FISCAL ANALYSIS

Introduction

An assessment of the long-term sustainability of Powell's finances, both of the current level of development and of each of the development scenarios proposed earlier, is an important part of the plan. The ultimate goal is to ensure that the City will be able to continue to deliver the excellent level of public services that residents have come to expect as the City matures and development continues.

The key finding of this analysis is that household and business-generated general revenues under the current funding structure are not sufficient to support the community either currently or over the long-term; in other words, the City is facing a structural imbalance. It is important to note that this does not mean that the City is in any imminent fiscal danger. It simply means that projected household- and business-generated revenues are insufficient to support municipal services benefiting those households and businesses. Under the assumptions to be discussed, this deficit will grow over time, increasing to $1.8 million by 2023.

Based on available data and projections, most of the development scenarios tested as part of this analysis provide a positive net fiscal benefit, which will reduce this imbalance. In general, the developments that are more beneficial to long-term financial stability are those with a significant commercial (primarily office) component. Residential development generally consumes more in services than it generates in taxes, but commercial office development generally generates more taxes than it consumes in services. This is primarily due to state statutes leading to Ohio municipalities' reliance on income tax as their primary funding source.

A critical assumption underlying the analysis of development alternatives is that sufficient market demand exists to fill most of the proposed commercial development. If this is not the case, the space will remain vacant and generate no income taxes. Indeed, it is more likely that the property itself will never be developed without market appeal, or that it will face development pressures from uses or development types not supported by this plan. Not only does this mean that the City would receive only a minimal amount of property taxes

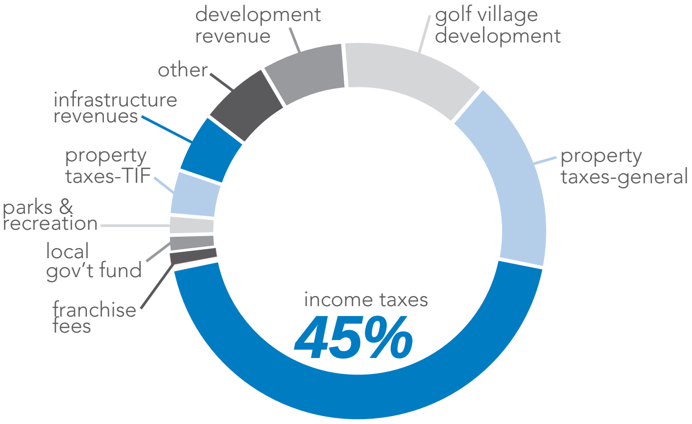
Commercial infill in Downtown Powell.

from the vacant land, it also means that the goals of the Comprehensive Plan will be thwarted. Answering this question requires a careful study of market conditions and demand for the particular type of development being considered. Such a study is beyond the scope of this plan but is an essential step as the plan is implemented.

Revenue Structure

Powell's general fund revenues in 2014 totaled nearly $13.1 million, up from $8.6 million in 2009. However, $1.8 million of the 2014 total consisted of advances and transfers from one fund to another, leaving $11.2 million in revenues coming into the City's treasury from outside entities. Exhibit 4.1 shows the source of these funds.

Exhibit 4.1: 2014 Distribution of Revenues, City of Powell



Source: City of Powell Finance Department

Income Taxes

Municipal income taxes are Powell's largest source of general fund revenue, yielding $4.9 million in 2014 – 43.6% of total revenue. Tax revenues have increased 22.4% since 2009. Powell's municipal income tax rate is 0.75%, the lowest in Central Ohio and one of the lowest in the state. (Of the 609 cities and villages in Ohio that levied a income tax in 2013, only eight had a lower rate and nine had the same 0.75% rate.) The full 0.75% rate applies to those who earn wage and business income within the city. Those who live in the city but work in another municipality (city or village) that imposes an income tax are subject to Powell tax at a rate of 0.5% in addition to the rate applied by the municipality where the resident is employed. Within Central Ohio, the municipal income tax rate is typically in the range of 1% to 2.5%. This means that a Powell resident who works in Columbus (whose rate is 2.5%) pays 0.5% to Powell and 2.5% to Columbus – an effective income tax rate of 3%. While this is higher than the rate charged by any Central Ohio municipality, some residents of the region face a higher rate. Marysville has a tax rate of 1.5% and grants no credit for tax paid elsewhere, so a Marysville resident working in Columbus would pay 2.5% to Columbus and the full 1.5% to Marysville – an effective tax rate of 4%. Still, most Central Ohio municipalities have an income tax rate of 2% or 2.5%, but provide a full or nearly full credit to their residents for taxes paid in another municipality where they work. The result is an effective total tax rate of 2% or 2.5% for these residents.

Townships are prohibited by state law from charging income tax, so residents working outside of municipalities pay no tax where they work. Thus, Powell residents who work in an unincorporated township also pay the full 0.75% to Powell. Exhibit 4.2 gives the number of Powell residents earning taxable income and the rate paid to Powell on that income based on where they work. Nearly 57% of the city's 3,269 taxpayers pay taxes to Powell at the full 0.75% rate. Assuming all employed people living in Powell earn on average the same amount regardless of where they work, the average tax rate paid to the City by a working Powell resident is 0.6416%. This rate is used later in this analysis to predict the income taxes generated for Powell by proposed residential areas in the development alternatives.

Medical office uses are an important tax revenue generator.

Not all income is subject to taxation. Major exemptions in state law include military pay and allowances; income of tax-exempt religious, charitable, and educational institutions; interest and dividends; pensions; disability benefits; and capital gains and losses. Note that the exemption on interest, dividends, capital gains, and pensions likely exempts most retirement income.

Exhibit 4.2: Income Tax Rates of Powell Residents

Work location	Number of Taxpayers	Powell tax rate
Work in Powell	1,074	0.75%
Work in another tax-charging municipality	1,418	0.50%
Work in a non-tax-charging jurisdiction	777	0.75%

Source: City of Powell Finance Department

1. Ohio Department of Taxation. Ohio's Taxes: A Brief Summary of State and Local Taxes in Ohio. 2013.

Property Taxes

Property taxes are Powell's second-largest source of revenue, netting more than $2.3 million in 2014, more than one-fifth of total revenues. Taxes are based on the market value of land and improvements (buildings and other permanent installations). In Ohio, however, taxes are charged on only 35% of the market value; this share is called the taxable value.

Different types of property are taxed at different rates. Residential and agricultural property in Powell (type 1 property) is charged a total rate of 7.4688% on taxable value, or 2.6141% on market value[3]. Commercial, industrial, and other types of property (type 2 property) pay a rate of 7.5518% (2.6431% on market value). Type 2 tax rates are customarily higher than type 1, but the difference is usually much greater than it is here. Powell, however, receives only a small fraction of the total property tax payment: 0.38% on the taxable value of both type 1 and type 2 property. Exhibit 4.3 shows the distribution of taxes on property in the city by recipient of the tax. Olentangy Local Schools receive more than 70% of the total property tax payment; Powell receives only 5%.

Property taxes in designated areas called Tax Increment Financing (TIF) districts are distributed not to the customary recipients (including the Powell general fund) but instead defray the cost of new infrastructure that will benefit the district. TIF districts are established for a set period of time to pay for the improvements using the increased increment of property tax revenue from the new development, then expire upon completion of debt service. Afterward, the increased tax revenues from the development go to the original recipients. Powell has two TIF districts: a Downtown TIF effective January 1, 2006, and a Sawmill Parkway Commercial Corridor TIF effective January 1, 2012. These two TIF districts accounted for 18.7% of total property tax revenues in 2014.

Other Sources of Revenue

Several other sources of revenue require brief discussion. Franchise fees are paid for the use of public rights-of-way by utility and cable companies. These fees are administered by the State of Ohio, which sets their level. Franchise fee revenue totaled $124,211 in 2014. The value of these revenues has hovered around $29 per household at least since 2009, implying that the only increase in these revenues is a result of population growth.

The Local Government Fund (LGF) was created by the State of Ohio in the Depression year of 1934 to share proceeds from the new state sales tax with local jurisdictions. This remained a fairly stable source of funding over the decades. In recent years, however, it has

Exhibit 4.3: Property Tax Rates on Type 1 and Type 2 Property by Recipient

Recipient	Type 1 property		Type 2 property	
	Taxable value	Market value	Taxable value	Market value
Olentangy Local School District	5.2571%	1.8400%	5.2874%	1.8506%
Delaware Area Career Center	0.2331%	0.0816%	0.2411%	0.0844%
Delaware County Health Dept.	0.0602%	0.0211%	0.0663%	0.0232%
Preservation Park District	0.0577%	0.0202%	0.0597%	0.0209%
Delaware County District Library	0.0961%	0.0336%	0.0993%	0.0347%
City of Powell	0.3800%	0.1330%	0.3800%	0.1330%
Liberty Township	0.6697%	0.2344%	0.6850%	0.2398%
Delaware County Agencies	0.5764%	0.2017%	0.5888%	0.2061%
Delaware-Morrow Mental Health	0.0954%	0.0334%	0.0995%	0.0348%
Delaware County 9-1-1 District	0.0432%	0.0151%	0.0446%	0.0156%
Total	**7.4688%**	**2.6141%**	**7.5518%**	**2.6431%**

Source: Delaware County Auditor

2. Property tax rates are expressed not in percentages but in "mills"; a mill is one-tenth of one percent. Thus, 7.4688% would be expressed as 74.688 mills. Even these values carried out to the third or fourth decimal point are rounded off.

been reduced significantly in order to balance the state budget, which was severely affected by the recession. Powell's LGF receipts totaled $165,200 in 2014 – down 57% from 2011. It is unclear if the state will ever return to earlier funding levels of the LGF; in fact, funding could decline further.

A second negative impact on the municipal budget has been the elimination of the estate tax as part of Ohio's recent tax reform. These taxes were paid on estates valued at $338,333 or higher, at a rate of 6% on the value between $338,333 and $500,000, and 7% on the value greater than $500,000. The tax was eliminated on the estates of individuals dying on or after January 1, 2013. Given the small number of very large estates and the efforts of wealthy individuals to structure their estates so as to avoid taxation, this was not a stable source of revenue. Receipts were as little as $35,600 in 2006 and as much as $811,100 two years later. The average collection between 2009 and 2012 was $227,000; in future years it will be zero — thus, roughly 2% of the City's annual budget was eliminated with the estate tax repeal.

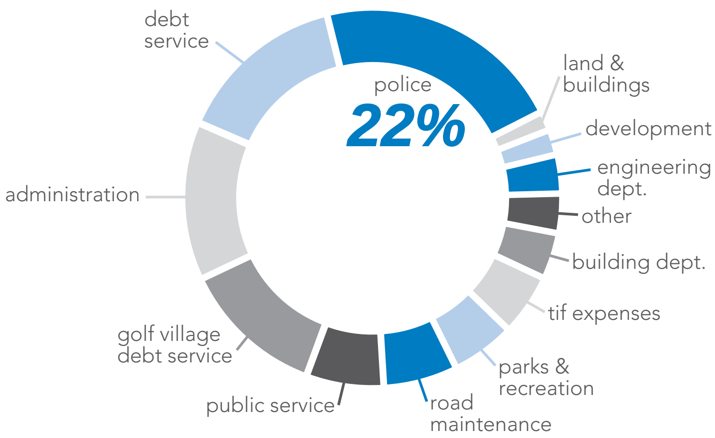
Three revenue streams act to defray the cost of various municipal services, and are treated as such in the analysis. The cost of the Police Department is supported by fines assessed on parking and other violations, as well as charges assessed for services such as police reports, fingerprinting, assembly and parade permits, security alarm permits, and peddler registration. The income from these sources is small, however: $42,400 in 2014, down 15% from 2009. The cost of infrastructure operations and maintenance is supported by charges to property owners for sidewalk repairs and taxes on gasoline and auto registrations. These contributed $638,500 in 2014. Finally, the Development and Building Departments are supported by permit, inspection, and contractor registration fees. Receipts from these sources totaled $689,700 in 2014, almost completely offsetting the cost of these two departments.

Golf Village development receipts consist of payments collected to defray the debt service on bonds issued originally in 2002 to acquire and develop infrastructure serving Golf Village on the northern edge of the city. These receipts – and the associated debt service payments – totaled $1.42 million in 2014.

Expenditure Structure

Reported 2014 expenditures (excluding agency expenditures) totaled $13.269 million compared to $8.5 million in 2009. Netting out the $1.8 million in advances and transfers that appear in both the revenue and expenditure accounts leaves expenditures of $11.151 million. Expenditures exceeded revenues in 2014 by $439,000. Exhibit 4.4 shows the distribution of these expenditures. The following paragraphs discuss the major categories of expenditure.

Exhibit 4.4: 2014 Distribution of Expenditures



Source: City of Powell Finance Department

The Powell Police Department accounts for nearly $2.5 million of the total 2014 expenditures, more than 21% of the total budget. Public safety is an essential public service, highly valued by the residents of a community, and typically the largest category of local government expenditures. In particular, police service is an important differentiator between the city and surrounding townships. Liberty Township's expenditures for fire services, which also protect Powell, were more than $5.7 million in 2014, almost 57% of the total Township budget. Nearly 91% of the total expenditure for the Fire Department is for wages and benefits. As noted earlier, fines and charges for public safety-related services offset some of these costs, but only 1.6% of the total. Total police expenditures have increased 20.5% since 2009.

Administration expenditures as defined here include more than those for the Administration Department. They also include other administrative functions: the City Clerk and Council, Finance Administration, the Legal Department, and Information Technology. As so defined, expenditures on these functions totaled $1.6 million in 2014, up 41% from 2009.

Road maintenance and public service together comprise 13% of the City's expenditures, with outlays of $1.5 million in 2014. The revenues from sidewalk repairs, gasoline taxes, and auto registration fees offset 42.6% of these costs.

The ongoing development of Powell gives rise to – and is supported by – expenditures for the City's Building and Development Departments. Together, these two departments incurred expenditures of nearly $708,000 in 2014, 6.1% of the City's total. These expenditures steadily declined from 2010; a sizeable increase in 2014 restored them to a level 7.8% greater than that in 2009. As noted above, the $699,000 in development-related revenue almost completely offsets these costs. However, the expenses of these two departments are covered by revenue only when activity is strong. In the much weaker market of 2009, expenditures exceeded revenues by more than $280,000.

Principal and interest payments on the City's debt are also an obligation of the general fund. These payments amounted to $1.7 million in 2014, but were impacted by a nonrecurring principal repayment of $695,000. Excluding this impact from both debt service costs and total expenditures implies that ongoing debt services costs are just under $1 million, 9.2% of total expenditures. As noted above, bonds also support the development of Golf Village, but the debt service associated with these bonds is fully supported by outside entities, so they are excluded from the analysis along with the associated revenue.

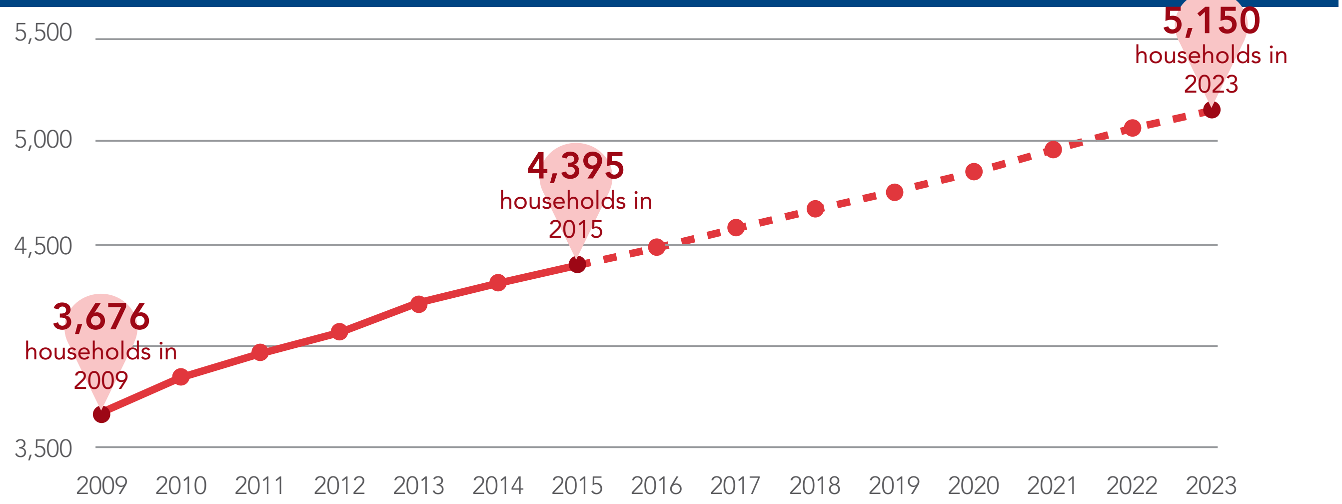
Assessment of the City's Fiscal Sustainability

As a first step in evaluating the future development alternatives examined in this plan, it is important to determine whether the City's revenues are sufficient to sustain the needs of residents given the current scale of development and ongoing population growth. This evaluation (and the evaluation of the fiscal impact of development alternatives) involves revenue and expenditure projections through 2023.

Growth in income and outlays is a function of both inflationary impacts and growth in households. Household growth is a better benchmark than population growth because a household represents a unit of consumption and because growth in dwelling units is the driver of many of these financial effects. Thus, the assessment requires both an annual estimate of the number of households from 2009 (the first year of data provided by the Powell Finance Department) and projections to 2023.

Both historical estimates and projections of the number of households are required on an annual basis. The Census Bureau provides annual estimates of population for all

Exhibit 4.5: Estimated and Projected Number of Households, 2009-2023



Source: U.S. Census Bureau; Regionomics projections.

Liberty Township/Powell Fire Department.

cities and villages including Powell, while a household count is available for the 2000 and 2010 Censuses. The strategy to derive historical annual household estimates is to calculate the average number of people per household in 2000 and 2010, use the results to derive a trend and an annual estimate of people per household, and divide this into the annual population estimate to get an annual household estimate.

In 2000 (before the most recent annexation), there were 3.16 people per household on average, while in 2010 there were 3.03. If it assumed that the number per household declines smoothly between 2000 and 2010, there were 3.04 people per household in 2009. When this is divided into that year's population estimate of 11,185, the result is 3,676 households. According to the American Community Survey the average number of people per household was 2.97 over the period 2009-2013. This is consistent with the notion that the decreasing number of people per household continued after 2010, so the 2000-2009 trend is simply projected to 2014.

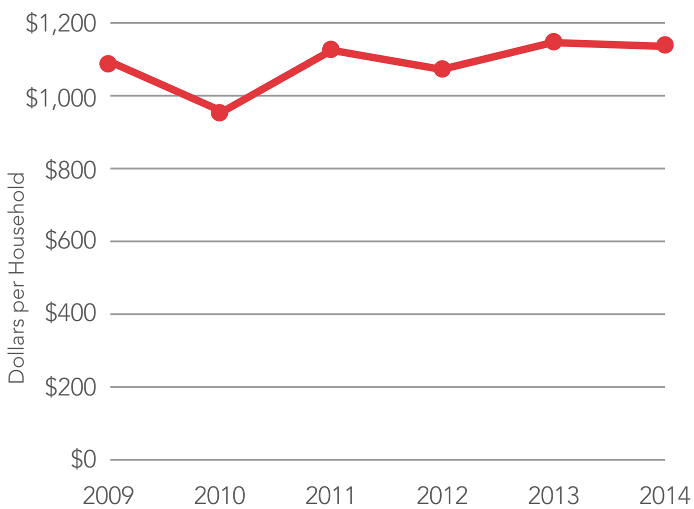
The assessment does not need a population count for years after 2014, only a household count. While the development alternatives in some cases will disrupt the trend, the assumption underlying this baseline assessment is "more of the same"– no significant annexations or development, similar growth through occupancy of existing housing and construction on empty lots, and new residents similar demographically to existing residents. So the household projections are derived simply by projecting forward the annualized household growth rate (approximately 2%). The resulting historical and projected household estimates are graphed in Exhibit 4.5. The estimates imply that the 4,400 households in 2015 will grow to 5,150 by 2023.

The next step in the assessment is to calculate the historical amount per household of key revenue and expenditure items, consider how the per-household amounts are likely to change in the future, and derive the projected total values by multiplying the per-household value in each year by the number of households projected in that year. (Development and Building Department expenses are omitted under the assumption that fees and charges will continue to offset the cost of these departments.) The following paragraphs discuss these projections for the major budget items.

Income Tax Revenue

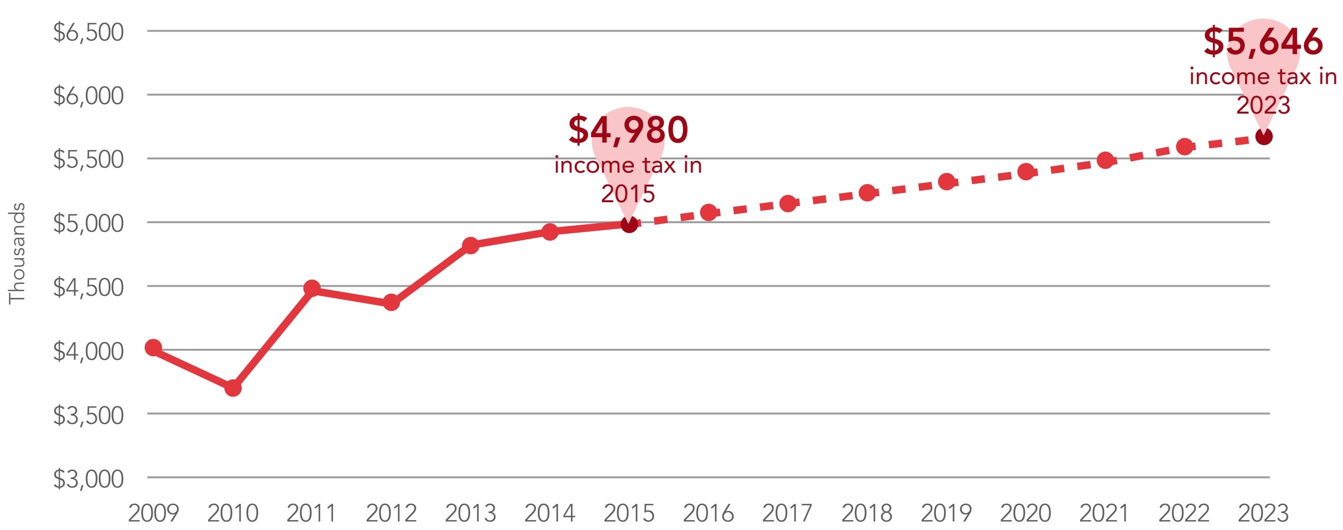
Exhibit 4.6 graphs income tax revenues per household from 2009 through 2014. Taxes per household have barely changed since 2011. These totals are not adjusted for inflation so the only increase in income taxes over these years has been due to the city's population increase. On an inflation-adjusted basis, per-household income taxes have declined. This is consistent with a larger trend in wage and salary income, which has stagnated for years. Wage increases in coming years are not certain, even as workforce growth slows with the retirement of Baby Boomers. The growth of wages depends both on this impact and on the offsetting impact of technology, which continues to allow functions that were accomplished by workers to be accomplished instead by machines.

Exhibit 4.6: Income Tax per Household, 2009-2014



Source: Regionomics analysis of City of Powell Finance Department data

Exhibit 4.7: Total Income Tax Revenues, 2009-2023



Source: City of Powell Finance Department, Regionomics projections

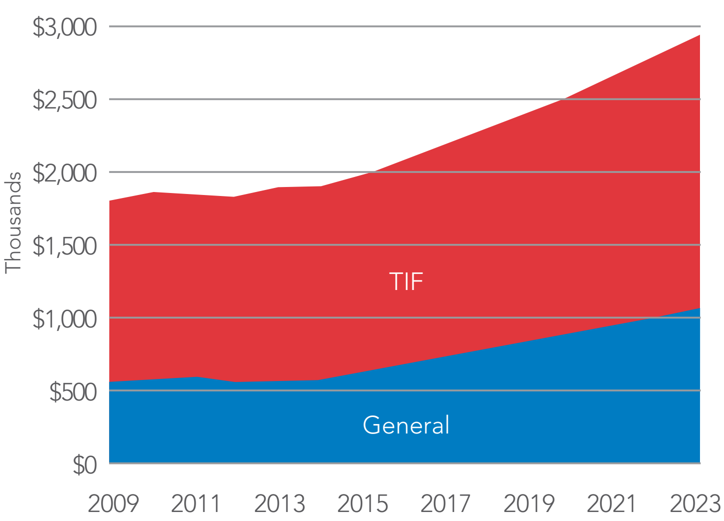
Further, there is a high likelihood that a recession will occur sometime before 2023, which will slow any growth that occurs.

Therefore, it is assumed that wages and salaries – and thus income tax revenues – per worker will remain constant. Approximately $3.8 million of the income tax receipts come from residents; the other $1.1 million come from non-residents. Taxes generated by residents will stay constant per household, but increase in total as the number of households increases. With no increase in wages and no new development, wages paid to non-residents will stay constant in total. But these wages will decrease per household as the number of households increases. The net impact is a slight decline in income taxes per household in coming years – from $1,138 per household in 2014 to $1,096 per household in 2023. Total income tax revenue, however, will increase given the increasing population. Historical and projected income tax revenues are shown in Exhibit 4.7. Total income taxes increase 15% to $5.6 million by 2023. This represents an annualized increase of 1.6%, less than the Congressional Budget Office's 2.3% long-term projection of inflation.

Property Tax Revenue

Property tax collections totaled $1.8 million in 2014. As discussed earlier, a substantial share of property tax revenues are generated within the TIF districts. Other revenues are committed to specific funds, such as for the payment of debt service on the City's bonds. It can be argued that by supporting the cost of financing infrastructure that would presumably have to be constructed in any case, property taxes earned for these designated purposes help to offset the financial burden faced by citizens. For that reason, the revenues designated to satisfy bond payments are treated as an offset to debt service costs. TIF-designated revenues are excluded, as

Exhibit 4.8: Property Tax Revenues, 2009-2023



Source: City of Powell Finance Department

are TIF-related costs. These revenues per household are also assumed to increase 5% per year. Exhibit 4.8 shows general fund and other property taxes.

Property tax growth has been unsteady over the past six years. This is because of the way taxable property values are determined. A general reappraisal of all properties is conducted every six years, with an update to those values after three years. Increases in the intervening years are driven only by new construction, so property tax growth is essentially a stair-step function. The most recent reappraisal in Delaware County was in 2011 and the update occurred in 2014. The projection assumes a steady 5% annual increase per household in coming years. Actual collections will be impacted by the 2017 reappraisal and 2020 update, so will not follow the smooth increase assumed here. The net effect over the coming years is the same, however.

Other Revenues

Local Government Fund revenues are included in the analysis of fiscal sustainability. For two reasons, though, they are excluded from the evaluation of development alternatives. First, they are not a function of population growth; second, they are uncertain and may decline further. (These revenues amounted to $73.67 per household in 2009 but only $38.35 per household in 2014.) For purposes of the sustainability analysis, they are assumed to remain at their 2014 level of $165,242. Other revenues discussed above are included, but as offsets to the expenses to which they relate.

Expenditures

The net expenditures are projected in the same way as revenues: the total expenditure is converted to a per-household value, the per-household value is projected forward, and each year's per-household value is multiplied by the projected number of households to derive the annual total expenditure. TIF-related expenditures are excluded for the same reason as TIF-related revenues: they do not directly benefit the households and businesses outside of the TIF districts. This does not significantly alter the conclusion, however, because the long-run revenues and expenditures of the TIF should be equal.

Expenditures per household are assumed to increase at a 2.3% annual rate, the long-run inflation rate for the United States projected by the Congressional Budget Office. This implies that on an inflation-adjusted basis, the only increase in these expenses will be due to population increase. Multiplying the value per household for each year by that year's projected number of households yields a value trend that reflects both inflation and population growth. The expenditures per household that followed a relatively smooth trend from 2009 through 2014 could simply be projected forward, but many expenditures are highly variable over time. This is especially true of the capital outlays (which were analyzed separately). In these cases, the per-household values over the six prior years were averaged and the result used as the base 2015 per-household expenditure. The Golf Village debt is excluded because it is supported by contributions. No attempt is made to predict the issuance of new debt or repayments beyond the ongoing amortization of some of the bonds. Applying the inflationary increase to the baseline debt service total incorporates the possibility that some new indebtedness may be needed in the coming years.

In some cases, the derived expenditure totals for 2015 differ substantially from their levels in the 2015 City budget. This approach, however, eliminates possible non-recurring circumstances that may be factored into the budget totals but would not be relevant for the budget position in coming years – as was the case with the 2014 bond principal repayment.

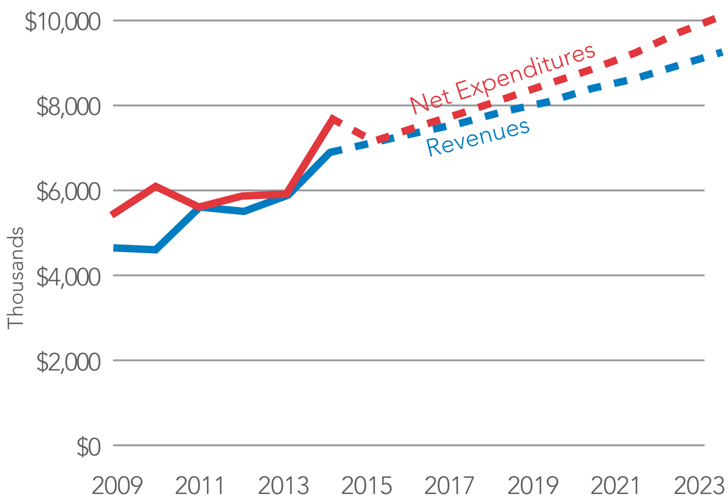
Exhibit 4.9: Expenditure Projections				
	2015*		2023	
Expenditure	Total ($000)	Per household	Total ($000)	Per household
Police (net)	$2,466	$561	$3,466	$673
Administration**	$1,693	$385	$2,379	$462
Land and buildings	$200	$45	$281	$55
Roads and public service (net)	$859	$195	$1,207	$234
Development and building (net)	$0	$0	$0	$0
Engineering	$325	$74	$457	$89
Parks and recreation (net)	$457	$104	$642	$125
Debt service***	$220	$50	$309	$60
Total	**$6,218**	**$1,415**	**$8,740**	**$1,697**

**These are baseline amounts for the projections, and do not necessarily correspond to amounts in the 2015 budget. **Includes the Administration Department, the City Clerk and Council, Finance Administration, the Legal Department, and information technology. ***Excludes Golf Village-related debt.*

The results of the expenditure analysis are shown in Exhibit 4.9. Note that because the same 2.3% inflationary increase was applied to each of the component expenditure items, the 2015 baseline expenditures could have been summed and the sum projected forward. This approach, though, highlights the place of each expenditure in the City's overall financial position.

The results of the sustainability analysis are graphed in Exhibit 4.10. As shown, revenues increase at a slower rate than expenses, creating a gap that widens steadily to $1.8 million by 2023, implying a structural imbalance in the City's finances. In other words, long-term revenue growth is insufficient to sustain public services at their current level. This is a problem faced not only by Powell but by communities throughout Ohio. The ultimate source of the problem is the structure and lack of diversity of local government finance imposed by state law. Ohio municipalities' primary source of revenue is the tax on wages, salaries, and business income. The recent stagnation of wages and salaries and the increasing relative importance of investment and retirement income – which is not subject to taxation – has created funding shortfalls in communities throughout the state. This problem is complicated even further by the sharp cutbacks in Ohio's Local Government Fund support and the repeal of the estate tax and personal property tax. Powell leadership has done a commendable job of managing the effects on the city's well-being of these outside impacts, but only so much can be done.

Exhibit 4.10: Total Revenues and Net Expenses, 2009-2023, Excluding TIF Impacts



Source: City of Powell Finance Department, Regionomics projections

This analysis is based on the assumptions described above; future revenues and expenditures are likely to be different from those projected, perhaps significantly so. As discussed earlier, the future growth of wages and salaries depends on the pace of technological change, workforce growth, and economic growth in Central Ohio and elsewhere. If economic growth exceeds the ability of technology to adapt to the availability and skills of workers, demand for workforce will increase, pushing up wages in central Ohio's increasingly tightening labor market; consequently, income tax revenue growth will increase. However, if the Central Ohio economy continues to be significantly stronger than in other Ohio and Midwestern regions, net in-migration to Central Ohio by workers looking for better job opportunities will continue. This will mitigate the emerging shortage of workers. Income tax growth may accelerate as well as a result of retirees downsizing and selling their homes to younger, wage-earning and income tax-paying households.

However, a recession may very well occur prior to 2023. The impact of the 2007-2009 recession on the Delaware County economy was remarkably mild considering the recession's length and depth[4]. While a recession matching the severity of the 2007-2009 downturn is not likely, each recession impacts the economy in unique and unpredictable ways. If the next recession is centered in sectors that are a focus of Powell, Delaware County, and central Ohio, that recession's impact on Powell may be much greater than that of the 2007-2009 recession. Any recession, mild or severe, is likely to impact growth of income and property taxes, and the ability of revenues to offset their related expenditures to at least some extent.

The fiscal sustainability assessment also assumes that capital expenditures will increase proportionally to inflation and household growth – an assumption that may be overly optimistic. Powell's infrastructure – roads and buildings – will continue to age and require increasing maintenance and repair outlays. This fact and the possibility that an unforeseeable major need may arise may require significantly larger expenditures than projected in this analysis.

These caveats imply that the future financial position of Powell may be better or worse than that suggested by these projections. Substantial new development will also impact finances in possibly significant ways, as discussed below. But these projections should serve as a call to action to plan for the possibility that a funding gap may open in the relatively near future. The only two possible responses to this funding gap are to increase revenues or to reduce services and other expenditures. The longer any gap is allowed to continue, the more painful closing it will be.

Liberty Square shopping center.

Fiscal Impacts of Development Scenarios

The remainder of this section presents an analysis of the fiscal impact of the future development alternatives presented in this plan. This is an extension of the approach used in the fiscal sustainability analysis, and includes estimated impacts of the major household-dependent revenue and expenditure categories:

- Income taxes revenues;
- Property tax revenues;
- Franchise fee revenues;
- Administrative, building, and IT expenditures;
- Debt service expenditures net of offsetting property tax revenues;
- Police Department expenditures net of associated revenues;
- Parks and Recreation Department expenditures net of associated revenues;
- Engineering expenditures;
- Street maintenance and public service costs net of associated revenues from taxes, fees, and charges; and
- Total capital costs of all departments.

Costs related to the Development and Building Departments are assumed to be fully offset by associated fees and charges. Revenues and expenses are calculated as of 2020, assuming that development will not occur immediately. A variety of assumptions are required to generate revenue and expense projections. The assumptions are detailed in the Appendix.

4. See Bill LaFayette, Delaware County Strategic Economic Development Plan , September 2014, pp. 1-15 – 1-17 and 1-22.

Evaluation of Development Scenarios

Four future development possibilities are considered in this fiscal analysis, each based on the three conceptual growth and development scenarios described in the Land Use Plan (refer to pages 26-27). Scenario 1 involves infill development (and redevelopment) in existing areas of the city. Scenario 2 includes two separate strategies: Scenario 2a involves targeted annexations of primarily commercial developments, while Scenario 2b considers the annexation of selected existing residential areas within Liberty Township. Each of these is assessed separately. Scenario 3 involves annexation and development of land north of Home Road.

For each scenario, detailed projections were developed for commercial and residential growth using assumptions for land use types, development densities, potential locations for development and annexation, and other development characteristics to determine an estimate for the number of new dwelling units and amount of commercial square footage that could be developed (A summary of development assumptions is located in the Appendix). These projections were coordinated with the inputs for the transportation analysis, and together the results of these analyses were used to develop the recommended Land Use Plan and Thoroughfare Plan.

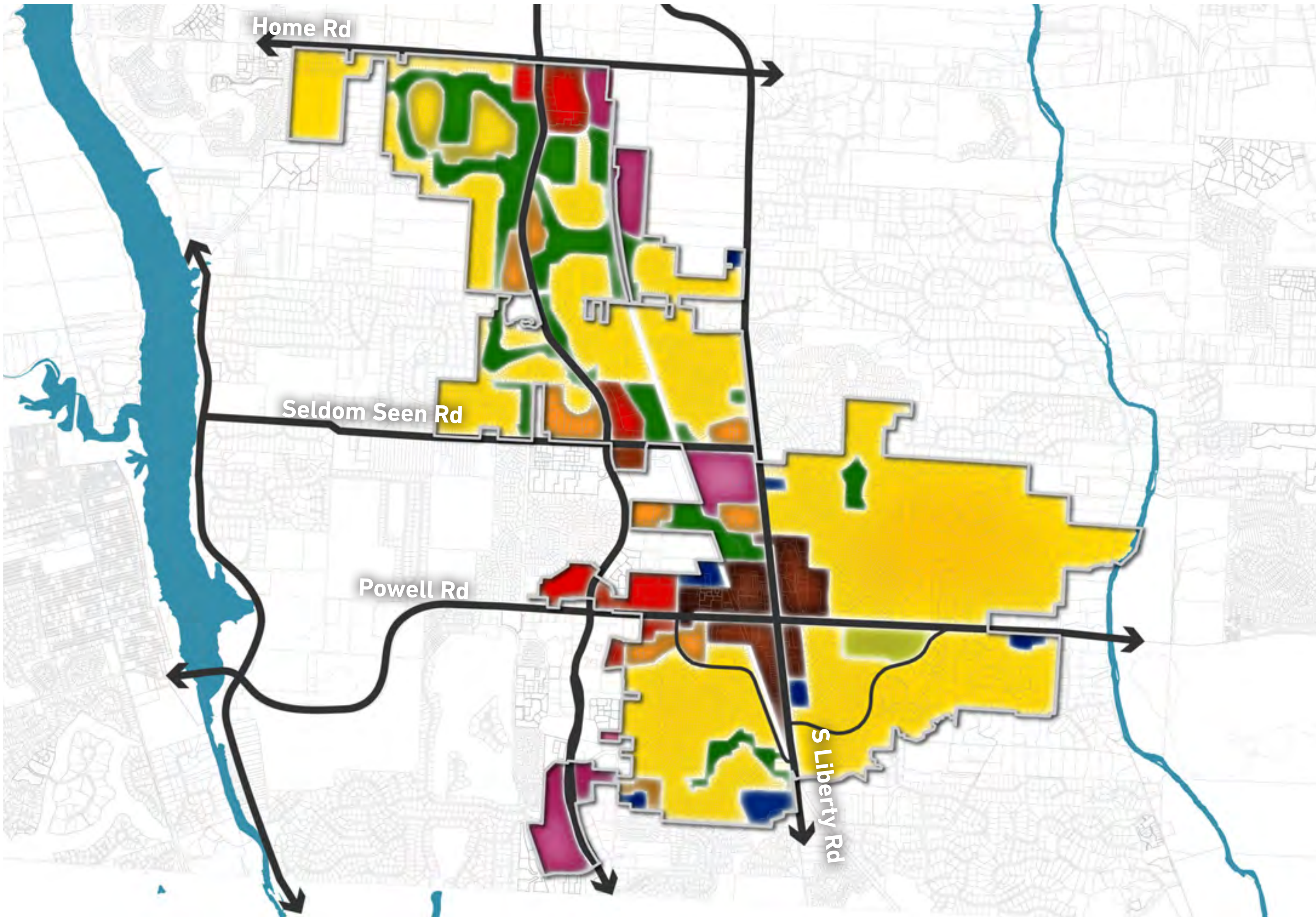
Exhibit 4.11: Scenario 1			
	Revenues	**Net expenses**	**Net impact**
Residential			
Downtown (NE Quadrant)	235,214	307,983	-72,770
Downtown (SE Quadrant)	116,404	131,758	-15,354
Downtown (NW Quadrant)	62,548	90,887	-28,339
Downtown (SW Quadrant)	42,865	49,819	-6,954
Railroad To Murphy	58,499	68,067	-9,568
Railroad To Village Pointe	107,663	122,839	-15,176
Golf Village South	229,560	319,579	-90,019
Bennett Farm	59,756	66,608	-6,852
Total Residential	**912,508**	**1,157,540**	**-245,031**
Commercial			
Retail	187,561	51,370	136,191
Office	406,657	44,051	362,605
Industrial	41,788	5,592	36,196
Institutional	1,857	547	1,310
Total Commercial	**637,863**	**101,560**	**536,302**
Total Scenario 1	**1,550,371**	**1,259,100**	**291,271**

Scenario 1: Infill & Redevelopment

The revenues, expenses, and net impact on Powell finances of Scenario 1 are shown in Exhibit 4.11. A recurring message in these analyses is that residential developments generally have a negative impact on city finances when considered on their own, while the impact of commercial developments is generally positive. In this case, the $245,000 annual net cost of the residential developments is more than offset by the $536,300 annual net benefit of the commercial development, leaving an overall annual net positive benefit of $291,300. However, it is important to keep in mind that the residential developments provide the customer base that creates viability for retail developments and a nearby workforce that can be tapped for the other types of developments, increasing the possibility that portions of the workforce will walk or bike to work, and reducing the impact on the road system. It is also important to note that market forces and locational considerations have a significant influence on the feasibility of commercial development in certain locations. While a number of infill sites could potentially be developed with a variety of uses, either commercial or residential (or a mix of the two), some sites will not be marketable for revenue-generating commercial development.

Further, the cost of serving these developments might be somewhat less than if a comparable development were to be built on annexed territory. This development involves building properties among existing developments, which can be served by the police and other services without extending routes. These benefits are not likely to be especially significant, however.

Scenario 1



*** Please note that all scenario maps follow the legend below.**

- City Boundary
- River
- Mixed Use Activity Center
- Mixed Use Village Center
- Parks & Recreation
- Conservation Development
- Single Family Residential
- Mixed Residential
- Civic/Institutional
- Employment Center
- Columbus Zoo Complex

Scenario 2a: Strategic Annexation

This alternative involves annexing a number of existing developments – with the potential of additional growth – and five schools. The school properties are exempt from property taxes, but do generate income taxes on wages and salaries. Employment of these five schools totals 221; wage and salary income totals approximately $14.2 million annually

The scenario also assumes more than 300 units of proposed senior housing. As Exhibit 4.12 reveals, senior housing is particularly expensive from a fiscal standpoint. These households demand municipal services but provide very little in revenue because of the exemption of retirement income from what can be taxed by municipalities. Only one-quarter of Powell residents 65 years and older are in the labor force, according to the American Community Survey, and a higher-than-average share of those in the labor force may be working part-time. The estimation accounts for the former, but data are not available to permit accounting for the latter.

However, there are strategic reasons for developing senior housing. These households will generate demand for medical services, which could be developed close by and would generate high levels of income and property taxes. Other providers of senior-oriented goods and services might also be attracted. A second stage of this analysis should quantify this demand, determine the net benefit of developing the medical offices and other services required, and examine the offset of the presumably positive benefit of those developments against the negative fiscal benefit of the senior housing. There are also important considerations for community cohesion and quality of life. As Powell residents retire, many may wish to downsize from their single family house, but to age in place within the community they have come to call home. This process also makes detached homes more available for new tax producing households (perhaps young families who already live in Powell). As the community matures, accommodating multiple generations of residents to live within Powell throughout all cycles of life presents a less tangible benefit that should be considered alongside more direct fiscal impacts.

Exhibit 4.12: Scenario 2a

	Revenues	Net expenses	Net impact
South of Seldom Seen, east of Sawmill			
Senior housing	158,337	411,115	-252,778
Retail	13,323	3,863	9,461
Office	26,567	2,704	23,863
Scioto Ridge Elementary	18,212	2,414	15,798
Existing development - retail	202,538	58,646	143,891
Existing development - office	340,729	34,698	306,031
Total area	**759,706**	**513,440**	**246,266**
Golf Village North Commercial			
Multi-unit housing	305,064	418,572	-113,507
South of Seldom Seen, west of Sawmill			
Retail	26,670	7,725	18,945
Office	53,723	5,472	48,251
Total area	**80,393**	**13,197**	**67,196**
East of Railroad, south of Home Road			
Industrial	43,490	9,849	33,640
Office	48,662	4,957	43,705
Olentangy Liberty Middle School	29,516	3,927	25,589
Wyandot Run Elementary School	15,679	2,079	13,599
Total area	**137,346**	**20,813**	**116,534**
North of Home Road			
Retail	22,258	6,438	15,820
Office	44,890	4,571	40,319
Hyatts Middle School	26,061	3,463	22,597
Liberty Tree Elementary School	17,385	2,318	15,068
Existing development - office	11,379	1,159	10,220
Total area	**121,973**	**17,948**	**104,025**
Total development	**1,404,482**	**983,970**	**420,513**

Scenario 2

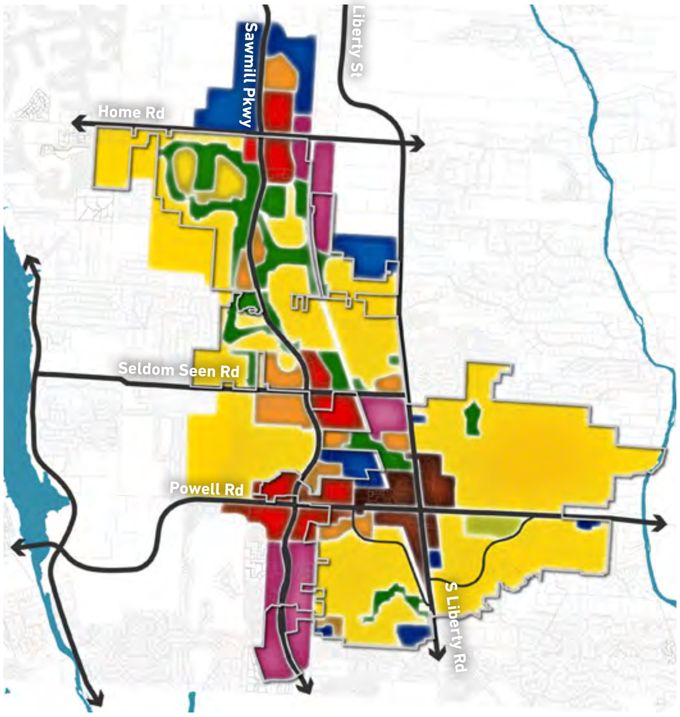


Exhibit 4.13: Scenario 2b			
	Revenues	Net expenses	Net impact
Big Bear Farms	382,143	561,105	-178,963
Seldom Seen Acres	87,873	177,576	-89,703
The Heathers at Golf Village North	97,007	170,529	-73,522
Shamrock Golf Club (Verona)**	192,802	264,696	-71,894
The Village at Wedgewood	36,267	95,835	-59,567
Greensview Apartments	69,944	126,840	-56,896
Bear Pointe Apartments	59,342	105,700	-46,358
The Village of Clermont	59,008	91,607	-32,599
The Orchards at Big Bear Farms	62,278	74,695	-12,417
Rutherford at Liberty	11,088	21,981	-10,893
Kinsale Village	149,373	159,254	-9,882
Rutherford at Railroad Tracks	4,375	9,537	-5,162
Hunters Bend	21,176	24,467	-3,291
Rutherford at Sawmill Pkwy	6,407	7,219	-812
Powell Road/SR 315 (NW)	33,121	21,140	11,981
Plus total arterials	---	118,102	-118,102
Total Scenario 2b	**1,272,205**	**2,030,282**	**-758,077**

Scenario 2b: Annexation of Existing Residential Developments

This alternative involves annexing as many as 14 existing residential developments. Most of these developments are fully built, but the Heathers at Golf Village North and Shamrock Golf Club were not yet developed at the time of this analysis and Kinsale Village was only partly developed with 15 units. All three of these uncompleted developments must be evaluated assuming that they are fully built out. The Heathers is assumed to be developed with 129 units in multi-unit structures with an average value of $182,700 per unit (comparable to Seldom Seen Acres). Kinsale Village is evaluated with a total of 120 units comparable to existing units in this development. Shamrock Golf Club is assumed to be developed with a mix of 122 single-unit and 55 multi-unit structures. The single-unit properties are assumed to have an average value of $300,000, while the multi-unit dwellings are assumed at $235,000 – comparable to the Orchards at Big Bear Farms.

Contrary to the findings above, one of these developments does provide a positive net benefit, and in several other cases, the negative fiscal benefit is so small that the development can be assumed to break even. It is not possible to determine in advance whether a specific development will generate more in revenues than its service cost. The net benefit of any development is a complex function of property value (and hence resident income), development layout (related to the amount of needed service and infrastructure), density, and degree of development. In this analysis, the number of units in the development does not appear to have an impact on its own.

Once again, these possible annexations must be evaluated both financially and strategically. Can they be easily and economically serviced from the city's existing territory? Does the annexation give Powell access to commercial developments – current or potential – that can generate a positive net benefit? Similar to the senior housing case above, if annexing a negative net benefit residential development allows the annexation of a strong commercial development, the true net fiscal benefit would incorporate the impact of both the residential and the commercial developments.

Scenario 3: Annexation North of Home Road

This alternative assumes annexation of large areas north of Home Road, including two existing schools, and approximately 675 acres of conservation residential development, a mixed use center development, and office/industrial development. The mixed-use center, like similar developments discussed earlier, would provide retail establishments that would support the new residential developments, while office uses would also support the community and could attract local residents for employment. The schools employ 149, with an approximate annual payroll of $9.6 million.

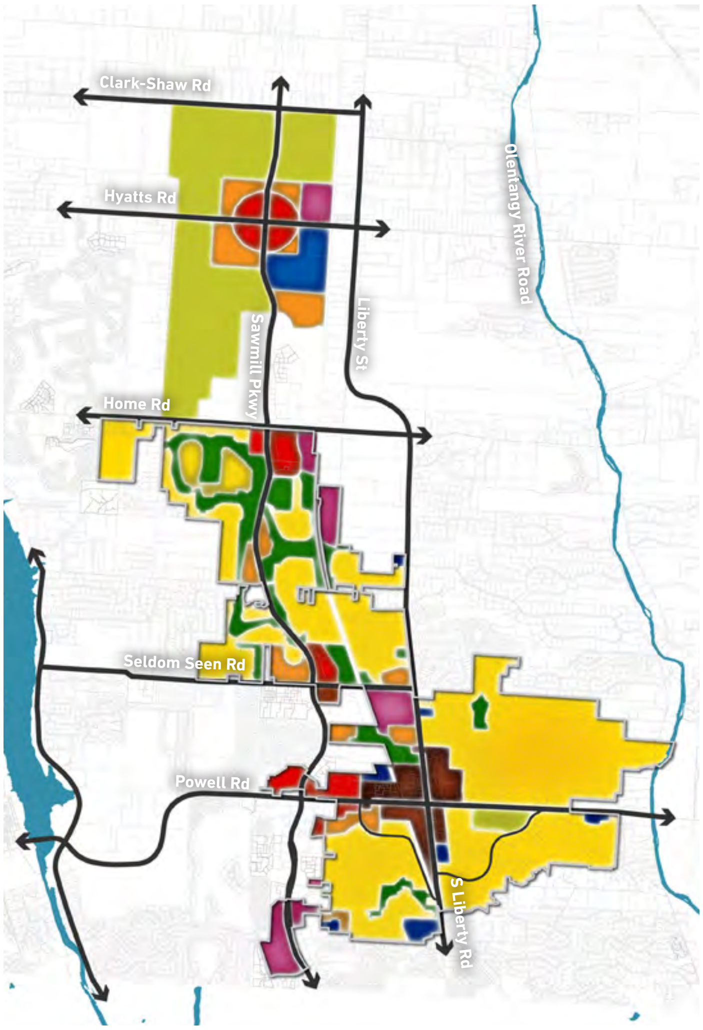
The tax impact of the conservation developments depends on the ownership and degree of development of the preserved land. Three possibilities are considered: (1) The land is publicly-owned and passive; (2) The land is owned by an association of the property owners in the development; and (3) The land is privately-owned and farmed. If the land is publicly-owned and passive, it will generate no property tax but also incur minimal park maintenance costs. Maintenance costs obviously increase significantly if the City actively maintains the conservation areas as public parks. Alternatively, if the land is privately owned by the development's property owners, it could give these households exclusive access to the land, providing an amenity for the development only; however, the land could also be owned and maintained by a homeowners association but with public access granted through an easement, providing an amenity to the larger community. The degree of development of the land would in either be irrelevant because the development and upkeep would be borne by the association.

A third alternative is for the land to be privately owned and farmed. This generates property tax as well, but potentially at a significantly discounted rate. Commercial farmland is covered by Ohio's Commercial Agricultural Use Value (CAUV) program. This program allows properties that are actively farmed to be valued for property tax purposes according to their value as farmland rather than the customary "highest and best use" standard. CAUV usually results in a much lower value per acre. In order to qualify for CAUV status, the land must either be at least 10 acres or

Exhibit 4.14: Scenario 3

	Revenues	Net expenses	Net impact
Hyatts to Clark Shaw, Sawmill to Steitz Extended			
Mixed-use center residential	205,036	226,642	-21,606
Conservation residential 1	464,831	449,369	15,462
Conservation area 1	0	0	0
Retail	53,794	15,579	38,215
Office	118,368	12,167	106,201
Total area	**842,030**	**703,757**	**138,273**
Home Road to Hyatts / Sawmill to Steitz			
Mixed use center residential	250,794	274,559	-23,765
Conservation residential 2	637,591	605,311	32,280
Conservation area 2	0	0	0
Retail	65,582	18,991	46,592
Office	138,945	14,227	118,652
Industrial	15,379	8,320	7,059
Indian Springs Elementary	20,129	2,646	17,483
Olentangy Liberty High School	52,163	6,920	45,243
Total area	**1,180,583**	**930,974**	**249,609**
Hyatts to Clark Shaw / Sawmill to Railroad			
Conservation residential 3	239,111	229,918	9,193
Conservation area 3	0	0	0
Industrial	239,797	30,442	209,355
Retail	14,461	4,184	10,276
Office	276,606	31,825	244,780
Total area	**769,975**	**296,370**	**473,605**
Hyatts to Clark Shaw / Sawmill to Railroad			
Industrial	13,700	7,676	6,024
Railroad to Liberty			
Industrial	141,582	37,917	103,665
Total arterials	**---**	**98,557**	**-98,557**
Total Scenario 3 – conservation land publicly owned	**2,934,171**	**2,067,576**	**866,595**

Scenario 3



generate an average yearly gross agricultural income of at least $2,500. All conservation areas contemplated by this scenario are at least 10 acres so all would qualify for CAUV status. The evaluation of Scenario 3 considers the possibility that the land is publicly-owned and passive, privately-owned by the homeowners, or farmed and subject to CAUV.

Upon analysis, the small difference in the fiscal impact of these three ownership and development alternatives for the conservation land means that the City can evaluate these alternatives from a strategic rather than a financial standpoint. This is discussed in more detail in the recommendations that follow.

Conclusion

Exhibit 4.15 summarizes the impacts of all four basic development options, as well as the impact of omitting Scenario 2b, the annexation of existing residential development. The net benefit of nearly $1.6 million under this option is fairly close to the $1.8 million fiscal gap projected in 2023.

Exhibit 4.15: Conclusions

	Revenues	Net expenses	Net impact
Scenario 1	1,550,371	1,259,100	291,271
Scenario 2a	1,404,482	983,970	420,513
Scenario 2b	1,272,205	2,030,282	-758,077
Scenario 3 – conservation land publicly owned	2,934,171	2,067,576	866,595
All four options	**7,161,229**	**6,340,928**	**820,302**
Omitting Scenario 2b	**5,889,024**	**4,310,646**	**1,578,378**

Policy Recommendations

1. Closely monitor trends in revenues and expenses, particularly income taxes, and implement policies to address the fiscal gap.

The fiscal sustainability assessment was founded on a set of fairly conservative assumptions. The most important of these was that household incomes would remain stagnant for the forecast period. If incomes increase even somewhat faster than projected, the impact on the City's overall fiscal position will be significantly better than predicted. It was also assumed that expenditures would increase in proportion to the increase in households. Even though no economies of scale were evident in the historical data, these may arise as population increases further.

However, Powell officials have made clear that capital expenditures to date have been inadequate to sustain municipal operations. These historical expenditures were also the basis of the projections, which implies that future expenditures are understated. Consequently, revenues will need to be increased (by taxes, development, or both) and/or operating expenditures will need to be reduced even if the structural imbalance worsens to a lesser degree than projected. City officials will need to educate residents regarding the darkening fiscal outlook and make a compelling case that these additional capital expenditures are necessary. Failing to address them will degrade the quality of services that residents have come to expect. It therefore appears that raising the income tax rate will likely be necessary. Because of Powell's low rate relative to the region, raising the rate, but possibly maintaining the credit for Powell residents who work in other taxed jurisdictions might be one solution to investigate.

This argument applies even more strongly to the new capital improvements recommended elsewhere in this plan. No capital expenditures for new roadways were included in any of the assessments under the assumption that they would be paid for by the developers, as has generally been the case in the past. TIF districts are also possible, but the City must recognize that setting aside property tax revenues to fund improvements in the TIF district violates the assumption that these revenues will augment the general fund. Accordingly, creating a new TIF district reduces the calculated net benefit of the affected development. Without a robust and reliable revenue source, it will be necessary to go to the voters to obtain the necessary revenue for specific capital projects, such as a community recreation center as recommended elsewhere in this plan. A potential benefit is that the vote gives a clear signal of whether residents want the project badly enough to pay for it.

2. Establish a dedicated fund for capital improvements, and communicate both funded and unfunded capital needs broadly.

The City currently has no dedicated fund for capital improvements to help meet both planned and unplanned needs. Thus, if an urgent need were to arise, the City would have to tap its borrowing capacity – possibly when credit markets are unfavorable. The City of Columbus, for example, has for years formally set aside a specified percentage of its income tax revenue in a capital improvements fund.

The City's annual budget document currently spells out various capital needs and their rationale in detail, with a detailed schedule tying the departmental capital budget amounts to specific needs. An effective means of communicating the scope of these needs would be to specify in detail those capital needs that should be met but cannot be because funds are not available to do so, with a detailed discussion of the impact on municipal services.

Captial improvements, such as roadway projects in Downtown Powell, would be better facilitated by a dedicated City fund.

3. Undertake a market study to assess the capacity for proposed commercial developments.

This plan proposes significant commercial development. A critical preliminary step in implementing the plan is a careful assessment of the market need for the developments – a question that is beyond the scope of this plan. The study of the market should also identify the specific types of office, retail, and industrial uses that will gain the greatest acceptance, or for which a market could be created, in part to address the fiscal structure issues already discussed. This is particularly vital in the case of retail, which is more likely to address the needs of the immediate community rather than those of a broader area. As discussed earlier, failure to undertake this step will increase the risk that the development will not occur, endangering the implementation of the plan and weakening the City's financial position. On the other hand, providing developments that fill gaps in existing market offerings or provide viable employment opportunities will enhance the quality of life for residents and ultimately increase property values and tax revenues. These are the commercial developments that will best address the emerging structural imbalance.

4. Prioritize the annexation of commercial and mixed use development over residential-only development.

A key message of the development alternatives analysis is that while some existing residential developments carry their weight fiscally, most do not. While annexing these developments will increase the City's income and property tax base, doing so will in most cases increase expenses to a greater degree. It is true that township residents do already consume some municipal services and impose some cost now by driving on Powell's streets and visiting Powell's parks. However, they do not impact to any great extent the costs of police protection, administration, and engineering, which comprise nearly three-quarters of the total cost of Scenario 2b. Still, there could be compelling community-building reasons for annexation outside of the fiscal considerations. Thus, this recommendation should be tempered by considering any strategic benefit of residential annexation; this is discussed in the next recommendation.

5. Consider the impact of development holistically and strategically.

It is important to recognize the interdependence of residential and commercial developments. The broad nature of the fiscal analysis scenarios does not permit this. An example given earlier is the possibility that the development of senior housing will attract medical offices to meet the needs of these residents. This would be part of that scenario's commercial development. The likely positive fiscal impact of the medical offices and other services will help to offset the negative impact of the senior housing. Again, a market study is necessary to quantify this need and assess the degree to which the commercial development pays for the residential development.

Another example is an existing residential area that may have a negative net benefit on its own but allows annexation of an adjacent commercial area with a significantly positive net benefit. The relevant consideration is the combined benefit of the two areas.

Along similar lines, the mixed use center land use type recommended in the Land Use Plan by its very nature incorporates both residential and commercial uses. Each of the fiscal scenarios includes some elements of mixed use center development, most notably, the creation of a new center to the north of Home Road in Scenario 3. This is also an important aspect of infill development in Downtown Powell. In these cases, it is necessary to consider the residential and commercial components of a development as a whole, and also to consider the additional property value generation that tends to accompany well-designed mixed use developments.

Finally, annexing areas to the north of Home Road may be desirable for reasons in addition to the fiscal benefit. This area will certainly develop sooner or later, with the distinct possibility that it would develop under inefficient "sprawl" development patterns if current trends were to continue. Annexation will give Powell the ability to control and shape the nature of that development rather than leaving it to outside forces. If this is done correctly, it will increase property values in the city as a whole (or prevent them from declining in the face of undesirable development). The positive impact on the city's finances can validly be considered an addition to the impact of the development itself.

6. Evaluate the status of conservation areas as a strategic issue.

The finding that ownership of the conservation areas does not have a significant impact on the overall fiscal position of the development means that Powell can approach this question from a strategic, rather than a financial, standpoint. On one hand, if the conservation areas were to be owned by a Homeowners Association, it may alleviate a maintenance responsibility for the City. However, with a passive open space program and naturalized landscape design, maintenance costs can be minimized while giving Powell full control over the land. A strategic approach to setting aside conservation areas will allow for the creation of an interconnected open space system that serves as an amenity to the broader community, in addition to the residents of individual developments. The lack of a substantial financial impact gives Powell the luxury of making decisions about ownership and maintenance responsibilities based on community development goals and planning priorities rather than fiscal limitations. Individual conservation developments will need to be analyzed in more detail as part of the development approvals process to ensure design and long-term maintenance are planned appropriately. Regardless, Powell should establish a standard policy with clear expectations for how conservation areas will be owned, maintained, and used by the public. Opportunities to partner with land conservation entities such as the Metro Parks System or a private land trust should also be explored.

7. Understand the scale impacts of proceeding with the development scenarios.

These development alternatives, if fully implemented, will significantly change the scale of the city and the scope of its government. As shown above, the cost of implementing the scenarios other than the existing residential annexation (Scenario 2b) will increase expenses by $4.3 million annually – nearly 40 percent of total expenditures in 2014. The analysis scales expenses based on their current level per household. In reality, there are scale impacts – both economies and diseconomies – that must be considered. The long-run cost of many administrative functions will likely be lower per household with many more households and businesses, but municipal structures and systems may have to change significantly to accommodate the larger population and staff.

This plan calls for a scale of commercial development far greater than Powell has ever experienced. This implies the need for an economic development specialist. This individual would be responsible for: (1) managing new commercial developments large and small; (2) assisting commercial property owners in attracting new tenants; (3) meeting with existing businesses to ensure that their needs are being met and that no barriers exist to their growth; and (4) acting as a liaison between prospective commercial projects and City departments to ensure that those departments are responding quickly and effectively to the needs of the developer, owner, or tenant.

The larger geographical area may require a different deployment of police and maintenance functions to maintain response time and quality, and facilities may need to be developed to accommodate the new staff. The specifics of these considerations are beyond the scope of this plan, but they should be fully analyzed as part of the implementation strategy.

Commercial development should accommodate a diverse set of business activities.