited number of housing units and non-residential development to pay the costs of a new station. When considering requests for non-contiguous annexations, the city should quantify likely response times and the potential impact to average response times. When non-contiguous development warrants a new fire station, the city should require the establishment of a community facilities district, or other similar funding entities, to pay the capital costs and ongoing operation and maintenance costs for a new fire station.

### **Police Department**

Similar to the impact on the fire department, non-contiguous development can increase response times for the police department, but the larger issue is patrolling.

The police department anticipates being able to serve the urban area within the 2035 and full-buildout boundaries, shown in Figure 2, from the location of the current public safety building in Old town Clovis, without the need for substations in the urban centers. However, for service calls, the police department dispatches the nearest unit, which most often will be a unit on proactive patrol. For a non-contiguous neighborhood that is, say, 1 mile from the city, residents will almost always be one-mile further away from the nearest unit on patrol, thus causing increased response times.

In addition, neighborhoods that are not contiguous will likely receive fewer proactive patrols because they are not near other neighborhoods, because officers on self-directed patrol may well forget about distant and unconnected neighborhoods, and because the police department (as discussed later in this report) may well lack the resources to regularly patrol these neighborhoods.

The lack of proactive patrols is more problematic than just increased response times. With the visual police presence limited by fewer proactive patrols, crime rates can be expected to be higher in non-contiguous neighborhoods. This is especially true during construction phases because theft rates are higher during development.

Providing adequate police protection for non-contiguous development may not require the same level of capital expenditure as providing fire department services, but it will require additional revenues to pay the added cost of providing proactive patrol services to non-contiguous areas. When considering requests for non-contiguous annexations, the city should quantify the additional expense to provide routine patrol services and to respond to calls for services. The city should make non-contiguous annexations contingent on the establishment of community facilities districts, or other similar funding entities, to cover the differential in cost to provide a level of proactive patrols and to provide adequate response to calls for service.

### **Public Utilities**

Non-contiguous development would affect the costs for the public utilities department in two ways. First, public utilities would have to maintain roads, medians, street lights, and rights-of-way between the city and the non-contiguous neighborhoods. The city would, however, only have the revenues from the non-contiguous neighborhoods to pay the ongoing operations and maintenance costs because there would be no neighborhoods in between to help defray the cost.

Secondly, Fresno County has, in some past annexations, insisted that the city also annex adjacent rural residential areas. These are costly additions to the city because they usually have substandard roads or unpaved roads, insufficient right-of-way width, and no water and sewer infrastructure. Providing public services in these areas is more expensive than providing services in newly

developed areas. And making the capital investment in infrastructure, a cost usually born by new development, requires ratepayers citywide to foot the bill.

When considering requests for non-contiguous annexations, the city should quantify the additional expense to maintain roads, rights-of-way, and infrastructure connecting these areas to the rest of the city. The city should make non-contiguous annexations contingent on the establishment of community facilities districts, or other similar funding entities, to pay these costs. For the forced annexation of rural residential areas, the city should resist such annexations unless the properties desiring annexation can provide a mechanism to reimburse the city for the additional costs to provide infrastructure and services to the forced annexation areas.

## APPROACH

The fiscal analysis estimates the revenue currently generated by and current cost to provide facilities and services for each major land use type. The analysis then applies the costs and revenues to the amount of development in each major land use for the two time horizons. In essence, the analysis identifies the budget revenues and expenditures that Clovis would likely experience today if the city were developed to the extent of the 2035 boundary and the full buildout.

## BASE DATA

Clovis's municipal finances, like so many elements of the economy, saw high rates of growth in the mid-2000s followed by unprecedented retrenchment with and since the recession. In the last year or two, revenues have bottomed out and, in some cases, started to rebound. Because the fiscal analysis' approach portrays future revenues and expenditures based on current rates, the

projections could be highly optimistic or highly pessimistic depending on which year's data the analyst uses.

To compensate for the fluctuations over recent years, the fiscal analysis model bases its estimates for existing expenditures and revenues on averages for fiscal year 2005/06 (FY06) to FY12. Department heads reviewed these data to determine if the averages represented sufficient funding to provide the expected levels of service currently. This review suggested that the averages were too low in some cases. As discussed in the Existing Revenues and Expenditures chapter of this report, the model uses the average data adjusted upward in cases that department heads felt warranted to meet levels of service.

## INFLATION

The model adjusts all past revenue and expenditure data for inflation using the US Bureau of Economic Analysis' Gross Domestic Product (GDP) Deflator. Because the city is both a purchaser and a seller, the GDP Deflator is a more appropriate inflation-adjustment metric than the more commonly mentioned Consumer Price Index (CPI).

Because the data upon which the model is based is inflation adjusted, the projected expenditures and revenues represent constant 2010 dollars. Generally speaking, adjusting for future inflation would not change the findings because inflation adjustments would apply to revenues and expenditures. Substantially higher future inflation rates could, however, alter consumer behavior, especially in regard to housing choices. And such changes in consumer behavior could influence municipal revenues and expenditures and alter the fiscal balance.

## SCENARIOS

The fiscal analysis model estimates future revenues and expenditures. However, any projections over 20 years, let alone 80 years, are susceptible to chang-

ing conditions. To reflect this uncertainty, the analysis provides a primary forecast along with projections built on optimistic and pessimistic assumptions. The following sections describe the variable assumptions related to: 1) the shift in retail spending away from bricks-and-mortar stores to online purchasing, 2) the need for above-trend economic and employment growth; and 3) fire and police department hot spots.

## TREND ECONOMIC GROWTH

During the 2007–09 recession, the community became increasingly aware that Clovis was not growing and developing in a fiscally sustainable manner. Once development stopped generating impact fees and other revenues, it became harder to maintain the levels of service that the community had come to expect. Then, when property values and property taxes declined and sales tax revenues plummeted, the city was forced to reduce services.

Although many factors have contributed to stress on the city’s budget, Clovis’s traditional growth as a bedroom community has been a major cause. As noted in the Economic and Market Analysis, 22 percent of Clovis’s working residents had a job in the city, compared to 62 percent in Fresno. Because retail, office, and industrial uses demand less in public facilities and services for the amount of revenue generated than do residential uses, the imbalance between residential and non-residential uses is a primary reason the city has not been resilient in responding to fiscal stresses like declines in development fees or fluctuations in sales tax revenues.

Generating more employment and capturing an increased share of economic growth has been a key focus of the GPU. The plan allocates an increased share of land area for non-residential uses to help address the fiscal imbalance created by the large amount of residential development in the past.

Specifically, the GPU plans for enough non-residential development to accommodate about 40 percent more jobs through 2035 than the city would expect based on past trends. Just planning enough land area to accommodate more jobs, however, is not sufficient to ensure that those jobs materialize. The level of the city’s investment in economic development and the effectiveness of its efforts will influence the degree to which increased economic growth helps improve the city’s fiscal balance.

The fiscal analysis makes three different assumptions about future employment growth and economic development. The pessimistic scenario assumes that the city achieves the same rate of economic and employment growth in the future as it experienced over the last 20 years, in effect maintaining the economic growth trend. In contrast, the optimistic scenario assumes that the city’s effectiveness in economic development achieves the robust goal of generating 40 percent more jobs than would have been achieved with only trend economic growth. The primary forecast assumes that the city invests more in economic development but that the investment achieves only half of the increased job growth, in effect a 20 percent increase over trend economic growth.

## RETAIL SHIFT

Based on market data from the Nielsen Company, it appears that about 7.6 percent of taxable retail spending by Clovis residents occurs online. Because these sales rarely, if ever, generate sales tax revenues for the city, Clovis is missing about \$1.2 million in revenues each year, and that is only for city residents.

E-commerce will continue growing for the foreseeable future. In the absence of new legislation, an increasing amount of residents’ consumer spending will evade the tax collector. The real question for the fiscal analysis is how much more retail spending by local residents will be diverted away from the bricks-and-mortar stores?

No one really has a crystal ball that is accurate enough to answer this question. What is happening is a change in human behavior. How many goods can consumers be comfortable purchasing without first touching, holding, seeing, and trying on or trying out? Those human connections to purchasing will also be weighed against cost and convenience factors. How much more quickly can internet businesses get products to our doors? How great or narrow will the cost differential be in the future? The answers to these questions are the answer to how much more retail spending the internet will capture.

The fiscal analysis makes three different assumptions for the retail shift to e-commerce. For the primary forecast, the analysis assumes that the internet will capture an additional 7.5 percent of taxable retail sales by 2035, for a total capture of about 15.1 percent. The pessimistic scenario assumes that the internet will capture an additional 15 percent of taxable retail sales, for a total capture of about 22.6 percent. Finally, the optimistic scenario assumes that there is no change in the sales tax revenue lost to internet sales. In reality, this assumption recognizes that more retail spending will shift to the internet, but it tacitly assumes that through strategic growth, the city captures a greater amount of retail spending by households not living in the city. The net effect is, thus, no additional loss of taxable retail sales. One should note that the fiscal model, under all three scenarios, assumes that there is no increased loss in sales tax revenue from 2035 until full buildout.

## **PUBLIC SAFETY HOTSPOTS**

The expenditures discussions for the police department (page 30) and the fire department (page 32) describe the costs to provide services to hot spots—addresses and areas that require an inordinate number of public-safety services calls. For the fire department, senior care facilities and several older apartment buildings and mobile home parks constitute the largest concentrations of service calls. The fiscal impact model estimates that 19 percent of the fire de-

partment's calls for service are generated by the 30 properties with the most calls, resulting in an average annual cost of \$2 million to the city.

For the police department, the largest concentrations of calls for service are major intersections, and then bars in Old Town and some of the older apartment buildings and neighborhoods. Because so many of the police department's calls for service were located at intersections, the fiscal model was unable to allocate the number of calls to particular land uses with the same reliability as with the fire department.

The fiscal model's methodology forecasts future expenditures based on the current levels of expenditures attributable to each land use type, escalating those current costs based on the types and amount of new development envisioned in the General Plan Update. For public safety, however, there is a question of whether new development would generate new hot spots or if modern development standards and enhanced policies could minimize or eliminate their creation.

The fiscal analysis makes two basic assumptions about future public safety hot spots. The pessimistic scenario assumes that new development creates new public safety hot spots over time, proportional to the amount of existing hot spots. The primary forecast and the optimistic scenario assume that development standards and public policies effectively inhibit the creation of new hot spots although existing hot spots remain in 2035 and at full buildout. In essence, the primary forecast and the optimistic scenario assume that the \$2 million spent each year to provide service to the 30 top public safety hot spots remains a cost in 2035 and at full buildout, but the \$2 million does not get escalated based on the amount of new development for senior care facilities and multifamily housing.

## SCENARIO SUMMARY

The fiscal model provides three scenarios for the city’s future fiscal balance: the primary forecast, a pessimistic scenario, and an optimistic scenario. The primary differences among these three scenarios are determined by the key assumptions for future economic and employment growth, the internet’s future capture of taxable retail sales, and the creation of future public safety hot spots. Table 1 summarizes the differences in the key assumptions among the three scenarios.

**Table 1: Summary of Assumption Differences among Fiscal Model’s Three Scenarios**

	<b>Pessimistic Scenario</b>	<b>Primary Forecast</b>	<b>Optimistic Scenario</b>
Economic and Employment Growth	At historic trend level	20% above trend level	40% above trend level
Total Internet Capture of Taxable Retail Sales	22.60%	15.10%	7.60%
New Public Safety Hotspots in New Development Areas	Yes	No	No

## LAND USE CATEGORIES

The fiscal analysis model quantifies current expenditures and revenues into major land use categories based on the categories used in the GPU existing land use map. Table 2 identifies the major land use categories the model uses and provides the number of acres, dwelling units, and building square footage for each category. Table 2’s data represent only the land area within the current city boundary.

The fiscal analysis model quantifies future revenues and expenditures based on the amount of development in each land use category in 2035 and at full

**Table 2: Estimated Acreage and Number of Dwelling Units or Building Square Footage by Existing Land Use Type, City of Clovis, 2010**

<b>Land Use Type</b>	<b>Land Area (acres)</b>	<b>Dwelling Units</b>	<b>Building Space (sq. ft.)</b>
Agriculture	610.7	6	
Commercial	656.3		6,417,111
Drainage Basin	441.1		
Hotel	13.6		376,951
Industrial	354.6		2,962,487
Multifamily Residential	534.1	7,552	
Mobile Home	98.1	960	
Office	129.5		1,200,261
Park	228.7		
Public	354.5		846,201
Rural Residential	962.2	1,762	
School	626.3		
Single Family Res.	5,233.1	25,026	
Storage	66.3		487,899
Utilities	19.1		3,663
Vacant	940.1		
<b>Total</b>	<b>11,268</b>	<b>35,306</b>	<b>12,294,573</b>

Source: The Planning Center|DC&E, 2013, using data from the Clovis Planning and Development Services Department, and the Fresno County Assessor.

buildout. Table 3 quantifies the amount of development for each land use designation provided in the GPU. The amount of development differs somewhat from that used in the GPU environmental analysis because the data for the fiscal analysis reflects only those land areas currently within the city and those envisioned to be in the city in each time horizon (Figure 2 on page 12 identifies the specific areas used in the fiscal analysis).

**Table 3 Amount of Development by General Plan Land Use Designation, City of Clovis, 2035 Analysis Boundary and Full Buildout Analysis Boundary**

<b>Land Use and Unit Type</b>	<b>2035 Analysis</b>	<b>Full Buildout Analysis</b>
Agriculture (acres)	67.6	67.7
Rural Residential (single family dwelling units)	479	8
Very Low Density Residential (single family dwelling units)	1,622	1,764
Low Density Residential (single family dwelling units)	19,894	23,788
Medium Density Residential (single family dwelling units)	12,967	21,756
Medium High Density Residential		
- single family dwelling units	3,411	6,652
- multifamily dwelling units	6,431	11,292
High Density Residential (multifamily dwelling units)	8,110	14,196
Very High Density Residential (multifamily dwelling units)	1,233	3,381
Commercial (building space, sq. ft.)	11,048,814	11,930,452
Office (building space, sq. ft.)	3,351,187	3,700,881
Industrial (building space, sq. ft.)	8,164,521	8,356,357
Mixed Use Village		
- multifamily dwelling units	5,515	11,919
- retail building square footage	746,192	3,491,243
- non-retail building square footage	1,119,288	5,236,864
Mixed Use Business Campus		
- retail building square footage	4,080,003	6,659,881
- non-retail building square footage	6,120,004	9,989,821
Park (acres)	438.0	529.4
Public/Quasi-Public Facilities (building space, sq. ft.)	966,287	1,098,925
School (acres)	746.4	1,064.8

Source: The Planning Center | DC&E, 2013.



# EXISTING REVENUES AND EXPENDITURES

This chapter analyzes recent municipal budget data to estimate the average annual revenues and expenditures for each land use type. The first two sections present the analysis for each major funding source and each major expenditure category. The final section summarizes the results by land use type.

## REVENUES

### PROPERTY TAXES

Property taxes are the city's largest single source of revenue. From FY06 to FY11, the city collected, on average, about \$20.1 million per year in property taxes in inflation-adjusted 2010 dollars.

Effective in FY12, the state eliminated redevelopment agencies, and the city lost about \$2 million each year in property taxes, about 10 percent of its total property tax revenue. The fiscal model has deducted the redevelopment agency's capture of property taxes in each year so that the model accurately projects the likely level of future revenue.

Because part of the property tax revenue that the city collected through redevelopment would have otherwise flowed to the general fund, the city should get some amount of the lost redevelopment tax increment revenue back. As of the preparation of this analysis, though, it was not yet clear what that amount, if any, will be. In a sense, then, the fiscal model is somewhat conservative because the actual revenues could be slightly higher.

The fiscal analysis model estimates property tax revenues by land use type based on each land use type's share of the total taxable assessed value. The model then multiplies the share of assessed value by the average annual prop-

**Table 4: Estimated Average Annual Property Tax Revenues by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Assessed Value	Average Property Tax Generated	Average Revenue per unit
Agriculture	0.11%	20,227	33.12 per acre
Commercial	9.34%	1,692,837	0.26 per building sq. ft.
Hotel	0.05%	8,884	0.02 per building sq. ft.
Industrial	1.48%	269,126	0.09 per building sq. ft.
Multifamily Residential	7.60%	1,378,467	182.53 per dwelling unit
Mobile Home	0.35%	63,239	65.87 per dwelling unit
Office	1.37%	249,204	0.21 per building sq. ft.
Rural Residential	1.25%	227,314	129.01 per dwelling unit
Single Family Residential	77.04%	13,967,170	558.11 per dwelling unit
Storage	0.22%	39,974	0.08 per building sq. ft.
Vacant	1.18%	213,536	227.15 per acre

*Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.*

erty tax revenues, less redevelopment's tax capture, \$18.1 million. Table 4 provides the share of taxable assessed value, average annual property tax revenues, and the average revenue by unit for each major land use type.

## SALES TAXES

Sales taxes are the second largest source of unrestricted revenues for the city. They are also critical to understanding the city’s future fiscal balance. There is a common perception that housing does not pay its own way; that is, residents do not pay as much in taxes and fees as it costs to provide public facilities and services. But this is not necessarily true if one attributes some amount of sales taxes to households. After all, it is the residents and visitors who pay sales taxes even though retail businesses collect the taxes.

To address this issue and to allocate sales tax revenues by land use type, the fiscal analysis conducted a regression analysis of taxable sales in Clovis and the number of households in the city. The regression calculated that changes in the number of households in the city account for 67.2 percent of the change in taxable retail sales. This figure represents a statistical relationship between two

sets of data, not a direct measurement of the spending patterns of actual city residents.

Nevertheless, the regression suggests that the majority of the city’s sales tax revenue is driven by the city’s population, and a minority of sales tax is driven by the ability of retailers to attract visitors to Clovis to spend money.

The fiscal model allocates 67.2 percent of the average sales tax revenues by number of households and the remainder by the amount of retail building square footage. Table 5 provides each land use type’s share of sale tax generation, the average annual sales tax generated, and the sales tax revenue by unit.

## BUSINESS LICENSE AND FRANCHISE FEES

This revenue category includes two distinct sources of funds. Business licenses are paid by businesses operating in the city. The fiscal model allocates the average annual business license revenue among the major land use types based on the amount of nonresidential building square footage.

Franchise fees are paid by Pacific Gas & Electric, Comcast, and AT&T/Pacific Bell based on their gross receipts in the city. The fiscal model lacks detailed billing data from these utilities, and therefore it estimates each land use type’s revenue generation based on population and number of jobs. The ratio of jobs to population plus jobs determines the amount of revenues attributable to non-residential land uses, and the remainder is allocated to residential land uses. The model allocates the nonresidential franchise fees among the nonresidential land uses based on building square footage. It allocates the residential franchise fees among the residential uses based on share of population.

Because business license revenue and franchise fee revenue are typically reported together, they are presented as a single revenue source here. On average from FY06 to FY11, business licenses and franchise fees generated \$3.9 mil-

**Table 5: Estimated Average Sales Tax Revenue by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Sales Tax Generated	Average Sales Tax Generated	Average Revenue per Unit
Commercial	31.93%	5,032,073	1.96 per building sq. ft.
Multifamily Residential	14.56%	2,295,341	303.94 per dwelling unit
Mobile Home	1.85%	291,781	303.94 per dwelling unit
Rural Residential	3.40%	535,539	303.94 per dwelling unit
Single Family Residential	48.26%	7,606,356	303.94 per dwelling unit

*Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.*

lion annually in inflation-adjusted 2010 dollars. Table 6 provides each land use type's share of this annual revenue and the average revenue per unit.

**Table 6: Estimated Average Business License and Franchise Fees Revenue by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Revenue Generated	Average Revenue Generated	Average Revenue per Unit
Agriculture	0.4%	14,020	22.96 per acre
Commercial	31.4%	1,230,913	0.19 per building sq. ft.
Hotel	1.8%	72,306	0.19 per building sq. ft.
Industrial	14.5%	568,256	0.19 per building sq. ft.
Multifamily Residential	6.9%	271,473	35.95 per dwelling unit
Mobile Home	0.6%	25,365	26.42 per dwelling unit
Office	5.9%	230,231	0.19 per building sq. ft.
Public	0.4%	14,130	0.02 per building sq. ft.
Rural Residential	2.2%	87,658	49.75 per dwelling unit
School	1.7%	66,759	106.60 per acre
Single Family Residential	31.8%	1,245,026	49.75 per dwelling unit
Storage	2.4%	93,587	0.19 per building sq. ft.
Utilities	0.0%	703	36.77 per acre

Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

## OTHER TAXES

The “other taxes” revenue category consists primarily of the transient occupancy tax plus some additional revenue from the property transfer tax. The fiscal analysis model allocates the transient occupancy tax to hotel uses and generates a per-building-square-foot estimate. The model allocates the property transfer tax to the major land use types based on each type's share of taxable assessed valuation.

**Table 7: Estimated Other Taxes Revenue by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Revenue Generated	Average Revenue Generated	Average Revenue per Unit
Agriculture	0.01%	119	0.19 per acre
Commercial	0.93%	9,939	0.00 per building sq. ft.
Hotel	90.00%	958,093	2.54 per building sq. ft.
Industrial	0.15%	1,580	0.00 per building sq. ft.
Multifamily Residential	0.76%	8,094	1.07 per dwelling unit
Mobile Home	0.03%	371	0.39 per dwelling unit
Office	0.14%	1,463	0.00 per building sq. ft.
Rural Residential	0.13%	1,335	0.76 per dwelling unit
Single Family Residential	7.70%	82,007	3.28 per dwelling unit
Storage	0.02%	235	0.00 per building sq. ft.
Vacant	0.12%	1,254	1.33 per acre

Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

The analysis finds that other taxes provided, on average, \$1.1 million per year from FY06 to FY11, in inflation-adjusted 2010 dollars. Table 7 provides the estimated share of revenue generated, the average revenue generated, and the revenue by unit type.

## CHARGES FOR SERVICE

Charges for service are fees directly paid by residents, businesses, and developers for services provided by the city. The fiscal model can fairly easily estimate the allocation of six of these services—community development, culture and recreation, community sanitation, water, sewer, and transit—to major types of land uses. Each of these six is presented in the following paragraphs. The other three service areas—general government, public safety, and transportation—are discussed in the subsequent section on derived revenues for governmental activities.

### Charges for Service—Community Development

The city charges fees for the review and approval of development and construction, intending to cover the cost of development review services. The fiscal model assumes that the amount of fees is commensurate with the value of construction approved in Clovis each year. Because one does not know how much construction will occur in 2035 and in the year of final buildout, the fiscal model allocates the community development charges for services (and the expenditures for community development services also) based on the total number of single-family and multifamily housing units and the total square footage of non-residential buildings.

This method for allocating revenues is an abstraction. It does not represent the amount paid by each house each year. Rather, it is a way to project the level of revenues that the city might experience in an average year based on the amount of then-existing development in the city.

**Table 8: Estimated Community Development Charges for Service by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of PDS Revenues	Average Revenue Generated	Average Revenue per Unit
Commercial	13.6%	1,087,897	0.17 per building sq. ft.
Hotel	0.8%	63,905	0.17 per building sq. ft.
Industrial	6.3%	502,232	0.17 per building sq. ft.
Multifamily Residential	4.0%	320,870	42.49 per dwelling unit
Mobile Home	2.4%	194,316	202.41 per dwelling unit
Office	2.5%	203,481	0.17 per building sq. ft.
Public	1.8%	143,457	0.17 per building sq. ft.
Rural Residential	4.4%	356,652	202.41 per dwelling unit
Single Family Residential	63.2%	5,065,586	202.41 per dwelling unit
Storage	1.0%	82,714	0.17 per building sq. ft.

*Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.*

The fiscal analysis estimates that community development generates an average of \$8.0 million for charges for service in inflation-adjusted 2010 dollars. Table 8 provides the average revenue generated by land use and the average revenue per unit.

### Charges for Service—Culture and Recreation

The fiscal model assumes that culture and recreation serves residents of the city. The model calculates the per capita charges for service for each year from

FY06 to FY11 and allocates those revenues to each land use type based on the number of housing units and the average household size.

The fiscal analysis finds that the average charges for service for culture and recreation from FY6 to FY11 was \$5.0 million. Table 9 provides the average annual revenues by land use type and the average revenues per unit.

**Table 9: Estimated Culture and Recreation Charges for Service by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Average Annual Revenues	Average Revenues per Household
Agriculture	911	151.81
Multifamily Residential	828,335	109.68
Mobile Home	77,386	80.61
Rural Residential	267,481	151.81
Single Family Residential	3,799,086	151.81

Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

**Charges for Service–Community Sanitation**

The fiscal model calculates the revenues per capita for each year from FY06 to FY11, counting each job in the city as equivalent to 1/3 of a person. The portion of the revenues attributable to jobs is allocated to nonresidential land uses based on building square footage. The remainder of the revenues is allocated to the residential land uses based on the number of housing units and the average household size.

The revenue pays the cost to provide garbage collection and disposal. Community sanitation is a proprietary activity (a municipal enterprise): the amount of the charges is set at a level commensurate with the cost for services and facilities. The discussion of the fiscal analysis results presents results with and without revenues and expenditures from proprietary activities.

**Table 10: Estimated Charges for Service for Community Sanitation by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Revenue Generation	Average Revenue Generated	Average Revenue per Unit
Agriculture	0.02%	2,487	4.07 per acre
Commercial	4.39%	679,280	0.11 per building sq. ft.
Hotel	0.26%	39,902	0.11 per building sq. ft.
Industrial	2.03%	313,593	0.11 per building sq. ft.
Multifamily Residential	14.63%	2,262,227	299.55 per dwelling unit
Mobile Home	1.37%	211,369	220.18 per dwelling unit
Office	0.82%	127,053	0.11 per building sq. ft.
Public	0.58%	89,574	0.11 per building sq. ft.
Rural Residential	4.72%	730,471	414.57 per dwelling unit
School	3.74%	577,533	922.20 per acre
Single Family Residential	67.11%	10,375,013	414.57 per dwelling unit
Storage	0.33%	51,646	0.11 per building sq. ft.
Utilities	0.00%	388	20.29 per acre

Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

The fiscal analysis finds that the average annual revenue from charges for service for community sanitation was \$15.5 million in inflation-adjusted 2010 dollars. Table 10 provides the average revenue generated by land use type and the average revenue per unit type.

### Charges for Service–Water

The fiscal model allocates average charges for service for water to land use types based on the metered delivery of water in 2011. Water is a proprietary activity, and the discussion of the fiscal model's results includes analyses with and without proprietary activities.

The fiscal analysis estimates that the average annual revenue from charges for service for water from FY06 to FY11 was \$14.5 million in inflation-adjusted 2010 dollars. Table 11 provides the average annual revenues by land use type and the average revenue per unit.

### Charges for Service–Sewer

The fiscal model allocates average charges for service for sewer to land use types based on the recommended design wastewater flow generation rates found in Table 4.1 in the Sewer Master Plan. Sewer is a proprietary activity, and the discussion of the baseline fiscal model's results includes analyses with and without proprietary activities.

The fiscal analysis estimates that the average annual revenue from charges for service for sewer from FY06 to FY11 was \$14.2 million in inflation-adjusted 2010 dollars. Table 12 on the following page provides the average annual revenues by land use type and the average revenue per unit.

**Table 11: Estimated Charges for Service for Water Service by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Water Use	Average Annual Water Revenues	Average Revenue per Unit
Commercial	10.4%	1,511,341	0.24 per building sq. ft.
Hotel	0.6%	88,778	0.24 per building sq. ft.
Industrial	1.1%	160,516	0.05 per building sq. ft.
Multifamily Residential	10.7%	1,549,220	205 per dwelling unit
Office	2.0%	282,682	0.24 per building sq. ft.
Park	2.4%	343,678	1,502 per acre
Public	3.7%	532,642	0.63 per building sq. ft.
Rural Residential	4.5%	645,236	366 per dwelling unit
School	1.4%	199,295	318 per acre
Single Family Residential	63.3%	9,164,404	366 per dwelling unit

*Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.*

**Table 12: Estimated Charges for Service for Sewer Service by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Wastewater Flow	Average Annual Sewer Revenues	Average Revenue per Unit
Commercial	15.4%	2,185,769	0.34 per building sq. ft.
Hotel	0.9%	128,395	0.34 per building sq. ft.
Industrial	3.1%	434,169	0.15 per building sq. ft.
Multifamily Residential	14.3%	2,034,107	269.35 per dwelling unit
Office	1.3%	190,255	0.16 per building sq. ft.
Park	0.0%	0	0.00 per acre
Public	0.9%	134,133	0.16 per building sq. ft.
Rural Residential	4.1%	582,450	330.56 per dwelling unit
School	1.6%	226,964	362.42 per acre
Single Family Residential	58.3%	8,272,644	330.56 per dwelling unit

Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

### Charges for Service–Transit

The fiscal model assumes that population and employment drive transit use. The model calculates the per capita revenues, counting each job in Clovis as 1/3 of a person. The model allocates the portion of the revenues generated by employment to the nonresidential land uses based on building square footage. It allocates the remainder of the transit revenues to the residential land uses based on the number of housing units and average household sizes.

The fiscal analysis estimates that transit services generated average annual revenues of \$3.7 million in inflation-adjusted 2010 dollars. Table 13 provides the average annual revenues by land use type and the average revenue by unit.

**Table 13: Estimated Charges for Services for Transit by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Revenue Generation	Average Revenue Generated	Average Revenue per Unit
Agriculture	0.02%	552	0.90 per acre
Commercial	4.13%	151,207	0.02 per building sq. ft.
Hotel	0.24%	8,882	0.02 per building sq. ft.
Industrial	1.90%	69,806	0.02 per building sq. ft.
Multifamily Residential	18.95%	694,582	91.97 per dwelling unit
Mobile Home	2.41%	88,294	91.97 per dwelling unit
Office	0.77%	28,282	0.02 per building sq. ft.
Public	0.54%	19,939	0.02 per building sq. ft.
Rural Residential	4.42%	162,057	91.97 per dwelling unit
School	3.51%	128,559	205.28 per acre
Single Family Residential	62.79%	2,301,724	91.97 per dwelling unit
Storage	0.31%	11,496	0.02 per building sq. ft.
Utilities	0.00%	86	4.52 per acre

Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

## DERIVED REVENUES

Several revenue categories cannot be easily allocated to the major land use types with available data. These categories include grants and contributions and charges for service for government, public safety, and transportation. The model allocates these revenues to the major land use types based on each type's share of the direct revenue generated, as quantified in the preceding sections. The model estimates are presented in two sections below, one for governmental activities and one for enterprise activities.

In recent years, the city has obtained some very large one-time grants. It is anyone's guess as to whether or not that level of grant funding would be available to the city in 2035 and in the year of full buildout. To not overstate the potential revenue, the fiscal model takes a conservative approach by using the median level of grant and contributions funding (\$26.4 million) from FY06 to FY11 rather than the average (\$36.6 million).

### Derived Revenues—Governmental Activities

These revenue sources include: grants and contributions; operating grants and contributions; capital grants and contributions; and charges for service for government, public safety, and transportation. The fiscal analysis estimates that these sources combined generated an average \$38.8 million per year from FY06 to FY11 in inflation-adjusted 2010 dollars. Table 14 provides the share of direct revenue generated by each major land use type for the other governmental revenues already analyzed. Table 14 applies that share to the remaining revenues sources to calculate the average additional revenue generated by land use type and the average revenue per unit.

### Derived Revenues—Proprietary Activities

The only proprietary activity revenue not previously allocated by land use is capital grants and contributions. From FY06 to FY11 the median annual reve-

**Table 14: Derived Governmental Revenues by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Direct Revenue Generated	Average Derived Revenue Generated	Average Revenue per Unit
Agriculture	0.1%	26,397	43.22 per acre
Commercial	17.5%	6,774,573	1.06 per building sq. ft.
Hotel	2.1%	825,481	2.19 per building sq. ft.
Industrial	2.6%	1,003,575	0.34 per building sq. ft.
Multifamily Residential	9.8%	3,818,102	505.57 per dwelling unit
Mobile Home	1.3%	488,214	508.56 per dwelling unit
Office	1.3%	512,100	0.43 per building sq. ft.
Public	0.3%	117,917	0.14 per building sq. ft.
Rural Residential	2.8%	1,104,430	626.80 per dwelling unit
School	0.1%	49,954	79.77 per acre
Single Family Residential	61.2%	23,768,940	949.77 per dwelling unit
Storage	0.4%	162,008	0.33 per building sq. ft.
Utilities	0.0%	526	27.51 per acre
Vacant	0.4%	160,721	170.96 per acre

*Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.*

nues from capital and operating grants for enterprise activities was \$1.4 million in inflation-adjusted 2010 dollars. Table 15 allocates these revenues by land use based on each land use's share of other enterprise activity revenues.

**Table 15: Derived Enterprise Revenues by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Direct Revenue Generated	Average Derived Revenue Generated	Average Revenue per Unit
Agriculture	0.01%	91	0.15 per acre
Commercial	9.47%	136,096	0.02 per building sq. ft.
Hotel	0.56%	7,994	0.02 per building sq. ft.
Industrial	2.05%	29,400	0.01 per building sq. ft.
Multifamily Residential	13.68%	196,591	26.03 per dwelling unit
Mobile Home	0.63%	9,008	9.38 per dwelling unit
Office	1.31%	18,885	0.02 per building sq. ft.
Park	0.72%	10,331	45.16 per acre
Public	1.62%	23,335	0.03 per building sq. ft.
Rural Residential	4.44%	63,732	36.17 per dwelling unit
School	2.37%	34,037	54.35 per acre
Single Family Residential	63.01%	905,194	36.17 per dwelling unit
Storage	0.13%	1,898	0.00 per building sq. ft.
Utilities	0.00%	14	0.75 per acre

Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

## INVESTMENT EARNINGS

Investment earnings are primarily driven by the city's financial management and budget practices: the larger the amount of reserves invested rather than spent, the higher the investment earnings. The level of investment earnings in 2035 will depend on the how well the city applies its fiscal practices between now and then and prevailing interest rates. To provide a conservative projection of future revenues, the fiscal model applies the lowest rate of investment earnings to all other revenues between FY06 to FY11 to the projected revenues in 2035. For governmental revenues, the lowest rate was 0.56 percent in FY11. For enterprise revenues, the lowest rate was 0.58 percent, also in FY11.

## ESTIMATED REVENUES BY LAND USE

Combining all of the revenues described previously in the revenue section, except investment earnings and the budget reserve adjustment, Table 16 shows the average annual revenues estimated by land use type.

**Table 16: Estimated Annual Revenues by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Total Revenues	Revenue per Unit
Agriculture	65,000	106.11 per acre
Commercial	20,492,000	3.19 per building square foot
Hotel	2,203,000	5.84 per building square foot
Industrial	3,352,000	1.13 per building square foot
Multifamily Residential	15,657,000	2,073.28 per dwelling unit
Mobile Home	1,449,000	1,509.73 per dwelling unit
Office	1,844,000	1.54 per building square foot
Park	354,000	1,547.64 per acre
Public	1,075,000	1.27 per building square foot
Rural Residential	4,764,000	2,703.95 per dwelling unit
School	1,283,000	2,048.85 per acre
Single Family Residential	86,553,000	3,458.53 per dwelling unit
Storage	444,000	0.91 per building square foot
Utilities	2,000	89.84 per acre
Vacant	376,000	399.44 per acre
<b>TOTAL</b>	<b>139,913,000</b>	

Source: The Planning Center | DC&E, 2013.

## EXPENDITURES

### POLICE DEPARTMENT

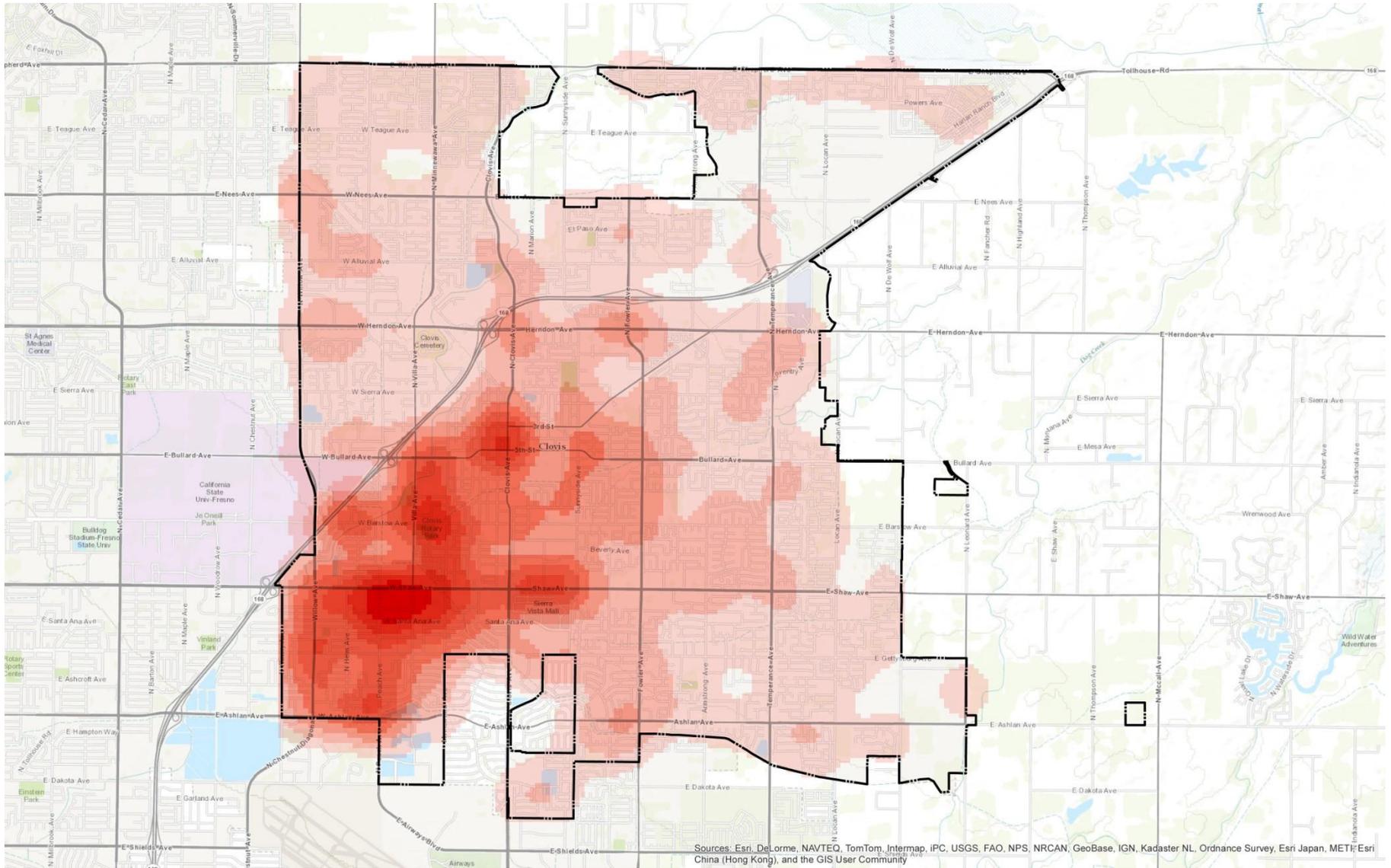
Police department expenditures account for the largest single category of spending. The city's FY13 budget allocates 41.8 percent of the general fund to the police department. The Police Department Master Service Plan recommends that the city employ 1.3 officers per 1,000 residents. However, from FY06 through FY11 the rate averaged 1.12, and in FY11 it fell to 0.98.

Demand for police services, however, is driven by more than just the resident population. Indeed, some of the city's hot spots for law enforcement are bars and the southwest neighborhood, areas with only the most tangential relationship to new housing development in the urban villages. To provide a more detailed assessment of the link between police activity and land use, we analyzed the location of police calls for service for calendar year 2010 and linked calls to existing land use. The map in Figure 3 shows the concentration of police calls throughout the city in 2011.

The largest concentrations of police department calls for service are the major intersections around Clovis. Because the calls for service are intersections, they cannot easily be allocated to individual parcels. The individual address with the most calls for service in 2010 was Wal-Mart on Shaw Avenue. The areas with the largest concentrations of calls for service are Old Town and neighborhoods in the southwest part of the city.

It is unlikely the future growth and development will create these same hot spots. However, the data does not provide a statistically reliable way to estimate the difference in future costs with and without new hot spots. Thus, the fiscal model implicitly assumes new hot spots. Policies that effectively limit new hot spots would likely reduce the projected level of police expenditures.

Figure 3: Distribution of Police Department Calls for Service, City of Clovis, 2011



Source: The Planning Center | DC&E, 2013, using data from the Clovis Police Department.

**Table 17: Estimated Average Annual Police Department Cost by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Calls	Average Annual Cost	Average Cost per Unit
Agriculture	1.33%	342,266	560.45 per acre
Commercial	20.77%	5,332,194	0.83 per building sq. ft.
Drain Basin	0.52%	133,186	301.97 per acre
Hotel	0.45%	116,073	0.31 per building sq. ft.
Industrial	2.24%	574,226	0.19 per building sq. ft.
Multifamily Residential	18.60%	4,775,546	632.36 per dwelling unit
Mobile Home	0.94%	241,075	251.12 per dwelling unit
Office	1.63%	419,369	0.35 per building sq. ft.
Park	1.69%	432,669	1,891.52 per acre
Public	2.13%	546,882	0.65 per building sq. ft.
Rural Res	1.35%	347,475	197.20 per building sq. ft.
School	2.62%	672,628	1,074.05 per acre
Single Family Residential	43.92%	11,274,329	450.50 per dwelling unit
Storage	0.22%	57,664	0.12 per building sq. ft.
Utilities	0.01%	1,488	77.88 per acre
Vacant	1.57%	402,535	428.19 per acre

Source: The Planning Center\DC&E, 2013, using data from the Clovis Police Department, Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

Table 17 provides the share of total police calls for each major land use type. From FY06 to FY11, the city spent an average of \$22.8 million per year on police services. Table 17 indicates the average annual spending on police services for each major land use type. It also calculates the per-unit cost for police services by land use category using the existing levels of development presented in Table 2.

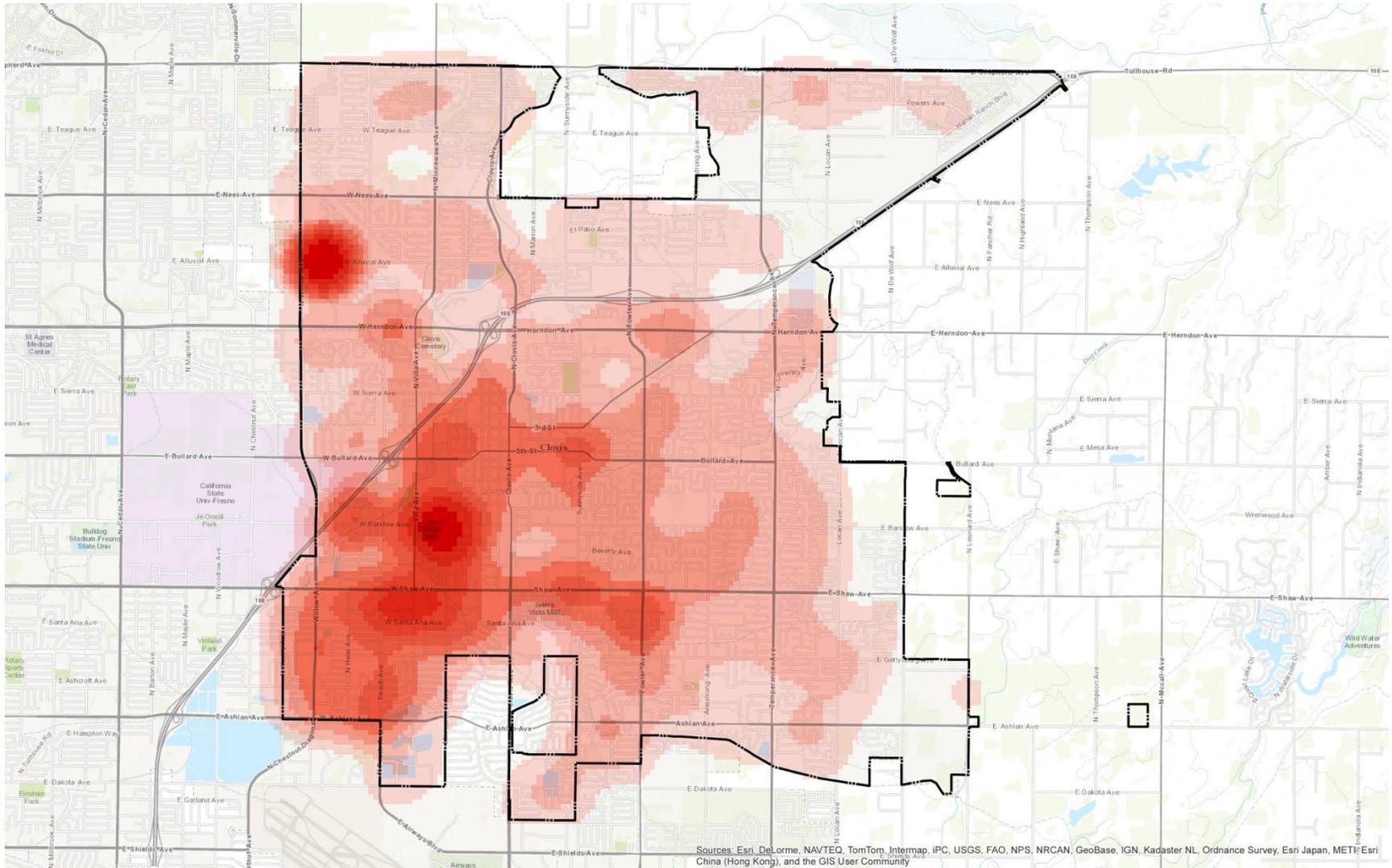
## FIRE DEPARTMENT

The fiscal analysis links fire department expenditures to land use with the same methodology used for the police department. For fire, however, the data for calls include FY08 to FY10.

As with the police department, the map of fire department calls shows several individual locations with large numbers of calls for service. Some of these are senior living facilities. Others are neighborhoods with higher levels of poverty, in which many residents lack medical insurance and use the fire department's EMTs for primary medical care. For the fire department, the 30 addresses with the most calls for service accounted for 19.2 percent of all calls. Figure 4 shows the concentrations of fire department calls for service.

In contrast to the police department, the fiscal model excludes the fire department costs estimated for these 30 addresses from the calculation of future costs, assuming that these conditions will not be repeated in the growth areas. However, the GPU will need to include appropriate policies related to the types of uses and development that generate so many service calls.

Figure 4: Distribution of Fire Department Calls for Service, City of Clovis, FY08 to FY10



Source: The Planning Center|DC&E, 2013, using data from the Clovis Fire Department.

**Table 18: Estimated Average Annual Fire Department Cost by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Calls	Average Annual Cost	Average Cost per Unit
Agriculture	0.9%	85,206	139.52 per acre
Commercial	12.8%	1,167,317	0.18 per building sq. ft.
Drainage Basin	0.3%	30,836	0.00 per acre
Hotel	0.3%	25,967	0.07 per building sq. ft.
Industrial	2.4%	216,666	0.07 per building sq. ft.
Multifamily Residential	17.2%	1,564,944	207.22 per dwelling unit
Mobile Home	0.5%	44,226	46.07 per dwelling unit
Office	1.9%	173,251	0.14 per building sq. ft.
Park	0.9%	79,120	345.89 per acre
Public	2.0%	178,932	0.21 per building sq. ft.
Rural Residential	1.8%	167,165	94.87 per building sq. ft.
School	2.2%	196,784	314.23 per acre
Single Family Residential	55.0%	5,002,789	199.90 per dwelling unit
Storage	0.6%	51,935	0.11 per building sq. ft.
Utilities	0.0%	2,434	127.40 per acre
Vacant	1.3%	114,013	121.28 per acre

Source: The Planning Center|DC&E, 2013, using data from the Clovis Fire Department, Clovis Comprehensive Annual Financial Reports for FY06 to FY11, Clovis Planning and Development Services Department, and the Fresno County Assessor.

Table 18 provides the share of total fire department calls for each major land use type. From FY06 to FY11, the city spent an average of \$11.1 million per year on fire department services. The 30 addresses with the highest numbers of service calls accounted for \$2.2 million of the total annual costs.

Table 18 indicates the average annual spending on fire department services for each major land use type, based on the share of calls. Finally, Table 18 calculates the per-unit cost for fire department services by land use category using the existing levels of development presented in Table 2.

## PLANNING AND DEVELOPMENT SERVICES

Estimating future expenditures for the planning and development services department (PDS) uses a different methodology. Whereas police and fire expenditures were derived based on calls for service, PDS expenditures are derived based on the valuation of construction authorized by building permits. This method implicitly assumes that other planning functions that precede issuance of building permits are still correlated to the relative valuation of construction by type of use. The model analyzes three basic use types: single-family residential by number of units, multifamily residential by number of units, and non-residential construction by building square footage.

This difference in methodology has implications for the interpretation of the results. With police and fire, the cost per unit (for example, the cost per single-family dwelling unit) can be reasonably interpreted as the average cost for each single-family dwelling unit in the city, the fee each unit pays for police protection whether or not the police respond to a call at the unit that year. For PDS, the city already estimates the costs to directly provide services for development and charges fees to developers to cover those costs. The fiscal model estimates each construction type's share of total PDS expenditures and then allocates those costs to each land use category based on the land use category's share of each type of construction. Thus, the average cost per unit provided in Table 19

is an abstraction to allow estimating future levels of PDS expenditures and is not a direct cost to the city attributable to each dwelling unit and non-residential building in the city.

Table 19 presents the share of annual PDS expenditures for each major land use type with dwelling units or significant amount of building space. It also shows the average annual PDS costs allocated to each land use and the average cost per unit.

**Table 19: Estimated Average Planning and Development Services Department Cost by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of PDS Expenditures	Average Annual Cost	Average Cost per Unit
Commercial	13.6%	935,197	0.15 per building sq. ft.
Hotel	0.8%	54,935	0.15 per building sq. ft.
Industrial	6.3%	431,738	0.15 per building sq. ft.
Multifamily Residential	4.0%	275,832	36.52 per dwelling unit
Mobile Home	2.4%	167,042	174.00 per dwelling unit
Office	2.5%	174,920	0.15 per building sq. ft.
Public	1.8%	123,321	0.15 per building sq. ft.
Rural Residential	4.4%	306,591	174.00 per dwelling unit
Single Family Residential	63.2%	4,354,567	174.00 per dwelling unit
Storage	1.0%	71,104	0.15 per building sq. ft.

Source: The Planning Center|DC&E, 2013, using data from the Clovis Planning and Development Services Department, Clovis Comprehensive Annual Financial Reports for FY06 to FY11, the US Census Bureau, and the Fresno County Assessor.

## PUBLIC UTILITIES

The public utilities department provides a variety of services and facilities, and the fiscal model allocates the costs for these differently. The analysis covers fleet maintenance as an administration of government expenditure in the following section. The remaining public utilities services are discussed in the following paragraphs.

### Streets, Lighting, and Drainage

Allocating expenditures for street maintenance, street improvements, street lighting, and drainage to specific land uses is problematic because these public facilities serve and connect multiple land uses. For example, a local street may serve only a single residential neighborhood. However, residents in that neighborhood probably drive a number of connected streets to get to work.

The fiscal model estimates the average expenditures for street maintenance, street improvements, street lighting, and drainage from FY06 to FY11 at \$33,288 per lane mile, excluding the CA-168 freeway. The projected expenditures in 2035 and at full buildout are based on this estimated cost and the number of lane miles planned for 2035 and at full buildout.

Storm drainage is not necessarily directly correlated with lane miles. Nevertheless, including it with street maintenance and lighting reflects an implicit assumption that expansion of the city’s storm drainage infrastructure through 2035 will be roughly similar to the expansion of the street network.

### Parks and Landscape Maintenance

The fiscal analysis assumes that parks and landscape maintenance serve only the resident population. The model therefore allocates the costs to housing units based on the average household size by type of housing unit. The analysis includes landscape maintenance with parks because both serve primarily residents and residential areas, although the two are quite distinct. The implicit

assumption is that the expansion of landscape maintenance districts through 2035 will be roughly proportionate to the expansion of parks.

The fiscal model finds that the average annual expenditure for parking improvements and maintenance from FY06 to FY11 was \$7/5 million and landscape maintenance was \$2.2 million. Taken together, the average annual expenditure per capita was \$117.80. Table 20 provides the expenditures on a per household basis by type of housing unit.

**Table 20: Parks and Landscape Maintenance Expenditures per Household by Housing Unit Type, City of Clovis, FY06 to FY11**

Expenditures per Single-Family Household	488.82
Expenditures per Multifamily Household	349.85
Expenditure per Mobile Home Household	252.00

*Source: The Planning Center|DC&E, 2013, using data from the Clovis Planning and Development Services Department, Clovis Comprehensive Annual Financial Reports for FY06 to FY11, the US Census Bureau, and the Fresno County Assessor.*

### Community Sanitation

The fiscal analysis model allocates community sanitation expenditures to each land use category based on population. For non-residential uses, the model assumes that each job in the city generates solid waste at the rate of 0.25 residents, and then allocates the non-residential expenditures to land use categories based on the share of total non-residential building square footage.

Community sanitation is an enterprise activity. User fees are set at the necessary level to cover the required expenditures. The discussion of the baseline scenario addresses the projected fiscal balance with and without the revenues and expenditures of the enterprise activities.

**Table 21: Estimated Average Community Sanitation Cost by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Expenditures	Average Annual Expenditures	Average Cost per Unit
Agriculture	0.1%	11,595	18.99 per acre
Commercial	4.4%	692,471	0.11 per building sq. ft.
Hotel	0.3%	40,677	0.11 per building sq. ft.
Industrial	2.0%	319,682	0.11 per building sq. ft.
Multifamily Residential	15.0%	2,362,114	312.78 per dwelling unit
Mobile Home	1.1%	173,902	181.15 per dwelling unit
Office	0.8%	129,520	0.11 per building sq. ft.
Public	0.6%	91,314	0.11 per building sq. ft.
Rural Residential	4.7%	744,425	422.49 per dwelling unit.
School	3.7%	588,748	940.11 per acre
Single Family Residential	67.0%	10,573,195	422.49 per dwelling unit
Storage	0.3%	52,649	0.11 per building sq. ft.
Utilities	0.0%	395	20.69 per acre

*Source: The Planning Center|DC&E, 2013, using data from the Clovis Planning and Development Services Department, Clovis Comprehensive Annual Financial Reports for FY06 to FY11, the US Census Bureau, and the Fresno County Assessor.*

The fiscal analysis finds that the average annual expenditure for community sanitation from FY06 to FY11 was \$14.9million. Table 21 allocates these costs by land use type and provides the cost per unit.

## Water

The fiscal model allocates average expenditures for water service to land use types based on the metered delivery of water in 2011. Water is an enterprise service, and the discussion of the baseline scenario includes analyses with and without enterprise services.

The fiscal analysis finds that the average annual expenditure for water from FY06 to FY11 was \$14.6 million. Table 22 allocates these costs by land use and identifies the cost per unit for each land use type.

**Table 22: Estimated Average Water Expenditures by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Water Use	Average Annual Water Expenditures	Average Cost per Unit
Commercial	10.4%	1,797,087	0.28 per building sq. ft.
Hotel	0.6%	105,564	0.28 per building sq. ft.
Industrial	1.1%	190,864	0.06 per building sq. ft.
Multifamily Residential	10.7%	1,842,128	243.93 per dwelling unit
Office	2.0%	336,128	0.28 per building sq. ft.
Park	2.4%	408,657	0.00 per acre
Public	3.7%	633,347	0.75 per acre
Rural Residential	4.5%	767,230	435.43 per dwelling unit
School	1.4%	236,975	378.40 per building sq. ft.
Single Family Residential	63.3%	10,897,100	435.43 per dwelling unit

Source: The Planning Center|DC&E, 2013, using data from the Clovis Planning and Development Services Department, Clovis Public Utilities Department, Clovis Comprehensive Annual Financial Reports for FY06 to FY11, the US Census Bureau, and the Fresno County Assessor.

## Sewer

The fiscal model allocates average expenditures for sewer service to land use types based on the recommended design wastewater flow generation rates found in Table 4.1 in the Sewer Master Plan. Sewer is an enterprise service, and the discussion of the baseline scenario includes analyses with and without enterprise services.

**Table 23: Estimated Average Wastewater Expenditures by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Sewage Flow	Average Annual Wastewater Expenditures	Average Cost per Unit
Commercial	15.4%	2,292,511	0.36 per building sq. ft.
Hotel	0.9%	134,666	0.36 per building sq. ft.
Industrial	3.1%	455,372	0.15 per building sq. ft.
Multifamily Residential	14.3%	2,133,443	282.50 per dwelling unit
Office	1.3%	199,547	0.17 per building sq. ft.
Park	0.0%	0	0.00 per acre
Public	0.9%	140,683	0.17 per acre
Rural Residential	4.1%	610,894	346.71 per dwelling unit
School	1.6%	238,047	380.11 per building sq. ft.
Single Family Residential	58.3%	8,676,641	346.71 per dwelling unit

Source: The Planning Center|DC&E, 2013, using data from the Clovis Planning and Development Services Department, Clovis Public Utilities Department, Clovis Comprehensive Annual Financial Reports for FY06 to FY11, the US Census Bureau, and the Fresno County Assessor.

The fiscal analysis finds that the average annual expenditure for sewer service from FY06 to FY11 was \$10.9 million. Table 23 on the previous page allocates these costs by land use and identifies the cost per unit for each land use type.

### ADMINISTRATION OF GOVERNMENT EXPENDITURES

The expenditures analyzed in the preceding sections represent services provided directly to the city’s residents and businesses. The fiscal model allocates those costs to the major land use categories at differing rates based on the demand driver for each individual service. The remaining city expenditures, however, do not typically have a direct resident or business customer. Instead, they constitute the general cost of running local government.

Understanding the fiscal implications of the general plan, however, requires projecting the future cost of running the government. To allocate the cost of administering the government to each major land use type, the fiscal model adds up each category’s average cost for the direct services. A category’s share of total direct services costs is then taken as its appropriate share of the administration of government expenditures. Table 24 provides the direct service expenditures for each major land use category and each category’s share of the total.

Table 25 on the following page lists the inflation-adjusted average expenditures for the budget categories that the model analyzes as administration of government. Several of these categories warrant some explanation.

The city had a community redevelopment agency during the years used as a basis for the fiscal model, but the state has eliminated redevelopment agencies. Without the redevelopment agency funding, Clovis will unlikely be able to sustain the same investment in community and economic development as it has in the past. The fiscal model uses the city’s budget for economic development for

**Table 24: Direct Service Expenditures by Land Use, City of Clovis, Inflation-Adjusted Average for FY06 to FY11**

Land Use Type	Share of Direct Expenditures	Average Annual Direct Cost	Average Cost per Unit
Agriculture	0.4%	440,137	720.71 per acre
Commercial	10.9%	12,216,777	1.90 per building sq. ft.
Drainage Basin	0.1%	164,023	371.88 per acre
Hotel	0.4%	477,881	1.27 per building sq. ft.
Industrial	2.0%	2,188,548	0.74 per building sq. ft.
Multifamily Residential	14.9%	16,608,126	2,199.17 per dwelling unit
Mobile Home	0.9%	995,419	1,036.89 per dwelling unit
Office	1.3%	1,432,736	1.19 per building sq. ft.
Park	0.8%	920,446	4,023.95 per acre
Public	1.5%	1,714,479	2.03 per building sq. ft.
Rural Residential	3.7%	4,131,951	2,345.03 per dwelling unit
School	1.7%	1,933,183	3,086.90 per acre
Single Family Residential	60.6%	67,654,426	2,703.37 per dwelling unit
Storage	0.2%	233,352	0.48 per building sq. ft.
Utilities	0.0%	4,318	225.96 per acre
Vacant	0.5%	516,548	549.47 per acre

Source: *The Planning Center | DC&E, 2013.*

FY2013, the first full year with no redevelopment agency funding, as the basis for projecting future expenditures in economic development.

As discussed in the introduction, most of the capital expenditures are included in the expenditures for each budget category. Some capital expenditures, however, are attributable to general governance or serve more than one budget category. The administration of government includes this set of capital expenditures. The fiscal analysis estimates that the city spends on average \$2.4 million per year on these capital investments.

Using the share-of-direct-expenditures data from Table 24 and the total annual expenditures for administration of government from Table 25, Table 26 provides the allocation of these expenditures by major land use category and the cost per unit.

**Table 25: Average Annual Expenditures for Administration of Government, City of Clovis, Inflation-Adjusted Average for FY06 to FY11**

City Council	237,919
City Clerk	216,459
City Attorney	741,807
City Manager	614,184
Personnel	527,941
Finance	1,950,276
Debt Service	1,073,157
Economic Development	779,994
Capital Investments-General Government Facilities	3,187,751
<b>TOTAL</b>	<b>9,329,489</b>

Source: The Planning Center|DC&E, 2013, using data from Clovis Comprehensive Annual Financial Reports and Annual Budgets for FY06 to FY11.

**Table 26: Estimated Average Administration of Government Expenditures by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Share of Expenditures	Average Annual Cost	Average Cost per Unit
Agriculture	0.4%	36,784	60.23 per acre
Commercial	9.6%	1,020,997	0.16 per building sq. ft.
Drainage Basin	0.1%	13,708	31.08 per acre
Hotel	0.4%	39,938	0.11 per building sq. ft.
Industrial	2.0%	182,904	0.06 per building sq. ft.
Multifamily Residential	14.3%	1,387,997	183.79 per dwelling unit
Mobile Home	0.8%	83,190	86.66 per dwelling unit
Office	1.3%	119,739	0.10 per building sq. ft.
Park	0.8%	76,925	336.29 per acre
Public	1.6%	143,285	0.17 per building sq. ft.
Rural Residential	3.8%	345,321	195.98 per dwelling unit
School	1.7%	161,563	257.98 per acre
Single Family Residential	62.5%	5,654,106	225.93 per dwelling unit
Storage	0.2%	19,502	0.04 per building sq. ft.
Utilities	0.0%	361	18.88 per acre
Vacant	0.4%	43,170	45.92 per acre

Source: The Planning Center|DC&E, 2012, using data from the Clovis Planning and Development Services Department, Clovis Comprehensive Annual Financial Reports for FY06 to FY11, the US Census Bureau, and the Fresno County Assessor.

## ESTIMATED EXPENDITURES BY LAND USE

Combining all of the expenditures described previously in the expenditure section, Table 27 shows the average annual expenditures estimated by land use type. One should note that the expenditure data reflect the adjustment to the fire department budget described on page 32. Without these adjustments, the total average annual expenditures would be \$136.9 million. One should also note that the data reflect current reductions in service to cope with the recession. The discussions in the following chapter address the fiscal balance if expenditures were increased to offset some of the reductions in service.

**Table 27: Estimated Annual Expenditures by Land Use Type, City of Clovis, Average for FY06 to FY11**

Land Use Type	Total Expenditures	Expenditures per Unit
Agriculture	498,000	815.08 per acre
Commercial	14,248,000	2.22 per building square foot
Drainage Basin	185,000	419.63 per acre
Hotel	566,000	1.50 per building square foot
Industrial	2,563,000	0.87 per building square foot
Multifamily Residential	19,354,000	2,562.71 per dwelling unit
Mobile Home	1,140,000	1,187.55 per dwelling unit
Office	1,681,000	1.40 per building square foot
Park	1,078,000	4,713.42 per acre
Public	2,018,000	2.39 per building square foot
Rural Residential	4,868,000	2,762.66 per dwelling unit
School	2,284,000	3,647.57 per acre
Single Family Residential	79,257,000	3,166.99 per dwelling unit
Storage	268,000	0.55 per building square foot
Utilities	5,000	256.98 per acre
Vacant	583,000	620.02 per acre
<b>TOTAL</b>	<b>130,597,000</b>	

*The Planning Center | DC&E, 2013.*

## FISCAL BALANCE BY LAND USE TYPE

To project future revenues and expenditures requires estimating the costs and revenues by land use type, which is what the preceding sections in this chapter have done. Having this information available encourages many to ask what is the relative balance among the different land uses? This question may be quickly answered by comparing the information in Table 16 and Table 27.

This simple approach, however, does not fully address the issue, because some land uses, specifically drainage basins, parks, public facilities, and schools, function to provide services to the other land uses, namely agriculture, residences, commerce, and industry. To better answer the question, the costs and revenues from the former set of land uses should be allocated to the latter set. In addition, the full costs of police and fire should be used to reflect the reality of today.

Table 28 provides the average revenues and expenditures and the resulting fiscal balance by land use.

### Does Residential Pays Its Way?

A quick glance at Table 28 suggests that single-family residential pays its own way. The average single family house generates \$319.67 more in municipal revenue than it costs for public services and facilities. Recall, however, that the fiscal model allocates about two-thirds of sales tax revenues to households in the city. Without the attribution of some sales tax revenues to households, each single-family residential house would cost the city about \$212 per year.

In the sense of the direct revenues that housing pays to the city, single-family detached housing does not pay its own way. But, in the sense of the direct and indirect revenues generated, the fiscal model suggests that single-family housing does pay its own way. The caveat to this finding, however, is that those households must continue to conduct much of their shopping in the city. New

**Table 28: Governmental Activities Fiscal Balance (Revenues less Expenditures) by Land Use, City of Clovis, Average from FY06 to FY11**

	Total Fiscal Balance	Fiscal Balance per Acre	Fiscal Balance per Unit	
Agriculture	-456,300	-747	-747.17	per acre
Commercial	6,730,000	10,254	1.05	per building sq. ft.
Hotel	1,683,000	123,730	4.46	per building sq. ft.
Industrial	880,000	2,481	0.30	per building sq. ft.
Multifamily Residential	-3,830,000	-7,171	-507.15	per dwelling unit
Mobile Home	323,000	3,292	336.46	per dwelling unit
Office	214,000	1,653	0.18	per building sq. ft.
Rural Residential	-70,000	-73	-39.73	per building sq. ft.
Single Family Residential	8,000,000	1,529	319.67	per dwelling unit
Storage	185,000	2,789	0.38	per building sq. ft.
Vacant	-202,000	-215	-214.87	per acre

Source: *The Planning Center | DC&E, 2013.*

housing near the borders with Fresno might have a great proclivity to spend money in Fresno, whereas new housing Loma Vista or the Northeast Growth Area may be more likely to shop more often in Clovis.

### Why Is Multifamily More Costly?

The two most expensive service provided by the city are police and fire. The fiscal model allocates the cost for these services based on the calls for service by land use type. The data show that multifamily housing generates a large number of service calls for police and fire.

Multifamily housing calls for fire service are skewed by the large number of calls to senior housing and senior care facilities in the city. For example, Willow Creek Heath Care Center had an average of 230 calls per year from FY08 to FY10. Multifamily housing calls for police service are heavily affected by the concentration of apartments in the southwest area of the city. For example, in FY10, the police made 267 service calls to Clovis Courtyard Apartments.

The fiscal model assumes that the General Plan Update will include policies to minimize the potential for new development to create similar high call development. In addition to land use and development policies, the city should explore if it would be possible and politically feasible to establish a fee for exceeding a certain number of calls for service in a 12-month period. There are pros and cons to such a fee, more than can be given sufficient discussion here. However, such a fee could discourage excessive use of police and fire resources and prohibit private facilities from shifting their costs to the public sector. Finally, a fee would alter the assumptions on which the fiscal model is based on and would likely reduce if not eliminate the negative fiscal impact of multifamily housing.

### **Are Offices More Costly Than Industry?**

The fiscal model estimates that industrial properties generate about \$0.30 per building square foot more in revenue than they require in costs for public facilities and services. Offices, however, generate a net benefit of only \$0.18 per building square foot.

The costs for offices are skewed downward because a number of senior housing projects that generate a large amount of fire department service calls are located in areas designated for office development. This is not a problem per se, but the model has no way to differentiate areas planned for future office development that may end up with senior housing and those that will be developed with offices. Therefore, the fiscal analysis models planned office areas

with the costs associated with potential senior housing. This update of the General Plan may provide a good opportunity to addresses appropriate locations and land use designations for senior housing.

# GENERAL PLAN FISCAL BALANCE

The previous chapter quantified the average revenues and expenditures by land use type, based on the existing land use in the city. This chapter uses those average values and the amount of development by land use type (see Table 3 on page 19) to project the city's revenues, expenditures, and fiscal balance in 2035 and when the General Plan is fully built out.

The results are presented for three scenarios:

- + Primary Forecast
- + Pessimistic Scenario
- + Optimistic Scenario

The primary forecast is the key metric to evaluate the fiscal balance of the General Plan Update. The subsequent scenarios are “what ifs”; they illustrate changes in the future fiscal balance if certain assumed conditions should develop differently than assumed.

## PRIMARY FORECAST

The primary forecast is based on the assumptions described in the previous chapter. Some of these assumptions, however, warrant repeating here. First, the bases for the projections are the average revenues and expenditures from FY06 to FY11. These years represent some good years and some really challenging years. The analysis assumes that these *averages* reasonably represent the true costs and revenues the city will experience over time.

Second, one may know that much will change over time even without knowing exactly what will change and how. For example, the basic system of municipal finance in California is so fractured and crippled that it is, by most accounts,

unsustainable over the long term. It is likely that this system will have to be fixed, if not re-invented, at some point, but it is not possible today to know how and when. A fiscal model cannot accurately project such changes. Thus, the fiscal analysis should be thought of as a quantification of municipal revenues and expenditures if the planned city of 2035 or full build-out existed today rather than thought of as an accurate portrayal of the world in 2035.

Third, the primary forecast does not explicitly account for specific public investments that will be required to develop in the growth areas. At some point after adoption of the General Plan Update, the city will update its master plans. Until those plans are updated, it is not known what infrastructure will be needed to extend water and sewer to the Northwest and Northeast Growth Areas and what the cost will be. The baseline scenario assumes that current levels of debt service and capital investment, escalated proportionately to the overall level of development, will be sufficient. After presenting the three scenarios, this chapter explores capital investment issues.

Finally, the baseline scenario incorporates several factors discussed previously. It assumes that Clovis achieves only half of its economic development goal, which equates to 20 percent more job growth than the past trend. It assumes that the internet captures and additional 7.5 percent of taxable retail sales than what it captures today. It assumes that the city adheres to effective policies to limit the creation of future hot spots for fire department service calls. And finally, the primary forecast assumes that a return to more normal levels of service for police staffing, recreation, park maintenance, and street maintenance.

## PRIMARY FORECAST RESULTS

Table 29 provides the projected revenues and expenditures under the primary forecast for 2035 and at full buildout. The fiscal model finds that the assumed amount of development would generate a government-wide budget deficit of \$12.0 million in 2035 and \$15.6 million at full buildout. These deficits represent 4.8 percent and 3.9 percent of projected expenditures. Because there are so many assumptions that go into 20+ year forecasts, one should consider a result of plus or minus five percent as essential fiscally balanced.

The fact that government-wide revenues and expenditures are essentially balanced in 2035 and at full buildout should not obscure the lack of fiscal balance for governmental activities. The primary forecast projects that expenditures for governmental activities would exceed revenues by \$18.8 million (16.5 percent) in 2035 and by \$29.6 million (15.8 percent) at full buildout. This level of deficit represents a structural problem, meaning that the city will need to undertake structural changes to current practices in order to have a balanced general fund.

At the same time, the primary forecast suggests that the proprietary activities—water, sewer, refuse, transit, and the lighting and landscaping maintenance district—would generate excess revenues over expenditures: \$6.8 million (5.1 percent of revenues) in 2035, and \$14.0 million (6.5 percent of revenues) at full buildout.

**Table 29: Projected Revenues and Expenditures (in inflation-adjusted 2010 dollars), Primary Forecast**

	2035	Full Buildout
<b>Governmental Activities</b>		
Revenues	95,217,000	157,354,000
Expenditures	114,035,000	186,886,000
Difference	-18,818,000	-29,533,000
	-16.5%	-15.8%
<b>Proprietary Activities</b>		
Revenues	141,734,000	227,304,000
Expenditures	134,908,000	213,338,000
Difference	6,827,000	13,967,000
	5.1%	6.5%
<b>Government-Wide Total</b>		
Revenues	236,951,000	384,658,000
Expenditures	248,943,000	400,224,000
Difference	-11,992,000	-15,566,000
	-4.8%	-3.9%

*Note: The percentage difference represents the ratio of the deficit to expenditures when expenditures exceed revenues. It represents the ratio of the surplus to revenues when revenues exceed expenditures.*

## PESSIMISTIC AND OPTIMISTIC SCENARIOS

Twenty or more years is a long time for a forecast. Many of the assumed economic conditions may not materialize as envisioned. The fiscal analysis model provides a pessimistic scenario, which assumes that certain conditions generate less revenue or more demand for services, and an optimistic scenario, which assumes that certain conditions generate more revenue or less demand for services.

Table 118 summarizes the differences among the primary forecast and the two scenarios. The pessimistic scenario basically assumes that current policies and development patterns continue unchanged. One may think of it as the do-nothing scenario: it is the fiscal balance that the city can expect in the future if there is no effort to change. The optimistic scenario basically assumes that the city is able to fully achieve several important goals. One may think of it as the what-if-everything-goes-right scenario.

For economic development, the pessimistic scenario assumes that employment continues to grow in Clovis at the same rate it has grown since 1990, and the optimistic scenario assumes that economic growth produces 40 percent more jobs than the trend rate of growth. The pessimistic scenario assumes that the internet captures an increasingly larger share of taxable retail sales, growing from 7.6 percent to 22.6 percent. In contrast, the optimistic scenario assumes that the city is able to promote destination retail development and capture increased spending from visitors to Clovis and to promote businesses with a point-of-sales presence in order to offset increased internet retail sales. In effect, increasing internet retail sales would have no net impact under the optimistic scenario. Finally, the pessimistic scenario assumes that new growth and development results in future public safety hot spots. The optimistic scenario

assumes that the city adopts and implements policies that effectively inhibit the creation of new hot spots.

Table 30 compares the projected revenues and expenditures under the pessimistic and optimistic scenarios to the primary forecast for 2035. The primary forecast and the optimistic scenario essentially produce a government-wide fiscal balance in 2035. Under the pessimistic scenario, however, the fiscal

**Table 30: Comparison of Revenue and Expenditure Projections (in inflation-adjusted 2010 dollars) under Three Scenarios, 2035**

	Pessimistic Scenario	Primary Forecast	Optimistic Scenario
<b>Governmental Activities</b>			
Revenues	83,174,000	95,217,000	107,598,000
Expenditures	110,802,000	114,035,000	121,940,000
Difference	-27,628,000	-18,818,000	-14,342,000
	-24.9%	-16.5%	-11.8%
<b>Proprietary Activities</b>			
Revenues	132,481,000	141,734,000	151,106,000
Expenditures	125,757,000	134,908,000	141,959,000
Difference	6,725,000	6,827,000	9,148,000
	5.3%	5.1%	6.4%
<b>Government-Wide Total</b>			
Revenues	215,655,000	236,951,000	258,704,000
Expenditures	236,558,000	248,943,000	263,899,000
Difference	-20,903,000	-11,992,000	-5,195,000
	-8.8%	-4.8%	-2.0%

Source: The Planning Center | DC&E, 2013

model finds that the government-wide deficit would exceed even a reasonable five percent margin of error. For governmental activities, all three scenarios indicate a structural deficit. It bears reiterating this point: even under optimistic assumptions, the fiscal model suggests that the city would have a significant general fund deficit. Under the pessimistic scenario, however, the projected deficit would be so large that it would require a fundamental change in the type of city Clovis is and the quantity and quality of its services and facilities.

## **POLICY IMPLICATIONS**

The findings of the primary forecast and the two alternative scenarios indicate the future growth and development have important implications for the city's fiscal sustainability.

The pessimistic scenario, in essence, represents a continuation of current policies and development patterns. The fiscal model demonstrates that Clovis cannot continue to grow as a bedroom community. Such continuation would require a 25 percent reduction in expenditures. This means that the city will have to invest in economic development and adopt a mindset that economic and employment growth is a requirement for continued residential growth.

Even under the assumptions of the optimistic scenario, the city would still face a 12 percent deficit in governmental activities. This means that the city will have to continue to manage costs while seeking out and implementing more productive ways to provide public facilities and services. The city will also need to find ways to minimize or eliminate the creation of new hot spots that demand inordinate levels of service.

Finally, the city will need to manage and pace its growth. Letting residential development get ahead of office and industrial development is a recipe for fiscal problems. Similarly, developing new retail centers that cannibalize existing centers leads to structural vacancies, urban blight, and crime. The city will need to

be vigilant and not jump at any chance of sales tax revenues unless the new development can be sustained by new housing development. After all, shifting retail sales from one center to another does not create any new revenue for the city.