

City of Scottsdale Fiscal Sustainability Analysis



Prepared By:



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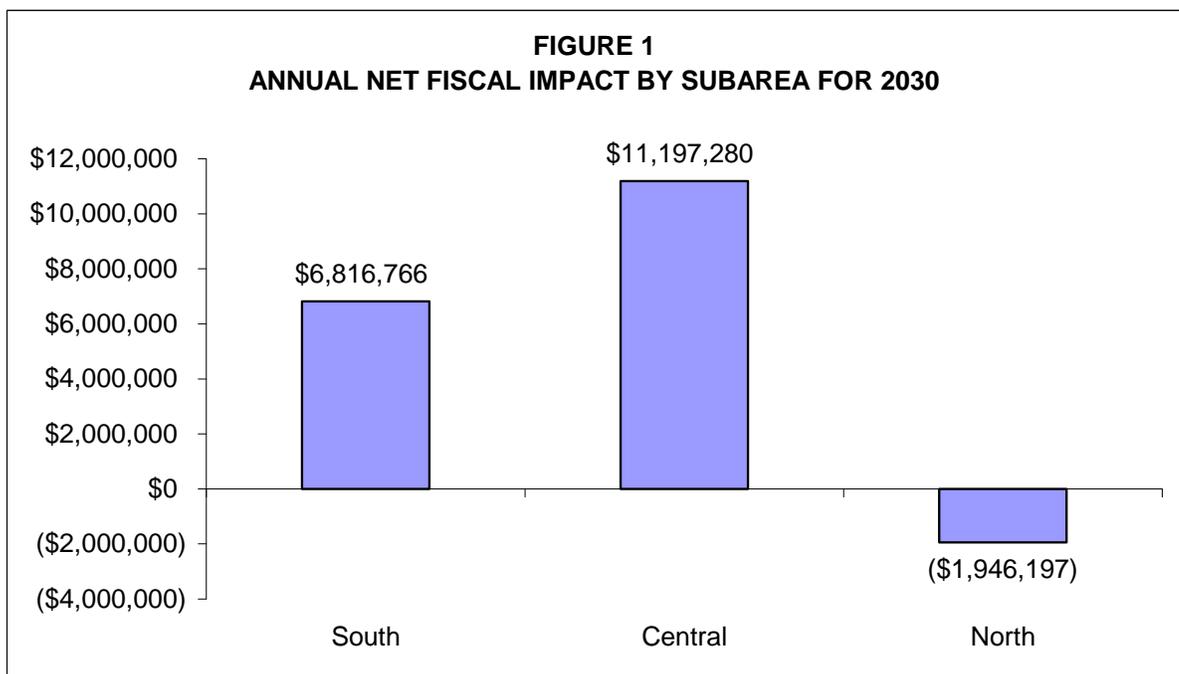
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Executive Summary

This analysis demonstrates the potential socioeconomic and fiscal impacts of current and future land use in the City of Scottsdale based on the revised Development Forecast prepared in October 2011. The objective is to determine if the projected mix of future development is fiscally sustainable for the City. For the purpose of this analysis, the City is divided into three subareas.

- The **South** subarea extends from the southern city boundary north up to Indian Bend Road. It is largely built out and includes a significant amount of retail and office space, including Scottsdale Fashion Square.
- The **Central** subarea extends from Indian Bend Road north to the Deer Valley Road alignment. It has a significant amount of existing development, but there is some potential for growth. It includes the Scottsdale Airpark with the majority of the manufacturing and warehouse development, as well as a significant amount of office space. There are also a large number of neighborhood and community retail centers in this subarea. The majority of the city's larger resorts are in the Central subarea as well.
- The **North** subarea extends from Deer Valley Road to the northern city boundary. This area is the least developed and is currently mainly low density residential. Although this area has the most development potential in terms of available land, it will continue to be primarily residential in character with a limited amount of neighborhood and community retail, office and resort development.

The following is a summary of the net fiscal impacts of each of the subareas on the City of Scottsdale. The fiscal impacts include revenues and expenditures in the General Fund and Transportation Fund. The analysis includes two points in time, 2010 and 2030, consistent with the Development Forecast. The long term net impacts for the South and Central subareas are positive. The North subarea is slightly negative under current conditions due to the limited amount of commercial development, although it becomes significantly less negative based on the additional development projected by 2030. The positive balance in the other two subareas outweighs the negative impact in the North subarea resulting in a positive annual impact citywide in both 2010 and 2030 (Figure 1). For all three areas combined, the annual net impacts in 2030 would be approximately \$16.1 million, with revenue exceeding expenditures by about 5 percent. It is important to note that these results are in current dollars and do not account for future inflation as it applies to both revenues and expenditures.



The following is a summary of the fiscal and socioeconomic impacts for each subarea:

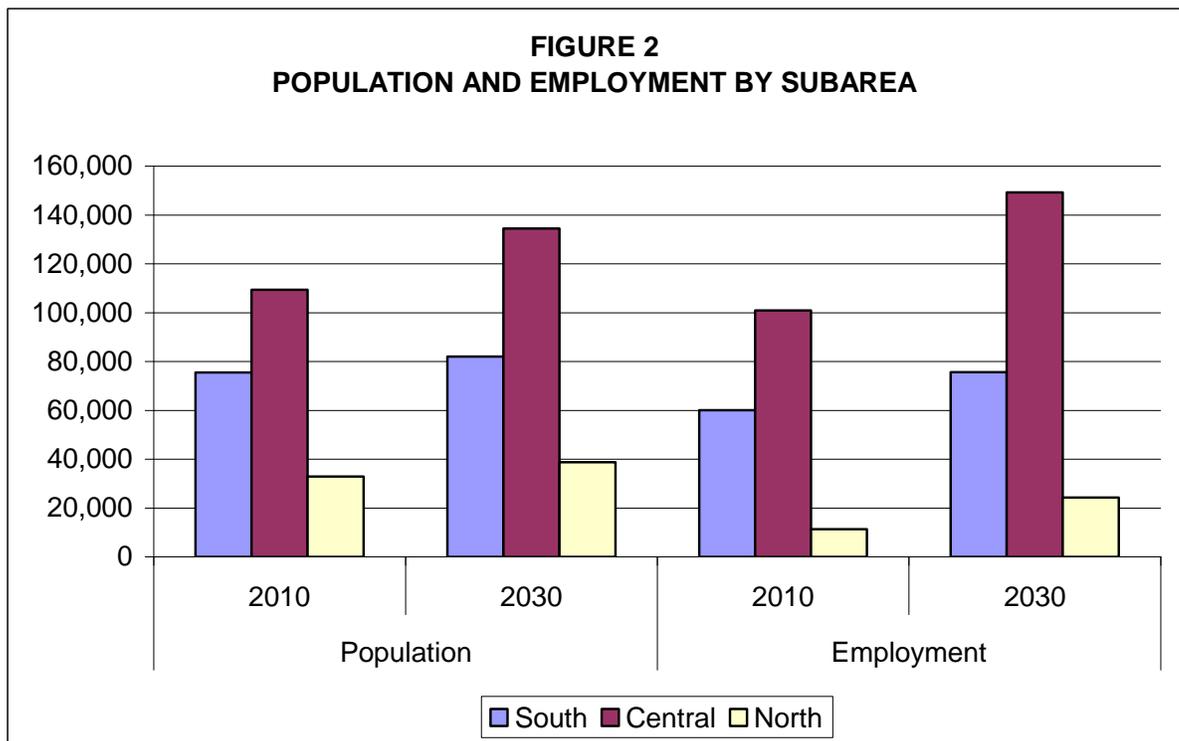
- **South Subarea.** This fully developed subarea includes about 45,000 housing units and 20.6 million square feet of nonresidential space that is predominantly office and retail. The annual net impact for 2010 is estimated at \$5.8 million, due to the significant amount of retail sales coming from this subarea. The area has a large amount of sales attributed to tourism as well as a fully developed local-serving retail base. By 2030, the annual net impact increases slightly to \$6.8 million. The increase is due to projected growth including the addition of 2,400 new high density housing units and 3.1 million square feet of new nonresidential space, which is mostly office space. This area includes a sustainable mix of residential and nonresidential development from a fiscal perspective and benefits from the revenues generated by Scottsdale’s tourism industry.
- **Central Subarea.** The Central subarea is the largest of the three subareas in terms of population and employment and includes a broad mix of both residential and nonresidential development types. The area currently includes about 60,000 housing units and 39.1 million square feet of nonresidential space. The current mix of nonresidential space in the Central subarea is about 30 percent retail and tourism, 41 percent office and 29 percent manufacturing and warehouse. This area generates a significant positive fiscal impact by 2030, primarily due to the large amount of retail space and above average assessed value per capita. The annual net impact in 2010 is estimated at \$1.3 million per year, increasing to \$11.2 million per year by 2030 with the addition of 4.4 million square feet of new retail and tourism development, along with about 5.0 million square feet of new office space and 8,600 new urban and suburban housing units.
- **North Subarea.** This primarily residential subarea includes 18,700 housing units and 3.9 million square feet of nonresidential space, primarily office and retail/tourism. However, the current ratio of employment to housing units is much lower than in the other areas at 0.61 jobs per housing unit compared to 1.42 to 1.68 in the other subareas. The amount of

retail square footage per capita is also much lower in this subarea at only 44 square feet per capita versus 97 to 129 square feet per capita in the other subareas. Although assessed value per capita is much higher than in the central or south subareas, the impact of increased assessed value is much less than the impact of increased retail sales would be in terms of revenues to the city. This results in a negative annual net impact in 2010 of (\$3.3 million). This subarea includes a significant amount of vacant land for new development, assuming that parts of the large state land parcels in the north will be developed in the next 20 years. Projected growth includes about 3,300 new housing units, mainly low density, and 2.8 million square feet of new retail and office space. However, given the mix of projected development the jobs housing balance and the amount of retail square feet per capita continue to lag behind the other subareas. As a result, the net annual fiscal impact for 2030 is estimated at (\$1.9 million).

1.0 Introduction

This analysis demonstrates the potential socioeconomic and fiscal impacts of future development in the City of Scottsdale. The city is divided into three subareas (South, Central and North) with varying degrees of development potential and mixes of land uses.

The impact analysis covers a 20 year time period from 2010 to 2030, during which the remaining acreage in all subareas would be mostly absorbed with the exception of the North subarea. Assumptions regarding current and projected development, population and employment are based on the updated Development Forecast Analysis prepared as part of this study. The analysis extends 20 years through 2030 to illustrate the long term impacts of future development on the City. Based on these projections, the current amount of employment in the city could increase by as much as 45 percent, although population is only projected to increase by 17 percent (Figure 2). Thus the long term changes in the mix of development are significant. The objective is to determine if the projected mix of future development is fiscally sustainable for the City.



The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. Projections made in this report are based on assumptions and current public finance policies. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the projections and the actual results because events and circumstances frequently do not occur as expected. This analysis is based on the best available information and is intended to aid the City of Scottsdale in making decisions relative to the future land use planning. All dollar figures should be interpreted as order of magnitude estimates only.

1.1 General Approach

The impact assessment includes revenues and expenditures associated with existing and new development in the city. It does not specifically include construction costs for new or replacement infrastructure, but does include relevant maintenance costs for items such as existing parks and streets. The analysis includes the General Fund and the Transportation Fund.

The basic approach for the analysis is to determine the level and character of existing and future development (measured in housing units, population, non-residential square footage, employment, road miles, etc.), and then to model the revenues and expenditures likely to be associated with that development. Current and historical budgets for the city were reviewed to identify revenue and expenditure line items that would be impacted by the future development. Once identified, each line item was analyzed to identify socioeconomic factors that could be used to reasonably predict a corresponding impact for each line item. For example, road miles are a good indicator of the cost of street maintenance. Therefore, by knowing the number of new road miles in a particular subarea, one could estimate the related costs in the transportation and street operations departments. Many of the services provided by the city are utilized by both residents and businesses, thus population and employment are both drivers for a number of revenue and expenditure items.

1.2 Report Organization

The balance of this report is divided into two sections. Section 2.0 details the methodology and assumptions used in calculating the development characteristics and the fiscal assumptions used to develop the model. Section 3.0 details the results of the fiscal impact calculations for each subarea for 2010 and 2030. Detailed tables on the fiscal impact results are included in the appendices following Section 3.0

2.0 Methodology

2.1 Development Characteristics

This chapter describes the methodology and assumptions used in developing the fiscal impact model. The annual impact of development can be described in terms of housing units, population, employment, square footage, assessed value, taxable sales, construction expenditures, park acres and street miles, based on assumptions about existing development and the level of growth that could be expected to occur over the next 20 years. The following sections briefly describe the approach used to estimate each of the major characteristics of new development.

Residential development and population. In total, the city currently includes about 124,159 single and multi-family housing units at varying density levels. The number is expected to increase to 139,255 units by 2030, of which 15 percent would be rural residential, 48 percent suburban and 37 percent multi-family urban development. However, the mix of units by type varies significantly by subarea. An occupancy rate of 75 to 83 percent was assumed for 2010 due to current economic conditions, but that rate was increased to 87 to 90 percent for 2030, with the exception of the north area which increases to only 78 percent by 2030. Values per unit are based on current assessor's data for parcels in each subarea. The following describes the existing residential development each of the subareas.

- **South**– 21 new rural units (1.13 units per acre), 39 new suburban units (5.36 units per acre) and 2,434 new multi-family urban (17.79 units per acre); 1.97 average persons per unit and 87 percent occupancy with a total new population of 6,409; average assessed value per housing unit of \$762,872 per unit for rural, \$214,595 per unit for suburban and \$188,171 per unit for urban (Figure 3).
- **Central**– 648 new rural units (1.07 units per acre), 1,623 new suburban units (4.50 units per acre) and 6,994 new multi-family urban (12.13 units per acre); 2.15 average persons per unit and 90 percent occupancy with a total new population of 25,033; average assessed value per housing unit of \$661,303 per unit for rural, \$349,638 per unit for suburban and \$141,149 per unit for urban (Figure 4).
- **North**– 2,283 new rural units (0.80 units per acre), 650 new suburban units (4.00 units per acre) and 404 new multi-family urban (7.00 units per acre); 2.26 average persons per unit and 78 percent occupancy with a total new population of 5,904; average assessed value per housing unit of \$949,127 per unit for rural, \$458,075 per unit for suburban and \$455,262 per unit for urban (Figure 5).

**FIGURE 3
DEVELOPMENT ASSUMPTIONS
SOUTH SUBAREA**

Land Use	Pop/Emp per Unit/Sq Ft	Units per Acre	Occupancy	Taxable Sales per Sq Ft	Retail Share	Average Value	Annual Lease	Percent Leased*
Residential	Pop. Per Unit					Per Unit		
Urban	1.97	19.77	87%	na	na	\$188,171	\$650	100%
Suburban	1.97	5.95	87%	na	na	\$214,595	na	na
Rural	1.97	1.07	87%	na	na	\$762,872	na	na
Nonresidential	Sq Ft Per Emp	FAR				Per Sq Ft		
Neighborhood & Community Retail	512	0.28	90%	\$250.00	100%	\$182	\$17.30	100%
Regional Commercial and Auto	411	0.38	90%	\$350.00	100%	\$224	\$19.50	75%
Resorts/Tourism	420	0.19	65%	\$0.00	100%	\$213	\$78.11	100%
Commercial Office	240	0.56	80%	\$0.00	0%	\$244	\$20.50	75%
Manufacturing	510	0.21	87%	\$0.00	10%	\$89	\$9.95	50%
Warehouse	988	0.21	82%	\$30.00	10%	\$102	0%	75%
Other Low Density Employment	458	0.17	90%	\$25.00	50%	\$356	\$11.80	50%
Public	565	0.20	100%	\$0.00	0%	\$0	na	0%
Vacant	na	na	na	na	na	Per Acre \$342,000	na	na

*Indicates share of owner occupied versus multi-tenant leased space.

**FIGURE 4
DEVELOPMENT ASSUMPTIONS
CENTRAL SUBAREA**

Land Use	Pop/Emp per Unit/Sq Ft	Units per Acre	Occupancy	Taxable Sales per Sq Ft	Retail Share	Average Value	Annual Lease	Percent Leased*
Residential	Pop. Per Unit					Per Unit		
Urban	2.15	13.48	90%	na	na	\$141,149	\$770	100%
Suburban	2.15	4.95	90%	na	na	\$349,638	na	na
Rural	2.15	1.01	90%	na	na	\$661,303	na	na
Nonresidential	Sq Ft Per Emp	FAR				Per Sq Ft		
Neighborhood & Community Retail	442	0.23	90%	\$300.00	100%	\$191.00	\$17.80	100%
Regional Commercial and Auto	328	0.24	90%	\$350.00	100%	\$169.00	\$20.00	75%
Resorts/Tourism	387	0.11	65%	\$0.00	100%	\$249.00	\$101.67	100%
Commercial Office	261	0.36	80%	\$0.00	0%	\$202.00	\$23.88	75%
Manufacturing	588	0.21	87%	\$0.00	10%	\$161.00	\$9.95	50%
Warehouse	842	0.19	82%	\$30.00	10%	\$207.00	\$9.40	75%
Other Low Density Employment	563	0.21	90%	\$25.00	50%	\$356.00	\$11.80	50%
Public	562	0.16	100%	\$0.00	0%	\$0	na	0%
Vacant	na	na	na	na	na	Per Acre \$683,792	na	na

*Indicates share of owner occupied versus multi-tenant leased space.

FIGURE 5
DEVELOPMENT ASSUMPTIONS
NORTH AREA

Land Use	Pop/Emp per Unit/Sq Ft	Units per Acre	Occupancy	Taxable Sales per Sq Ft	Retail Share	Average Value	Annual Lease	Percent Leased*
Residential	Pop. Per Unit					Per Unit		
Urban	2.26	7.78	78%	na	na	\$455,262	\$770	100%
Suburban	2.26	4.44	78%	na	na	\$458,075	na	na
Rural	2.26	0.76	78%	na	na	\$949,127	na	na
Nonresidential	Sq Ft Per Emp	FAR				Per Sq Ft		
Neighborhood & Community Retail	388	0.16	92%	\$300.00	40%	\$224.00	\$22.75	100%
Regional Commercial and Auto	550	0.17	92%	\$350.00	100%	\$224.00	\$22.05	75%
Resorts/Tourism	401	0.09	70%	\$0.00	100%	\$243.00	\$124.10	100%
Commercial Office	206	0.19	75%	\$0.00	0%	\$205.00	\$24.50	75%
Manufacturing	635	0.13	87%	\$0.00	10%	\$214.00	\$9.95	50%
Warehouse	899	0.13	82%	\$30.00	10%	\$188.00	\$9.40	75%
Other Low Density Employment	190	0.15	90%	\$25.00	50%	\$175.00	\$11.80	50%
Public	535	0.11	100%	\$0.00	0%	\$0	na	0%
Vacant	na	na	na	na	na	Per Acre \$390,632	na	na

*Indicates share of owner occupied versus multi-tenant leased space.

Non-residential absorption and employment. In total, the city currently includes about 63.6 million square feet of nonresidential space, excluding public uses. An increase of 16.4 million square feet is projected with 51 percent of that growth in office, 41 percent in retail and hotel and 8 percent in industrial and warehouse. The amount and mix of new development varies significantly by subarea. Total employment generated by these three areas in 2030 is estimated at approximately 249,132 jobs, up from 172,390 jobs in 2010. These employment estimates are based on the number of acres by land use, assumptions for floor-area ratios (the ratio of building area to land area), occupancy rates and per employee square footage requirements. Note that value assumptions vary by subarea based on Assessor's data.

- The **South** subarea is largely built out, although there is potential for redevelopment and some infill development with increased density. Since these Development Forecasts are demand-driven they are not constrained by vacant land availability. The majority of the new development would be office space. Projected development for the South subarea includes 461,064 square feet of new community and regional retail, 336,169 square feet of new hotel/resort, 129,062 square feet of new industrial development and 2,216,204 square feet of new office development. This area could support approximately 23.7 million square feet of total nonresidential space by 2030, sustain 60,100 jobs and generate close to \$5.0 billion in nonresidential assessed value.
- The **Central** subarea is the largest of the three subareas in terms of population and employment and is projected to have the greatest increase in nonresidential development through a combination of new and redevelopment. The Central subarea is also the most varied in terms of the mix of development types. The majority of the new development would be office space. Projected development for the Central subarea includes 3.6 million square feet of new community and regional retail, 825,000 square feet of new hotel/resort, 1.1 million square feet of new industrial development and 5.0 million square feet of new office development. This area could support approximately 49.6 million square feet of total

nonresidential space by 2030, sustain 149,300 jobs and generate close to \$10.2 billion in nonresidential assessed value.

- The **North** subarea has the most developable land, but is projected to remain primarily residential with limited nonresidential growth by 2030. There will be some new office development, primarily local serving, as well as some additional resort development and a limited amount of new retail to support housing growth in the North subarea. Projected development for the North subarea includes 913,000 square feet of new community retail, 598,000 square feet of new hotel/resort, 1.2 million square feet of new office development and 65,000 square feet of new industrial and other development. This area could support approximately 6.7 million square feet of total nonresidential space by 2030 which is less than 9 percent of the total nonresidential square footage in Scottsdale. The North subarea is projected to support only about 24,200 jobs and \$1.5 billion in nonresidential assessed value.

In terms of absorption, the analysis assumes that all remaining developable land in the South subarea will be developed by 2030. In the Central subarea, there would be a very small amount of remaining infill properties, estimated at about 1,911 acres. The North subarea, which has currently over 16,800 acres of vacant land, is the only part of the city that is projected to still have any significant vacant land in 2030, estimated at 12,600 acres. However, this is contingent on the sale of state lands in the North subarea. The projected timing of state land sales and subsequent absorption are fairly subjective. A summary of current and future land use by subarea is shown below in Figure 6.

FIGURE 6
CURRENT AND FUTURE LAND USE
CITY OF SCOTTSDALE

	South		Central		North	
	2010	2030	2010	2030	2010	2030
Residential Units	45,385	47,879	60,101	69,366	18,673	22,010
Urban Residential (MF) (6 to 50 units/acre)	20,112	22,546	20,577	27,571	649	1,053
Suburban Residential (2 to 6 units/acre)	24,622	24,661	31,888	33,511	8,124	8,774
Rural Residential (0 to 2 units/acre)	651	672	7,636	8,284	9,900	12,183
Nonresidential Square Feet	20,565,885	23,708,384	39,126,165	49,629,586	3,916,066	6,703,304
Neighborhood & Community Retail	5,459,911	5,793,402	8,590,327	10,890,576	1,456,161	1,914,911
Regional Commercial and Auto Sales	2,176,690	2,304,263	258,122	1,521,735	0	454,532
Resorts/Tourism	2,398,620	2,734,789	3,044,661	3,869,785	739,307	1,336,872
Commercial Office	7,721,330	9,937,534	15,854,414	20,821,846	1,068,892	2,280,564
Manufacturing	1,582,997	1,600,829	7,393,430	8,005,927	265,701	283,878
Warehouse	776,811	810,894	1,965,812	2,043,853	191,417	191,417
Other Employment	449,526	526,673	2,019,400	2,475,864	194,588	241,130
Public/Institutional						
Public Facilities	2,759,589	3,207,917	4,410,215	5,479,971	831,819	1,144,544
Other (acres)						
Parks	391	391	433	483	169	237
Vacant (gross acres)	138	0	4,840	1,911	16,833	12,624
City Maintained Road Lane Miles	412.1	646.3	1,497.8	1,543.8	1,022.1	1,024.0

2.2 Fiscal Assumptions

The fiscal model created to assess the impacts of the Development Forecast was based on current and historical budgets for the City of Scottsdale. Historical trends were analyzed for the 2005-2006 fiscal year through the 2010-2011 fiscal year. Revenue and expenditure line items in the General Fund and Transportation Fund and were included since these funds will be most impacted by the new development. While there are other funds like the Special Programs fund that are also impacted by new development, these types of funds are intended to be self-supporting. The model does not include any construction costs for new infrastructure, which is largely in place except for in the North subarea, but it does include relevant maintenance costs to the city for streets and parks.

Since the City went through a major departmental reorganization in 2009-10, it was necessary to reconstruct general fund expenditures for previous years to match the new structure. Following that, various drivers were tested for each of the revenue and expenditure items in the model. In this way, consistent rates were developed that could be applied to the socioeconomic data for each subarea. In many cases an average of rates over the past several years was used. However, some revenue and expenditure items increased at rates that were less consistent over time, or experienced permanent increases or decreases due to operational or other changes. In these cases, rates from more current budget years were used to accurately reflect current conditions. This budget information was combined with development assumptions that were specific to each subarea to create the fiscal impact projections.

Many of the revenue and expenditure line items are driven by population, or by “service population”, which includes both population and employment. This is because many of the services provided by the City, as well as the various types of revenues that local governments depend on, are proportional to the number of people living and working there. In some cases, population may be weighted more heavily than employment since some services are used proportionally more by residents.

Major line items that are not driven by population or employment include property tax which is a function of assessed value; sales tax which is a function of retail square footage, occupancy and sales and leases per square foot; transient occupancy tax that is a function of resort/tourism sales, and building permit fees that are a function of annual construction activity. On the expenditure side, development services and current planning are a function of annual construction value. Street operations are a function of street lane miles. Fleet management, facilities management, accounting and budget, city auditor, purchasing, human resources and information technology are a function of city staff size. Park maintenance is a function of park acres and preserve planning and administration is a function of preserve acres. Economic vitality is a function of job growth.

Adjustments in rates were also made due to the fact that some expenditure items would not be likely to increase proportionally with the population and employment due to decreasing marginal costs. For example, mayor & council costs do not increase proportionally to the amount of population served. These types of expenditures were impacted at reduced rate from the normal per capita or per service population rate.

These impact results are all in current 2011 dollars and do not incorporate future inflation. If city expenditures increase at a greater rate than property values and taxable sales, this could negatively impact the fiscal projections.

3.0 Fiscal Impact Results

3.1 Impact Results for South Subarea

In 2010, the South subarea shows an annual net impact of \$5.8 million in the general fund and transportation fund combined. By 2030, the South subarea would have an estimated annual net impact on the City of \$6.8 million, based on the assumptions used in this analysis (Figure 7). The City has cut its budget in recent years and this is reflected in lower current expenditure impacts. However, this is likely a temporary situation brought on by current economic conditions. For the purpose of this model, a multi-year average expenditure rate was used, but this may still be below the long term average rate for the next 20 years.

This fully developed area has a high level of retail sales per capita and a good balance of residential and nonresidential development, despite having relative low assessed value per capita. There is a substantial amount of resort/tourism development as well as tourism-oriented retail that brings in taxable sales from nonresidents (Figure 8). Given the amount of sales and transient occupancy tax (TOT) generated by retail and hotel development, this area creates the highest net impact of all the subareas in the analysis in 2010. It is also important to note that the TOT tax rate increased from 3 percent to 5 percent at the end of 2010 resulting in a significant increase in future revenues from tourism since the rate change affects future tourism growth as well as all existing properties. Although there is limited potential for new development overall in the south area, it is likely that a fair amount of redevelopment will occur in the next 20 years. The mix of high density housing and new nonresidential development, primarily office, results in a modest increase in the annual net impact by 2030. The primary revenues in the general fund are from sales tax, state shared income and sales tax, transient occupancy tax, and to a much lesser extent property tax. The largest expenditures are for police and fire services, street operations and transportation services and facilities management. Parks and recreation and parks maintenance are also sizeable given the amount of developed park acreage in this subarea (Appendix A).

FIGURE 7
NET ANNUAL FISCAL IMPACTS BY SUBAREA
CITY OF SCOTTSDALE

	South	Central	North	Total
2010				
Revenues	\$87,095,435	\$131,855,856	\$32,774,268	\$251,725,559
Expenditures	\$81,303,810	\$130,590,880	\$36,069,177	\$247,963,867
Net Impact	\$5,791,625	\$1,264,976	(\$3,294,909)	\$3,761,692
2030				
Revenues	\$98,495,070	\$172,211,750	\$45,455,020	\$316,161,840
Expenditures	\$91,678,304	\$161,014,470	\$47,401,217	\$300,093,991
Net Impact	\$6,816,766	\$11,197,280	(\$1,946,197)	\$16,067,849

* Includes General Fund and Transportation Fund.

**FIGURE 8
SOCIOECONOMIC IMPACTS
CITY OF SCOTTSDALE**

	South		North		Central	
	2010	2030	2010	2030	2010	2030
Population	75,538	81,947	32,859	38,763	109,360	134,393
Employment	60,085	75,617	11,380	24,242	100,925	149,273
Taxable Sales (millions)	\$2,927.04	\$3,211.82	\$303.23	\$627.58	\$3,574.20	\$5,079.94
Taxable Hotel/Motel Sales (millions)	\$121.78	\$141.63	\$64.22	\$118.46	\$201.22	\$260.86
Assessed Value (millions)	\$13,965.90	\$14,957.21	\$15,975.18	\$17,439.85	\$30,374.20	\$32,414.61

Sources: Applied Economics, 2011.

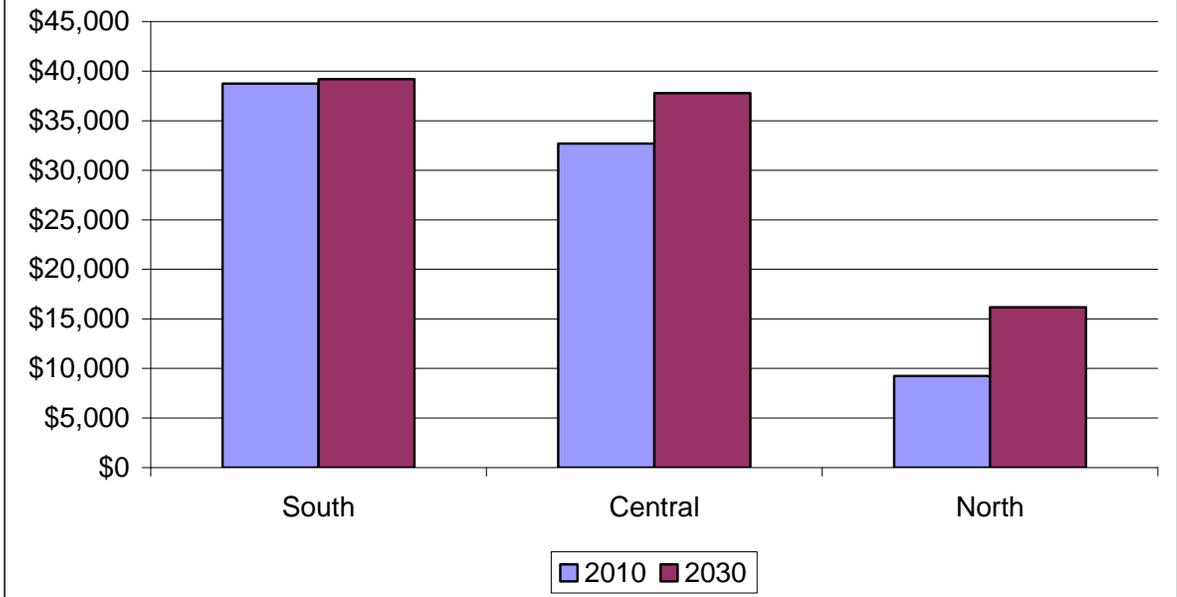
3.2 Impact Results for Central Subarea

In 2010, the Central subarea is essentially balanced with an annual net impact of \$1.3 million in the general fund and transportation fund combined. However, by 2030 the Central subarea would have an estimated annual net impact on the City of \$11.2 million, based on the assumptions used in this analysis. This is comparable to 2030 net impacts in the south area and offsets negative impacts in the North subarea.

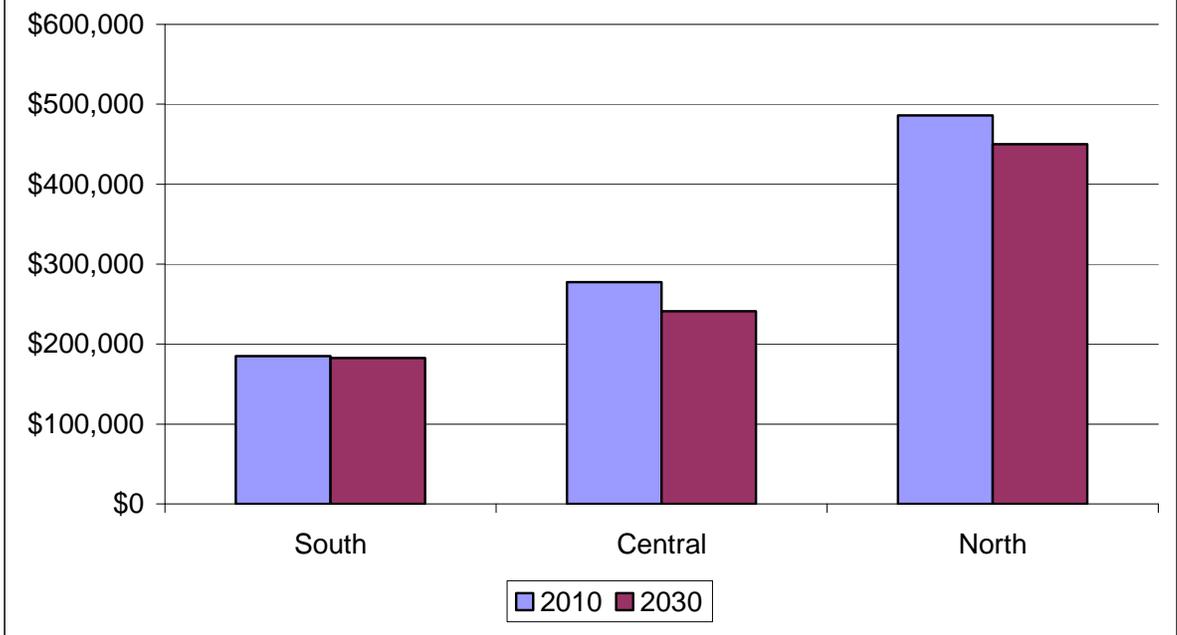
The Central subarea is the largest of the three subareas in terms of both population and employment. The projections for this area include a significant amount of both residential and nonresidential development, based on expected capture rates for new housing as well as office, retail and industrial space. The Central subarea is the most diverse in terms of the mix of nonresidential development. Projected per capita retail sales are only slightly lower than the South subarea (Figure 9). There is also a substantial amount of resort/tourism development as well as tourism-oriented retail that brings in taxable sales from nonresidents. Assessed value per capita is moderate, although since retail sales impact the city's bottom line by a greater magnitude than assessed value does, this is less significant (Figure 10).

The projected mix of new housing is expected to be primarily high density, with some additional suburban housing. New nonresidential development is projected to include 3.6 million square feet of new retail, 825,000 square feet of new resort/tourism development, 5.0 million square feet of new office space and a moderate amount of industrial development. This subarea is both a job center and revenue center for the city. The projected mix of uses in 2030 results in a significant increase in the annual net impact by 2030. The primary revenues in the general fund are dominated by sales tax, but state shared income and sales tax are also significant followed by transient occupancy tax (TOT) and property taxes. The largest expenditures are for police and fire services, street operations and transportation services and facilities management. Parks and recreation and parks maintenance are also sizeable given the amount of developed park acreage in this subarea (Appendix B).

**FIGURE 9
RETAIL SALES PER CAPITA BY SUBAREA**



**FIGURE 10
ASSESSED VALUE PER CAPITA BY SUBAREA**



3.3 Impact Results for North Subarea

The North subarea is the only subarea with negative annual net impacts. In 2010, the North subarea shows an annual net impact of (\$3.3 million) in the general fund and transportation fund combined. By 2030, the North subarea would have smaller negative annual impact on the City of (\$1.9 million) based on the assumptions used in this analysis. Although the negative net impact in this area is more than offset by positive impacts in the other subareas, this subarea is not sustainable on its own. It is important to note, however, that the residents in the north area contribute to taxable sales in the central area since there is a limited amount of retail in the north area.

The North subarea is the smallest of the three areas in terms of population and employment, although it includes a significant amount of vacant land for additional development. However, due to the predominantly low density residential character of this area and limited access to other parts of the metro area, the type of new development that is projected for this area will continue to be heavily weighted toward high value, low density residential. Although this area has by far the highest assessed value per capita in the city, this is not enough to offset the lack of retail development in terms of revenue generation. The area is projected to add about 3,300 new housing units, mainly rural residential, and between 600,000 and 1.3 million square feet each of retail, resort/tourism and office space. The ratio of new residential versus nonresidential development combined with the increase in the TOT rate is enough to significantly reduce the negative impact by 2030, based on the level and type of projected development. Property taxes and state shared income and sales taxes are the largest revenue sources in this area, followed TOT and sales tax. The largest expenditures are for police and fire services. Street operations, transportation services and parks and recreation are the next largest expenditures, but are much less than in the other subareas (Appendix C).

3.4 Summary

Over the long term, the mix of development in the City of Scottsdale creates a sustainable positive fiscal impact. The City has a well developed retail base as well as a significant amount of office and industrial development to support basic industry. The strong tourism base, including both resorts and tourism-oriented retail brings in a significant amount of revenues from outside the local area to support services to residents. Scottsdale also has above average assessed value per capita compared to other cities in the metro area. The subarea will continue to be competitive in capturing additional office and retail development resulting from job growth in the region. As a result, both the South and Central subareas will continue to generate significant positive fiscal impacts to the City in terms of operations and maintenance. The North subarea is somewhat different in character than other parts of the city due to the lack of nonresidential development and results in negative net fiscal impacts now and in the future. However, the negative impacts are far outweighed by positive net impacts in other parts of the city.

Appendices

**APPENDIX A
ANNUAL FISCAL IMPACT - SOUTH AREA
GENERAL AND TRANSPORTATION FUNDS**

Revenues/Expenditures	2010	2030
REVENUES	\$ 87,095,435	\$ 98,495,070
Taxes and Fees		
Property Tax	\$ 6,866,263	\$ 7,494,226
Sales Tax (1.0%)	\$ 26,540,405	\$ 29,163,629
Sales Tax Public Safety (0.1%)	\$ 2,654,040	\$ 2,916,363
Sales Tax Transportation (0.2%)	\$ 5,308,081	\$ 5,832,726
Transient Occupancy Tax	\$ 3,653,446	\$ 7,081,267
Light & Power Franchise Fees	\$ 2,792,678	\$ 3,177,073
Cable Franchise Fees	\$ 1,094,756	\$ 1,178,031
Stormwater Water Quality Charge	\$ 298,250	\$ 332,649
Intergovernmental		
State Income Tax	\$ 9,880,349	\$ 10,631,917
State Sales Tax	\$ 6,438,961	\$ 6,928,753
Auto Lieu Tax	\$ 2,595,191	\$ 2,792,600
Highway Users Revenue	\$ 4,626,069	\$ 4,977,960
LTAf	\$ -	\$ -
Prop 400 Regional Sales Tax	\$ 185,811	\$ 199,945
Licenses and Permits		
Recreation Fees	\$ 1,129,138	\$ 1,215,028
Business Licenses & Fees	\$ 650,051	\$ 788,420
Westworld	\$ 450,623	\$ 484,900
Fire Service Charges	\$ 246,598	\$ 265,356
Building Permits	\$ 515,215	\$ 586,132
Fines and Forfeitures		
Court Fines	\$ 2,294,120	\$ 2,535,906
Parking Fines	\$ 85,464	\$ 94,472
Photo Enforcement Revenue	\$ 576,807	\$ 637,598
Library Fines & Fees	\$ 145,228	\$ 156,275
Interest Earnings/Property Rental		
Property Rental	\$ 938,723	\$ 948,111
Other Revenues		
Misc. Revenue	\$ 180,306	\$ 201,185
Misc Revenue -Trans Fund	\$ 18,399	\$ 19,799
30 Day Tow Program	\$ -	\$ -
Intergovernmental Revenue	\$ 366,856	\$ 394,762
Indirect/Direct Cost Allocation	\$ 4,299,799	\$ 4,797,707
Transfers In		
Franchise Fees	\$ 2,263,808	\$ 2,575,408
In Lieu Property Tax	\$ -	\$ -
EXPENDITURES	\$ 81,303,810	\$ 91,678,304
Scottsdale City Council		
Mayor & Council	\$ 217,707	\$ 223,282
City Clerk	\$ 373,798	\$ 417,083
City Court	\$ 1,593,228	\$ 1,777,720
City Auditor	\$ 270,485	\$ 301,807

**APPENDIX A
ANNUAL FISCAL IMPACT - SOUTH AREA
GENERAL AND TRANSPORTATION FUNDS**

Revenues/Expenditures	2010	2030
City Attorney	\$ 1,955,177	\$ 2,103,901
City Manager	\$ 514,690	\$ 574,290
Public Works & Water Resources		
Public Works Administration	\$ 79,121	\$ 99,590
Capital Project Management	\$ -	\$ -
Facilities Management	\$ 5,433,378	\$ 6,062,552
Street Operations (HURF)	\$ 2,277,151	\$ 3,642,701
Community & Economic Development		
Economic Vitality	\$ 2,416,268	\$ 2,329,994
Westworld	\$ 507,682	\$ 546,300
PNT Administration	\$ 263,615	\$ 285,346
Development Services	\$ -	\$ -
Current Planning	\$ -	\$ -
Advance Planning	\$ 270,720	\$ 302,069
Neighborhood Planning	\$ 601,045	\$ 646,765
Code Enforcement/Env Initiatives	\$ 663,623	\$ 740,469
Transportation (HURF)	\$ 4,295,668	\$ 4,622,427
Public Safety		
Police	\$ 27,380,441	\$ 30,387,141
Fire	\$ 8,915,720	\$ 9,855,379
Finance and Accounting		
City Treasurer	\$ 96,277	\$ 107,426
Accounting, Accts Payable & Budget	\$ 843,866	\$ 941,584
Payroll	\$ 184,439	\$ 205,797
Tax/Licensing, Rev Recovery, Remittance	\$ 569,022	\$ 634,914
Administrative Services		
Purchasing/Tax Audit/Communications	\$ 1,067,652	\$ 1,191,284
Human Resources	\$ 1,186,640	\$ 1,324,050
Information Technology	\$ 3,240,002	\$ 3,615,187
Community Services		
Community Services Administration	\$ 117,644	\$ 124,781
Preserve Planning & Admin	\$ -	\$ -
Human Services	\$ 1,603,251	\$ 1,725,205
Parks & Recreation	\$ 4,094,193	\$ 4,405,626
Park Maintenance	\$ 3,353,054	\$ 3,420,115
Library Systems	\$ 3,156,676	\$ 3,396,795
Transfers Out		
Special Program Fund (80% bed tax)	\$ 1,826,723	\$ 3,540,634
MPC Excise Debt Fund	\$ 1,934,854	\$ 2,126,093
OVERALL NET OPERATING IMPACT	\$ 5,791,625	\$ 6,816,766
as percent of revenue	6.6%	6.9%

Source: Applied Economics, 2010.

**APPENDIX B
ANNUAL FISCAL IMPACT - CENTRAL AREA
GENERAL AND TRANSPORTATION FUNDS**

Revenues/Expenditures	2010	2030
REVENUES	\$ 131,855,856	\$ 172,211,750
Taxes and Fees		
Property Tax	\$ 15,121,254	\$ 16,292,264
Sales Tax (1.0%)	\$ 35,742,037	\$ 50,799,387
Sales Tax Public Safety (0.1%)	\$ 3,574,204	\$ 5,079,939
Sales Tax Transportation (0.2%)	\$ 7,148,407	\$ 10,159,877
Transient Occupancy Tax	\$ 6,036,500	\$ 13,043,186
Light & Power Franchise Fees	\$ 4,579,025	\$ 5,719,699
Cable Franchise Fees	\$ 1,641,068	\$ 1,931,948
Stormwater Water Quality Charge	\$ 489,026	\$ 598,869
Intergovernmental		
State Income Tax	\$ 14,810,903	\$ 17,436,144
State Sales Tax	\$ 9,652,172	\$ 11,363,024
Auto Lieu Tax	\$ 3,890,260	\$ 4,579,811
Highway Users Revenue	\$ 6,934,599	\$ 8,163,760
LTAf	\$ -	\$ -
Prop 400 Regional Sales Tax	\$ 278,535	\$ 327,906
Licenses and Permits		
Recreation Fees	\$ 1,692,608	\$ 1,992,623
Business Licenses & Fees	\$ 1,177,520	\$ 1,556,380
Westworld	\$ 675,495	\$ 795,227
Fire Service Charges	\$ 369,657	\$ 435,179
Building Permits	\$ 844,775	\$ 1,055,216
Fines and Forfeitures		
Court Fines	\$ 3,592,596	\$ 4,358,117
Parking Fines	\$ 133,837	\$ 162,356
Photo Enforcement Revenue	\$ 903,280	\$ 1,095,754
Library Fines & Fees	\$ 217,700	\$ 256,288
Interest Earnings/Property Rental		
Property Rental	\$ 938,723	\$ 948,111
Other Revenues		
Misc. Revenue	\$ 286,644	\$ 351,159
Misc Revenue -Trans Fund	\$ 27,581	\$ 32,469
30 Day Tow Program	\$ -	\$ -
Intergovernmental Revenue	\$ 549,927	\$ 647,402
Indirect/Direct Cost Allocation	\$ 6,835,661	\$ 8,374,163
Transfers In		
Franchise Fees	\$ 3,711,863	\$ 4,636,519
In Lieu Property Tax	\$ -	\$ -
EXPENDITURES	\$ 130,590,880	\$ 161,014,470
Scottsdale City Council		
Mayor & Council	\$ 326,348	\$ 338,007
City Clerk	\$ 594,250	\$ 727,998
City Court	\$ 2,532,854	\$ 3,102,924
City Auditor	\$ 430,007	\$ 526,789

**APPENDIX B
ANNUAL FISCAL IMPACT - CENTRAL AREA
GENERAL AND TRANSPORTATION FUNDS**

Revenues/Expenditures	2010	2030
City Attorney	\$ 2,930,862	\$ 3,450,359
City Manager	\$ 818,234	\$ 1,002,394
Public Works & Water Resources		
Public Works Administration	\$ 173,564	\$ 197,873
Capital Project Management	\$ -	\$ -
Facilities Management	\$ 8,637,782	\$ 10,581,888
Street Operations (HURF)	\$ 8,276,429	\$ 8,701,225
Community & Economic Development		
Economic Vitality	\$ 4,376,895	\$ 6,603,508
Westworld	\$ 761,029	\$ 895,922
PNT Administration	\$ 394,249	\$ 467,341
Development Services	\$ -	\$ -
Current Planning	\$ -	\$ -
Advance Planning	\$ 430,381	\$ 527,246
Neighborhood Planning	\$ 795,933	\$ 937,012
Code Enforcement/Env Initiatives	\$ 1,055,003	\$ 1,292,453
Transportation (HURF)	\$ 6,439,320	\$ 7,580,692
Public Safety		
Police	\$ 43,154,099	\$ 52,571,088
Fire	\$ 13,962,031	\$ 16,937,103
Finance and Accounting		
City Treasurer	\$ 153,058	\$ 187,506
Accounting, Accts Payable & Budget	\$ 1,341,546	\$ 1,643,488
Payroll	\$ 293,214	\$ 359,208
Tax/Licensing, Rev Recovery, Remittance	\$ 904,611	\$ 1,108,211
Administrative Services		
Purchasing/Tax Audit/Communications	\$ 1,697,313	\$ 2,079,328
Human Resources	\$ 1,886,475	\$ 2,311,064
Information Technology	\$ 5,150,834	\$ 6,310,132
Community Services		
Community Services Administration	\$ 166,571	\$ 194,235
Preserve Planning & Admin	\$ 300,190	\$ 306,193
Human Services	\$ 2,403,315	\$ 2,829,304
Parks & Recreation	\$ 6,137,304	\$ 7,225,144
Park Maintenance	\$ 3,711,314	\$ 4,223,175
Library Systems	\$ 4,731,941	\$ 5,570,680
Transfers Out		
Special Program Fund (80% bed tax)	\$ 3,018,250	\$ 6,521,593
MPC Excise Debt Fund	\$ 2,605,673	\$ 3,703,387
OVERALL NET OPERATING IMPACT	\$ 1,264,976	\$ 11,197,280
as percent of revenue	1.0%	6.5%

Source: Applied Economics, 2011.

**APPENDIX C
ANNUAL FISCAL IMPACT - NORTH AREA
GENERAL AND TRANSPORTATION FUNDS**

Revenues/Expenditures	2010	2030
REVENUES	\$ 32,774,268	\$ 45,455,020
Taxes and Fees		
Property Tax	\$ 9,614,670	\$ 10,144,553
Sales Tax (1.0%)	\$ 3,032,350	\$ 6,256,148
Sales Tax Public Safety (0.1%)	\$ 303,235	\$ 625,615
Sales Tax Transportation (0.2%)	\$ 606,470	\$ 1,251,230
Transient Occupancy Tax	\$ 1,926,708	\$ 5,922,942
Light & Power Franchise Fees	\$ 926,848	\$ 1,270,389
Cable Franchise Fees	\$ 463,465	\$ 557,226
Stormwater Water Quality Charge	\$ 98,985	\$ 133,013
Intergovernmental		
State Income Tax	\$ 4,182,842	\$ 5,029,058
State Sales Tax	\$ 2,725,932	\$ 3,277,405
Auto Lieu Tax	\$ 1,098,673	\$ 1,320,942
Highway Users Revenue	\$ 1,958,444	\$ 2,354,651
LTAf	\$ -	\$ -
Prop 400 Regional Sales Tax	\$ 78,663	\$ 94,577
Licenses and Permits		
Recreation Fees	\$ 478,020	\$ 574,727
Business Licenses & Fees	\$ 143,117	\$ 252,754
Westworld	\$ 190,771	\$ 229,365
Fire Service Charges	\$ 104,397	\$ 125,518
Building Permits	\$ 170,992	\$ 234,371
Fines and Forfeitures		
Court Fines	\$ 871,281	\$ 1,108,593
Parking Fines	\$ 32,458	\$ 41,299
Photo Enforcement Revenue	\$ 219,065	\$ 278,732
Library Fines & Fees	\$ 61,482	\$ 73,920
Interest Earnings/Property Rental		
Property Rental	\$ 938,723	\$ 948,111
Other Revenues		
Misc. Revenue	\$ 65,692	\$ 85,482
Misc Revenue -Trans Fund	\$ 7,789	\$ 9,365
30 Day Tow Program	\$ -	\$ -
Intergovernmental Revenue	\$ 155,308	\$ 186,728
Indirect/Direct Cost Allocation	\$ 1,566,565	\$ 2,038,500
Transfers In		
Franchise Fees	\$ 751,324	\$ 1,029,806
In Lieu Property Tax	\$ -	\$ -
EXPENDITURES	\$ 36,069,177	\$ 47,401,217
Scottsdale City Council		
Mayor & Council	\$ 92,166	\$ 95,690
City Clerk	\$ 136,187	\$ 177,215
City Court	\$ 580,468	\$ 755,336
City Auditor	\$ 98,547	\$ 128,235

**APPENDIX C
ANNUAL FISCAL IMPACT - NORTH AREA
GENERAL AND TRANSPORTATION FUNDS**

Revenues/Expenditures	2010	2030
City Attorney	\$ 827,723	\$ 995,177
City Manager	\$ 187,519	\$ 244,010
Public Works & Water Resources		
Public Works Administration	\$ 78,268	\$ 85,657
Capital Project Management	\$ -	\$ -
Facilities Management	\$ 1,979,566	\$ 2,575,921
Street Operations (HURF)	\$ 5,647,842	\$ 5,771,508
Community & Economic Development		
Economic Vitality	\$ 531,972	\$ 1,984,440
Westworld	\$ 214,927	\$ 258,408
PNT Administration	\$ 108,785	\$ 132,315
Development Services	\$ -	\$ -
Current Planning	\$ -	\$ -
Advance Planning	\$ 98,633	\$ 128,346
Neighborhood Planning	\$ 247,291	\$ 297,320
Code Enforcement/Env Initiatives	\$ 241,781	\$ 314,618
Transportation (HURF)	\$ 1,818,569	\$ 2,186,478
Public Safety		
Police	\$ 10,219,086	\$ 13,124,832
Fire	\$ 3,386,090	\$ 4,308,363
Finance and Accounting		
City Treasurer	\$ 35,077	\$ 45,644
Accounting, Accts Payable & Budget	\$ 307,449	\$ 400,070
Payroll	\$ 67,198	\$ 87,441
Tax/Licensing, Rev Recovery, Remittance	\$ 207,314	\$ 269,769
Administrative Services		
Purchasing/Tax Audit/Communications	\$ 388,982	\$ 506,165
Human Resources	\$ 432,334	\$ 562,576
Information Technology	\$ 1,180,444	\$ 1,536,059
Community Services		
Community Services Administration	\$ 55,082	\$ 68,505
Preserve Planning & Admin	\$ 516,867	\$ 527,205
Human Services	\$ 678,736	\$ 816,048
Parks & Recreation	\$ 1,733,275	\$ 2,083,928
Park Maintenance	\$ 1,450,201	\$ 2,074,388
Library Systems	\$ 1,336,378	\$ 1,606,736
Transfers Out		
Special Program Fund (80% bed tax)	\$ 963,354	\$ 2,961,471
MPC Excise Debt Fund	\$ 221,065	\$ 456,087
OVERALL NET OPERATING IMPACT	\$ (3,294,909)	\$ (1,946,197)
as percent of revenue	-10.1%	-4.3%

Source: Applied Economics, 2010.

**APPENDIX D
ANNUAL FISCAL IMPACT - CITYWIDE TOTAL
GENERAL AND TRANSPORTATION FUNDS**

Revenues/Expenditures	2010	2030
REVENUES	\$ 251,725,559	\$ 316,161,840
Taxes and Fees		
Property Tax	\$ 31,602,187	\$ 33,931,043
Sales Tax (1.0%)	\$ 65,314,791	\$ 86,219,165
Sales Tax Public Safety (0.1%)	\$ 6,531,479	\$ 8,621,916
Sales Tax Transportation (0.2%)	\$ 13,062,958	\$ 17,243,833
Transient Occupancy Tax	\$ 11,616,654	\$ 26,047,395
Light & Power Franchise Fees	\$ 8,298,550	\$ 10,167,160
Cable Franchise Fees	\$ 3,199,289	\$ 3,667,205
SRP in Lieu	\$ -	\$ -
Stormwater Water Quality Charge	\$ 886,260	\$ 1,064,531
Intergovernmental		
State Income Tax	\$ 28,874,094	\$ 33,097,119
State Sales Tax	\$ 18,817,064	\$ 21,569,182
Auto Lieu Tax	\$ 7,584,125	\$ 8,693,353
Highway Users Revenue	\$ 13,519,111	\$ 15,496,370
LTAf	\$ -	\$ -
Prop 400 Regional Sales Tax	\$ 543,009	\$ 622,428
Licenses and Permits		
Recreation Fees	\$ 3,299,766	\$ 3,782,378
Business Licenses & Fees	\$ 1,970,688	\$ 2,597,555
Westworld	\$ 1,316,889	\$ 1,509,493
Fire Service Charges	\$ 720,653	\$ 826,053
Building Permits	\$ 1,530,983	\$ 1,875,719
Fines and Forfeitures		
Court Fines	\$ 6,757,997	\$ 8,002,616
Parking Fines	\$ 251,760	\$ 298,126
Photo Enforcement Revenue	\$ 1,699,151	\$ 2,012,083
Library Fines & Fees	\$ 424,410	\$ 486,483
Interest Earnings/Property Rental		
Property Rental	\$ 2,816,170	\$ 2,844,332
Other Revenues		
Misc. Revenue	\$ 532,641	\$ 637,825
Misc Revenue -Trans Fund	\$ 53,769	\$ 61,633
30 Day Tow Program	\$ -	\$ -
Intergovernmental Revenue	\$ 1,072,092	\$ 1,228,892
Indirect/Direct Cost Allocation	\$ 12,702,024	\$ 15,210,370
Transfers In		
Franchise Fees	\$ 6,726,995	\$ 8,241,733
In Lieu Property Tax	\$ -	\$ -
EXPENDITURES	\$ 247,963,867	\$ 300,093,991
Scottsdale City Council		
Mayor & Council	\$ 636,221	\$ 656,978
City Clerk	\$ 1,104,235	\$ 1,322,295

**APPENDIX D
ANNUAL FISCAL IMPACT - CITYWIDE TOTAL
GENERAL AND TRANSPORTATION FUNDS**

Revenues/Expenditures	2010	2030
City Court	\$ 4,706,550	\$ 5,635,980
City Auditor	\$ 799,040	\$ 956,831
City Attorney	\$ 5,713,762	\$ 6,549,438
City Manager	\$ 1,520,443	\$ 1,820,694
Public Works & Water Resources		
Public Works Administration	\$ 330,954	\$ 383,120
Capital Project Management	\$ -	\$ -
Facilities Management	\$ 16,050,726	\$ 19,220,360
Street Operations (HURF)	\$ 16,201,422	\$ 18,115,433
Community & Economic Development		
Economic Vitality	\$ 7,325,135	\$ 10,917,942
Westworld	\$ 1,483,638	\$ 1,700,630
PNT Administration	\$ 766,649	\$ 885,002
Development Services	\$ -	\$ -
Current Planning	\$ -	\$ -
Advance Planning	\$ 799,733	\$ 957,661
Neighborhood Planning	\$ 1,644,269	\$ 1,881,097
Code Enforcement/Env Initiatives	\$ 1,960,407	\$ 2,347,541
Transportation (HURF)	\$ 12,553,557	\$ 14,389,597
Public Safety		
Police	\$ 80,753,627	\$ 96,083,061
Fire	\$ 26,263,840	\$ 31,100,845
Finance and Accounting		
City Treasurer	\$ 284,412	\$ 340,576
Accounting, Accts Payable & Budget	\$ 2,492,861	\$ 2,985,142
Payroll	\$ 544,851	\$ 652,446
Tax/Licensing, Rev Recovery, Remittance	\$ 1,680,947	\$ 2,012,894
Administrative Services		
Purchasing/Tax Audit/Communications	\$ 3,153,948	\$ 3,776,777
Human Resources	\$ 3,505,448	\$ 4,197,690
Information Technology	\$ 9,571,280	\$ 11,461,378
Community Services		
Community Services Administration	\$ 339,297	\$ 387,521
Preserve Planning & Admin	\$ 817,057	\$ 833,398
Human Services	\$ 4,685,302	\$ 5,370,558
Parks & Recreation	\$ 11,964,772	\$ 13,714,698
Park Maintenance	\$ 8,514,569	\$ 9,717,678
Library Systems	\$ 9,224,995	\$ 10,574,210
Transfers Out		
Special Program Fund (80% bed tax)	\$ 5,808,327	\$ 13,023,697
MPC Excise Debt Fund	\$ 4,761,592	\$ 6,285,567
OVERALL NET OPERATING IMPACT	\$ 3,761,692	\$ 16,067,849
as percent of revenue	1.5%	5.1%

Source: Applied Economics, 2011.