the Shreveport-Caddo Plan
GREAT EXPECTATIONS
creating our future together

HOW DO WE PAY FOR MASTER PLAN IMPLEMENTATION? FISCAL SUSTAINABILITY AND REVENUE STRATEGIES

Implementing the Great Expectations Shreveport-Caddo 2030 Master Plan and achieving the bold vision chosen by Shreveport-Caddo residents for their future will require new resources and, by extension, new approaches to funding services, facilities and infrastructure. Investments in quality of life will help the Shreveport-Caddo Master Plan Area retain and attract both jobs and residents. A more in-depth discussion of revenue options and fiscal sustainability for Shreveport-Caddo can be found in the Revenue Strategies Report (Phase III of the Fiscal Analysis) in the Master Plan Appendix.

Why do we need new approaches to funding?

- ***To improve the overall level of service.*** In a number of cases, inadequate maintenance over many years has resulted in situations where facilities or infrastructure are not performing as well as they should. Repeated water and sewer main breaks in recent years are a well-known example of this situation, as are parks that could benefit from more maintenance. The performance and quality of services and facilities affect the Master Plan Area's attractiveness as a place to live and do business. *The conservative estimate for capital improvements needed* **today** *to correct existing problems is over $530 million.*
- ***To align revenues with costs and benefits***. Better understanding of the cost of services and of different levels of community or individual benefit will allow for fiscal strategies that are appropriate for the type of service, while ensuring quality performance and access to all.
- ***To promote development inside the loop.*** Fiscal decisions can support land use and other policies by ensuring that new development pays the cost of the services it requires. The Master Plan fiscal reports found that the cost of continued development at the periphery of the city has resulted in existing residents subsidizing new development while maintenance and other needs for their neighborhoods suffer.
- ***To help pay for new public amenities and services to enhance quality of life***. A greenway network, better parks, downtown and neighborhood enhancements, economic development services, and so on--improvements and services that support businesses and make the Shreveport-Caddo community a better place to live--will move the area closer to achieving the Master Plan vision. In a number of cases, partial funding for capital improvements will be available through grants, but matching funds are generally necessary and new or improved facilities need operating funds.

What principles should guide our fiscal decisions?

- ***Fiscal neutrality – new growth should help pay its way.*** New growth, particularly outside the loop, should be fiscally neutral, i.e., it should pay its way and not be subsidized by existing development. This would ensure that developers provide or pay for the cost of serving the new growth and would have the effect of incentivizing redevelopment inside the loop.

- ***Fees, rather than general tax revenues, should support measurable services that primarily benefit individuals or individual households.*** Some services go to individuals and households, who pay rates or fees according to the services they receive—water and sewer are the obvious examples. Water and wastewater services are organized as "enterprise funds," which means that the operation and maintenance of a system should be supported by the rates paid by users for the service they receive. Many communities also have enterprise funds for solid waste collection and stormwater management and the Master Plan recommends exploring these options for Shreveport. Outside of enterprise funds, fees can be appropriate for other types of services that primarily benefit the individual, for example, adult recreation classes and team sports. However, summer day camp and similar kinds of youth programs designed to provide positive activities for young people should be viewed as beneficial to the community as a whole, with a minimum of fees.
- ***Fee structures should be established to recover the costs of providing services and include provision for access to important services by low-income households.*** Fees are typically established to recover costs; profit is not an objective. However, fees that support the costs of services that otherwise would be paid for by general fund taxes will free up those tax funds for other purposes. Decision makers need to discuss and identify the balance between individual and community benefit that is appropriate for the Shreveport-Caddo community. In many communities, scholarships or sliding scales for certain fee-based activities ensure that low-income households can have the opportunity to participate.
- ***Capital improvement plans should reflect Master Plan goals and identify future operating impacts.*** The Master Plan identifies guidelines and best practices for capital improvement plans. Capital investments should reinforce the goals of the Master Plan with policies and strategies to support fiscal sustainability. Future capital improvement planning should identify those projects that are new construction, expansions, and/or provide additional capacity, which will assist in implementing fiscal neutrality. Operating impacts of new capital projects should also be identified.

What are our major options to pay for implementing and advancing the policies of the Master Plan?

- ***Impose development impact fees.*** Also called development fees or capacity fees, impact fees can advance the smart growth policy of the Master Plan. Impact fees are one-time fees assessed only on new development that reflect new growth's fair share of the cost to provide additional facilities. They can be structured to incentivize the location of development—i.e., to help direct development and redevelopment to the city's core. Impact fees are regulatory measures to ensure orderly growth which happen to generate revenue, but they are not taxes. In determining the reasonableness of these one-time fees, an impact fee must meet three requirements:
    - Demand for new capital facilities is from new development
    - New development pays its proportionate share of the government's cost
    - Fee revenues are managed and expended in such a way that new development receives a substantial benefit.

  Potential fee categories for the Master Plan Area are water, sewer, roads, parks and recreation, public safety, and solid waste. Development impact fees designed to direct development to areas "inside the loop," as the Master Plan recommends, *will not put Shreveport at a disadvantage compared to its neighbors.* The Master Plan fiscal reports showed that development outside the loop does not benefit the city because it does not pay its way and drains resources from supporting existing development. Therefore, it is not advantageous to

the city unless it contributes to the cost of the additional services needed to support the new development.

Examples: Shreveport should look to models of communities where impact fees are imposed based on geographic zones. Examples include Greeley, Colorado, which adopted fee schedules with fee differentials for Parks and Roads.[1] The City of Surprise, Arizona (population 115,000), adopted fee differentials for roads, including a $0 road development fee in the old downtown.[2]

- **Issue Bonds.** Using debt to build infrastructure and make other necessary capital improvements is standard practice and an integral part of municipal fiscal sustainability. This is particularly the case when the assets will be used by both current and future residents and businesses. That is, those paying for the improvements will enjoy and benefit from the capital improvements. General obligation bonds and revenue bonds are the most common options. General obligation bonds are paid back from general tax revenues and require voter approval, and revenue bonds are paid back from specific revenues, such as utility rates or user fees.

  Examples: Shreveport and Caddo Parish already use general obligation and revenue bonds to raise money for capital improvements. The Master Plan and the Phase III Fiscal Report include recommendations for best practices in preparing capital improvement plans and bonding.

- ***Increase sales taxes and dedicate the proceeds*.** Often when communities need to increase revenues, the first sources considered are the largest existing revenue sources. The City of Shreveport's largest revenue source is the sales tax. A small increase in the sales tax can result in a significant amount of revenue—and in the case of sales tax revenue is generated by visitors and workers, not just residents. The City's current Combined Local Sales Tax Rate is 4.6 percent, with the consumer experiencing an 8.6% rate when the state 4% rate is added. Bossier's Combined Local Sales Tax Rate is 5% for a total of 9%. For example, increasing Shreveport's local rate by 0.4 percent (40 cents on a $100 purchase)—matching the City of Bossier's total rate—*would not put Shreveport at a competitive disadvantage,* while at the same time potentially generating hundreds of millions of dollars in revenue.

  Examples: The City of Shreveport has on several occasions raised its ad valorem and sales tax rates with voter approval to fund specific initiatives such as in 2003 when City voters approved a 0.25 percent sales tax rate increase to fund fire and police salaries and equipment. The Oklahoma City MAPS Program, a one-cent sales tax increase approved by voters for a variety of projects in the downtown in 1993, was a resounding success. A 21-member citizen committee made recommendations to the city council and provided oversight to all projects. An economic impact study[1] on the improvements identified significant additional private and institutional investment in the City's core linked to the public investment. The original MAPS project was followed by MAPSforKids in 2001 and MAPS3 in 2009. MAPS3 included funds for citywide trails, sidewalks and

[1] http://www.greeleygov.com/CommunityDevelopment/Documents/FEE%20SCHEDULE%202010.pdf
Greeley Road fee map:
www.greeleygov.com/buildinginspection/Documents/Fee%20Schedule/DevelopmentFeeZones.pdf

[2] http://www.surpriseaz.gov/DocumentView.aspx?DID=2007

health/aquatic centers, as well as river improvements and downtown transportation, park and convention projects. Another example is the "Penny for Pasco" program in Pasco County, Florida. Voters approved a one-cent Local Option Surtax for the county, the county school board, and local municipalities within the county, for specific purposes within each jurisdiction. For example the tax proceeds in the county were to be used for transportation (50%); acquisition of environmental lands (25%); public safety improvements (20%); and contingencies (5%).

- ***Establish new and/or increased fees*.** Comprehensive user fee programs can be developed with a long-term perspective where an agency establishes policy goals for the user fee program, including the appropriate direct and indirect costs to be recovered through the fees and the level of cost recovery for each department or division. The combination of a user fee system and a cost allocation plan can be used to recover all or a portion of the operating and capital costs of providing a public service that directly benefits the fee payer. Principles to guide the establishment or increase of fees include:
    - Establish fees at a level that permits lower income groups to participate in services that they might not otherwise be able to afford.
    - Consider community-wide benefit versus specific benefit for certain services such as recreation programs, City facility rental use, and senior activities. Set fees according to this benefit trade-off.
    - Determine who is the service recipient and who is the service driver. For example, code enforcement activities benefit the community as a whole, but the service is driven by an individual or single business owner violating City code.
    - Consider elasticity of demand in pricing certain City services. Increasing the price of some services results in a reduction of demand for those services, and vice versa. For example, most youth and senior programs are extremely price sensitive and significant increases to current fees will likely result in a significant reduction in demand for those programs.
    - Price services to encourage or discourage certain behaviors. Some examples of this would be to establish a low fee for a water heater permit to encourage homeowners to ensure their water heater is properly installed and functioning. Setting false alarm response fees on an incrementally higher scale would discourage multiple false alarms and costly City response.
    - Establish a formal review process of the comprehensive fee schedule. By adopting review intervals, City staff can monitor and adjust fees to changes in service delivery functions, resources and costs thus avoiding the potential for significant fee level spikes.
    - Consider future tracking of all fee generating services to determine work flow patterns and compare revenue generation amounts at current fee levels versus future or proposed fee levels.

      Examples: In South Carolina, the Charleston County Park and Recreation Commission supports 70% of a $20 million operating budget through user fees.[3] In contrast, current revenue from SPAR activities is approximately $200,000, reflecting 1.1 percent of the SPAR budget. To put this in further perspective, the City generates approximately the same amount of revenue from building demolitions as it does from SPAR activities. There is potential here for increased cost recovery given the number of City-owned and operated facilities as well as recreation and athletic programs. SPAR has the opportunity to recoup

[3] www.nrpa.org/uploadedFiles/Learn_and_Grow/Conferences/Congress_09_Session_Handouts/227_Keeping%20Your%20Agency%20Off%20the%20Chopping%20Block_PowerPoint.pdf

operating costs through user fees and charges for services, particularly at its *public assembly* venues. Another example of fee potential is solid waste. The City has a fee-based residential recycling program. Instead of charging for recycling, the City should institute a solid waste fee designed to cover the cost of pickup and encourage recycling and less landfill use.

What kinds of criteria should we use to assess our options?

- *Revenue potential.* How much revenue could potentially be raised?
- *Technical ease.* How easy is it to pursue the revenue strategy and how easy is it to administer? What is the impact on staff time and operating costs?
- *Proportionality.* What is the relationship between the revenue source and the activity affected?
- *Public acceptance*. What is the likely level of public acceptance?

The table below presents typical responses to these criteria. When specific revenue strategies and situations are under consideration, this matrix can be used to evaluate conditions in Shreveport and Caddo Parish.

Evaluation of Revenue Strategies

	Revenue Potential	***Technical Ease***	***Proportionality***	***Public Acceptance***
Bonds	High	Voter approval	Low	Positive/ Neutral*
Increase Existing Taxes and Dedicating Proceeds	High	Voter approval	Low	Positive/ Negative**
Impact Fees	Moderate/High	Study required; ongoing administration	High	Positive
New and/or Increased User Fees	Moderate	Study required	High	Neutral/ Negative
Utility Rates & Connection Fees; Stormwater Utility	Moderate	Study required	High	Positive/ Neutral
Annexation Fees	Moderate/Low	Study required; ongoing admin	High	Positive
Excise Tax	Moderate	Legal analysis/study required	Low/Moderate	Positive/ Neutral*
Tax Increment Financing	Low/Moderate	Study required	High	Positive
Special Assessment/Benefit Districts	Low/Moderate***	Study required	High	Positive*
Gas Royalties/Lease Payments	Moderate	Admin requirements	Low	Positive****

** Depends on the projects/purposes.*

*** Depends on projects and structure of tax increase (e.g., finite period for specific projects)*

**** Depends on geographic area assessed and purpose.*

***** Likely depends on locations.*

PRELIMINARY FISCAL EVALUATION OF DEVELOPMENT PATTERNS IN THE SHREVEPORT-CADDO METROPOLITAN PLANNING AREA

shreveport-caddo 2030
GREAT EXPECTATIONS
creating our future together

Shreveport Metropolitan Planning Commission of Caddo Parish, Louisiana

September 28, 2009

Prepared By:

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For

GOODY CLANCY
ARCHITECTURE
PLANNING
PRESERVATION

This report was prepared by TischlerBise and submitted to Goody Clancy & Associates as part of the Shreveport-Caddo 2030 Master Plan, also known as "Shreveport-Caddo 2030 Great Expectations: Creating Our Future Together." For more information, see www.shreveportcaddomasterplan.com.

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EXECUTIVE SUMMARY

TischlerBise is part of a consultant team, headed by Goody Clancy & Associates, working with the Shreveport Metropolitan Planning Commission of Caddo Parish to develop a comprehensive plan for the area, the *Shreveport-Caddo 2030 Master Plan.* TischlerBise's role is to identify and analyze fiscal impacts of development patterns in the city and parish. Toward that end, a two-phase Fiscal Impact Analysis has been proposed, contingent on funding, with the first phase identifying past and current trends in demographics, the local and regional economy, city finances, municipal services, and infrastructure. The second phase analysis is anticipated to be a fiscal impact analysis of potential future development scenarios.

This document contains findings from the first phase of our efforts as well as background information on fiscal impact analysis. TischlerBise researched historical data for Shreveport, Caddo Parish, Bossier Parish, and the metropolitan area as a whole on demographics, economy, development patterns, municipal finances, levels of service, and facilities. In addition, we provide a brief overview of fiscal impact analysis and findings from other relevant studies.

In general, a fiscal impact evaluation analyzes revenue generation and operating and capital costs to a jurisdiction to provide public services and facilities under a set of assumptions. Both phases of the fiscal analysis will provide the community, staff, and decision makers with information to identify and implement policies and practices that promote fiscally advantageous development patterns thus achieving the goals set forth for the master plan.

Overview of Fiscal Impact Analysis

In general, a fiscal impact evaluation analyzes revenue generation and operating and capital costs to a jurisdiction associated with the provision of public services and facilities to serve new development—residential, commercial, industrial, or other. A fiscal impact analysis is different than an economic impact analysis. A fiscal impact analysis projects the cash flow to the public sector while an economic impact analysis projects the cash flow to the private sector, measured in income, jobs, output, indirect impacts, etc. Just as a household benefits by forecasting its long-term cash flow needs (incorporating anticipated future expenses for higher education and other large cost items) and setting money aside to pay for future outlays, local governments are

better prepared to manage during changing financial circumstances if they anticipate and plan for future costs and revenues.

The following factors should be considered when conducting a fiscal impact analysis. Each is described in the body of the report.

- Local revenue structure
- Levels of service
- Capacity of existing infrastructure
- Demographic and market characteristics of new growth

A fiscal impact analysis provides significant benefits to a local community. The following benefits are discussed further in this report:

- Encourages anticipation of change
- Helps define achievable levels of service
- Projects capital facility needs
- Clarifies development policy impacts
- Calculates revenues and helps in the development of revenue strategies
- Encourages "what if" questions

The City of Shreveport has experienced disinvestment in the city's core while expanding on the fringes through annexation. The particular conditions in Shreveport will inform the results of a local fiscal impact analysis—all communities are unique with different levels of service, community priorities, and cost and revenue structures. A Phase II Fiscal Study specifically for Shreveport will be necessary to fully understand the implications of development patterns and disinvestment.

Literature Review

To provide background on the topic of the costs of growth and disinvestment, TischlerBise conducted a limited literature review. Major findings from cost of growth studies are as follows:

- High density planned community is more fiscally advantageous to governments in terms of capital costs than low-density sprawl. Although operating and maintenance costs are more directly tied to population and employment growth, the higher density developments were less expensive to local governments than sprawling patterns. Results are "not directly applicable to any specific development. . . . The features of a

particular site or community substantially affect the magnitude of any of the costs."[1] TischlerBise has found this to be true in the large majority of its fiscal studies.

- Lower operating costs are possible under controlled-growth development because while public services may be more expensive, the demand can be *absorbed more readily due to the excess capacity*.[2] This can be confirmed for the City of Shreveport in a Phase II case study-marginal fiscal analysis.

- "The effects of sprawl growth are mixed. There appears to be more costs than benefits of sprawl growth. Sprawl development consumes land and various types of infrastructure to a level that compact development does not. Sprawl development also provides fewer positive fiscal impacts than compact development provides."[3] Although anecdotal evidence seems to indicate that this holds true for Shreveport, a Phase II fiscal study would confirm or refute this finding.

- On the benefit side, admittedly less quantitative, "[s]prawl does provide less expensive single-family housing at the periphery of metropolitan areas". . . it provides "congestion management" due to the suburb to suburb work trip . . . and allows a choice in community settings including smaller, more accessible local governments.[4]

- However, the primary finding from an extensive study published in 2000 regarding fiscal impacts to local governments, particularly regarding infrastructure, is that sprawl costs more, summarized as follows:

> *Two sets of infrastructure are being created and both are underutilized: the one Americans are running away from (cities and older developed suburbs) and the one they never catch up with (the new spreading development). This development pattern results in overly high costs to local governments, developers, and housing consumers. As a result, taxes are increasing in the older communities due to excessive capacity in their infrastructure and in the sprawl developments due to the need for required systems to serve new growth, including such physical infrastructure items as community water and sewer.*[5]

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[1] Real Estate Research Corporation, *The Costs of Sprawl: Executive Summary* (Based upon the report, *The Costs of Sprawl: Detailed Cost Analysis* prepared for Council on Environmental Quality, Department of Housing and Urban Development, and Environmental Protection Agency). (Washington, DC: U.S. Government Printing Office, April 1974.)

[2] Robert W. Burchell, et al., *Costs of Sprawl-2000*, prepared for the Transit Cooperative Research Program (TCRP Report 74). (Washington, DC: National Academy Press, 2002), p. 13; emphasis added.

[3] Ibid, p. 21

[4] Ibid, p. 21

[5] Ibid, p. 21.

- A regional study specific to the Minneapolis-St. Paul region conducted by TischlerBise confirmed the "fiscal benefits of pursuing compact development to accommodate future growth." Specifically, for these communities:
    - Compact development produces more net revenue on a per-acre basis than spread-out development; and
    - Compact development is less costly to provide with municipal infrastructure, such as streets, sewers and water lines, than spread-out development. [6]

- On the other hand, it has been argued that annexation allows for a locality to capture a larger tax base. That without annexation, the tax base would continue to decline and levels of service will decrease or taxes would need to be raised. The argument is that annexation allows for levels of service to be sustained and tax rates to not be raised, thereby helping to retain existing businesses and residents.

The apparent contradiction between the findings from the literature regarding the inefficiencies of sprawling development versus the potential economic successes of places that annex aggressively calls for place-specific research. In particular, a fiscal impact analysis of growth in Shreveport that includes several alternative growth scenarios such as (1) emphasis on redevelopment of the core, (2) aggressive annexation, and (3) continuation of trends, will provide invaluable information for decision makers and the community to guide overall land use development and economic development policy. An analysis specific to Shreveport that considers the city's revenue structure, current service levels as well as locations of existing facilities—including ages and capacities—can answer these burning questions and help guide policy and planning for years to come.

City Finances

- The City's General Fund budget for FY 2009 is $190.6 million, reflecting a 4.6 percent decrease from the adopted FY 2008 budget.

- **Revenues:** The main sources of revenue for the City are sales and property taxes. Sales taxes comprise approximately 58 percent ($111.2 million) of the total General Fund with 12 percent from property taxes ($22.3 million). Property tax revenues also fund debt service (approximately $32.5 million in FY 2009), which is separate from the General Fund.

[6] Metropolitan Council, *The Fiscal Impact of Growth on Cities*: *Twin Cities Metropolitan Area,* 2001. (From a study conducted by TischlerBise.)

- **Expenditures**: The two largest General Fund expenditures are Police and Fire, together comprising 49 percent of General Fund expenditures. General Fund expenditures are down 4.6 percent from FY 2008 with reductions made in most departments and funding for most vehicles and equipment eliminated in FY 2009. Per the FY 2008 City of Shreveport Comprehensive Annual Financial Report, one focus of the 2009 budget was the need to increase fund balance. The City's Capital Projects Fund includes new funding of $9.6 million, reflecting 5 percent of General Fund expenditures. Other major funds outside of the General Fund include Water and Sewer and Debt Service.

Demographics

- The City of Shreveport's **population** has remained relatively constant at approximately 200,000 over the last 30 years.

- While the City of Shreveport lost population of 5,789 since 1980 (a 3 percent decrease), Caddo Parish outside of the City gained 6,326 persons (14 percent increase). In comparison, Bossier Parish experienced significant growth since 1980 of almost 30,000 persons, or a 37 percent increase.

- The City's share of the Metropolitan Statistical Area[7] population dropped from 57 percent in 1980 to 51 percent in 2008. Bossier Parish increased its share from 22 to 28 percent during the same time period.

- The number of **housing units** in the City of Shreveport increased from 1990 to 2007 by about 3 percent. In Caddo Parish outside the City of Shreveport, the number of housing units increased by 13 percent. In contrast, Bossier Parish housing unit growth increased significantly by 35 percent over the same time period.

- Comparing **owner- versus renter-occupied households** for the City of Shreveport and Caddo and Bossier Parishes from 1990 to 2007, a trend of decreasing ownership emerges for the City and Caddo Parish.

- In recent years, the City has been proactive in removing blighted structures particularly within the past two years. From 2000 to 2009, a total of 1,983 **demolition permits** were issued, approximately 207 demolished units per year. Removal of blight without subsequent redevelopment is an indicator of disinvestment. A significant barrier to redevelopment in the City is the time required to convey property under State law. A minimum of five years is required to transfer full ownership.

[7] Metropolitan Statistical Area (MSA) data reflect Caddo, Bossier, and DeSoto Parishes.

- Caddo Parish **public school enrollment** decreased from 48,553 in 1990 to 43,800 in 2007, a ten percent decrease. In contrast, Bossier Parish public school enrollment increased from 16,852 in 1990 to 19,393 in 2007, a 15 percent increase.

Development Patterns

- The City of Shreveport's **incorporated land area** has increased 26 percent since 1980 through annexation.

- With the City's population remaining relatively stable at around 200,000, **population density** has decreased steadily from 2,124 persons per square mile in 1980 to 1,634 persons per square mile today. As population remains stable but land area increases, services and infrastructure—and accompanying costs—need to be expanded to serve those new areas. This tends to be an inefficient land use pattern from a fiscal perspective particularly if there are facilities with excess capacity in the City's core.

Economic Factors

- **Per capita incomes** over time have leveled off in recent years in Caddo Parish.

- **Median house values** have increased in the region over time, particularly since 2000. The City of Shreveport's median value for owner-occupied units is approximately $113,000, which is slightly higher than Caddo Parish as a whole and lower than Bossier Parish. The increase in values from 2000-07 in the City of Shreveport was higher than the two parishes, 23 percent for Shreveport as compared to 19 percent in Caddo Parish and 15 percent in Bossier Parish.

- While Caddo Parish houses the majority of **jobs** in the region, its share of regional employment has fallen from 77 percent in 1970 to 70 percent in 2008. This indicates a trend of out-migration of employment from the traditional employment center.

- Caddo Parish's **job-to-population ratio** is highest in the region and continues an increasing trend. In general, a higher ratio indicates an employment center and a lower ratio typically indicates a bedroom community. An increasing trend is a positive sign, particularly in a place like Caddo Parish where population is essentially flat or growing slowly but employment continues to grow. Bossier Parish has also seen an increase in its ratio from a low of .37 to a high of .56 jobs to population.

- **Commuting patterns** indicate a general positive trend for Caddo Parish as the employment center of the region.

Fiscal Factors

- City of Shreveport **revenues** from 1990 to 2008 were examined, including the General Fund, Special Revenue Funds, and Debt Service Funds. When adjusted for inflation to constant dollars, revenues have decreased in recent years from a high of approximately $263 million in 2006 to $248 million in 2008.

- City governmental **revenues per acre** have remained essentially flat, when adjusted to constant dollars, and show a decreasing trend in recent years. Revenue generation increased between 1990 and 2000, in part due to the addition of gaming revenues, but has essentially remained flat or decreased since 2000 to 2008. This is true even with an increase in the sales tax rate in 2003. This indicates that the City's resources are being stretched thin as expenditures increase but available resources are flat.

- The City of Shreveport's main General Fund revenue source is sales tax representing 58 percent of the General Fund. Since 1980, Caddo Parish's share of two-county **retail sales** has steadily decreased over time from 81 percent to 69 percent, while Bossier Parish's share has increased from 19 percent to 31 percent. This indicates a leakage trend in retail sales from Caddo to Bossier Parish, thus diminishing an important revenue source for City operations.

- **Taxable assessed values** in the City of Shreveport have generally decreased over the last 23 years, with the exception of a slight increasing trend in recent years. While property taxes only make up 12 percent of the General Fund, an additional property tax millage is collected to pay for debt service, providing an important revenue source for capital improvements. The declining trend in the City's assessable base indicates a disinvestment trend in the City as well as declining revenues to support operations and capital improvements.

- Another component of the City's revenue stream is **gaming revenues**. Gaming revenues peaked in 2002 and have remained essentially flat at approximately $12 to $13 million per year. The issue with relying on gaming revenues to fund services in the City is summed up as follows: "For many years, gaming revenues were considered a limitless source of revenue to meet various needs. While the casino industry is still a vital part of the local economy, it is unlikely that there will be strong growth in gaming revenues in

the near future. . . . Hard choices will have to be made as to how to utilize gaming revenues in the future."[8]

- The City has outstanding General Obligation debt, backed by property tax revenue as well as debt incurred for Business-Type Activities, which are primarily revenue bonds to be paid by revenue generated from those activities. Over the last 12 years, general obligation **debt per capita** has increased to a peak in 2003 and then steadily decreased over the last few years. In comparison, debt per capita for *all funds combined* has shown an increasing trend over the same time period. As capital needs grow without growth in the tax base or other revenue sources, the pressure on existing residents and businesses to fund those improvements increases. The alternative is deferred capital improvements thus diminishing services and quality of life.

- Although school funding is outside of the City's budget, trends in **school revenues** provide additional insight on changing economic and fiscal conditions. Revenues per pupil have increased for both parishes as well as the state. What is interesting to note is the percentage increase in *local funding.* While Caddo Parish local funding increased by 38 percent from 2001-02 to 2006-07, Bossier Parish increased by 61 percent. Further, as State dollars to local school districts have decreased, the burden falls to the locality to make up the difference. The alternative is lower overall funding, which implies a decreasing level of service.

Public Services and Infrastructure

- **Expenditures per capita** have essentially remained flat when adjusted to 2009 dollars, which is expected given the City's revenue limitations. The level of expenditure per capita is essentially the same in 2008 as it was ten years ago. The preliminary finding from this factor may be misleading, however. The City is limited in its spending—and thus its levels of service—due to the revenues available, rather than the needs of citizens and businesses. According to anecdotal evidence, geographic dispersal of facilities and services is straining resources potentially at the expense of inner core neighborhoods. An empirical fiscal analysis of service needs and expenditures would identify if this is indeed occurring.

- While population has remained around 200,000, the amount of **street mileage, water mains, and sanitary sewers** added to the City's system has increased over time. Since 1997, street miles have increased 28 percent, miles of water mains have increased 10 percent, and miles of sanitary sewers by 18 percent. While initial capital costs may have

[8] City of Shreveport, *FY2008 Comprehensive Annual Financial Report*, p. 4.

been borne by private development in some cases, the additional infrastructure in the City's system adds to annual operating and maintenance costs that has an aggregating effect over time.

- **City water services** are strained in three ways due to development and annexation on the edge of the City. First, additional capacity and water pressure is needed to support development primarily in the Southern area of the City. Second, additional water supplies will be needed in the near future to accommodate existing and future needs. Third, by annexing newly developed areas into the City, the rates paid by those users are lower than if they had not been annexed.

- The need for **water improvements** to serve the expanding service area has forced rates to be increased on *all users* and will likely need to continue in the future. The current City capital improvement program has a budget for water improvements at $104 million, which is a carry-over amount from previous years. However, conservative estimates for unfunded water improvement needs are an additional $600 million—six times the current capital program. These future needs are significant and further analysis on efficient use of existing infrastructure could help to decrease potential future costs.

- Demand for **public safety** services has increased—due to both an increase in calls for service as well as provision of augmented services as requirements and needs have changed in the post-9/11 world. As a result, the number of City public safety personnel has increased over time and because population has not grown, the ratio of employees per capita has grown as well.

- **Fire/EMS** calls for service have increased over time and as growth has occurred on the periphery of the City, demands for service have spread out from the core. While overall responses increased by 24 percent throughout the system from 2002 to 2008, those stations outside the City's Inner Loop increased by 32 percent—8 percent higher than average.

- Several fire station relocations and new stations are identified as part of the Fire Department's Master Plan due to both the need to replace older, outdated, and antiquated fire stations as well as new facilities to serve the City's expanded boundaries. To serve current development at the periphery, a new station (#22) was built in the southern area of the City. While the funds were available to build the station itself, it remained vacant and unstaffed for several months due to a lack of City funding for operations. This indicates a potentially unsustainable fiscal situation with lack of resources available to meet the needs of the expanding City.

- The City **Police** Department handles approximately 280,000 calls for service per year. While numbers of calls for service have remained relatively flat, patrol efforts have been focused outward from the City's core particularly in the Southern part of the City where significant new retail development and population are located.

Summary of Major Findings

- Population trends in the City of Shreveport and Caddo and Bossier Parishes indicate a pattern of disinvestment in the City with growth in the parishes. Population growth occurring outside the City has long-term negative consequences on income disparities, fiscal needs, and other issues.

- With population density in the City decreasing significantly over time due to expansion of the City's borders, the stress of providing dispersed services and expanding infrastructure continues to deepen for the City with escalating costs and declining levels of service.

- Caddo Parish's share of regional retail sales has decreased over time thus impacting one of the City's main revenue sources. If this trend continues, the City will be further constrained in its ability to fund current levels of service.

- As revenue growth in the City slows and expenditures continue to increase, decision makers are forced to wrestle with difficult choices on the use of diminishing resources. A better understanding of cost drivers, existence of excess capacity, land uses that are fiscally beneficial, and the potential benefits of targeted incentives would provide useful and timely information to better tackle these decisions.

- In summary, the City of Shreveport has experienced disinvestment in the city's core while expanding on the fringes through annexation. The particular conditions in Shreveport will inform the results of a local fiscal impact analysis—all communities are unique with different levels of service, community priorities, and cost and revenue structures. A Phase II Fiscal Study specifically for Shreveport will be necessary to fully understand the implications of development patterns and disinvestment.

BACKGROUND

TischlerBise is part of a consultant team, headed by Goody Clancy & Associates, working with the Shreveport Metropolitan Planning Commission of Caddo Parish to develop a comprehensive plan for the area. The *Shreveport-Caddo 2030 Master Plan* sets the following goals:

- Provide **policy and strategic guidance on the physical development and redevelopment** of the city.
- Guide **the city to actively seek positive change and deflect negative change**, rather than simply react after change has occurred.
- Provide **predictability for developers, businesses and residents.**
- Help **the city save money because it plans for orderly investment** in services, facilities and infrastructure.
- Enable the city and parish to **be more competitive in attracting state and federal grant funds.**
- Help Shreveport – Caddo **preserve and enhance the sense of place and identity** that makes it unique.

TischlerBise's role is to identify and analyze fiscal impacts of development patterns in the city and parish. Toward that end, it is anticipated that a two-phase Fiscal Impact Analysis will be conducted, with the first phase identifying past and current trends in demographics, the local and regional economy, city finances, municipal services, and infrastructure. The second phase analysis is anticipated to be a fiscal impact analysis of potential future development scenarios.

In general, a fiscal impact evaluation analyzes revenue generation and operating and capital costs to a jurisdiction to provide public services and facilities under a set of assumptions. Both phases of the fiscal analysis will provide the community, staff, and decision makers with information to identify and implement policies and practices that promote fiscally advantageous development patterns thus achieving the goals set forth for the master plan.

The City of Shreveport has experienced disinvestment in the city's core while expanding on the fringes through annexation. Studies have shown that sprawling development is typically more expensive for a locality than development at the core. The exception to this, however, is places that have aging and inadequate infrastructure to support redevelopment.

This document contains findings from the first phase of our efforts as well as background information on fiscal impact analysis. TischlerBise researched historical data for Shreveport, Caddo Parish, Bossier Parish, and the metropolitan area as a whole on demographics, economy, development patterns, municipal finances, levels of service, and facilities. In addition, we provide a brief overview of fiscal impact analysis and findings from other relevant studies.

DESCRIPTION OF FISCAL IMPACT ANALYSIS[9]

In general, a fiscal impact evaluation analyzes revenue generation and operating and capital costs to a jurisdiction associated with the provision of public services and facilities to serve new development—residential, commercial, industrial, or other. A fiscal impact analysis is different than an economic impact analysis. A fiscal impact analysis projects the cash flow to the public sector while an economic impact analysis projects the cash flow to the private sector, measured in income, jobs, output, indirect impacts, etc. Just as a household benefits by forecasting its long-term cash flow needs (incorporating anticipated future expenses for higher education and other large cost items) and setting money aside to pay for future outlays, local governments are better prepared to manage during changing financial circumstances if they anticipate and plan for future costs and revenues.

Fiscal analysis enables local governments to estimate the difference between the costs of providing services to the development and the taxes, user fees, and other revenues that will be collected as a result of new development. It can be used to evaluate the fiscal effect of an individual project (such as a request for rezoning), of a change in land-use policies (such as increasing allowable densities for development), or of a proposed annexation.

It is important to keep in mind that the fiscal impact of development policies, programs, and activities is only one of the issues that local government officials should consider when evaluating policy or program changes relating to land use and development. Land uses that are a financial drain or are less beneficial financially than other alternatives should not necessarily be excluded, since they may be necessary to community goals related to affordable housing, economic diversity, quality of life, etc. Rather, a community should use fiscal impact results to craft a land use plan that incorporates the appropriate mix of land uses necessary to achieve fiscal sustainability, or at minimum, fiscal neutrality. Moreover, localities have a responsibility to consider other impacts, too. Court cases have suggested that, in addition to fiscal impacts, local governments need to evaluate environmental impacts, regional needs for housing and employment, and other concerns. Using fiscal impact data as part of a larger cost-benefit analysis can be useful, and fiscal impact analysis is considered by most courts to be an appropriate element in the comprehensive long-range planning process.

[9] This section is derived from the ICMA Press IQ Report, "Fiscal Impact Analysis: How Today's Decisions Affect Tomorrow's Budgets," by L. Carson Bise, AICP, President of TischlerBise.

Factors to Consider in a Fiscal Impact Analysis

There are numerous factors that influence the fiscal results for different land uses. These factors include, but are not limited to, the local revenue structure, local levels of service, capacity of existing infrastructure, as well as the demographic and market characteristics of new growth.

Local Revenue Structure
A key determinant in calculating net fiscal results from new development is the local revenue structure, which affects fiscal findings through both its composition and revenue distribution/collection formulas. Every community has at least one major revenue source, and in some cases, several on which it is reliant. Examples include property tax, local sales tax and local income tax. An important component of revenue structure is the distribution/collection formulas for various sources. With the exception of property tax, the distribution/collection formulas for common revenue sources can vary greatly from state to state. For example, in states where sales tax is collected, some allow communities to assess a local option sales tax, which is usually collected on a situs-basis (point of sale). Other states collect sales tax at the state level and distribute the revenue to communities using a population-based formula. A similar situation exists with income tax, where some states allow a local income, or "piggyback" tax on top of the state income tax. In certain states, such as Maryland, this tax is collected by place of residence. In others, such as Ohio, it is collected by place employment.

Levels of Service
Another important factor in the fiscal equation is the levels of service currently being provided in a community. The existing level of service is defined as the facility or service standard currently being funded through the budget. Examples of level of service standards are pupil teacher ratios (i.e., 1 teacher per 24 students), parkland per capita, etc. This is an important factor since levels of service generally vary from community to community.

Capacity of Existing Infrastructure
The capacity of existing infrastructure in a community also has a bearing on the fiscal sustainability of new development. For example, a community may have the capacity to absorb a large number of additional vehicle trips on its existing road network or may be significantly under capacity with regards to high school enrollment. In either of these situations, using a case study-marginal cost approach that account for existing facilities and levels of usage to assess fiscal impacts, a community with excess capacity could absorb substantially higher growth over time without making additional infrastructure investments than a community without these capacities. This excess capacity results in lower capital costs over time. This is an important factor in the fiscal equation, since the largest cost associated with capital facilities are the annual operating costs, which typically account for approximately 80 percent of a community's budget.

Demographic and Market Characteristics of New Growth
Next to a community's revenue structure, no other factor has as great an impact on the net fiscal results as the demographic and market characteristics of different land uses. Examples of demographic and market variables for residential development include average household sizes, pupil generation rates, market value of housing units, trip generation rates, density per acre, and average household income. Important demographic and market characteristics for nonresidential development include square feet per employee, trip generation rates, market values per square foot, sales per square foot (retail), and floor area ratio.

Benefits of Fiscal Impact Analysis

Fiscal impact analysis has many benefits, whether it is used for long-term financial, land-use, or capital planning.

Encourages Anticipation of Change
One of the major benefits of fiscal impact analysis is that it describes what happens to a jurisdiction when change occurs. The fiscal analysis measures the impact of growth (or decline) on a local government's services, including capital facilities, and the resulting costs and revenues. This is different from the preparation of locality's budget. A fiscal analysis essentially looks at revenues and expenditures separately to determine if sufficient revenues are generated to support operating and capital needs. It does not project expenditures based on revenues available—unlike the annual budget process where a budget is balanced with the resources available.

Helps Define Achievable Levels of Service
In order to quantify levels of service, department heads and managers must identify an indicator that reflects the demand for services; examples include: the number of residents or jobs in the community, the number of average daily trips on local roads, or some other appropriate factor. Defining the level of service promotes discussions about the adequacy of services and enables local governments to determine through fiscal analysis whether the community can afford various levels of service, in terms of both the costs of new or expanded capital facilities and annual operating costs.

Projects Capital Facility Needs
A fiscal impact analysis can incorporate information on the available capacity of current capital facilities and project when additions or new facilities will be needed. The evaluation of capital facility needs can be helpful in developing or revising the local government's CIP.

Clarifies Development Policy Impacts

In most cases, fiscal impact analysis focuses on the effects of growth, development, or disinvestment, which are usually defined in development scenarios. Many local governments never translate their policies or major land-use plan changes into estimates of annual revenues and expenditures. The process of describing in narrative form how and why the numbers were developed provides local officials with information to evaluate the logic of the assumptions underlying policies or proposals. Under an optimistic development scenario, for example, a community may project population growth of 25,000 over a twenty-year period. The fiscal impact analysis can be used to project how various types of housing that could accommodate this growth (garden apartments, townhomes, single family homes, and condominiums) would affect the need for services over time. Because this scenario projects job growth as well, the analysis would also assess the fiscal impact of alternative job growth pictures (for example, mostly offices with some retail versus industrial growth with some office and retail). Using this process, local officials can review existing and proposed policies from a more informed perspective.

Calculates Revenues and Helps in the Development of Revenue Strategies

A fiscal analysis can show the magnitude of revenues anticipated to be collected under different development scenarios and can show whether there would be a surplus or deficit of revenues over expenditures on an annual as well as a cumulative basis. This enables local officials to consider the need for and types of alternative sources of revenues. Fiscal impact analysis presents a wealth of information that a local government can use to develop revenue strategies. Obviously, if the fiscal analysis indicates that existing plans for the community's growth will result in a deficit, the plans may need to be adjusted to arrive at a neutral or positive position. Oftentimes, the first area to evaluate is the structure of rates for various revenue sources. Revenue formulas used to set user fees, utility rates, and property taxes should be reviewed as part of developing a revenue strategy. Possible new revenue sources are often evaluated.

Encourages "What If" Questions

A good fiscal impact analysis with a narrative explaining all assumptions and inputs encourages managers to ask a number of "what if" questions. Alternative scenarios can be described for service levels, for the cost and revenue factors, for growth itself, or for almost any other aspect of the analysis. Decision makers find that one of the major benefits of fiscal analysis is the definition of all the different service level and cost and revenue factors, and the ability to change assumptions and quickly see the impact of the changes. This makes fiscal analysis an effective policy tool.

LITERATURE REVIEW: COSTS OF GROWTH

As noted elsewhere, a fiscal impact evaluation analyzes revenue generation and operating and capital costs to a jurisdiction to provide public services and facilities under a set of assumptions. *It is in essence the cash flow to the public sector.* It seeks to answer the question, what type of development is fiscally beneficial to a locality. A fiscal analysis provides communities, staff, elected officials, and other stakeholders with the type of information to identify policies and practices that encourage fiscally advantageous development patterns.

The City of Shreveport has experienced disinvestment in the city's core while expanding on the fringes through annexation. Studies have shown that sprawling development is typically more expensive for a locality than development at the core. Potential exceptions to this, in some cases, are places with aging and inadequate infrastructure to support intensified redevelopment. The particular conditions in Shreveport will inform the results of a local fiscal impact analysis—all communities are unique with different levels of service, community priorities, and cost and revenue structures. A fiscal study specifically for Shreveport is necessary to fully understand the implications of development patterns and disinvestment.

To provide background on the topic of the costs of growth and disinvestment, TischlerBise conducted a limited literature review. One of the most influential studies on the influence of development patterns on public costs is the *Costs of Sprawl*. Published in 1974, the study examined the impacts of three generic development patterns—low-density sprawl, combination mix, and high-density planned—on overall costs of development. The study looked at all types of costs—private and public; capital and operating. It found that the high density planned community was more fiscally advantageous to governments in terms of capital costs than the low-density sprawl. In addition, it found that although operating and maintenance costs are more directly tied to population and employment growth, the higher density developments were less expensive to local governments than sprawling patterns. The study makes clear, however, that the results are "not directly applicable to any specific development. . . . The features of a particular site or community substantially affect the magnitude of any of the costs."[10]

The Cost of Sprawl study was revisited in 2000 with a national study of projected future growth over 25 years under two scenarios—low-density sprawl development at the outer reaches of the metropolitan area versus compact, centrally-oriented development, or controlled growth. The objective of the *Costs of Sprawl-2000* study was to "provide policymakers and citizens with credible quantitative measures of the relative costs and benefits of two different forms of

[10] *The Costs of Sprawl: Executive Summary*, April 1974, p. 6.

metropolitan growth."[11] The study produced results by major region of the country and was a high-level average cost approach due to its national scope.

Regarding infrastructure costs, the researchers found that the controlled-growth scenario produced a $12.6 billion savings in water and sewer infrastructure costs compared to the uncontrolled-growth scenario over the 25-year projection period; and $110 billion in savings for local road costs for the controlled-growth scenario over 25-years. The authors point out that road costs represent only a 9.2 percent savings from the uncontrolled-growth scenario, which was not as large as expected. This is due to the need for additional capacity (e.g., widening existing roads) to accommodate an increase in development even in close-in areas.

The authors examined operating costs as well, on an average basis. They found that the controlled-growth scenario produced savings of over $4 billion over the 25-year projection period when compared to uncontrolled growth. They note that: "The decrease in costs is possible because, under controlled-growth development, more development will take place in developed areas where public services may be more expensive, but public-service demand can be *absorbed more readily due to the excess capacity found there*."[12]

Several other significant findings emerged from the research:

- "Sprawl is the dominant form of growth occurring in major metropolitan areas. Even in metropolitan areas where there is no net new growth, the transfer growth (i.e., growth that shifts from one area to another) is sprawl growth."[13]
- "The effects of sprawl growth are mixed. There appears to be more costs than benefits of sprawl growth." The authors note that in general, the costs are more measurable than the benefits. That said, they found that "sprawl development consumes land and various types of infrastructure to a level that compact development does not. Sprawl development also provides fewer positive fiscal impacts than compact development provides."[14]
- On the benefit side, admittedly less quantitative, the authors note that "[s]prawl does provide less expensive single-family housing at the periphery of metropolitan areas". . .; it provides "congestion management" due to the suburb to suburb work trip . . . and allows a choice in community settings including smaller, more accessible local governments.[15]

[11] *Costs of Sprawl-2000,* 2002, p. 1.
[12] Ibid, p. 13; emphasis added.
[13] Ibid, p. 20
[14] Ibid, p. 21
[15] Ibid, p. 21

- However, the primary finding regarding fiscal impacts to local governments, particularly regarding infrastructure, is that sprawl costs more. The authors state it as follows:

> *Two sets of infrastructure are being created and both are underutilized: the one Americans are running away from (cities and older developed suburbs) and the one they never catch up with (the new spreading development). This development pattern results in overly high costs to local governments, developers, and housing consumers. As a result, taxes are increasing in the older communities due to excessive capacity in their infrastructure and in the sprawl developments due to the need for required systems to serve new growth, including such physical infrastructure items as community water and sewer*."[16]

Another study that sought to address similar questions was a fiscal impact analysis conducted by TischlerBise for the Metropolitan Council, the regional governing body for the Minneapolis-St. Paul region of Minnesota. The regional study, *The Fiscal Impact of Growth on Cities*, was an examination of local revenues and costs associated with two different development patterns for cities in different stages of development. The report was commissioned to determine if recommendations for more compact development were more fiscally beneficial for localities in terms of ongoing operations as well as initial capital improvements. The study used a marginal cost approach to determine the new additional costs needed beyond existing capacities to serve new development and redevelopment. This type of approach is a more accurate depiction of costs than say an average cost approach that can mask timing, geographic considerations, and available capacities.

The findings of the study confirmed the "fiscal benefits of pursuing compact development to accommodate future growth" in the Minneapolis-St. Paul region. Specifically, for these communities:

- Compact development produces more net revenue on a per-acre basis than spread-out development; and
- Compact development is less costly to provide with municipal infrastructure, such as streets, sewers and water lines, than spread-out development. [17]

On the other hand, another side of the debate is that annexation allows for a locality to capture a larger tax base. That without annexation, the tax base would continue to decline and levels of service will decrease or taxes would need to be raised. Annexation allows for levels of service to be sustained and tax rates to not be raised, thereby helping to retain existing businesses and residents. This is the central theory behind David Rusk's book, *Cities without Suburbs.* This

[16] Ibid, p. 21.
[17] Metropolitan Council, *The Fiscal Impact of Growth on Cities*: *Twin Cities Metropolitan Area,* 2001. (From a study conducted by TischlerBise.)

research found that cities with the ability and propensity to annex, dubbed "elastic cities" by Rusk, were more economically and socially successful. He theorizes that a city that is able to annex is more likely to capture beneficial growth including the suburban tax base as well as control development on the edge through land use planning and regional governance. Furthermore, he concludes that elastic cities are more racially and economically integrated than inelastic ones. One critique of this study is whether the cities examined, by virtue of larger economic and market forces, would have been "successful" despite their annexations. Specifically, the elastic cities identified are primarily located in the South and West, which experienced an unprecedented boom at the expense of Northeast and Midwestern areas of the United States.

Rusk's findings beg the question of whether the development being annexed is fiscally and economically beneficial, particularly in places like Shreveport that have not necessarily seen beneficial results. It could be that annexing residential development, even at higher property values, costs more to serve than it generates in revenues. This could very well be the situation for the City of Shreveport where sales tax is the primary revenue source and property taxes are a relatively minor component of the budget. A fiscal analysis of growth scenarios would test these assumptions.

Along the same lines, some cities may not be able to handle redevelopment and intensification of land uses due to aging or deteriorating infrastructure that may have limited capacity in their cores. In these situations, the costs for capital improvements to infrastructure such as water and sewer systems, roads, and public safety facilities may exceed the fiscal benefit of redevelopment. That said, there may be other benefits to redevelopment that outweigh the fiscal consequences such as providing more opportunities for housing near employment centers, reducing environmental impacts, and creating long-term wealth that will eventually lead to positive fiscal benefits.

The apparent contradiction between the two findings from the literature regarding the inefficiencies of sprawling development versus the potential economic successes of places that annex aggressively calls for place-specific research. In particular, a fiscal impact analysis of growth in Shreveport that includes several alternative growth scenarios such as (1) emphasis on redevelopment of the core, (2) aggressive annexation, and (3) continuation of trends, will provide invaluable information for decision makers and the community to guide overall land use development and economic development policy. An analysis specific to Shreveport that considers the city's revenue structure, current service levels as well as locations of existing facilities—including ages and capacities—will serve to answer these burning questions and will help guide policy and planning for years to come.

OVERVIEW OF CITY FINANCES

The City of Shreveport provides services through its General Fund for public safety (police and fire), highways and streets, solid waste, permits and inspections, recreational activities, and general administration. Other services are provided in Special Revenue Funds (Metropolitan Planning Commission, Community Development, Riverfront Development, Police Grants, Redevelopment Agency, and Downtown Entertainment District). In addition, Enterprise Funds account for other services such as Water and Sewer services, Airports, Golf, Transit, Downtown Parking, and Convention Center Hotel. There are separate funds for Debt Service and Capital Projects.

City Revenues

Figure 1 provides a summary of the City of Shreveport General Fund revenue sources for Fiscal Year 2009. The General Fund budget for FY 2009 is $190.6 million, reflecting a 4.6 percent decrease from the adopted FY 2008 budget. The main sources of revenue for the City are sales and property taxes. Sales taxes comprise approximately 58 percent ($111.2 million) of the total General Fund with 12 percent from property taxes ($22.3 million). Property tax revenues also fund debt service (approximately $32.5 million in FY 2009), which is separate from the General Fund.

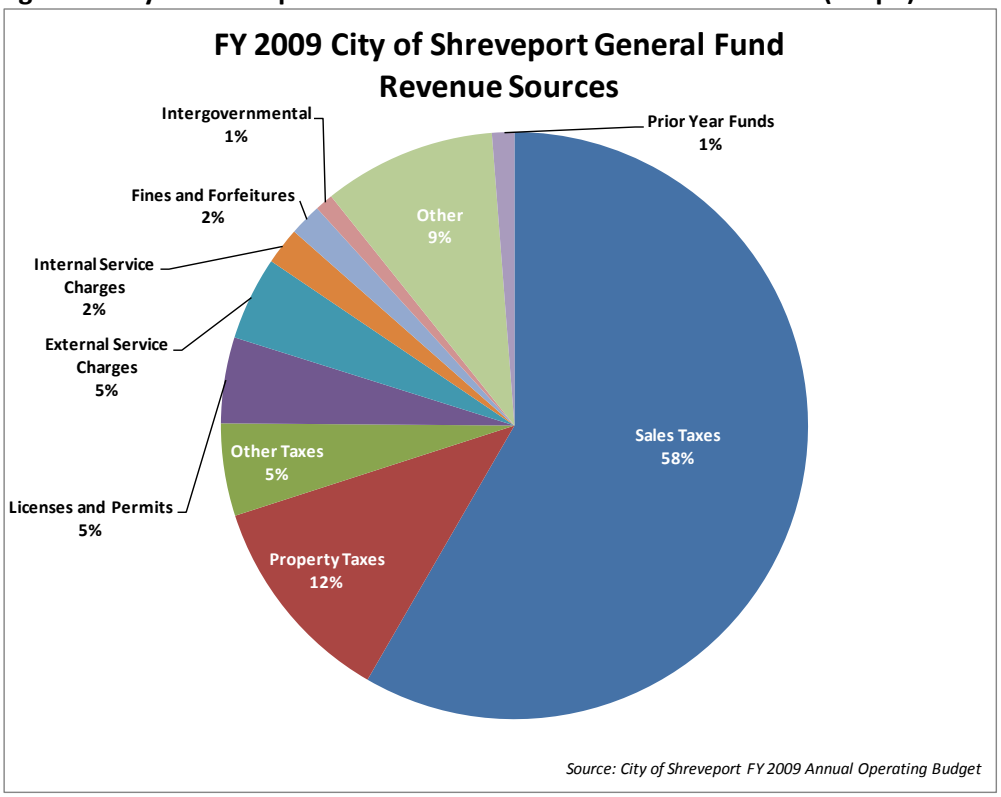
Figure 1. City of Shreveport FY 2009 General Fund Revenue Sources (Table)

	FY 2009 City of Shreveport General Fund Revenue Sources	*%*
Sales Taxes	$111,180,500	58%
Property Taxes	$22,270,000	12%
Other Taxes	$9,700,000	5%
Licenses and Permits	$9,021,200	5%
External Service Charges	$8,768,100	5%
Internal Service Charges	$3,874,000	2%
Fines and Forfeitures	$3,374,700	2%
Intergovernmental	$1,911,300	1%
Other	$18,118,500	10%
Prior Year Funds	$2,342,000	1%
TOTAL	**$190,560,300**	**100%**

Source: City of Shreveport FY 2009 Annual Operating Budget

Figure 2 provides a graphic depiction of FY 2009 City budgeted revenues.

Figure 2. City of Shreveport FY 2009 General Fund Revenue Sources (Graph)



The reliance on sales tax is important in understanding the City's revenue structure and fiscal condition. This will be a critical piece of further fiscal evaluation in the City. For instance, if development trends continue into the future, is ample sales tax revenue available to offset the costs generated by future housing, retail, and other nonresidential development? How does the location of future development, particularly retail development, impact the revenue and cost balance in the City? These questions can be answered in a Phase II fiscal analysis of scenarios as part of the Master Plan process.

Other revenues to note are from Riverfront gaming (included in the "Other" category), which has remained essentially flat over the last several years. In recent years, the amount of transfer to the General Fund from gaming revenues has increased showing an increased reliance on this source to balance the City's operating expenditures.

Outside of the General Fund, Water and Sewer rates were increased in FY 2008 by 3 percent but revenues were not sufficient and rates were increased for commercial and industrial users in 2009. The Water and Sewer Fund has a budget of $65.5 million in FY 2009. In addition, the City

subsidizes Convention Center operations, Golf operations, the Transit system, and the Metropolitan Planning Commission (MPC) from the General Fund. The City recognizes that the Transit system as well as the Metropolitan Planning Commission: "[D]o not have self-generated funds sufficient to provide for all necessary operations and maintenance activities. Transfers are made to each fund from the General Fund in order to permit an adequate level of these activities."[18] It should also be noted that Caddo Parish provides operating support for the MPC as well.

The Debt Service Fund for General Obligation Bonds is supported by property tax revenues with a FY 2009 budget of $87.9 million, of which $32.5 million is from property taxes in the current year. Other funding sources for this Fund include carryover from previous years and transfers from the General Fund and Riverfront Development Fund.

City Expenditures

The City's Fiscal Year 2009 budgeted expenditures are shown in Figure 3. As shown, the total General Fund budget is approximately $190.6 million.

Figure 3. City of Shreveport FY 2009 General Fund Expenditures (Table)

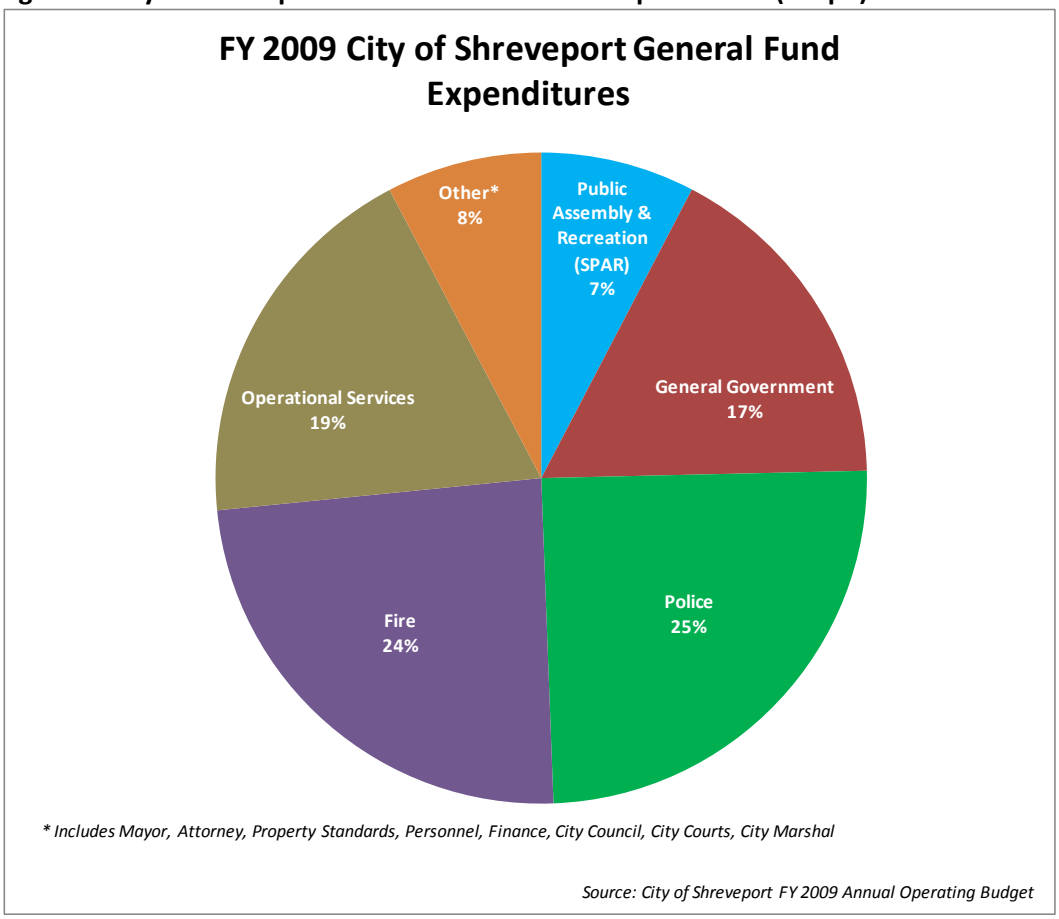
	FY 2009 City of Shreveport General Fund Expenditures	*%*
Office of Mayor	$1,008,500	1%
City Attorney	$1,101,500	1%
Property Standards	$3,563,100	2%
Personnel	$458,300	0%
Public Assembly & Recreation (SPAR)	$14,590,300	8%
Finance	$3,080,700	2%
General Government	$32,364,800	17%
Police	$47,182,800	25%
Fire	$45,767,700	24%
Operational Services	$35,968,500	19%
City Council	$1,275,700	1%
City Courts	$2,709,300	1%
City Marshal	$1,489,100	1%
TOTAL	**$190,560,300**	**100%**

Source: City of Shreveport FY 2009 Annual Operating Budget

[18] *City of Shreveport 2009 Annual Operating Budget.*

Percentage breakdowns of General Fund budgeted expenditures by major departments for FY 2009 are summarized in Figure 4. As shown, the two largest expenditures are Police and Fire, together comprising 49 percent of General Fund expenditures. Operations Services (19 percent) is the public works department and provides services in: solid waste, engineering, traffic engineering, permits and inspections, streets and drainage, and fleet maintenance. General Government is the City of Shreveport's category for transfers to the Retained Risk fund for claims payment and insurance purchases, the City's operating reserve, subsidies to Transit (SporTran), MPC, and Community Development. The "Other" category is a grouping of general government administration, legislative, and judicial services including the Office of the Mayor, Finance, Personnel, City Council, City Courts, and other departments and accounts for 8 percent of the budget. Finally, Public Assembly and Recreation, also known as SPAR, accounts for the remaining 7 percent of the General Fund budget.

Figure 4. City of Shreveport FY 2009 General Fund Expenditures (Graph)



For FY 2009, General Fund expenditures are down 4.6 percent from FY 2008. Reductions were made in most departments with funding for most vehicles and equipment eliminated in FY 2009. Per the FY 2008 City of Shreveport Comprehensive Annual Financial Report, one focus of the 2009 budget was the need to increase fund balance. The City's policy, which was set in 1997, is to maintain an operating reserve of 7 percent of ongoing expenditures. The operating reserve for FY 2009 is estimated at 4.6 percent of expenditures.

In addition, the City's Capital Projects Fund has a budget of $569 million. However, this represents carry-over projects from previous years and reflects some completed projects. New funding is only $9.6 million. Of the $9.6 million in new funding, approximately 30 percent is locally funded with the remainder from state and federal sources. It is also important to note that typically a locality's capital program is around 15 percent of the General Fund budget. For FY 2009, new capital project expenditure as a percent of the City of Shreveport's General Fund is 5 percent.

As noted above, other major funds outside of the General Fund include Water and Sewer and Debt Service. Water and Sewer is budgeted at $65.5 million for FY 2009. The Debt Service Fund, for General Obligation Bonds, is budgeted at $87.9 million, of which $43.9 million is for 2009 debt service. The remainder, of more than one year's debt service, is held in reserve.

DEMOGRAPHICS

Population

The City of Shreveport's population has remained relatively constant at approximately 200,000 over the last 30 years with slight fluctuations over the time period. Figure 5 shows the City's population from 1980 to 2008.

Figure 5. City of Shreveport Population Trends 1980-2008

	Shreveport Population	*Shreveport Gain/(Loss)*
1980	205,820	
1990	198,525	(7,295)
2000	200,145	1,620
2005	202,938	2,793
2008	200,031	(2,907)

Sources: *U.S. Census; City of Shreveport.*

It is also instructive to look at parish population trends to provide additional context. Shreveport is located primarily in Caddo Parish and is adjacent to Bossier Parish. While the City of Shreveport has remained around 200,000 persons with a net loss in population of 5,789 since 1980 (a 3 percent decrease), Caddo Parish outside of the City has gained 6,326 persons (14 percent increase). In comparison, Bossier Parish has experienced significant growth since 1980 of almost 30,000 persons, or a 37 percent increase.

Figure 6. Regional Population Trends 1980-2008

	Shreveport Population	*Shreveport Gain/(Loss)*	*Caddo Parish Population*	*Caddo Parish Population Outside Shreveport*	*Caddo Parish Outside Shreveport Gain/(Loss)*	*Bossier Parish Population*	*Bossier Parish Gain/(Loss)*
1980	205,820		252,358	46,538		80,721	
1990	198,525	(7,295)	248,253	49,728	3,190	86,088	5,367
2000	200,145	1,620	251,802	51,657	1,929	98,807	12,719
2005	202,938	2,793	250,188	47,250	(4,407)	105,257	6,450
2008	200,031	(2,907)	252,895	52,864	5,614	110,250	4,993
Total Net Gain/(Loss)	***(5,789)***				***6,326***		***29,529***
% Inc/Dec	***-3%***				***14%***		***37%***

Sources: *U.S. Census; City of Shreveport.*

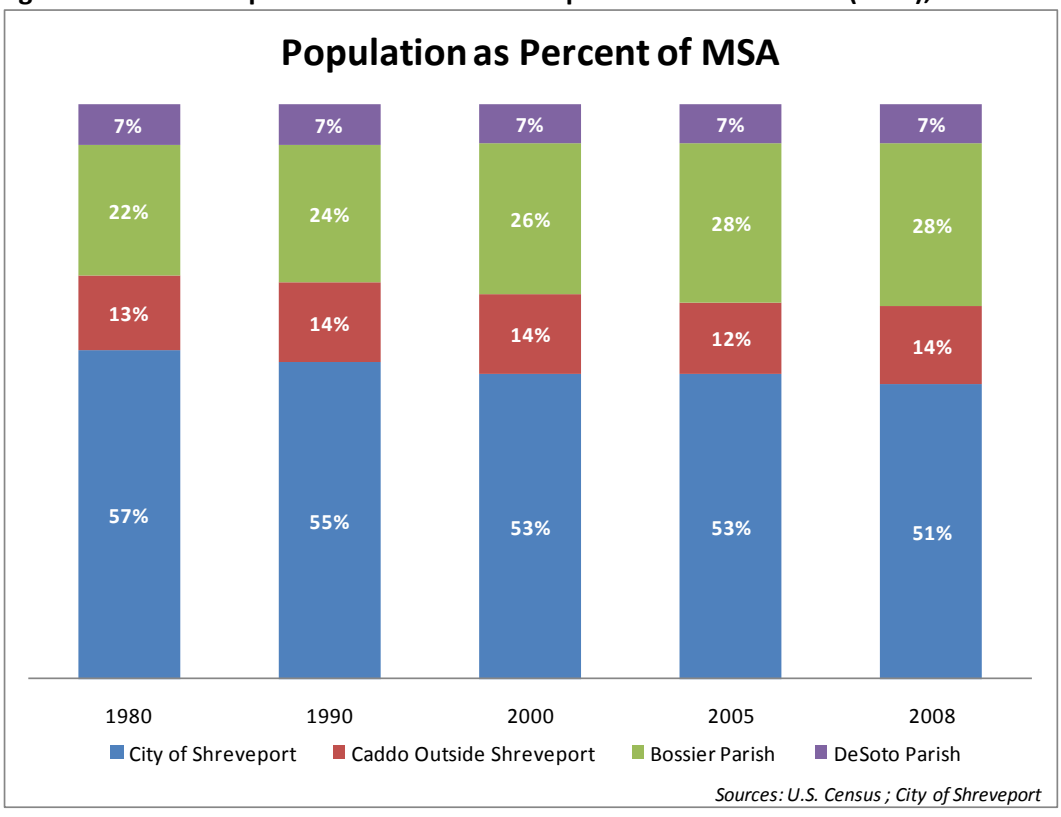
Further comparisons of the City with the Metropolitan Statistical Area (MSA), which includes Caddo, Bossier, and DeSoto Parishes, reveal that the City is losing its share of regional population. In 1980, the City's share of the MSA population was 57 percent and today it has dropped to 51 percent. In contrast, Bossier Parish has increased its share from 22 to 28 percent during the same time period. Further detail is provided in the following two figures below.

Figure 7. Metropolitan Statistical Area (MSA) and Component Parish Population Trends, 1980-2008

	Shreveport Population	*Caddo Parish Population*	*Bossier Parish Population*	*DeSoto Parish Population*	*Shreveport-Bossier MSA* Population*	*Shreveport as % of MSA Population*
1980	205,820	252,358	80,721	25,727	358,806	57%
1990	198,525	248,253	86,088	25,346	359,687	55%
2000	200,145	251,802	98,807	25,513	376,122	53%
2005	202,938	250,188	105,257	25,946	381,391	53%
2008	200,031	252,895	110,250	26,388	389,533	51%

* Data reflect current MSA definition with Caddo, Bossier, and DeSoto Parish (as of June 2003)
Sources: U.S. Census; City of Shreveport.

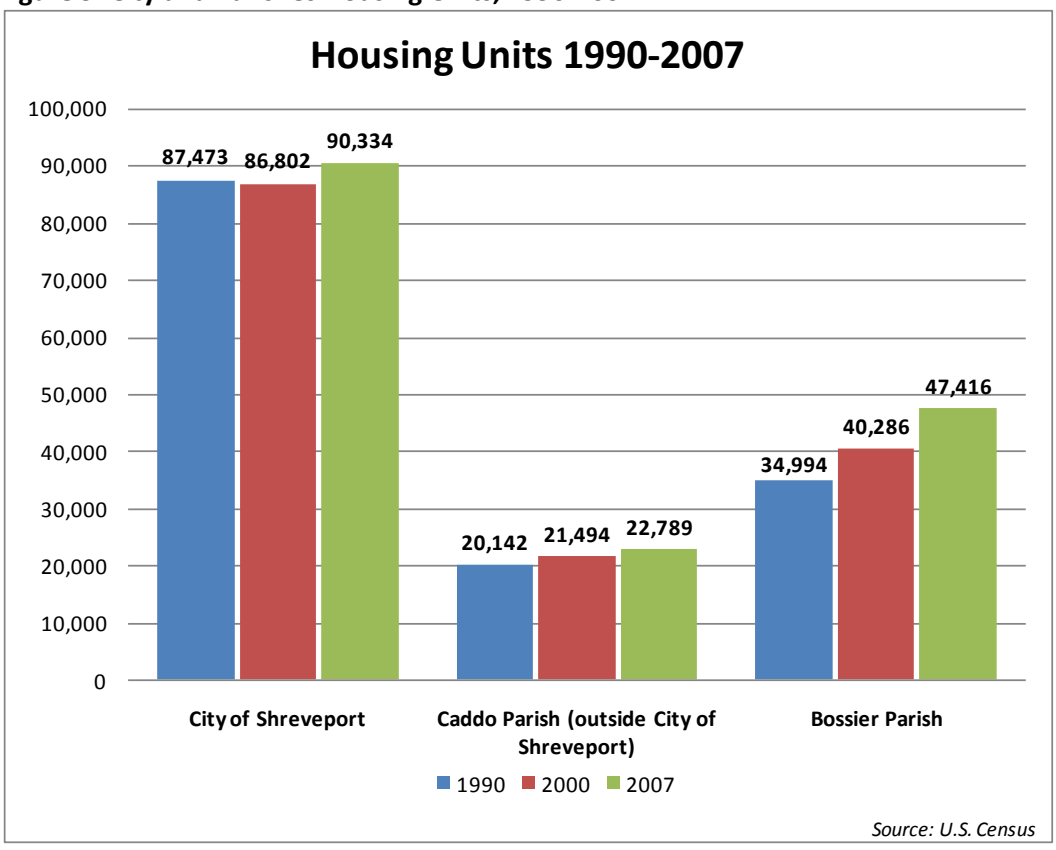
Figure 8. Share of Population within the Metropolitan Statistical Area (MSA), 1980-2008



Housing

While population has essentially remained flat over the years, the number of housing units in the City of Shreveport has increased from 2000 to 2007, after a decline from 1990 to 2000. From 1990 to 2007, the number of housing units has increased by about 3 percent, from 87,473 to 90,334. In Caddo Parish outside the City of Shreveport, the number of housing units has increased by 13 percent from 20,142 in 1990 to 22,789 in 2007. In contrast, Bossier Parish housing unit growth has increased significantly by 35 percent since 1990 to 2007, with a net increase of 12,422 units. The net increase in Bossier Parish is over twice that of the net increase in Caddo Parish (including the City of Shreveport).

Figure 9. City and Parishes Housing Units, 1990-2007



It is also instructive to look at occupancy status for the City and Caddo and Bossier Parishes. It is interesting to note that vacancy status for each locality over the time period 1990 to 2007 has remained the same for the most part. In 1990, all jurisdictions saw an increase in occupied units to around 90 percent of the housing stock. In 2007, the estimates show a decrease to 1990 levels, albeit by only a few percentage points. In fact in 2007, all jurisdictions show the same rates at 88 percent occupied and 12 percent vacant. It is also interesting to note the absolute and

percentage changes from 1990 to 2007. The City of Shreveport and Caddo Parish decreased in vacant units by 7 and 5 percent respectively. Looking at Caddo Parish outside the City, vacant units increased over the same time period. It may be that efforts in the City to clear blighted properties contributed to this.

Figure 10. City and Parishes Housing Unit Occupancy and Vacancy Status, 1990-2007

		1990*		2000*		2007**		1990-2007	
		Housing Units	%	Housing Units	%	Housing Units	%	Increase/(Decrease)	% Inc/Dec
Shreveport	Occupied	75,645	86%	78,662	91%	79,384	88%	3,739	5%
	Vacant	11,828	14%	8,140	9%	10,950	12%	(878)	-7%
	Total	87,473	100%	86,802	100%	90,334	100%	2,861	3%
Caddo Parish Total	Occupied	93,248	87%	97,974	90%	99,450	88%	6,202	7%
	Vacant	14,367	13%	10,322	10%	13,673	12%	(694)	-5%
	Total	107,615	100%	108,296	100%	113,123	100%	5,508	5%
Caddo Parish (Outside City)	Occupied	17,603	87%	19,312	90%	20,066	88%	2,463	14%
	Vacant	2,539	13%	2,182	10%	2,723	12%	184	7%
	Total	20,142	100%	21,494	100%	22,789	100%	2,647	13%
Bossier Parish	Occupied	30,718	88%	36,628	91%	41,900	88%	11,182	36%
	Vacant	4,276	12%	3,658	9%	5,516	12%	1,240	29%
	Total	34,994	100%	40,286	100%	47,416	100%	12,422	35%

** US Census 1990, 2000*

*** US Census 2007 American Community Survey 1-Year Estimate (via LSUS Center for Business and Economic Research)*

Looking at owner- versus renter-occupied households for the City of Shreveport compared to Caddo and Bossier Parishes from 1990 to 2007, a trend of decreasing ownership emerges for the City and Caddo Parish. The City of Shreveport experienced a one percent decrease in owner-occupied units from 1990 to 2007 and a 13 percent increase in renter-occupied units. Caddo Parish outside of the City experienced an increase in both owner and rental units, however renter-occupied units increased by 30 percent from 1990-2007—over twice the average household increase. Bossier Parish remained stable regarding the share of owner versus renter-occupied units with the 2007 inventory reflecting the same allocation as in 1990. Overall, owner and rental units increased by the same percentage as households overall.

Figure 11. City and Parishes Tenure (Owner- and Renter-Occupied Status), 1990-2007

		1990*		2000*		2007**		1990-2007	
		Households	%	Households	%	Households	%	Increase/(Decrease)	% Inc/Dec
Shreveport	Owner-Occupied	45,768	61%	46,448	59%	45,519	57%	(249)	-1%
	Renter-Occupied	29,877	39%	32,214	41%	33,865	43%	3,988	13%
	Total	75,645	100%	78,662	100%	79,384	100%	3,739	5%
Caddo Parish Total	Owner-Occupied	60,067	64%	62,547	64%	61,287	62%	1,220	2%
	Renter-Occupied	33,181	36%	35,427	36%	38,163	38%	4,982	15%
	Total	93,248	100%	97,974	100%	99,450	100%	6,202	7%
Caddo Parish (Outside City)	Owner-Occupied	14,299	81%	16,099	83%	15,768	79%	1,469	10%
	Renter-Occupied	3,304	19%	3,213	17%	4,298	21%	994	30%
	Total	17,603	100%	19,312	100%	20,066	100%	2,463	14%
Bossier Parish	Owner-Occupied	20,477	67%	25,452	69%	27,919	67%	7,442	36%
	Renter-Occupied	10,241	33%	11,176	31%	13,981	33%	3,740	37%
	Total	30,718	100%	36,628	100%	41,900	100%	11,182	36%

** US Census 1990, 2000*

*** US Census 2007 American Community Survey 1-Year Estimate (via LSUS Center for Business and Economic Research)*

Note: Households are occupied housing units

In addition to looking at housing unit growth and household characteristics, it is also useful to look at building and demolition permit trends in the City. In recent years, the City has been proactive in removing blighted structures. Per City staff, activity has increased in the past two years with the demand for removal for the next budget year exceeding the funds appropriated. The need for and level of demolition of structures is often an indicator of disinvestment, particularly when redevelopment does not occur.

From 2000-2009, a total of 4,807 residential building permits were issued along with 1,983 demolition permits, resulting in a net increase of residential units of 2,824. This equates to approximately 207 demolished units per year—just under half the number of new units permitted. Further detail is shown in Figure 12.

Figure 12. City of Shreveport Residential Building and Demolition Permits, 2000-2009

	Residential Building Permits	*Residential Demolition Permits*	*Net New Units*
2000-2009*	4,807	1,983	2,824
Average Annual	*502*	*207*	*295*

** Through Aug 5, 2009*

Source: City of Shreveport

Commercial building and demolition permits show a similar pattern with 638 building permits issued and182 demolition permits during 2000 to 2009 for a new increase of 456 structures. Detail is shown in Figure 13.

Figure 13. City of Shreveport Commercial Building and Demolition Permits, 2000-2009

	Commercial Building Permits	***Commercial Demolition Permits***	***Net New Structures***
2000-2009*	638	182	456
Average Annual	*67*	*19*	*48*

** Through Aug 5, 2009*

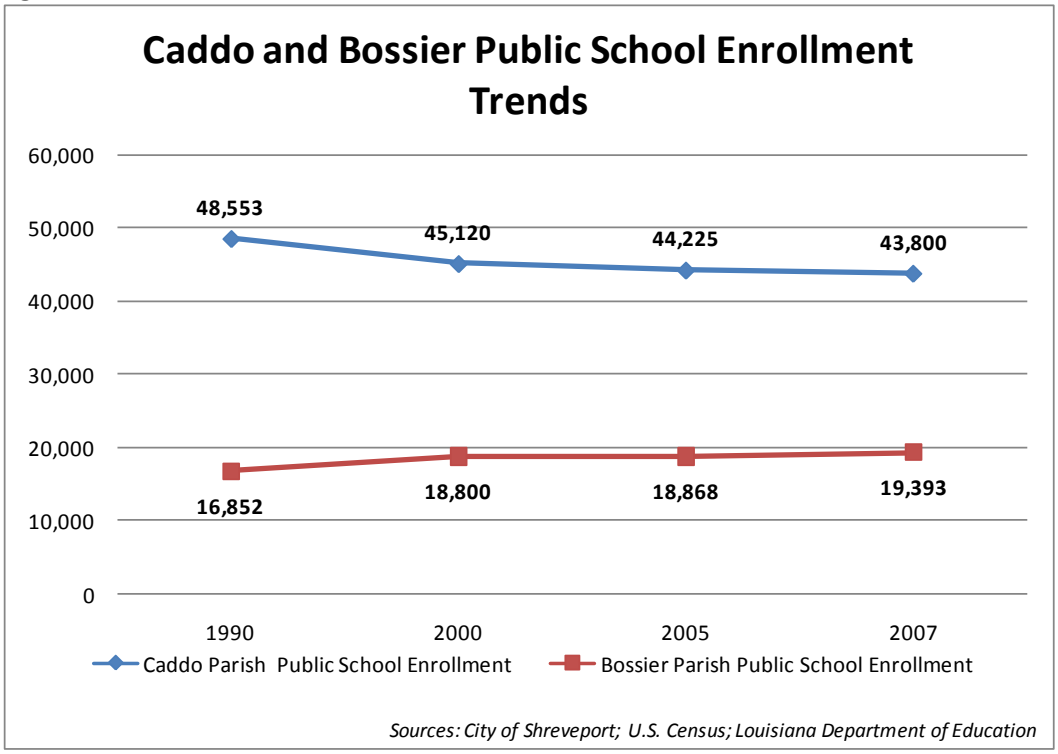
Source: City of Shreveport

As noted above, removal of blight without subsequent redevelopment is an indicator of disinvestment. A significant barrier to redevelopment in the City is the time requirements to convey property. Based on discussions with City staff, a minimum of five years is required to transfer full ownership (due to State law). An existing property owner has three years to return and pay back taxes and other accumulated costs after the property has been adjudicated. After the three-year period, the process begins for a tax sale of the property. The entire process can take more than 5 years, thus impeding reuse of vacant property. There have been some recent examples of property reuse in the City such as Millennium-Ledbetter Film Studio upcoming construction on vacant property that was assembled by the City and other residential development on formerly blighted property.

School Enrollment

Another demographic factor worth reviewing is public school enrollment trends. Enrollment data for Caddo and Bossier Parishes is shown in Figure 14. As shown, Caddo Parish public school enrollment has decreased from 48,553 in 1990 to 43,800 in 2007, a ten percent decrease. Bossier Parish public school enrollment has increased from 16,852 in 1990 to 19,393 in 2007, a 15 percent increase.

Figure 14. Public School Enrollment in Caddo and Bossier Parishes, 1990-2007



Race

Comparing the racial composition of Shreveport, Caddo Parish and Bossier Parish over time provides additional information regarding trends in the City. Since 1990, all jurisdictions have increased their share of non-white population. As of 2007, the City of Shreveport has a majority minority population with 57 percent of the population non-white. Figure 15 provides further detail.

Figure 15. Racial Composition

	1990*			2000*			2007**		
	Shreveport	*Caddo Parish*	*Bossier Parish*	*Shreveport*	*Caddo Parish*	*Bossier Parish*	*Shreveport*	*Caddo Parish*	*Bossier Parish*
White	54%	59%	78%	47%	53%	75%	43%	49%	73%
Black/African Amer	45%	40%	20%	51%	45%	21%	53%	47%	22%
Other	1%	1%	2%	2%	2%	3%	3%	2%	3%
Two or More Races [a]	n/a	n/a	n/a	1%	1%	2%	1%	1%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

** US Census, via LSUS Center for Business and Economic Research*

*** US Census American Community Survey 2007, via LSUS Center for Business and Economic Research*

[a] Category added in 2000 Census

DEVELOPMENT PATTERNS

City Incorporated Area

The City of Shreveport's incorporated land area has increased from 96.88 square miles in 1980 to 122.54 today. This reflects an increase of approximately 26 square miles, which is a 26 percent increase in just under 30 years.

Figure 16. City of Shreveport Land Area 1980-2009

	Land Acres	Water Acres	Total Acres	Total Sq. Mi. (Land and Water)	Net Increase Ttl Sq. Mi.
1980	51,875	10,128	62,003	96.88	n/a
1990	62,571	10,395	72,967	114.01	17.13
2000	65,082	10,395	75,477	117.93	3.92
2001	65,513	10,395	75,909	118.61	0.68
2002	65,867	10,395	76,262	119.16	0.55
2003	66,101	10,411	76,513	119.55	0.39
2004	66,677	10,411	77,088	120.45	0.90
2005	67,723	10,411	78,135	122.09	1.64
2006	67,759	10,411	78,171	122.14	0.06
2007	67,954	10,411	78,366	122.45	0.31
2008	67,955	10,411	78,367	122.45	0.00
2009*	68,017	10,411	78,428	122.54	0.10

Total Sq. Mi. Increase 1980 to 2009	***26***
Percentage Increase 1980 to 2009	***26%***

** As of July 31, 2009 (last recorded annexation of 5/13/09)*

Source: City of Shreveport, LA

Population Density

Although the City of Shreveport's land area has increased 26 percent since 1980 through annexation, the City's population has remained relatively stable at around 200,000. As a result, population density has decreased steadily from 2,124 persons per square mile in 1980 to 1,634 persons per square mile today. As population remains stable but land area increases, services and infrastructure—and accompanying costs—need to be expanded to serve those new areas.

This tends to be an inefficient land use pattern from a fiscal perspective particularly if there are facilities with excess capacity in the City's core. Figure 17 compares City population (shown in 1,000s) to land area from 1980 to 2008. As shown, population has decreased slightly from 1980 with a leveling off through the 1990s and 2000s. In contrast, incorporated land area has increased over the same time period.

Figure 17. City of Shreveport Population Compared to Land Area

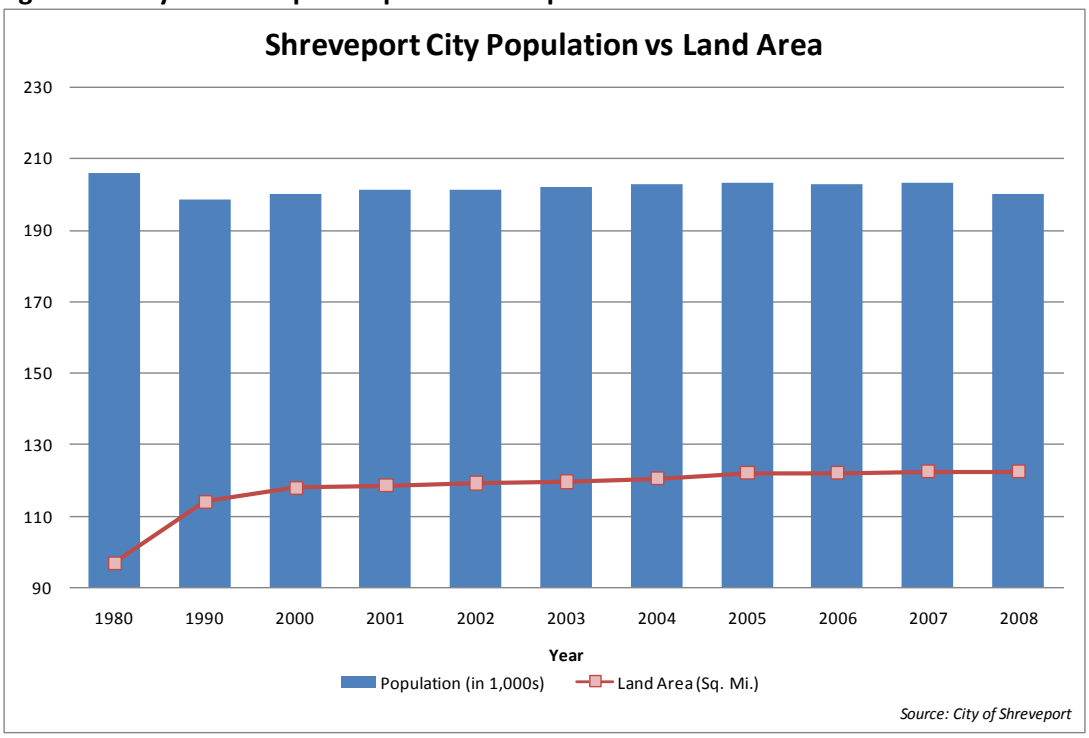
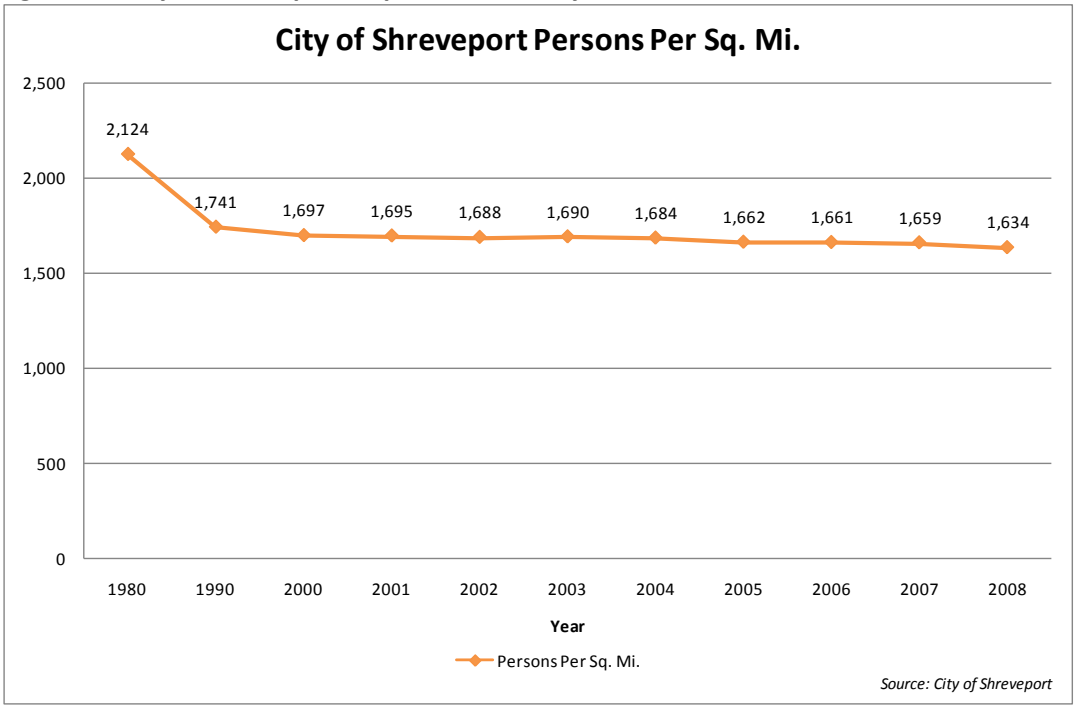


Figure 18 shows City population density (expressed as persons per square mile) from 1980 to 2008. As shown and as discussed above, population density has steadily decreased from 2,124 in 1980 to 1,634 in 2008. This is a 23 percent decrease. This is a relatively low density for an urban area.

Figure 18. City of Shreveport Population Density



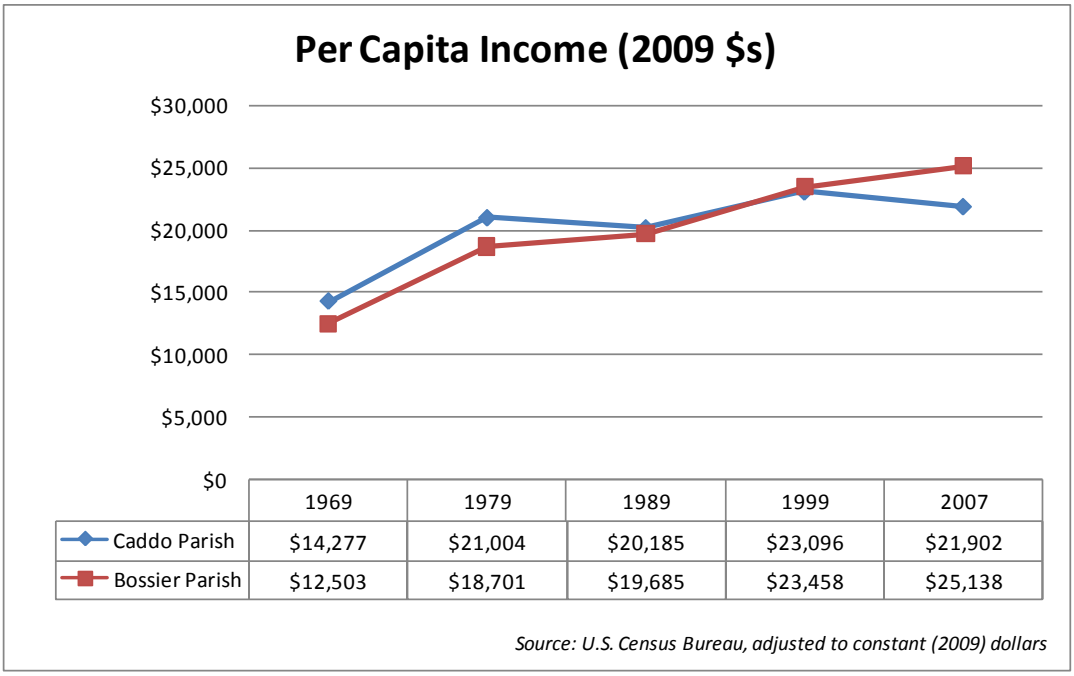
ECONOMIC FACTORS

Major industries in Shreveport and the region are the oil and gas industry, gaming industry, government, and health sciences. An analysis of economic-related factors is provided in this section including per capita income, house values, employment, and commuting patterns.

Per Capita Income

Per capita incomes over time have leveled off in recent years in Caddo Parish and increased steadily in Bossier Parish. Most recent per capita data indicates $21,902 for Caddo and $25,138 for Bossier (expressed in inflation-adjusted 2009 dollars). Caddo Parish's figure reflects a decrease from 1999. Detail is provided in Figure 19.

Figure 19. Per Capita Incomes for Caddo and Bossier Parishes (2009 $s)



	1969	1979	1989	1999	2007
Caddo Parish	$14,277	$21,004	$20,185	$23,096	$21,902
Bossier Parish	$12,503	$18,701	$19,685	$23,458	$25,138

Source: U.S. Census Bureau, adjusted to constant (2009) dollars

House Values

Median house values have increased over time, particularly since 2000. The City of Shreveport's median value for owner-occupied units is approximately $113,000, which is slightly higher than Caddo Parish as a whole and lower than Bossier Parish. However, the increase in values from 2000-07 in the City of Shreveport was higher than the two parishes, 23 percent for Shreveport as compared to 19 percent in Caddo Parish and 15 percent in Bossier Parish. This may be

attributed to annexations rather than reinvestment in the core. Details are provided in Figure 20 with values that have been adjusted for inflation for ease of comparison from one year to the other.

Figure 20. Median Values of Owner-Occupied Housing Units (2009 $s)

	Shreveport	*Caddo Parish*	*Bossier Parish*
1990	$90,435	$91,591	$100,668
2000	$91,688	$94,068	$109,725
2007	$112,766	$111,622	$126,185
% Chg (1990-2000)	***1%***	***3%***	***9%***
% Chg (2000-2007)	***23%***	***19%***	***15%***

Source: U.S. Census Bureau, adjusted to constant (2009) dollars

Employment

Estimated employment (jobs located in the respective parish) from Woods & Poole Economics, Inc., for 1970 to 2008 are shown in Figure 21. Data is provided for Caddo, Bossier, and DeSoto Parishes as well as total combined.[19] As indicated, while Caddo Parish houses the majority of jobs in the region, its share of regional employment has fallen from 77 percent in 1970 to 70 percent in 2008. This indicates a trend of out-migration of employment from the traditional employment center.

Figure 21. Jobs in Shreveport Region, 1970-2008

	Caddo Parish Jobs	*Bossier Parish Jobs*	*DeSoto Parish Jobs*	*Shreveport-Bossier MSA* Jobs*	*Caddo Parish as % of MSA Jobs*
1970	105,974	24,893	6,857	137,724	77%
1980	140,731	32,522	8,736	181,989	77%
1990	134,793	37,846	8,008	180,647	75%
2000	149,714	54,255	9,235	213,204	70%
2005	158,924	58,228	9,487	226,639	70%
2008	164,746	61,642	9,504	235,892	70%

** Data reflect current MSA definition with Caddo, Bossier, and DeSoto Parish (as of June 2003)*

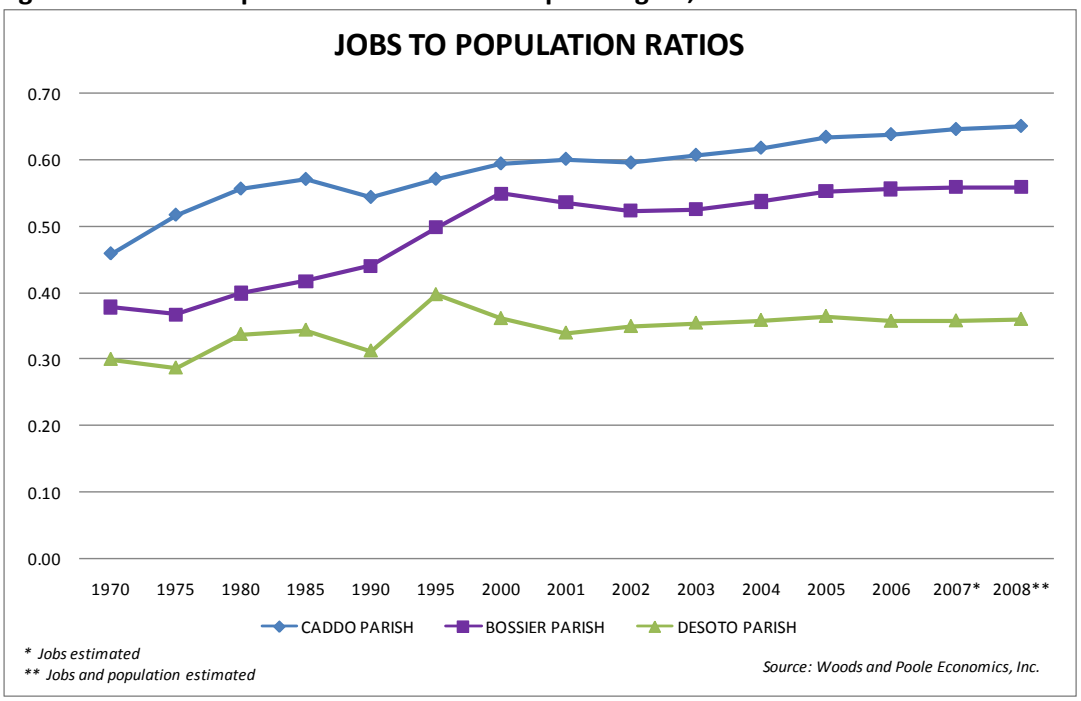
Source: Woods & Poole Economics, Inc.

[19] Data for the City of Shreveport alone are not available.

Jobs to Population Ratios

A job-to-population ratio can provide insight into changes in a local economy. In general, a higher ratio indicates an employment center and a lower ratio typically indicates a bedroom community. An increasing trend is a positive sign, particularly in a place like Caddo Parish where population is essentially flat or growing slowly but employment continues to grow. As shown, Caddo Parish has the highest ratio of the three parishes in the region and continues an increasing trend. Bossier Parish has also seen an increase in its ratio from a low of .37 to a high of .56 jobs to population. DeSoto Parish has seen only minimal increases in its ratio. Detail is provided in Figure 22.

Figure 22. Job-to-Population Ratios in Shreveport Region, 1970-2008



Commuting Patterns

Commuting patterns provide further insight into the regional economy especially looking at changes over time. Caddo Parish commuters have predominantly worked within Caddo Parish with a peak in 1990 of 90 percent of commuting residents working where they lived. The share has decreased since then with an estimate from 2000 of 84 percent. At the same time, there has been an increase of Caddo Parish residents commuting to Bossier Parish. However, the share of Bossier Parish commuters traveling to Caddo Parish has increased since 1970, from 30 percent of total Bossier commuters to 41 percent in 2000. In addition, DeSoto commuters are

increasingly traveling to Caddo Parish as well. These are positive indicators for Caddo Parish reflecting a continued trend of Caddo Parish as the employment center of the region. Further detail is provided in Figure 23.

Figure 23. Commuting Patterns among Caddo, Bossier, and DeSoto Parishes

County of Residence	*County of Work*	Number of Commuters				% of Commuters			
		1970	*1980*	*1990*	*2000*	*1970*	*1980*	*1990*	*2000*
Caddo, LA	Caddo, LA	67,018	95,915	86,329	86,545	82%	90%	87%	84%
Caddo, LA	Bossier, LA	5,213	6,826	9,157	14,459	6%	6%	9%	14%
Caddo, LA	Outside Caddo and Bossier Parishes	9,095	4,277	3,510	2,478	11%	4%	4%	2%
	TOTAL	81,326	107,018	98,996	103,482	100%	100%	100%	100%
Bossier, LA	Bossier, LA	12,140	19,327	21,740	25,030	56%	54%	56%	56%
Bossier, LA	Caddo, LA	6,439	15,145	15,270	18,385	30%	42%	39%	41%
Bossier, LA	Outside Bossier and Caddo Parishes	2,973	1,320	1,748	1,631	14%	4%	5%	4%
	TOTAL	21,552	35,792	38,758	45,046	100%	100%	100%	100%
De Soto, LA	De Soto, LA	4,311	5,207	4,996	4,604	70%	62%	59%	50%
De Soto, LA	Caddo, LA	951	2,019	2,267	3,560	15%	24%	27%	38%
De Soto, LA	Bossier, LA	32	35	192	384	1%	0%	2%	4%
De Soto, LA	Outside DeSoto, Caddo, Bossier Parishes	892	1,168	1,011	711	14%	14%	12%	8%
	TOTAL	6,186	8,429	8,466	9,259	100%	100%	100%	100%

Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

FISCAL FACTORS

The analysis examined preliminary fiscal-related factors based on a review of City Budgets, Comprehensive Annual Financial Reports, and other relevant documents as well as discussions with City staff. The results of this reconnaissance are provided in this section.

City Revenue Trends

City of Shreveport revenues were examined from 1990 to 2008, including the General Fund, Special Revenue Funds, and Debt Service Funds (as reported in City Comprehensive Annual Financial Reports (CAFR)). When adjusted for inflation to constant dollars, revenues have decreased in recent years from a high of approximately $263 million in 2006 to $248 million in 2008. Figure 24 provides further detail.

Figure 24. City of Shreveport Revenue Trends, 1990-2008 (2009 $s)

	City of Shreveport Revenues (2009$)
1990*	$188,051,900
2000	$246,075,410
2001	$252,488,820
2002	$237,043,920
2003**	$249,477,420
2004	$251,094,580
2005	$255,996,030
2006	$262,926,080
2007	$251,633,820
2008	$248,021,140

Note: Includes general, special revenue, and debt service funds

* Prior to gaming revenues

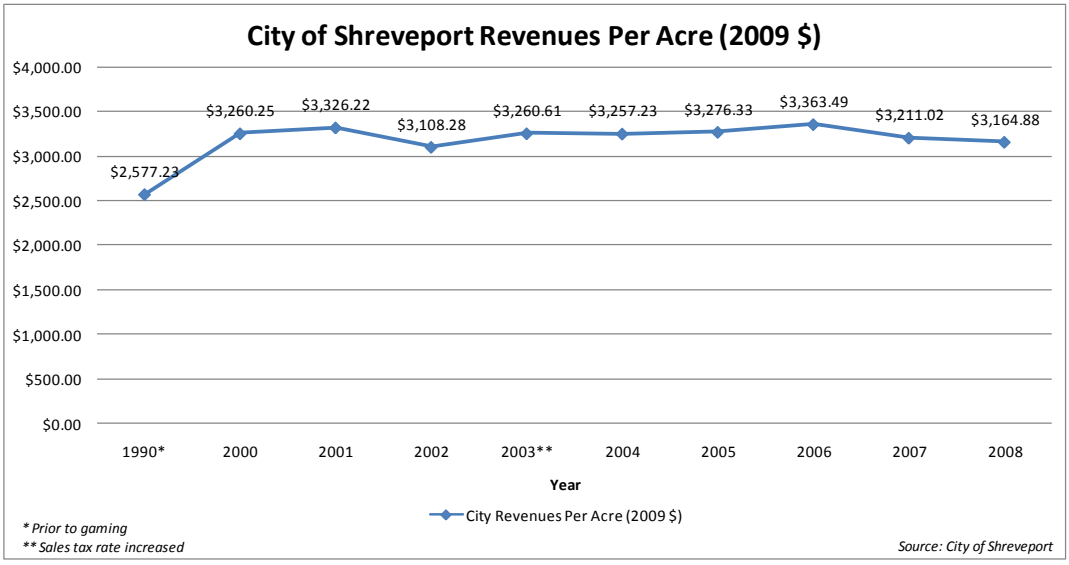
** Sales tax rate increased

Source: City of Shreveport CAFRs

It is also instructive to look at trends in revenues per acre of City land. City governmental revenues per acre have remained essentially flat, when adjusted to constant dollars, and show a decreasing trend in recent years. Looking at City revenues per acre of land in the City since 1990, revenue generation increased between 1990 and 2000, in part due to the addition of gaming revenues, but has essentially remained flat or decreased since 2000 to 2008. This is true even with an increase in the sales tax rate in 2003. Because land area has increased over time and revenues have remained essentially flat, per acre revenues have decreased. This indicates

that the City's resources are being stretched thin as expenditures increase but available resources remain flat. Further detail is provided in Figure 25.

Figure 25. City of Shreveport Revenues per Acre (2009 $s)



Retail Sales

As noted elsewhere, the City of Shreveport's main General Fund revenue source is sales tax representing 58 percent of the General Fund. Since 1980, Caddo Parish's share of two-county retail sales has steadily decreased over time from 81 percent to 69 percent, while Bossier Parish's share has increased from 19 percent to 31 percent. This indicates a leakage trend in retail sales from Caddo to Bossier Parish, thus diminishing an important revenue source for City operations.

Figure 26. Retail Sales in Caddo and Bossier Parishes (2009 $s, in $1,000s)

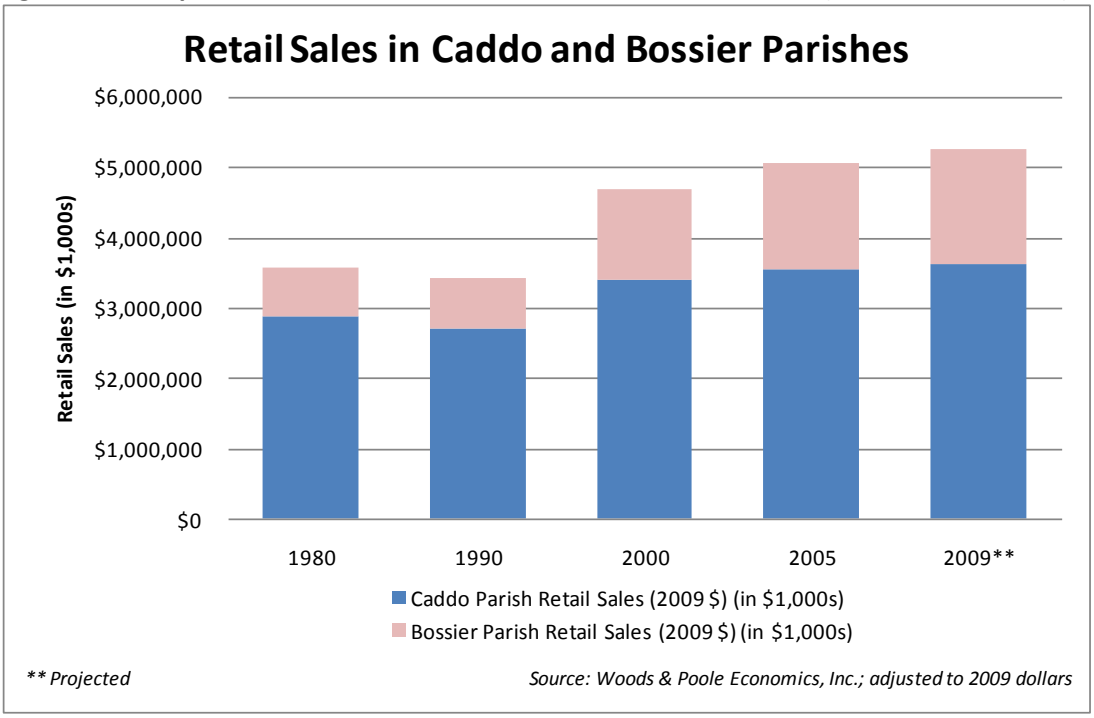
	Caddo Parish Retail Sales (2009 $) (in $1,000s)	*Bossier Parish Retail Sales (2009 $) (in $1,000s)*	*Two-Parish Total Retail Sales (2009 $) (in $1,000s)*	*Caddo Parish % of Total*	*Bossier Parish % of Total*
1980	$2,887,920	$671,240	$3,559,160	81.1%	18.9%
1990	$2,697,980	$732,610	$3,430,590	78.6%	21.4%
2000	$3,385,230	$1,305,680	$4,690,910	72.2%	27.8%
2001	$3,358,840	$1,336,730	$4,695,570	71.5%	28.5%
2002	$3,337,060	$1,372,230	$4,709,290	70.9%	29.1%
2003	$3,371,210	$1,403,040	$4,774,250	70.6%	29.4%
2004	$3,468,240	$1,463,480	$4,931,720	70.3%	29.7%
2005	$3,546,310	$1,517,770	$5,064,080	70.0%	30.0%
2006	$3,581,270	$1,547,470	$5,128,740	69.8%	30.2%
2007	$3,590,850	$1,572,110	$5,162,960	69.6%	30.4%
2008*	$3,577,890	$1,588,070	$5,165,960	69.3%	30.7%
2009**	$3,621,760	$1,629,380	$5,251,140	69.0%	31.0%

** Estimated*

*** Projected*

Source: Woods & Poole Economics, Inc.; adjusted to 2009 dollars using average CPI

Figure 27. Comparison of Retail Sales in Caddo and Bossier Parishes (2009 $s, in $1,000s)



*** Projected*

Source: Woods & Poole Economics, Inc.; adjusted to 2009 dollars

Sales Tax Revenues

Sales tax revenues in the City of Shreveport have generally increased over time since 2002, aided in part by a sales tax rate increase in 2003. Recent trends in sales tax revenues to the City's General Fund are shown below in Figure 28. As shown, retail sales tax revenues were essentially flat prior to 2002 due to a lack of growth and the overall economy. According to the City's Comprehensive Annual Financial Reports, the City has benefited fiscally from retail outlets that have opened in recent years.

Figure 28. City of Shreveport Sales Tax Revenues, 2000-2008 (current dollars)

	City of Shreveport Sales Tax Revenues
2000	$75,548,503
2001	$75,481,654
2002	$75,971,486
2003	$82,343,007
2004	$87,911,418
2005	$93,713,711
2006*	$102,154,326
2007	$105,404,839
2008	$109,226,148

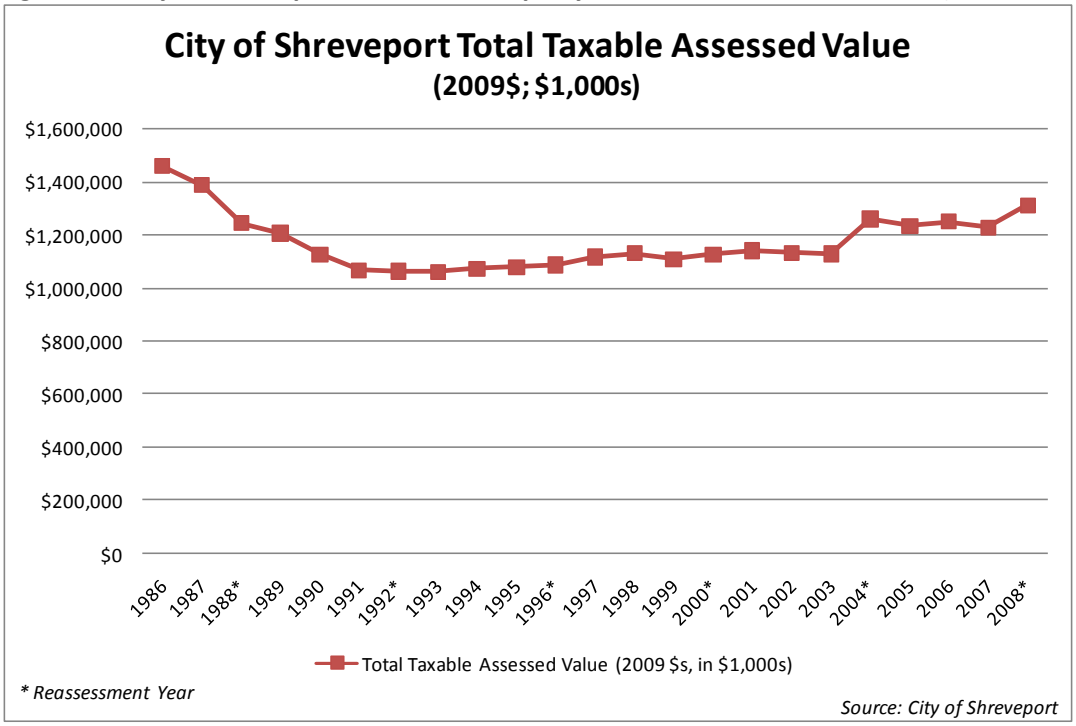
** Without one-time receipts*

Source: City of Shreveport CAFRs

Assessed Values

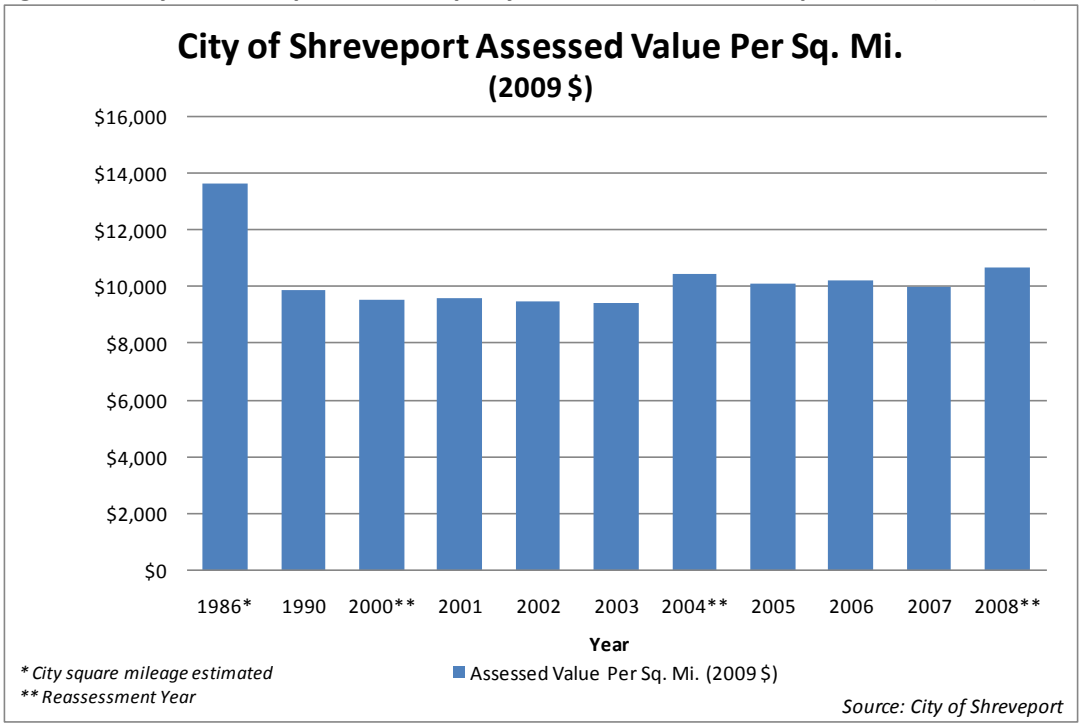
Taxable assessed values in the City of Shreveport have generally decreased over the last 23 years, with the exception of a slight increasing trend in recent years. Figure 29 provides assessed value data for 1986 to 2008, expressed in constant 2009 dollars (in $1,000s). As shown, 1986 represents the peak valuation for the years shown at $1.47 million and 1993 represents the low point at $1.06 million. Current assessable value in the City is estimated at $1.31 million. Property is reassessed every four years and accounts for slight increases in those years.

Figure 29. City of Shreveport Total Real Property Assessed Values, 1986-2008 (2009 $s, in $1000s)



When looking at assessed values per square mile, shown in Figure 30, values have generally decreased in the City over time, with the exception of 2004 and 2008. However, this is likely attributable to reassessments as opposed to growth of the real property base. While property taxes only make up 12 percent of the General Fund, an additional property tax millage is collected to pay for debt service, providing an important revenue source for capital improvements. The declining trend in the City's assessable base indicates a disinvestment trend in the City as well as declining revenues to support operations and capital improvements.

Figure 30. City of Shreveport Real Property Assessed Values Per Square Mile (2009 $s)



Gaming Revenues

Another component of the City's revenue stream is gaming revenues. As shown in Figure 31, gaming revenues peaked in 2002 and have remained essentially flat at approximately $12 to $13 million per year.

Figure 31. City of Shreveport Gaming Revenues, 2000-2008 (current dollars)

	City of Shreveport Gaming Revenues
2000	$7,209,309
2001	$14,819,542
2002	$15,052,411
2003	$13,754,595
2004	$12,891,549
2005	$11,617,496
2006	$12,273,760
2007	$12,366,888
2008	$12,931,726

Source: City of Shreveport CAFRs

The issue with relying on gaming revenues to fund services in the City is stated as follows in the FY2008 City Comprehensive Annual Financial Report:

> *For many years, gaming revenues were considered a limitless source of revenue to meet various needs. While the casino industry is still a vital part of the local economy, it is unlikely that there will be strong growth in gaming revenues in the near future. These revenues have been pledged to pay debt, to pay the Convention Center expenses not covered by revenues, as transfers to the General Fund and civic appropriations. Hard choices will have to be made as to how to utilize gaming revenues in the future.*[20]

Debt Per Capita

The City has outstanding General Obligation debt, backed by property tax revenue as well as debt incurred for Business-Type Activities, which are primarily revenue bonds to be paid by revenue generated from those activities. Water and sewerage fund is an example of Business-Type Activities with bonds paid back through utility rates and fees. Over the last 12 years, general obligation debt per capita has increased to a peak in 2003 and then steadily decreased over the last few years. In comparison, debt per capita for *all funds combined* has shown an increasing trend over the same time period with the last few years leveling off somewhat around $3,000 per person in the City. As capital needs grow without growth in the tax base or other revenue sources, the pressure on existing residents and businesses to fund these improvements increases. The alternative is deferred capital improvements thus diminishing services and quality of life.

Figure 32. City of Shreveport Debt Per Capita

	City of Shreveport General Obligation Bonded Debt $ Per Capita	*City of Shreveport All Funds Outstanding Debt* $ Per Capita*
1997	$750	$1,503
1998	$803	$1,945
1999	$1,001	$2,548
2000	$1,295	$2,637
2001	$1,342	$2,685
2002	$1,240	$2,577
2003	$1,305	$2,671
2004	$1,187	$2,716
2005	$1,100	$3,163
2006	$989	$3,061
2007	$871	$3,063
2008	$748	$3,019

** Includes Governmental and Business Type Activities (i.e., airports, water and sewer, convention center)*
Source: City of Shreveport Comprehensive Annual Financial Reports

[20] City of Shreveport, *FY2008 Comprehensive Annual Financial Report*, p. 4.

School Fiscal Factors

Although school funding is outside of the City's budget, trends in school revenues in the region and compared to the state as a whole provide additional insight on changing economic and fiscal conditions. Figure 33 shows revenues per pupil for Caddo and Bossier Parish as well as the state average. As shown, revenues per pupil have increased for both parishes as well as the state.

What is interesting to note is the percentage increase in *local funding*. While Caddo Parish local funding increased by 38 percent from 2001-02 to 2006-07, Bossier Parish increased by 61 percent. Further, as State dollars to local school districts decrease, the burden falls to the locality to make up the difference. The alternative is lower overall funding, which implies a decreasing level of service. (It should be noted that State Average revenue figures include special funding due to Hurricane recovery efforts.)

Figure 33. School Revenues Per Pupil by Source for Caddo and Bossier Parishes and State Average

	Caddo Parish				Bossier Parish				State Average			
	Revenue ($s) Per Pupil by Source				***Revenue ($s) Per Pupil by Source***				***Revenue ($s) Per Pupil by Source***			
Fiscal Year	*Federal*	*State*	*Local*	*Total*	*Federal*	*State*	*Local*	*Total*	*Federal*	*State*	*Local*	*Total*
2001-02	$810	$3,680	$2,862	$7,352	$602	$3,366	$2,598	$6,566	$914	$3,498	$2,797	$7,209
2006-07	$1,217	$4,539	$3,962	$9,718	$897	$4,071	$4,176	$9,144	$1,621	$4,384	$4,306	$10,311
% Increase	50%	23%	38%	32%	49%	21%	61%	39%	77%	25%	54%	43%
	Percent Share by Source				***Percent Share by Source***				***Percent Share by Source***			
2001-02	11%	50%	39%	100%	9%	51%	40%	100%	13%	49%	39%	100%
2006-07	13%	47%	41%	100%	10%	45%	46%	100%	16%	43%	42%	100%

Source: Louisiana Department of Education

PUBLIC SERVICES & INFRASTRUCTURE

Overview

As noted elsewhere in this report, research has shown that sprawling, low-density development patterns are more costly to local governments. This is due in large part to the need for additional capital facilities—and the associated costs to operate those facilities—in areas that are not yet served by existing infrastructure. In many cases, existing infrastructure has existing capacity to serve new development in closer-in locations thus providing a cost-savings to the local government.

It is instructive to look at the City of Shreveport expenditures over time to provide some context for this discussion. Expenditures per capita have essentially remained flat when adjusted to 2009 dollars, which is expected given the revenue limitations discussed elsewhere in this report. A summary of City expenditures from 1997 to 2008—including General Fund and Debt Service payments—is provided in Figure 34. As shown, the level of expenditure per capita is essentially the same in 2008 as it was ten years ago.

The preliminary finding from this factor may be misleading, however. The City is limited in its spending—and thus its levels of service—due to the revenues available, rather than the needs of citizens and businesses. According to anecdotal evidence, geographic dispersal of facilities and services is straining resources potentially at the expense of inner core neighborhoods. An empirical fiscal analysis of service needs and expenditures would identify if this is occurring.

Figure 34. City of Shreveport Expenditures Per Capita, 1997-2008 (2009 $s)

	*City Expenditures**	*Population*	*City Expenditures Per Capita (2009 $s)*
1997	$249,133,320	201,568	$1,236
1998	$272,906,270	201,325	$1,356
1999	$279,690,550	201,500	$1,388
2000	$296,226,390	200,145	$1,480
2001	$271,653,630	201,059	$1,351
2002	$255,603,020	201,100	$1,271
2003	$261,254,770	202,096	$1,293
2004	$333,310,690	202,851	$1,643
2005	$308,244,500	202,938	$1,519
2006	$274,390,030	202,851	$1,353
2007	$263,657,420	203,145	$1,298
2008	$255,951,260	200,031	$1,280

** Includes Debt Service*

Source: City of Shreveport CAFRs

Further discussion of major City services is provided below.

Operational Services (Public Works)

Given empirical data for certain types of infrastructure in the City, facilities have expanded to serve development at the periphery. While population has remained around 200,000, the amount of street mileage, water mains, and sanitary sewers added to the City's system has increased over time. Since 1997, street miles have increased 28 percent, miles of water mains have increased 10 percent, and miles of sanitary sewers by 18 percent. While initial capital costs may have been borne by private development in some cases, the additional infrastructure in the City's system adds to annual operating and maintenance costs that have an aggregating effect over time. Figure 35 provides detail on growth in the above categories of infrastructure in the City of Shreveport since 1997 as well as the amount per capita.

Figure 35. Operational Services Infrastructure Factors

Year	Streets (Miles)	Water Mains (Miles)	Sanitary Sewers (Miles)	Shreveport Population	Streets (Miles Per 1,000 Persons)	Water Mains (Miles Per 1,000 Persons)	Sanitary Sewers (Miles Per 1,000 Persons)
1997	1,562	1,041	1,010	201,568	7.7	5.2	5.0
1998	1,563	1,041	1,011	201,325	7.8	5.2	5.0
1999	1,563	1,041	1,011	201,500	7.8	5.2	5.0
2000	1,563	1,049	1,018	200,145	7.8	5.2	5.1
2001	1,574	1,054	1,024	201,059	7.8	5.2	5.1
2002	1,564	1,060	1,030	201,100	7.8	5.3	5.1
2003	1,564	1,064	1,036	202,096	7.7	5.3	5.1
2004	1,564	1,072	1,044	202,851	7.7	5.3	5.1
2005	1,624	1,080	1,053	202,938	8.0	5.3	5.2
2006	1,998	1,089	1,063	202,851	9.8	5.4	5.2
2007	1,998	1,097	1,072	203,145	9.8	5.4	5.3
2008	1,998	1,144	1,196	200,031	10.0	5.7	6.0
% Chg (1997-2008)	*28%*	*10%*	*18%*				

Source: City of Shreveport CAFR FY08 and CAFR FY06

Water Facilities and Services

The City Water Department operates as an Enterprise Fund, which means that services and capital improvements are funded through user rates and fees. Accounts outside the City pay a higher rate than those inside City limits. According to anecdotal evidence, City water services are strained in three ways due to development and annexation on the edge of the City. First, additional capacity and water pressure is needed to support development primarily in the Southern area of the City. Second, additional water supplies will be needed in the near future to accommodate existing and future needs. Third, by annexing newly developed areas into the City, the rates paid by those users are lower than if they had not been annexed.

The need for improvements to serve the expanding service area has forced rates to be increased on **all users** and will likely need to continue in the future. The current City capital improvement program has a budget for water improvements at $104 million, which is a carry-over amount from previous years. There are no new water projects funded for 2009. However, conservative estimates for unfunded water improvement needs are an additional $600 million—six times the current capital program. These future needs are significant and further analysis on efficient use of existing infrastructure could help to decrease potential future costs.

Public Safety

Public Safety services include Police and Fire/Emergency Medical Services. While population has remained stable over time, demand for Public Safety services has increased—due to both an increase in calls for service as well as provision of augmented services as requirements and needs have changed in the post-9/11 world. As a result, the number of Public Safety personnel has increased over time and because population has remained approximately 200,000, the ratio of employees per 1,000 persons has grown. Data is shown in Figure 36.

Figure 36. City of Shreveport Public Safety FTEs Per 1,000 Persons

	City Public Safety Employees (FTE)	*City Population*	*FTE Per 1,000 Persons*
1997	1,200	201,568	6.0
1998	1,267	201,325	6.3
1999	1,268	201,500	6.3
2000	1,261	200,145	6.3
2001	1,268	201,059	6.3
2002	1,292	201,100	6.4
2003	1,299	202,096	6.4
2004	1,275	202,851	6.3
2005	1,305	202,938	6.4
2006	1,320	202,851	6.5
2007	1,316	203,145	6.5
2008	1,348	200,031	6.7

Source: City of Shreveport CAFRs

Fire/EMS Facilities and Services

A summary of Fire/EMS responses by station location for 2002 and 2008 is provided below in Figure 37. As growth has occurred on the periphery of the City, demands for Fire/EMS service have spread out from the core. To investigate this further, included below is an indication of whether the station is located outside the City's Inner Loop, used as a proxy to show demand for services outside the City's core. While overall responses increased by 24 percent throughout the system from 2002 to 2008, those stations outside the Inner Loop increased by 32 percent—8 percent higher than average. Inside the Inner Loop, the increase was less than average at 22 percent.

Figure 37. City of Shreveport Fire/EMS Responses by Station Location

		# of Responses		# Inc/Dec	% Inc/Dec	Outside
		2002	2008	2002-08	2002-08	Inner Loop
Station 1	263 N. Common	5,902	7,009	1,107	19%	
Station 2	4575 N. Market	558	848	290	52%	X
Station 3	1421 E. 70th	1,712	5,031	3,319	194%	
Station 4	2200 Milam	6,472	7,789	1,317	20%	
Station 5	240 E. Stoner	4,957	5,679	722	15%	
Station 6	2027 Davide Rines	3,249	3,723	474	15%	X
Station 7	751 Wilkinson	2,536	3,177	641	25%	
Station 8	3406 Velva	3,244	4,160	916	28%	
Station 9	7009 St. Vincent	7,445	8,998	1,553	21%	
Station 10	763 Oneonta	4,886	5,270	384	8%	
Station 11	3736 Youree	1,484	1,926	442	30%	
Station 12	6610 Woolworth	842	773	-69	-8%	X
Station 13	5915 W. 70th	1,055	4,039	2,984	283%	X
Station 14	3830 Greenwood	5,677	6,064	387	7%	
Station 15	3206 W. 70th	5,393	5,951	558	10%	
Station 16	5105 Hollywood	2,404	2,429	25	1%	
Station 17	2890 Southland Park	4,367	4,759	392	9%	X
Station 18	3501 Pines	1,078	943	-135	-13%	X
Station 19	9336 Ellerbe	3,286	3,805	519	16%	X
Station 20	804 E. Flournoy Lucas	1,312	1,839	527	40%	X
Station 21	7050 Challenger (Regl Airport)	95	157	62	65%	
	GRAND TOTAL	67,954	84,369	16,415	24%	

			# Increase	% Increase
	Outside Inner Loop	15,747	20,729	4,982	32%
	Inside Inner Loop	52,207	63,640	11,433	22%

Source: City of Shreveport Fire Department

Several fire station relocations and new stations are identified as part of the Fire Department's Master Plan. The rationale as stated in the Master Plan is a combination of the need to replace "older, outdated, and antiquated fire stations" as well as expansions due to expanded City boundaries. Specifically, "Due to past annexations . . . the Fire Department protects an even larger land area and a stable population. This poses the challenge of maintaining service levels in the face of increased demand over a larger area."[21] To serve development at the periphery, a new station (#22) was built in the southern area of the City. While the funds were available to build the station itself, it remained vacant and unstaffed for several months due to a lack of City funding for operations. This indicates a potentially unsustainable fiscal situation with lack of resources available to meet the needs of the expanding City.

The Master Plan identifies costs for the relocation of four existing stations as well as the addition of 2 new stations. Both of the two new stations (including the recently opened Station #22) are needed to serve development on the periphery of the City. The estimated one-time capital cost for the relocations and new stations is approximately $15 million. Estimated recurring operating costs for the two new stations are estimated at approximately $1.3 million per year, which includes staffing of one engine company only. Additional apparatus, such as a ladder truck and associated staffing, would be additional one-time and ongoing annual operating costs. However, as seen with Station 22, any additional stations will likely be difficult to staff due to systemic citywide funding issues. In addition, the City does not fund an infrastructure replacement fund, thus creating difficulties in replacing apparatus and vehicles that have surpassed their useful life.

Police

The City Police Department has one station and 13 police districts. The Department underwent a major district reorganization in 2006, making it difficult to compare year to year data by district location. Calls for service have remained relatively static at approximately 250,000 to 300,000 per year. Calls for service per capita reached a low in 2003 at 1.15 and peaked in 2006 at 1.81. For 2008, calls per capita were 1.41.

[21] *City of Shreveport Fire Department Master Plan, FY 2010-2014*

Figure 38. City of Shreveport Police Calls for Service, 1990-2008

	City Police Calls for Service	*City Population*	*City of Shreveport Police Calls for Service Per Capita*
1990	238,218	198,525	1.20
2000	265,458	200,145	1.33
2001	261,518	201,059	1.30
2002	235,069	201,100	1.17
2003	232,264	202,096	1.15
2004	248,530	202,851	1.23
2005	305,871	202,938	1.51
2006	366,778	202,851	1.81
2007	313,312	203,145	1.54
2008	282,970	200,031	1.41

Sources: City of Shreveport Police Department; U.S. Census

While numbers of calls for service have remained relatively flat, per discussions with Police staff, patrol efforts have been focused outward from the City's core particularly in the Southern part of the City where significant new retail development and population are located.

FISCAL IMPACT ANALYSIS OF THREE SCENARIOS

Shreveport Metropolitan Planning Commission of Caddo Parish, Louisiana

shreveport-caddo 2030
GREAT EXPECTATIONS
creating our future together

July 30, 2010

Prepared By:

TischlerBise
Fiscal, Economic & Planning Consultants

This report was prepared by TischlerBise and submitted to Goody Clancy & Associates as part of the Shreveport-Caddo 2030 Master Plan, also known as "Shreveport-Caddo 2030 Great Expectations: Creating Our Future Together." For more information, see www.shreveportcaddomasterplan.com.

July 2010

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FISCAL IMPACT ANALYSIS REPORT

Shreveport-Metropolitan Planning Commission

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EXECUTIVE SUMMARY

BACKGROUND

TischlerBise is part of a consultant team, headed by Goody Clancy & Associates, working with the Shreveport Metropolitan Planning Commission of Caddo Parish (MPC) to develop a comprehensive plan for the MPC area, the *Shreveport-Caddo 2030 Master Plan.* TischlerBise's role is to identify and analyze fiscal impacts of development patterns in the city and parish. Toward that end, a three-phase Fiscal Analysis is being conducted:

- Phase I: Identification of past and current trends in demographics, the local and regional economy, city finances, municipal services, and infrastructure. The Phase I report was completed in September 2009.
- Phase II: A fiscal impact analysis of potential future development scenarios as part of the Master Plan analyses. This report is the result of this phase.
- Phase III: Identification and analysis of revenue sources and implementation strategies to address infrastructure and operating needs in the City.

This document contains findings from the second phase of our efforts, Fiscal Impact Analysis of three growth scenarios. In general, a fiscal impact evaluation analyzes revenue generation and operating and capital costs to a jurisdiction to provide public services and facilities under a set of assumptions. All phases of the fiscal analysis are intended to provide the community, staff, and decision makers with information to identify and implement policies and practices that promote fiscally advantageous development patterns while achieving the goals set forth for the master plan.

Overview of Fiscal Impact Analysis

In general, a fiscal impact evaluation analyzes revenue generation and operating and capital costs to a jurisdiction associated with the provision of public services and facilities to serve new development—residential, commercial, industrial, or other.

A fiscal impact analysis is different than an economic impact analysis. A fiscal impact analysis projects the cash flow to the public sector while an economic impact analysis projects the cash

flow to the private sector, measured in income, jobs, output, indirect impacts, etc. Just as a household benefits by forecasting its long-term cash flow needs (incorporating anticipated future expenses for higher education and other large cost items) and setting money aside to pay for future outlays, local governments are better prepared to manage during changing financial circumstances if they anticipate and plan for future costs and revenues.

A fiscal impact analysis provides significant benefits to a local community. The following benefits are discussed further in this report:

- Encourages anticipation of change
- Helps define achievable levels of service
- Projects capital facility needs
- Clarifies development policy impacts
- Calculates revenues and helps in the development of revenue strategies
- Encourages "what if" questions

The approach of the Fiscal Impact Analysis is to project future needs based on *current levels of service* for the scenarios under consideration. This is done to enable an "apples to apples" comparison among the scenarios. In this phase of the analysis, no judgment is made as to whether the levels of service are adequate, inadequate, or better than adequate. Nor are any assumptions made regarding future changes in levels of service or types of services offered due to existing deficiencies, different policies or requirements, demographic shifts, technological changes, etc.

It is acknowledged, however, that levels of service will likely have to change in some areas to attract and retain the levels of residential and business growth assumed in this analysis and Master Planning effort. In particular, infrastructure improvements will be necessary to correct the existing backlogs of deferred needs. And the new levels of service will have to be maintained at this improved level to retain new residents and businesses. The obvious next question is, *Who pays for those improvements?* To date, the City has assumed most if not all of the responsibility for these improvements and costs through City funds as well as State and Federal grants. However, given dwindling resources at all levels of government and the needs in the City, it may be time to explore alternative sources and strategies. This will be addressed in Phase III.

Finally, it is important to acknowledge that fiscal issues are only one aspect of evaluating development and growth trends. Environmental, land use, housing, jobs/housing balance, transportation, education, and other issues should also be taken into consideration when determining policies and direction for the City.

RESULTS AND FINDINGS

Three growth scenarios were analyzed in this fiscal analysis: (1) Cautious Scenario; (2) Focused Scenario; and (3) Bold Scenario. All assume an increase in population and jobs over what is in the City today.

Figure 1. Annual Net Fiscal Results –Growth Scenarios (x$1,000)

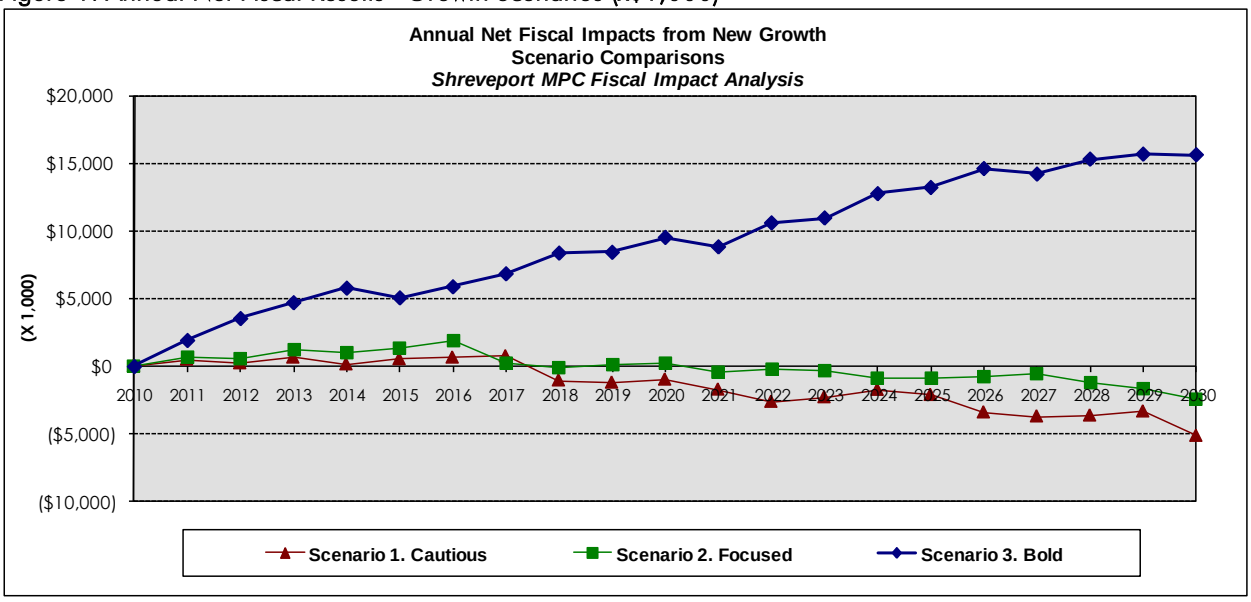


Figure 1 shows fiscal results—with revenues subtracted from operating and capital expenditures in each year. (Results do not include water and sewer.) As shown in Figure 1, scenarios 1 and 2 are essentially fiscally neutral with early years producing annual net surpluses and later years generating annual net deficits. Scenario 1 produces generally worse results than Scenario 2 due to the location of the projected growth. Scenario 2 assumes more development in the core area of the City, which leads to lower infrastructure costs relative to scenario 1.

Scenario 3 generates annual net surpluses to the City. The amount of growth assumed—and the revenues generated from that growth—relative to the expenditures leads to net surpluses assuming the current level of service. As noted elsewhere, this analysis does not include expenditures for backlog infrastructure projects, but does include capital improvements to support the growth projected. *However, backlog infrastructure improvements are likely to be necessary to encourage growth in the core.*

Further detail is provided below on cumulative results. The top portion shows projected revenues by scenario and the bottom portion shows projected expenditures. The bottom line result is either a net deficit or net surplus. For scenarios 1 and 2, a net deficit is generated—with scenario 2 producing a smaller net deficit than scenario 1. This is due to the type and location of growth assumed in each scenario. With more development inside the loop in scenario 2, costs savings are realized in operating and maintenance, particularly for roads.

Figure 2. Cumulative Net Fiscal Results –Growth Scenarios (x$1,000)

Cumulative (20 Years) Net Fiscal Results - Scenario Comparisons (x$1,000)
LAND USE SCENARIOS
Shreveport MPC Fiscal Impact Analysis

Category	SCENARIO		
	Scenario 1: Cautious	**Scenario 2: Focused**	**Scenario 3: Bold**
Operating Revenues	$329,386	$397,572	$898,962
Operating Expenditures	$315,182	$350,954	$599,082
NET OPERATING IMPACT	***$14,204***	***$46,618***	***$299,880***
Capital Revenues	$92,592	$98,043	$156,338
Capital Expenditures	$136,772	$147,043	$264,395
NET CAPITAL IMPACT	***($44,180)***	***($49,000)***	***($108,057)***
NET FISCAL IMPACT	**($29,977)**	**($2,382)**	**$191,823**

Fiscal Analysis Key Themes

Three main themes have emerged in our fiscal analysis:

1. **Expansive Infrastructure:** As has been noted previously (by TischlerBise in our Phase I report and others), the City has a large amount of infrastructure for the population and employment base it serves. This trend has continued in recent years as development occurs on the periphery.

2. **Free Ride:** Development has occurred without adequate contributions for infrastructure. This has a ripple effect. Without funds available to provide additional infrastructure to serve new growth, resources get diverted from existing development. Existing infrastructure deteriorates further as resources get spread thin. While it is not the responsibility of new growth to fix existing deficiencies, these deficiencies affect the development potential of the City. Contributions from new development to help provide adequate infrastructure would help to free up other funds that then can be used to fix

existing problems. Related to this theme, many services that are typically fee-based services in other localities (e.g., solid waste) are provided for free in Shreveport.

3. **Short-Term Needs vs. Long-Term Planning**. Long-term capital planning for expansion, replacement, and renewal has been difficult because of short-term needs. This is related to the first theme. Given the City's expansive and aging infrastructure, short-term crises have taken precedence over long-term capital analysis, planning, and implementation. Good information such as an asset management system; a pavement management system; water, sewer, and drainage master plans, and a current utility rate study and model would assist with long-term planning.

All three themes have implications for future planning and in particular, the implementation strategies to be analyzed in the Phase III fiscal analysis.

Other Fiscal Considerations

The City currently spends approximately $3.6 million annually for the Property Standards department, for blight removal such as demolition and securing structures, weed abatement and mowing of abandoned properties, and identification and citations of code violations and nuisances. This expense is not included in the fiscal analysis given that it fluctuates and depends more on resources available and policy decisions than specific service needs. In addition, program costs are likely to be constant and would not necessarily be affected by the different assumptions set forth in each scenario. While this is a cost that is likely to continue in the near future, the costs are driven more by *disinvestment*, than investment. For the above reasons, the fiscal analysis does not make assumptions in the scenario evaluations about the resulting level of expenditure for these types of services. That said, if there is insufficient investment in infrastructure and services to attract the type of development assumed in the scenarios, property standards costs will continue and could increase.

Fiscal sustainability: When we talk about "sustainability," most people think about environmental sustainability. However, we would argue that fiscal sustainability is just as important. Fiscal sustainability requires that growth pays its own way. New development, particularly on the periphery of a developed jurisdiction, demands new infrastructure that may be built by the city and at a minimum will be maintained by the city. Tools available for growth-related infrastructure (impact fees; capacity fees), serve to ensure that growth pays its way while freeing up other revenues to support investing in backlog infrastructure projects as well as to incentivize growth in desired locations.

BACKGROUND

TischlerBise is part of a consultant team, headed by Goody Clancy & Associates, working with the Shreveport Metropolitan Planning Commission of Caddo Parish to develop a comprehensive plan for the area, the *Shreveport-Caddo 2030 Master Plan.* TischlerBise's role is to identify and analyze fiscal impacts of development patterns in the city and parish. The Fiscal Analysis includes General Fund activities including special revenue funds supported in part by the General Fund (Metropolitan Planning Commission and SporTran (transit system)). We also include a discussion of the Water and Sewer Enterprise Fund. Revenues and costs are in current dollars (further explanation below).

A fiscal impact evaluation analyzes revenue generation and operating and capital costs to the City associated with the provision of public services and facilities under a set of assumptions. *The fiscal impact shows direct revenues and costs from new development only and does not include revenues or costs generated from existing development.* The development scenarios evaluated in the analysis are represented by numerical projections of population, housing units, employment, and nonresidential building area through the year 2030.

TischlerBise received three land use scenarios from Goody Clancy to evaluate for the Fiscal Impact Analysis. The scenarios represent several "what if" situations. The three scenarios are evaluated using seven fiscal analysis sectors, provided by Goody Clancy. The sectors allow for different inputs based on location, such as property values.

After scenarios are identified, the next major step of the fiscal impact analysis is to determine current service levels and capacities and associated revenues and costs. This was done through on-site interviews and follow-up discussions with City staff and a review of applicable budgets and other relevant documents. Additionally, our fiscal experience conducting over 600 fiscal impact analyses was beneficial. The results of the level of service/capacity analysis were used to develop a fiscal impact model for the City. The assumptions are based on information provided by City staff through interviews, follow-up discussions, and written correspondence.

As noted above, a fiscal impact analysis determines whether revenues generated by development are sufficient to cover the resulting costs from that development for service and facility demands placed on the City under current levels of service. Current levels of service reflect City services and infrastructure as funded in the City budget and are typically expressed as a "cost per demand unit." For example, maintenance of parks is expressed as a cost per acre of City parks to maintain. The analysis is intended to be used to help guide policy decisions regarding levels of service and revenue enhancements. **It should not be viewed as a budget-forecasting document.** A fiscal analysis essentially looks at revenues and expenditures

separately. It does not project expenditures based on revenues available—unlike the annual budget process where a budget is balanced with the resources available.

It should also be noted that the level of capital expenditures assumed in the analysis and the resulting costs are projected independent of certain policy-making decision points such as capital improvement plans, debt capacity guidelines, or expectations for levels of service. Rather, the costs projected in this analysis **reflect the costs to serve new growth, regardless of whether the resources are available to cover the costs**. The City will continue to balance its budget each year, considering financial guidelines and policies, applicable operating impacts, and available resources.

SCENARIOS & FISCAL ANALYSIS ZONES

SCENARIOS

Three growth scenarios are analyzed in the fiscal study. General assumptions for the scenarios are that:

- The Shreveport-Caddo planning area will have more jobs and households in 2030 than it does in 2010.
- The job growth rate will at least equal the Caddo Parish 1997-2007 rate of job growth.
- Population growth will be proportionate to job growth and average household size will remain the same or smaller.

Each scenario is described below.

1. **Scenario 1: Cautious**. This scenario reflects basic changes that won't cost the city money (i.e., change zoning, seek grant funding, etc.) Development patterns stay mostly the same, however some inner core development takes place because of clearer and more targeted policies. Basic funding structures remain the same. Essentially, most new development would require new infrastructure.

2. **Scenario 2: Focused**. This scenario incorporates more policy actions to curb outward sprawl. It is envisioned that more people are living in the core (Fiscal sectors 1, 2 and 3), which would require infrastructure improvements to accommodate the growth, but could support higher densities over time. Some growth still occurs at the periphery, which would also require additional infrastructure. It is anticipated that a policy option for this type of scenario could be pricing differentials, where private development costs increase as one goes farther from the center. (This policy option is not modeled as part of this Phase.)

3. **Scenario 3: Bold**. This scenario assumes significant growth in both residential and nonresidential development in all areas of the City. More development occurs in the core than the other scenarios (50% of all new households locate in the core areas). Policy options as a result of pursuing this scenario are pricing differentials (as described in Scenario 2) as well as impact fees for roads, water and sewer, except in target areas (e.g., inner core areas as well as some part of the outer areas (our sectors 4, 5, 6, 7).

For all of the scenarios, Goody Clancy provided housing unit, population, and employment data for the base year (2010) and final projection year (2030). TischlerBise interpolated between the base year and 2030 for all interim years.

It should be noted that the above "policy options" referenced above are not modeled in this phase of the fiscal analysis. This analysis and the report reflect maintaining levels of service for operations and facilities, and how different land use assumptions affect fiscal conditions. *It could be argued that without the policy options, these scenarios will not likely come to fruition.*

Summary of Projected Growth by Scenario

The amount of development for each scenario for the projection period is provided below in Figure 3. Data is shown for the current base year (2010) situation and *projected net increases* in households, population, jobs, and nonresidential square footage for each scenario.

As shown, population growth varies from a low of 58,559 in Scenario 1 to a high of 102,664 in Scenario 3. Household growth and mix varies among scenarios with more multifamily units in the core area in Scenario 2. Projected increases in employment are also shown for each scenario. Employment growth in Scenario 1 is projected at 41,259 jobs; Scenario 2 at 49,409 jobs; and 108,010 in Scenario 3. Nonresidential square footage is also shown and is projected based on the increase in employment. Total percentage increases are shown for the entire projection period (2010-2030) as well.

Figure 3. Scenario Comparisons: 20-Year Net Increases (2010-2030)

SUMMARY SCENARIO PROJECTIONS
Shreveport MPC Fiscal Impact Analysis
Net Increases (2010-2030)

		NET INCREASES 2010-2030					
		Scenario 1		*Scenario 2*		*Scenario 3*	
	*Base Year**	*#*	*% increase*	*#*	*% increase*	*#*	*% increase*
Households	90,286	26,155	29%	28,474	32%	44,011	49%
Population	229,050	58,559	26%	64,288	28%	102,664	45%
Jobs	161,381	41,259	26%	49,409	31%	108,010	67%
Nonresidential Sq. Ft.	58,561,677	13,366,245	23%	16,259,086	28%	37,059,724	63%

** Shreveport-Caddo Planning Area*
Source: Goody Clancy

FISCAL ANALYSIS SECTORS

The fiscal model uses seven fiscal analysis sectors. Fiscal analysis sectors are areas within the MPC Master Plan Area that share similar characteristics and that allow the analysis to reflect differences due to geography. The following seven fiscal sectors were designated based on recent and projected development trends and fiscal considerations:

Area 1 - Downtown & Vicinity
Area 2 - Core Revitalization Areas
Area 3 - East
Area 4 - North
Area 5 - West
Area 6 - Southwest
Area 7 - Southeast

The above zones allow the fiscal analysis to reflect differences in property values as well as some infrastructure elements. A map is provided in the Appendix.

APPROACH AND MAJOR ASSUMPTIONS

A fiscal impact analysis determines whether revenues generated by new growth are sufficient to cover the resulting costs for service and facility demands placed on a jurisdiction. The fiscal impact analysis conducted by TischlerBise incorporates the case study-marginal cost approach wherever possible. The case study-marginal methodology is the most realistic method for evaluating fiscal impacts. This methodology takes site or geographic-specific information into consideration. Therefore, any unique demographic or locational characteristics of new development are accounted for, as well as the extent to which a particular infrastructure or service operates under, over or close to capacity. Available facility capacity determines the need for additional capital facilities and associated operating costs.

Many of the costs that are impacted by general growth, regardless of location, are projected using a marginal/average cost hybrid methodology that attempts to determine capacity and thresholds for staffing but projects non-salary operating costs using an average cost approach.

The service level, revenue, and cost assumptions are based on TischlerBise's on-site interviews and follow-up discussions with City staff, an analysis of the City of Shreveport *Fiscal Year 2010 Operating and Capital Budgets,* Caddo Parish Fiscal Year 2010 Operating and Capital Budgets, and other relevant documents. Additionally, our fiscal experience conducting over 600 fiscal impact analyses was beneficial. These assumptions are utilized along with the land use scenario growth projections derived for the Master Plan effort analysis to calculate the fiscal impact on the City over the 20-year projection period. Calculations are performed using a customized fiscal impact model designed specifically for this assignment.[1]

The following major assumptions regarding the fiscal impact methodology should be noted.

[1] A general note on rounding: Calculations throughout this report are based on an analysis conducted using Excel software. Results are discussed in the report using one-and two-digit places (in most cases), which represent rounded figures. However, in some cases the analysis itself uses figures carried to their ultimate decimal places; therefore the sums and products generated in the analysis may not equal the sum or product if the reader replicates the calculation with the factors shown in the report (due to rounding).

MARGINAL, GROWTH-RELATED COSTS AND REVENUES

For this analysis, all costs and revenues directly attributable to new development—by type of development—are included. Personnel and other operating costs are projected, as are expenditures for capital improvements.

The General Fund and General Fund-subsidized operations (MPC and SporTran) as well as the Debt Service Fund are included in this analysis. Water and Sewerage Enterprise Fund is also modeled, however no assumptions are made on the revenue side (regarding rates or fees). Further discussion is provided below.

Some costs and revenues are not expected to be impacted by demographic changes, and are therefore considered "fixed" in this analysis. To determine those costs and revenues that should be considered fixed, TischlerBise reviewed the FY2010 Budget and available supporting documentation as well as interviewed staff.

LEVEL OF SERVICE

The cost projections are based on a "snapshot approach" in which it is assumed the current level of service, as funded in the City budget and as provided in current capital facilities, will continue through the 20-year analysis period. The current demand base data (e.g., population, dwelling units, employment, etc.) was used to calculate unit costs and service level thresholds. In summary, the "snapshot" approach does not attempt to speculate about how levels of service, costs, revenues and other factors will change over time. Instead, it evaluates the fiscal impact of new growth to the City as conducted under the budget used in this analysis. Further discussion is provided herein.

REVENUE STRUCTURE

Revenues are projected assuming that the current revenue structure and rates, as defined by the Shreveport FY 2010 budget, will not change during the analysis period.

INFLATION RATE

The rate of inflation is assumed to be zero throughout the projection period, and cost and revenue projections are in constant 2010 dollars. This assumption is in accord with budget data and avoids the difficulty of speculating on inflation rates and their effect on cost and revenue categories. It also avoids the problem of interpreting results expressed in inflated dollars over an extended period of time. In general, including inflation is complicated and unpredictable. This is particularly the case given that some costs, such as salaries, increase at different rates than other operating and capital costs such as contractual and building construction costs. And these costs, in turn, almost always increase in variation to the appreciation of real estate, thus affecting the revenue side of the equation. Using constant dollars avoids these issues.

One could argue that if certain interventions occur, either by the public or private sectors, market values may increase at a faster rate than inflation. This analysis does not make those assumptions to enable an "apples to apples" comparison between the scenarios.

NON-FISCAL EVALUATIONS

It should be noted that while a fiscal impact analysis is an important consideration in planning decisions, it is only one of several issues that should be considered. Environmental and social issues, for example, should be considered when making planning and policy decisions. The above notwithstanding, this analysis will enable interested parties to understand the fiscal implications of future development and will provide additional information in the Master Plan process.

FISCAL IMPACT ANALYSIS RESULTS

This section discusses the fiscal impact analysis results for the three scenarios analyzed for the Shreveport-Caddo Master Plan. Fiscal impact results are shown in a number of different ways. First, ***annual*** net results are discussed and show the fiscal impacts (annual revenues minus annual expenditures) from one year to the next over the 20-year projection period. ***Average annual*** results are then shown over different time intervals to provide an easy way to compare multiple scenarios and summarize the general fiscal impacts over time. Finally, ***cumulative*** results are shown reflecting total revenues, expenditures, and net fiscal results over the 20-year development timeframe.

ANNUAL NET RESULTS

Figure 4 shows the ***annual*** (year to year) net results to the City for each of the three scenarios over the study time horizon. Each year reflects total revenues generated minus total expenditures incurred in the same year. Both capital and operating costs are included. By showing the results annually, the magnitude, rate of change, and timeline of deficits and revenues can be observed over time. The "bumpy" nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred. However, because most capital expenditures are assumed to be debt financed, the costs are somewhat smoothed out over time. (We provide a graphic depiction later in the chapter of the same results assuming no debt financing to illustrate actual costs of growth.)

On the following figure, data points above the $0 line represent annual surpluses; points below the $0 line represent annual deficits. Each year's surplus or deficit is *not* carried forward into the next year. This enables a comparison from year-to-year of the net results without distorting the revenue or cost side of the equation. In reality, those surpluses would be carried forward or deficits would be funded through other revenue sources or means, such as debt financing for capital improvements, or levels of service would decrease. Figures are shown in $1,000s.

Figure 4. Annual Net Fiscal Results –Growth Scenarios (x$1,000)

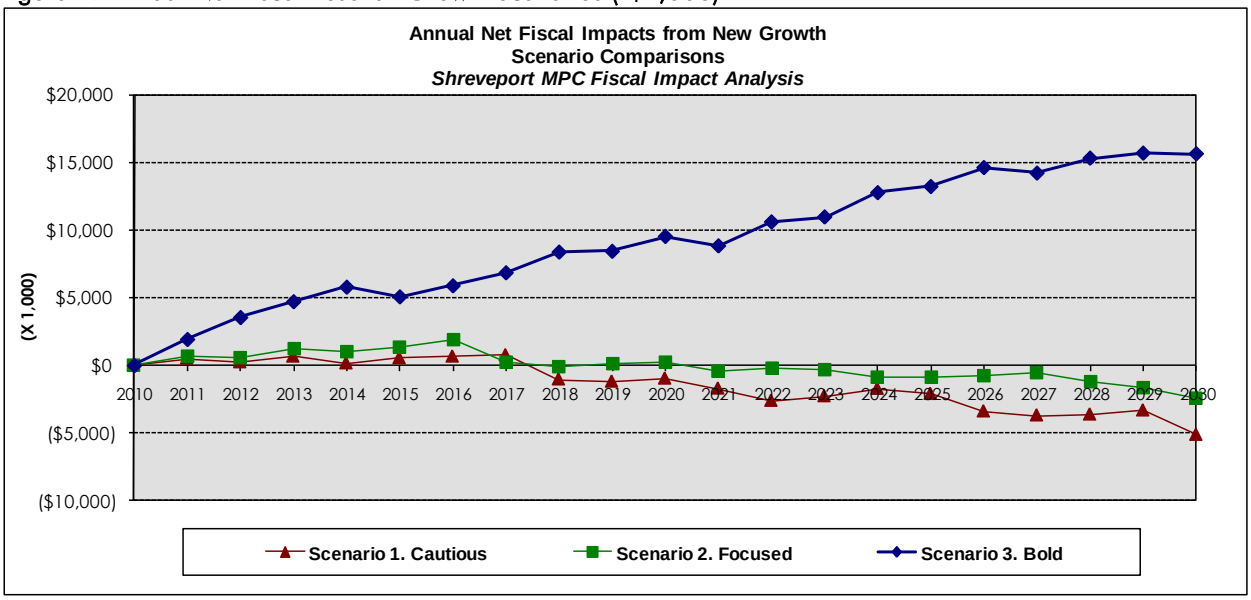


Figure 4 shows total fiscal results—with revenues subtracted from operating and capital expenditures in each year. (Results do not include water and sewer.) As shown in Figure 4, scenarios 1 and 2 are essentially fiscally neutral with early years producing annual net surpluses and later years generating annual net deficits. Scenario 1 produces generally worse results than Scenario 2 due to the location of the projected growth. Scenario 2 assumes more development in the core area of the City, which leads to lower infrastructure costs relative to scenario 1.

Scenario 3 generates annual net surpluses to the City. The amount of growth assumed—and the revenues generated from that growth—relative to the expenditures leads to net surpluses. As noted elsewhere, this analysis does not include expenditures for backlog infrastructure projects, but does include capital improvements to support the growth projected. Backlog infrastructure improvements are likely to be necessary to encourage growth in the core.

Major capital expenditures are assumed to be debt financed, which causes the annual net fiscal impact graph to be relatively flat. Assuming that all capital projects are pay-go reveals a different pattern; one that is lumpier, indicating when capital improvements and related operating expenditures occur. (See Figure 9.)

In scenarios 1 and 2, the amount of growth projected reflects approximately 1.3 and 1.5 percent annual growth respectively. Given this amount of growth relative to the existing population and employment base, the results tend to reflect the effect of economies of scale where serving new development can be somewhat absorbed by existing capacity with some exceptions.

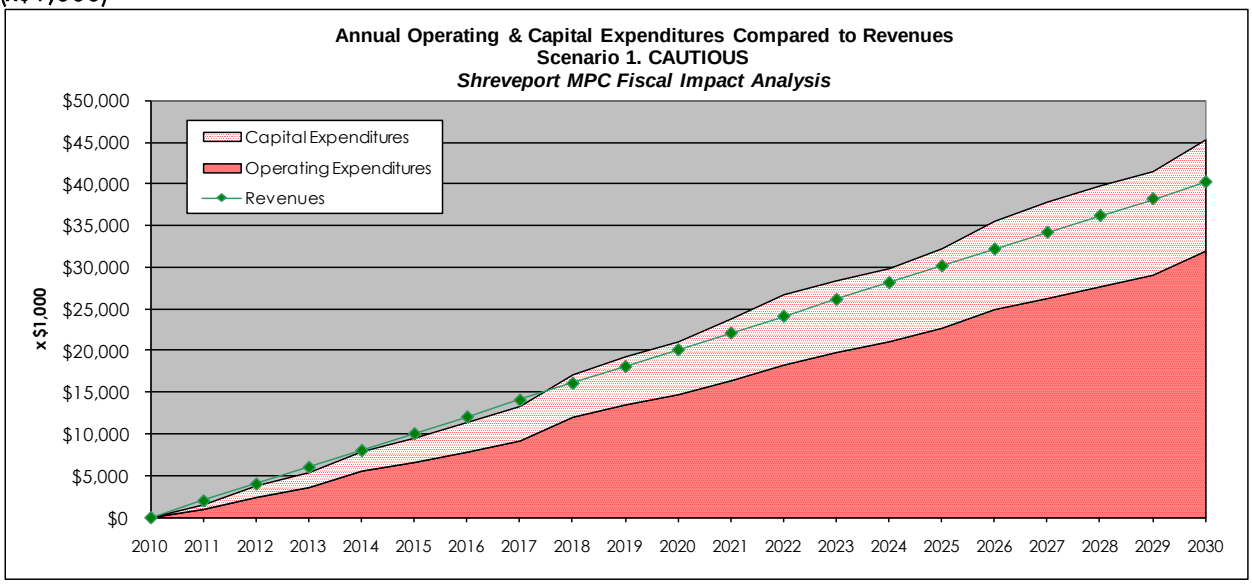
For the scenario with higher levels of growth, costs for capital improvements and related services are incurred, but revenue generated from the projected development (primarily sales tax from retail and property tax from other development) is sufficient to cover the resulting costs.

These scenarios are in contrast to recent trends in the City, where new growth occurred on the periphery but population and jobs essentially remained flat. Therefore, while service and infrastructure needs increased, the revenue base essentially remained flat or declined. The Master Plan scenarios, in particular scenario 3, essentially assume both growth at the periphery *in addition to* growth in the core. Combined, the type and level of growth generates sufficient revenue to offset the accompanying costs.

Annual Operating and Capital Expenditures Compared to Revenues

Further detail on annual results is provided in Figure 5, depicting annual expenditures delineated between operating and capital along with annual revenues for scenario 1. As shown in the figure, annual revenues generated are sufficient to cover annual operating expenditures but not capital expenditures starting around year 7. It should be noted that some operating expenditures are tied directly to the opening of capital facilities. That is, when a new capital facility is "built" by the model, annual operating expenditures for that facility are triggered. (The Appendix provides further detail on revenue and expenditure outputs for each scenario.)

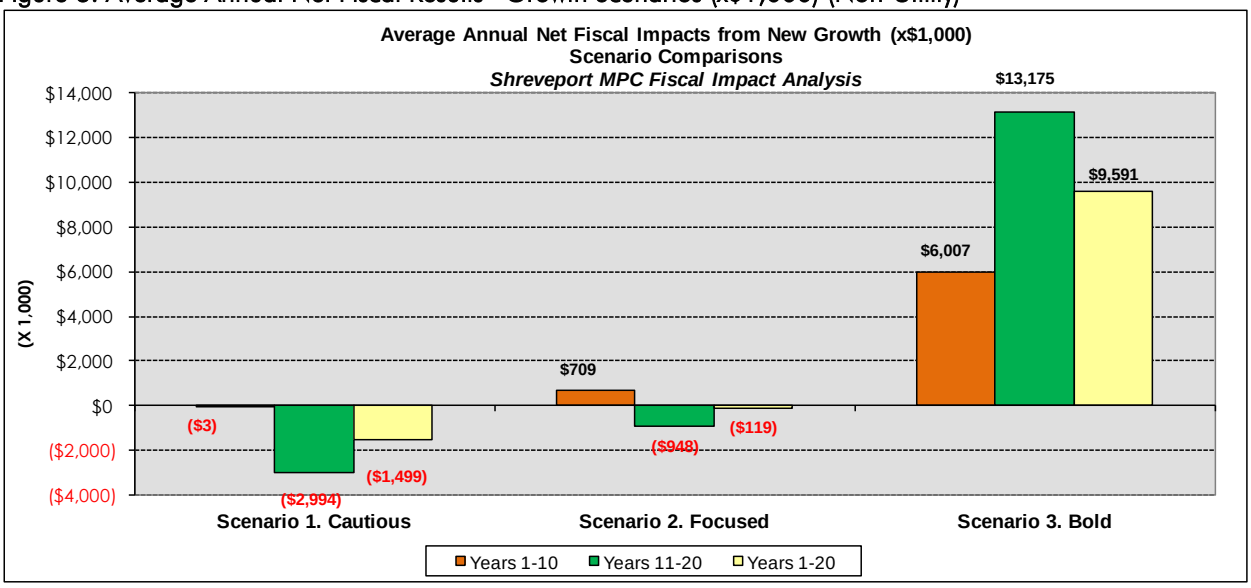
Figure 5. Annual Operating & Capital Expenditures Compared to Revenues: Scenario 1. Cautious Scenario (x$1,000)



AVERAGE ANNUAL NET RESULTS

Figure 6 below shows the ***average annual*** net fiscal results (average revenues minus average operating and capital expenditures) for the Growth Scenarios. The results shown are for three time periods—(1) Years 1-10; (2) Years 11-20; and (3) Years 1-20, representing the entire 20-year development period. The costs and revenues included are those that are defined and discussed throughout this report. All operating and new capital costs are included in the net fiscal results and represent those accruing from new development under each of the growth scenarios. Figures are shown in $1,000s.

Figure 6. Average Annual Net Fiscal Results –Growth Scenarios (x$1,000) (Non-Utility)



As shown in Figure 6, Scenario 1 produces average annual net deficits over the projection period. Scenario 2 generates net surpluses in the first 10 years and then average annual net deficits in the second 10 years. Scenario 3 generates average annual net surpluses in all time periods, with greater net surpluses in the second half of the projection period.

Scenario 1 produces the worst fiscal results of the three scenarios with a projected average annual net deficit due to growth of approximately $1.5 million. This is primarily due to infrastructure costs and related operating costs. While this scenario includes population and employment growth of approximately 26 percent above the base year (1.3 percent annually), it reflects development patterns for the most part as they have occurred in the past. This contrasts somewhat with scenario 2 where there is 14 percent more growth in population and jobs than scenario 1, but certain costs, such as street operations, maintenance, and capital improvements, increase at a slower percentage due to more efficient development patterns. The better fiscal results for scenario 2 reflect this.

For scenario 3, the tax base assumed, in both property and retail sales, provides sufficient revenue to maintain current levels of service to serve the projected growth. As noted elsewhere, we do not assume that additional significant capital expenditures are made beyond that required to serve growth in this scenario (projected at $264 million for capital improvements over 20 years).

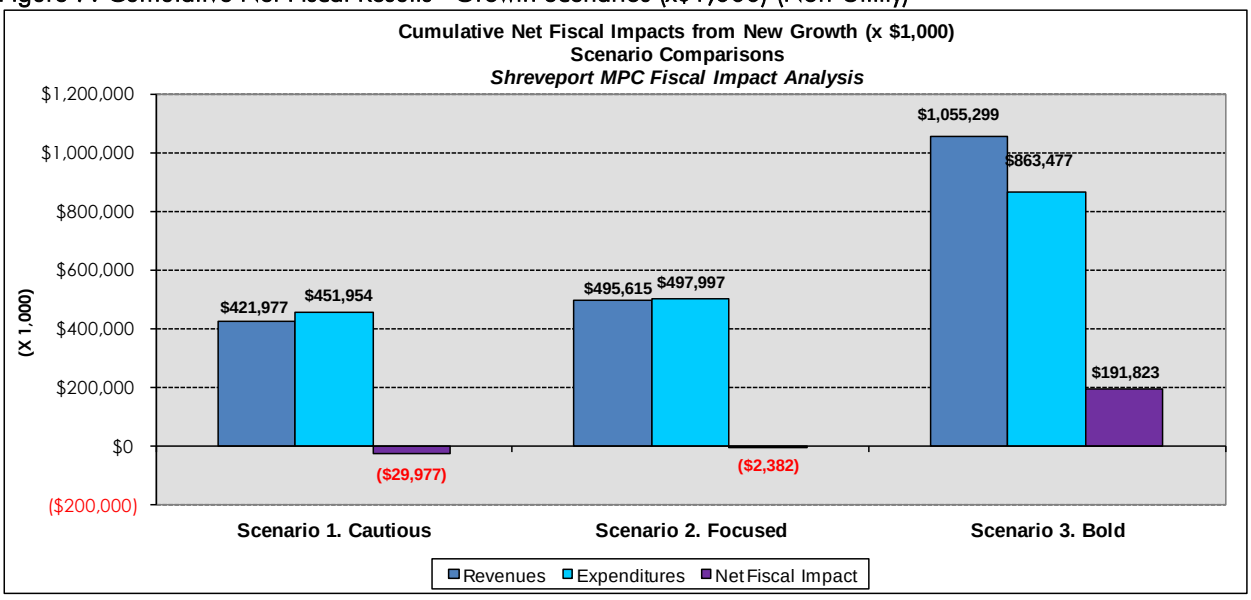
Scenario 3 assumes essentially twice as much growth as scenario 1. Given the development pattern and type of growth assumed, expenditures are almost twice that of scenario 1. However, on the revenue side, scenario 3 assumes more than three times the amount of retail space than scenario 1, and revenue generation reflects this with approximately two and a half times the revenue in scenario 3 than scenario 1.

The average annual net surplus generated in scenario 3 represents less than 5 percent of the City's current General Fund budget.

CUMULATIVE NET RESULTS

Cumulative figures reflect total revenues generated minus operating and capital expenditures over the 20-year development timeframe. Cumulative revenues, expenditures and net results are shown in Figure 7. Figures are shown in $1,000s.

Figure 7. Cumulative Net Fiscal Results –Growth Scenarios (x$1,000) (Non-Utility)



Cumulative net fiscal deficits are generated in scenarios 1 and 2; scenario 3 generates a cumulative net surplus. The cumulative net deficits range from approximately $30 million for

scenario 1 to $2.4 million in scenario 2. Scenario 1 produces worse results than the other scenarios due to the development patterns assumed. This leads to higher infrastructure and related operating costs. Scenario 2 still generates net deficits but at a lower level, essentially breaking even. While the amount of growth is larger than scenario 1, the location is such that cost savings are realized.

Scenario 3 generates net surpluses. This reflects the provision of current levels of service and infrastructure. It does not assume backlog infrastructure improvements are made. As noted elsewhere, in order to achieve the level of growth projected in this scenario, additional improvements will be necessary, which will decrease or eliminate this "surplus."

Further Detail on Operating and Capital Results

Analyzing operating and capital results separately for all scenarios reveals net surpluses on the operating side and net deficits for capital. Cumulative revenues and expenditures for operating and capital are shown below in Figure 8. Capital revenues are from the City Debt Service Millage and capital expenditures shown are for all types of (non-utility) infrastructure projected. As shown, the projected revenues for capital needs are insufficient to cover the projected level of infrastructure needs. This points to the potential for the City to explore impact fees to provide some funding for growth-related infrastructure.

As noted elsewhere, sewer, water, and drainage infrastructure is not modeled as part of this analysis. Sewer and water are looked at and discussed separately. Growth-related drainage needs are assumed to be met through the development process. However to the extent that drainage improvements are not being mitigated at the front-end of the development process, additional costs will occur.

Figure 8. Cumulative Net Fiscal Results – Operating and Capital Detail (x$1,000)

Cumulative (20 Years) Net Fiscal Results - Scenario Comparisons (x$1,000)
LAND USE SCENARIOS
Shreveport MPC Fiscal Impact Analysis

Category	SCENARIO		
	Scenario 1: Cautious	**Scenario 2: Focused**	**Scenario 3: Bold**
Operating Revenues	$329,386	$397,572	$898,962
Operating Expenditures	$315,182	$350,954	$599,082
NET OPERATING IMPACT	***$14,204***	***$46,618***	***$299,880***
Capital Revenues	$92,592	$98,043	$156,338
Capital Expenditures	$136,772	$147,043	$264,395
NET CAPITAL IMPACT	***($44,180)***	***($49,000)***	***($108,057)***
NET FISCAL IMPACT	**($29,977)**	**($2,382)**	**$191,823**

Capital Improvements: Debt Financing Vs. Pay-Go

Because the City has a dedicated millage for debt financing and the City typically debt finances major capital expenditures, it is appropriate to assume debt financing for capital improvements in this analysis. This was done and is reflected in the above results. Assuming debt financing, however, potentially masks the "full cost of growth" because there will be outstanding debt on improvements built to serve growth—and accompanying debt service payments—after the end of the 20-year projection period. That is, the expenses shown in the above results reflect debt service payments (principal and interest) for those facilities assumed to be built or purchased. If a facility is built in year 20, the only expense shown is the first year of debt service. An additional 19 years worth of debt service payments are not reflected.

We conducted an additional analysis assuming 100 percent pay-go for all capital expenditures. This alternative approach captures the actual annual cost to the City during the projection period. Furthermore, this additional layer of analysis enables stakeholders to further discuss financing options and tradeoffs regarding pay-go versus debt financing as it relates to operating and capital needs.

Figure 9. Annual Net Fiscal Results –Growth Scenarios (x$1,000): *No Debt Financing*

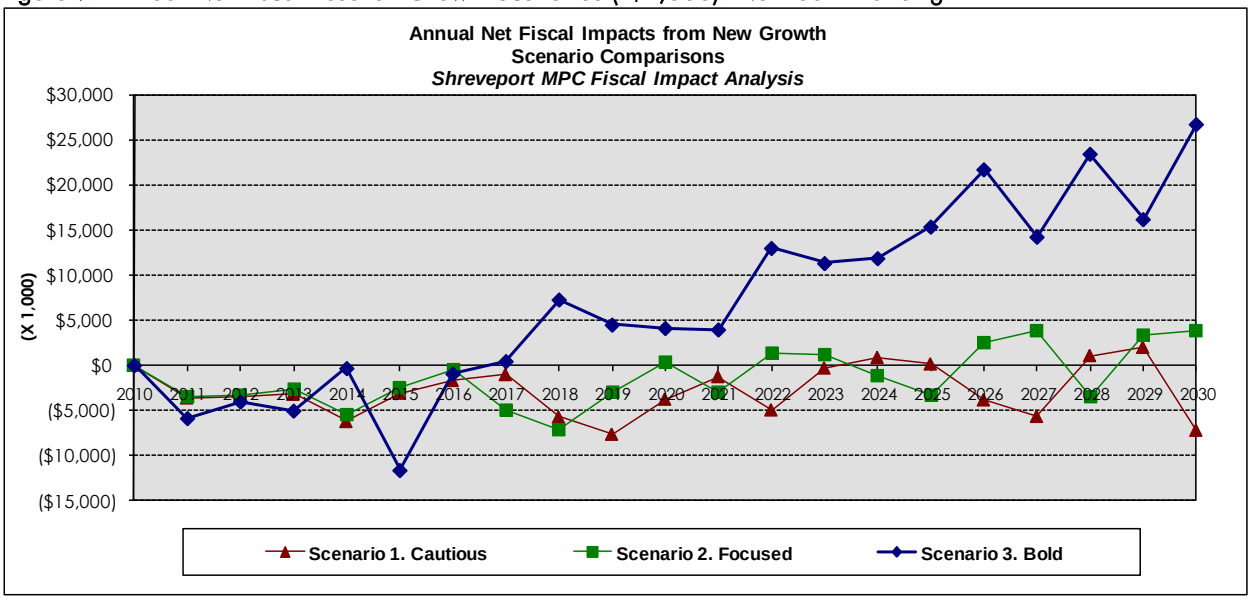


Figure 10. Average Annual Net Fiscal Results –Growth Scenarios (x$1,000): *No Debt Financing*

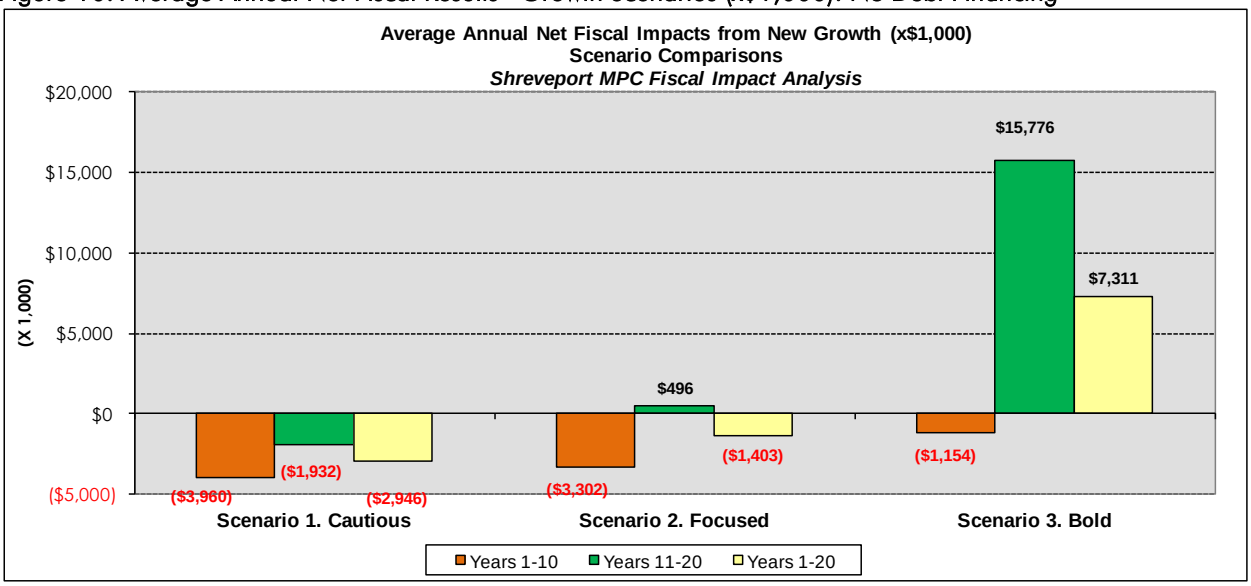
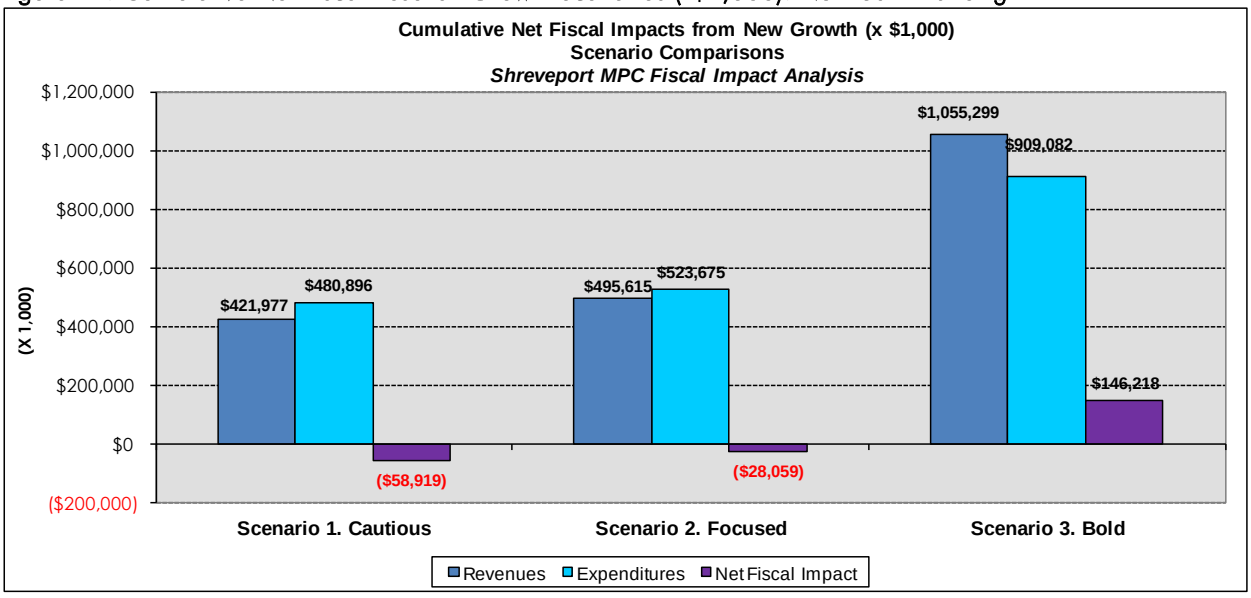


Figure 11. Cumulative Net Fiscal Results –Growth Scenarios (x$1,000): *No Debt Financing*



As shown, results are overall worse under the "pay-go" scenarios given that lump sum costs are incurred in the year in which a facility is needed, as opposed to spreading costs over subsequent years. The same relationship holds, however, among the scenarios with scenario 1 generating the worst results, scenario 2 generating the next best result, and scenario 3 generating the best results.

FURTHER DISCUSSION ON INFRASTRUCTURE

The City has significant infrastructure backlog needs, particularly for roads, drainage, water and sewer. Estimates from City staff place the cost in the hundreds of millions of dollars.

Water, Sewer, and Drainage

Typically a fiscal impact analysis does not include water/sewer infrastructure and operations due to its nature as an enterprise fund. That is, it is typically assumed that water and sewer expenditures are paid for by rates and fees. **This includes infrastructure improvements.** However, for purposes of this study, we include some discussion of water/sewer needs. Rates have been nominally increased in recent years to cover operations and basic maintenance. A formal rate study has not been conducted since the early 1990s. From our limited review, rates appear to be low relative to other comparable systems. In addition, all land uses are charged the same rate, which is not proportionate to the cost of service. For instance, industrial and commercial sewer customers typically generate higher costs than residential users and therefore

should be charged commensurately. For water, rates can be calculated to encourage conservation. Current City rates do not encourage conservation.

Additionally, it is possible that a portion of capacity costs could be recouped through capacity or impact fees—to allow growth to pay for its capacity needs and as a result free up rate revenue to serve existing development and address backlog needs. For example, recent improvements of $32 million have been made to improve water pressure and supply problems to serve areas of the City with new growth and development. These costs are being funded through rates and fees as opposed to fees specifically to recoup these costs.

Storm drainage costs are not included in the results because new development is typically required to mitigate its impacts. Significant costs exist, however, due to existing development and aging infrastructure. Estimated annual maintenance and infrastructure replacement costs are approximately $7 million. The backlog of infrastructure capital improvements is estimated at $110 million.

Because of the overwhelming nature of infrastructure needs and costs in the City, prioritization is crucial. We recommend master plans for both sewer and water systems with detailed description of the need for projects—including an indication of whether the improvements are growth-related or an existing issue—costs, potential sources of funding.

As part of this planning process, a "condition assessment system" is important. Like an asset management system, this tool helps to prioritize necessary improvements. However, the condition assessment system allows viewing from inside sewer and water pipes to better determine if replacement/rehabilitation is needed as opposed to prioritizing based on age of the infrastructure alone.

Finally, all of the above should be folded into a long-term financial plan for the utility system that considers operating and maintenance costs; capital costs for replacement/renewal and new capacity; reserves for operating, capital fund, rate stabilization and debt coverage; as well as potential sources of revenues from rates, grants, loans, etc.

Roads

The Department of Operational Services has identified priority road improvement needs for possible bond funding in the next City General Obligation bond issuance. Costs are estimated at $15.5 million for capacity improvements, $3 million for intersection improvements, almost $2 million for reconstruction, $21 million for citywide improvements (including neighborhood improvements); and $25 million for traffic signaling improvements. These projects are based on continuing recent development trends (i.e., development on the periphery).

Given the level of growth assumed in the land use scenarios, we have modeled additional street capacity improvements to maintain current levels of service for each scenario. The approach in the fiscal analysis is to project future lane miles based on arterial lane mile needs by type of land use and modify trip lengths by fiscal analysis sectors. Street maintenance costs also reflect differences in trip lengths in different areas of the City.

In addition, preventative maintenance of existing and newly annexed roads is an issue and the costs are reflected in the analysis. For the fiscal analysis, we have assumed that roads in the City require preventative maintenance every 5 years.

CADDO PARISH SERVICES

The Master Plan covers the City of Shreveport plus the planning area outside of the City boundaries in Caddo Parish. Parish operations and infrastructure will also be affected by growth in the City and new development will pay parish taxes. Parish funding is primarily supported through ad valorem taxes. City residents and businesses pay a differential tax for Parish general fund activities. Special fund ad valorem taxes are paid by City residents.

The major Parish services serving residents in the City include Detention/Correction, Juvenile Justice, and Heath Services. Library services are provided by the Shreve Memorial Library System. These services are funded by special ad valorem taxes. The services are such that they will be impacted by population growth throughout the Parish, including within the City, but locational factors will not necessarily impact the provision of services. For instance, Detention facilities will need to be expanded as the prison population grows, which is a result of overall growth in the City and Parish. Therefore, the need to expand facilities and services to fund these services to serve growth is related to population growth in the City. Library facilities may be affected by location of growth, if branch libraries do not have adequate capacity.

KEY RESULTS AND CONCLUSIONS

- **Location of future growth makes a difference.**
  - Scenarios 1 and 2 are essentially fiscally neutral with early years producing annual net surpluses and later years generating annual net deficits.
  - Scenario 1 produces generally worse results than Scenario 2 due to the location of the projected growth.
  - Scenario 2 assumes more development in the core area of the City, which leads to lower infrastructure costs relative to scenario 1.
  - Scenario 3 generates annual net surpluses to the City. The amount of growth assumed—and the revenues generated from that growth—relative to the expenditures leads to net surpluses. We do not assume any additional costs to correct existing deficiencies or backlog infrastructure needs.

- **The amount of growth makes a difference.**
  - Scenario 1 produces average annual net deficits over the entire projection period.
  - Scenario 2 generates net surpluses in the first 10 years and then average annual net deficits in the second 10 years.
  - Scenario 3 generates average annual net surpluses in all time periods, with greater net surpluses in the second half of the projection period.

- **Continuing the same development patterns produces the worst fiscal results.**
  - Scenario 1, which is closest to a continuation of present population and development trends, produces the worst fiscal results of the three scenarios with a projected average annual net deficit due to growth of approximately $1.5 million. This is primarily due to infrastructure costs and related operating costs.

- **Levels of service will have to improve to attract growth.**
  - The approach of the Fiscal Impact Analysis is to project future needs based on *current levels of service* for the scenarios under consideration. This is done to enable an "apples to apples" comparison among the scenarios. In this phase of the analysis, no judgment is made as to whether the levels of service are adequate, inadequate, or better than adequate. It is acknowledged, however, that levels of service will likely have to change in some areas to attract and retain the levels of residential and business growth assumed in this analysis and Master Planning effort. In particular, infrastructure improvements will be necessary to correct the existing backlogs of deferred needs. And the new levels of service will have to be maintained at this improved level to retain new residents and businesses.

- ***Who pays for these improvements?***
    - To date, the City has assumed most—if not all—of the responsibility for these improvements and costs through City as well as State and Federal grants. However, given dwindling resources at all levels of government and the needs in the City, it may be time to explore alternative sources and strategies. This will be addressed in Phase III.

- **Impact and capacity fees should be explored to fund new capital needs.**
    - Analyzing operating and capital results separately for all scenarios reveals net surpluses on the operating side and net deficits for capital. Projected revenues for capital needs are insufficient to cover the projected level of infrastructure needs. This presents the potential for the City to explore impact fees to provide some funding for growth-related infrastructure.

- **Continuing the current approach to water and sewer needs will lead to increased costs over time.**
    - Water and sewer capital and financial plans as well as rates should be reviewed given the backlog needs. Rates can be proportionate to demand as well as encourage conservation. Financial planning will allow scarce resources to be directed to those priority projects that will encourage and incentivize growth. Continuing current trends will further defer improvements leading to increased costs over time.

- Additionally, it should be noted that a fiscal impact analysis, while projecting specific capital facilities, is different from a facility plan. Particularly, the results shown and discussed below reflect needs due to *new growth only* and are projected based on current levels of service. This may be different from a facility plan where needs may be due to existing deficiencies, different policies, demographic shifts, technological changes, etc.

- It is important to acknowledge that fiscal issues are only one aspect in evaluating development and growth trends. Environmental, land use, housing, jobs/housing balance, transportation, and other issues should also be taken into consideration when determining what is best for the City and Parish.

FISCAL ANALYSIS REVENUE AND COST DETAIL

REVENUE SUMMARY

Figure 12. Cumulative Operating Revenues (x$1,000) (Non-Utility)

Cumulative (20 Years) Operating Revenues from New Growth - Scenario Comparisons (x$1,000): SUMMARY ***LAND USE SCENARIOS*** **Shreveport MPC Fiscal Impact Analysis**						
	SCENARIO					
Category	**Scenario 1: Cautious**	**%**	**Scenario 2: Focused**	**%**	**Scenario 3: Bold**	**%**
Sales Tax	$208,102	63%	$264,582	67%	$670,593	75%
Property Tax	$62,681	19%	$66,371	17%	$105,834	12%
Other Revenues	$58,603	18%	$66,619	17%	$122,535	14%
TOTAL-General Fund	**$329,386**	**100%**	**$397,572**	**100%**	**$898,962**	**100%**

The majority of revenue generated is from sales taxes. Given the land use assumptions of scenario 3, sales tax revenue comprises 75 percent of the overall revenue generated as opposed to 63 or 67 percent as in scenarios 1 and 2 respectively.

Figure 13. Cumulative Capital Revenues (x$1,000) (Non-Utility)

Cumulative (20 Years) Capital Revenues from New Growth - Scenario Comparisons (x$1,000) ***LAND USE SCENARIOS*** **Shreveport MPC Fiscal Impact Analysis**						
	SCENARIO					
Category	**Scenario 1: Cautious**	**%**	**Scenario 2: Focused**	**%**	**Scenario 3: Bold**	**%**
Property Taxes	$92,592	100%	$98,043	100%	$156,338	100%
Other Debt Service Fund Revenues	$0	0%	$0	0%	$0	0%
TOTAL	***$92,592***	***100%***	***$98,043***	***100%***	***$156,338***	***100%***

Revenue for debt service is from the City's dedicated millage.

EXPENDITURE SUMMARY

Figure 14. Cumulative Operating Expenditures (x$1,000) (Non-Utility)

Cumulative (20 Years) Operating Expenditures from New Growth - Scenario Comparisons (x$1,000) ***LAND USE SCENARIOS*** **Shreveport MPC Fiscal Impact Analysis**						
	SCENARIO					
Category	**Scenario 1: Cautious**	**%**	**Scenario 2: Focused**	**%**	**Scenario 3: Bold**	**%**
Executve Office/Office Of The Mayor	$67	0%	$76	0%	$142	0%
City Attorney	$52	0%	$59	0%	$110	0%
Property Standards	$0	0%	$0	0%	$0	0%
SPAR	$35,879	11%	$40,237	11%	$66,731	11%
Finance	$1,270	0%	$1,460	0%	$2,651	0%
General Government	$0	0%	$0	0%	$0	0%
Police	$111,695	35%	$125,581	36%	$212,390	35%
Fire	$63,136	20%	$72,533	21%	$129,036	22%
DOS	$81,909	26%	$86,859	25%	$143,732	24%
City Council	$1,248	0%	$1,450	0%	$2,460	0%
City Court	$4,007	1%	$4,632	1%	$8,854	1%
City Marshal	$3,841	1%	$4,309	1%	$7,485	1%
Metropolitan Planning Commission	$213	0%	$243	0%	$450	0%
Shreveport Area Transit System (Sportran)	$11,865	4%	$13,514	4%	$25,041	4%
TOTAL-General Fund	**$315,182**	**100%**	**$350,954**	**100%**	**$599,082**	**100%**

The largest operating expenditures are for Police, DOS, Fire, and SPAR. Police expenditures reflect additional operations and personnel. Fire expenditures are operating and personnel costs primarily linked to the opening of stations, as projected by the model in each scenario. DOS reflects non-utility operating and maintenance costs, the majority of which is for streets.

Figure 15. Cumulative Capital Expenditures (x$1,000) (Non-Utility)

Cumulative (20 Years) Capital Expenditures from New Growth - Scenario Comparisons (x$1,000) ***LAND USE SCENARIOS*** **Shreveport MPC Fiscal Impact Analysis**						
	SCENARIO					
Category	**Scenario 1: Cautious**	**%**	**Scenario 2: Focused**	**%**	**Scenario 3: Bold**	**%**
Recreation and Parks	$14,765	11%	$17,429	12%	$32,266	12%
Streets	$86,351	63%	$89,291	61%	$162,979	62%
Solid Waste	$9,360	7%	$10,400	7%	$15,600	6%
Police	$10,475	8%	$11,799	8%	$20,491	8%
Fire	$14,397	11%	$16,475	11%	$29,834	11%
Sportran (GF Portion)	$1,425	1%	$1,650	1%	$3,225	1%
TOTAL	***$136,772***	***100%***	***$147,043***	***100%***	***$264,395***	***100%***

Capital improvements are modeled based on current levels of service for the different types of infrastructure listed above. As shown, streets comprise the largest capital expense, followed by recreation and parks and fire.

Recreation and Parks

Capital facilities included in the analysis are Regional, Community, Neighborhood, and Special Use Parks and Trails. Future needs are projected based on current levels of service (e.g., number of park acres per capita)

Public Safety

Fire

The City recently built and opened a new station (Station 22) serving the Southeast portion of the City. Levels of service are based on the system of Fire Stations in the City, namely the 22 stations. Given the recent construction, we assume that some capacity is available in the system. This analysis is not a Fire station planning exercise, which must take into consideration response times, station configurations, insurance requirements, etc. The Fire Department has its own Master Plan to account for these factors and plans accordingly including identification of existing stations that need to be relocated and reconfigured to accommodate modern equipment and staffing needs. The fiscal analysis as it pertains to Fire facilities allows for comparison between scenarios assuming different land use patterns and amount of growth.

New stations are projected based on future projected calls for service. Station construction also triggers purchase of an engine and the related operating impact for a new engine company. Medic units (and operating impact) and ladder trucks (and company operating impact) are also projected based on maintaining current levels of service.

Police

Major capital expenditures are for patrol cars, which are projected based on one car per new patrol officer. The model also "buys" a new car when the useful life is reached. Therefore, costs are included for new and replacement vehicles. Also, new growth's pro rata share of police facilities are included (evidence/storage facility and crime scene investigation facility).

Water/Sewerage

As noted above, typically a fiscal impact analysis does not include water/sewer infrastructure and operations due to its nature as an enterprise fund. That is, it is typically assumed that water

and sewer expenditures are paid for by rates and fees, including operations, maintenance, and infrastructure improvements.

For this analysis, we looked at both revenue and costs in a high level manner. We analyzed costs due to new development assuming that water and sewer infrastructure is built at the same level of service as was done in the past (as is done for all infrastructure categories). In practice, a utility enterprise fund should be self-sufficient with rates and fees set in a manner to recoup full costs of operations and capital needs. Therefore, to conduct a fiscal impact analysis—where revenues and expenditures are projected separately—is somewhat problematic. However, given the infrastructure concerns in the City, this is done for the analysis.

- Water
  - We assumed water treatment and storage costs in an incremental manner. Costs are projected based on new water usage to serve new growth at a cost per gallon of capacity. No assumptions were made regarding use of existing capacity in the system.
    - We assumed that new water mains are paid for by developers.
- Sewer
    - We assumed costs for sewage treatment and lift stations. Costs are projected based on incremental usage at a cost per gallon of usage.
    - We assumed new sewer mains/collection lines are paid for by developers.

Replacement and rehabilitation costs are not necessarily included in this analysis, namely because these are existing deficiencies. However one could argue that for the "revitalization" scenarios, improvements to existing mains would be necessary. This is beyond the scope of this fiscal analysis and should be part of a water/sewer planning effort to determine where sufficient, usable capacity exists so additional development can occur. Projected costs by scenario are shown in Figure 16.

Figure 16. Cumulative Operating and Capital Expenditures: Water and Sewer (x$1,000)

Cumulative (20 Years) Expenditures from New Growth - Scenario Comparisons (x$1,000)
WATER AND SEWER
Shreveport MPC Fiscal Impact Analysis

Category	SCENARIO					
	Scenario 1: Cautious	%	Scenario 2: Focused	%	Scenario 3: Bold	%
Expenditures						
Water/Sewerage Operating	$56,829	33%	$63,966	32%	$117,445	32%
Water Capital	$59,114	34%	$67,334	34%	$124,766	34%
Sewer Capital	$58,483	34%	$66,614	34%	$123,432	34%
TOTAL EXPENDITURES	***$174,426***	***100%***	***$197,914***	***100%***	***$365,643***	***100%***

APPENDIX

SCENARIO LAND USE ASSUMPTIONS

The following provides a summary of the growth in population and jobs by fiscal analysis sector for each scenario.

Figure 17. Scenario Growth Assumptions

		SCENARIO 1				SCENARIO 2				SCENARIO 3			
POP and JOBS	BASE YEAR	*New*	*Area Ttl*	*% of Total*	*% Increase fr Base*	*New*	*Area Ttl*	*% of Total*	*% Increase fr Base*	*New*	*Area Ttl*	*% of Total*	*% Increase fr Base*
Area 1	27,659	10,397	38,055	8%	38%	15,423	43,082	9%	56%	35,053	62,712	11%	127%
Area 2	139,886	17,474	157,360	32%	12%	30,657	170,543	34%	22%	59,518	199,404	33%	43%
Area 3	106,629	17,699	124,328	25%	17%	20,246	126,875	25%	19%	38,908	145,537	24%	36%
Area 4	18,300	6,893	25,193	5%	38%	7,589	25,889	5%	41%	13,258	31,558	5%	72%
Area 5	34,496	8,811	43,307	9%	26%	9,807	44,303	9%	28%	18,588	53,084	9%	54%
Area 6	50,880	20,125	71,005	14%	40%	16,032	66,912	13%	32%	22,047	72,927	12%	43%
Area 7	12,582	18,420	31,001	6%	146%	13,944	26,525	5%	111%	18,168	30,750	5%	144%
TOTAL	390,431	99,818	490,249	100%	26%	113,697	504,128	100%	29%	205,541	595,972	100%	53%

BASE YEAR DATA AND LEVEL OF SERVICE ASSUMPTIONS

The following reflects the major base year data estimates for the analysis:

Figure 18. Existing Demand Base: Demographics

		Year->	Base 2010
Population			
City	POPULATION		198,133
Households			
	SFD		56,188
	MF		21,292
	TOTAL HOUSEHOLDS		77,480
Jobs			
City	INDUSTRIAL JOBS		25,558
	RETAIL JOBS		41,420
	OFFICE JOBS		68,198
	INSTITUTIONAL JOBS		26,205
	TOTAL JOBS		161,381
Non-Resid Floor Area			
City	INDUSTRIAL SF		14,250,927
	RETAIL SF		20,710,000
	OFFICE SF		17,049,500
	INSTITUTIONAL SF		6,551,250
	TOTAL NR SF		58,561,677
Pop and Jobs			
	POP AND JOBS		359,514

Figure 19. Existing Demand Base: Facility and Service Related Factors

Vehicle Trips	RESIDENTIAL TRIPS	339,017
	NONRES TRIPS	495,071
	VEHICLE TRIPS	834,087
Facility Factors	LANE MILES	1,988
	PARK ACRES	1,958
	OPENSPACE ACRES	
	FACILITY SF	1,761,480
	VMT	15,602,347
	SOLID WASTE CUSTOMERS	66,000
Police Factors		
	RES POLICE CALLS	178,511
	NONRES POLICE CALLS	36,562
	TRAFFIC/OTHER POLICE CAL	52,793
	TOTAL POLICE CALLS	267,866
Fire Factors		
	RES FIRE/EMS CALLS	30,462
	NONRES FIRE/EMS CALLS	6,239
	TRAFFIC FIRE/EMS CALLS	0
	TOTAL FIRE/EMS CALLS	36,701
UTILITIES	WATER CUSTOMERS	68,400
	WATER USAGE	38,000,000
	SEWER CUSTOMERS	65,000
	SEWER USAGE	35,000,000
	WATER MILES	1,064
	SEWER MILES	1,036
	WATER AND SEWER MILES	2,100
	WATER AND SEWER CUSTO	133,400

Figure 20. New Development Property Values by Sector: Residential

Residential

MARKET AND ASSESSED VALUES

Residential

	Avg Mkt Val 2000 Census	Avg Mkt Val 2010 Rounded	Assessed Value* 0.1
AREA 1			
SFD	$86,366	$190,000	$19,000
MF		$150,000	$15,000
AREA 2			
SFD	$47,148	$160,000	$16,000
MF		$100,000	$10,000
AREA 3			
SFD	$121,242	$240,000	$24,000
MF		$110,000	$11,000
AREA 4			
SFD	$106,188	$200,000	$20,000
MF		$90,000	$9,000
AREA 5			
SFD	$110,160	$185,000	$18,500
MF		$100,000	$10,000
AREA 6			
SFD	$93,680	$170,000	$17,000
MF		$100,000	$10,000
AREA 7			
SFD	$209,667	$400,000	$40,000
MF		$150,000	$15,000

Sources: Census; ESRI; TischlerBise; LoopNet; CommercialIQ; LA Tax Commission; City of Shreveport.
**Residential assessment val to mkt value is 10%*

Figure 21. New Development Property Values by Sector: Nonresidential

Nonresidential

Nonresidential
Market Values ($/sq. ft.)

	AREA 1	AREA 2	AREA 3	AREA 4	AREA 5	AREA 6	AREA 7
Industrial	$10	$18	$42	$30	$25	$32	$25
Retail	$20	$98	$85	$50	$60	$85	$85
Office	$41	$63	$100	$70	$75	$83	$78
Institutional/Office	$0	$0	$0	$0	$0	$0	$0

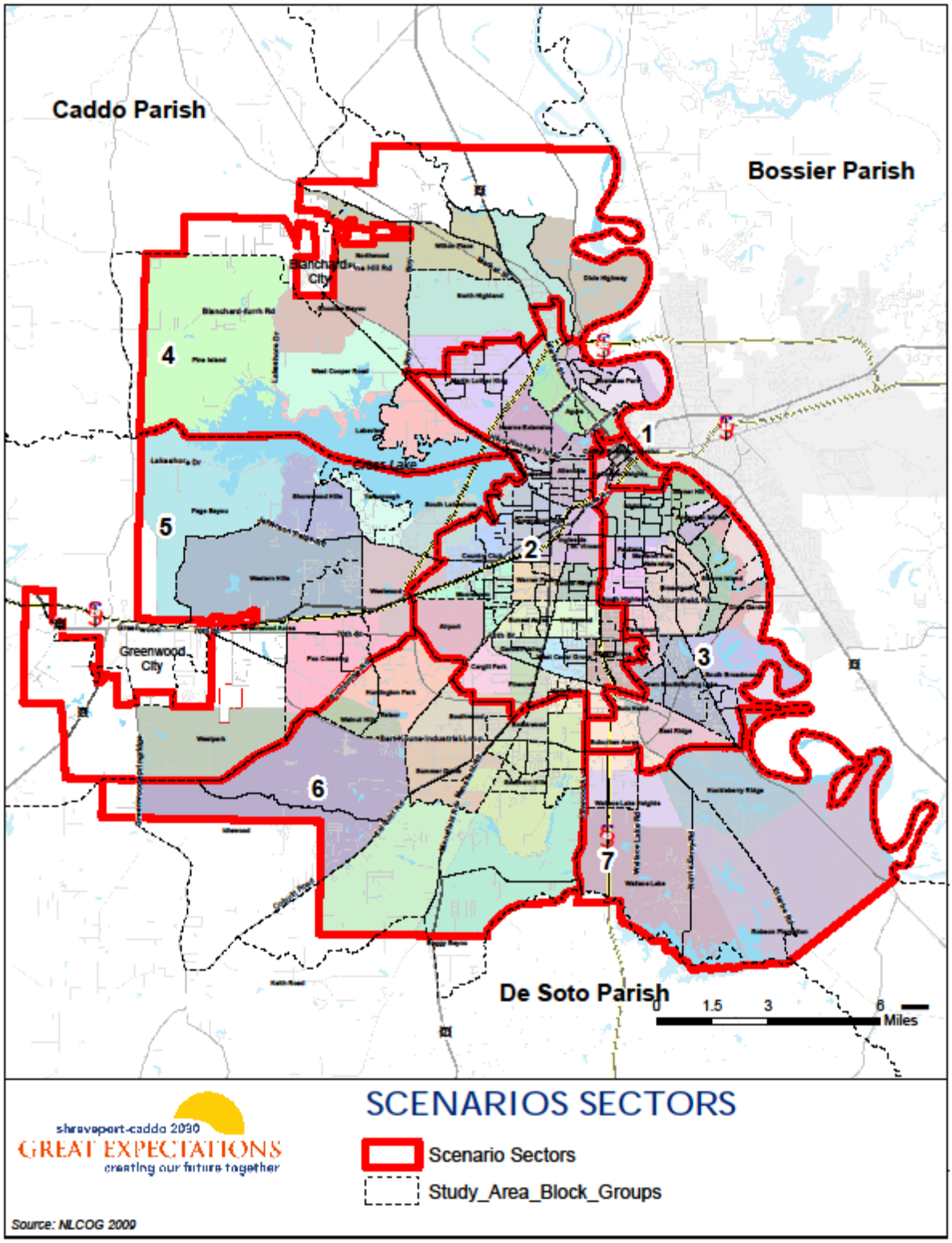
Sources: Census; ESRI; TischlerBise; LoopNet; CommercialIQ; LA Tax Commission; City of Shreveport.

Nonresidential
Assessed Values ($/sq. ft.)*

	AREA 1	AREA 2	AREA 3	AREA 4	AREA 5	AREA 6	AREA 7
Industrial	$2	$3	$6	$5	$4	$5	$4
Retail	$3	$15	$13	$8	$9	$13	$13
Office	$6	$9	$15	$11	$11	$12	$12
Institutional/Office	$0	$0	$0	$0	$0	$0	$0

**Nonresidential improvements assessment to mkt value ratio is 15%*

Figure 22. Map of Fiscal Analysis Sectors



REVENUE STRATEGIES REPORT

Shreveport Metropolitan Planning Commission of Caddo Parish, Louisiana

shreveport-caddo 2030
GREAT EXPECTATIONS
creating our future together

October 2010

Prepared By:

TischlerBise
Fiscal, Economic & Planning Consultants

This report was prepared by TischlerBise and submitted to Goody Clancy & Associates as part of the Shreveport-Caddo 2030 Master Plan, also known as "Shreveport-Caddo 2030 Great Expectations: Creating Our Future Together." For more information, see www.shreveportcaddomasterplan.com.

October 2010

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REVENUE STRATEGIES REPORT

Shreveport-Metropolitan Planning Commission

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EXECUTIVE SUMMARY

Background

TischlerBise is part of a consultant team, headed by Goody Clancy & Associates, working with the Shreveport Metropolitan Planning Commission of Caddo Parish (MPC) to develop a comprehensive plan for the MPC area, the *Shreveport-Caddo 2030 Master Plan*. TischlerBise's role is to identify and analyze fiscal impacts of development patterns in the city and parish. Toward that end, a three-phase Fiscal Analysis is being conducted:

- Phase I: Identification of past and current trends in demographics, the local and regional economy, city finances, municipal services, and infrastructure. The Phase I report, "**Preliminary Fiscal Evaluation of Development Patterns in the Shreveport-Caddo Metropolitan Planning Area,**" was completed in September 2009.
- Phase II: A fiscal impact analysis of potential future development scenarios as part of the Master Plan analyses. The Phase II Report, "**Fiscal Impact Analysis of Three Scenarios,"** was submitted in July 2010.
- Phase III: Identification and analysis of revenue sources and implementation strategies to address infrastructure and operating needs in the City.

This document provides findings from the third phase of the Fiscal Analysis, "**Revenue Strategies**."

Summary of Phases I and II Fiscal Impact Analysis

Phase I: Preliminary Fiscal Evaluation of Development Patterns in the Shreveport-Caddo Metropolitan Planning Area

The **Phase I** analysis was a fiscal review of development patterns in the Shreveport Master Plan Area. In this phase, TischlerBise researched historical data for Shreveport, Caddo Parish, Bossier Parish, and the metropolitan area as a whole on demographics, economy, development patterns, municipal finances, levels of service, and facilities. The report also provided a brief overview of fiscal impact analysis and findings from other relevant studies. The key findings from the Phase I analysis were:

- Population trends in the City of Shreveport and Caddo and Bossier Parishes indicate a pattern of disinvestment in the City with growth in the parishes. Population growth occurring outside the City has long-term negative consequences on income disparities, fiscal needs, and other issues.

- With population density in the City decreasing significantly over time due to expansion of the City's borders, the stress of providing dispersed services and expanding infrastructure continues to deepen for the City with escalating costs and declining levels of service.

- Caddo Parish's share of regional retail sales has decreased over time thus impacting one of the City's main revenue sources. If this trend continues, the City will be further constrained in its ability to fund current levels of service.

- As revenue growth in the City slows and expenditures continue to increase, decision makers are forced to wrestle with difficult choices on the use of diminishing resources. A better understanding of cost drivers, existence of excess capacity, land uses that are fiscally beneficial, and the potential benefits of targeted incentives would provide useful and timely information to better tackle these decisions.

- In summary, the City of Shreveport has experienced disinvestment in the city's core while expanding on the fringes through annexation. The particular conditions in Shreveport inform the Phase II fiscal impact analysis—all communities are unique with different levels of service, community priorities, and cost and revenue structures.

Phase II: Fiscal Impact Analysis of Three Scenarios

Phase II was a fiscal impact analysis of three land use scenarios depicting possibilities for future 20-year growth in the Master Plan Area. General assumptions for the scenarios are that:

- The Shreveport-Caddo planning area will have more jobs and households in 2030 than it does in 2010.
- The job growth rate will at least equal the Caddo Parish 1997-2007 rate of job growth.
- Population growth will be proportionate to job growth and average household size will remain the same or smaller.

The three Master Plan scenarios varied the amount, type, and location of growth. A summary of each scenario is provided below:

1. **Scenario 1: Cautious**. This scenario reflects basic changes that won't cost the city money (i.e., change zoning, seek grant funding, etc.) Development patterns stay mostly the same, however some inner core development takes place because of clearer and more targeted policies. Essentially, most new development would require new infrastructure.

2. **Scenario 2: Focused**. This scenario incorporates more policy actions to curb outward sprawl. It is envisioned that more people are living in the core, which would require infrastructure improvements to accommodate the growth, but could support higher densities over time. Some growth still occurs at the periphery, which would also require additional infrastructure.

3. **Scenario 3: Bold**. This scenario assumes significant growth in both residential and nonresidential development in all areas of the City. More development occurs in the core than the other scenarios (50% of all new households locate in the core areas). Policy options as a result of pursuing this scenario are pricing differentials (as described in Scenario 2) as well as impact fees for roads, water and sewer, except in target areas.

TischlerBise modeled each scenario using numerical projections of population, housing units, employment, and nonresidential building area through the year 2030 allocated to seven areas of the City-Parish planning area. These "fiscal analysis sectors" allowed the analysis to vary land use characteristics such as property values and infrastructure requirements.

The main findings from the Phase II Fiscal Impact Analysis are as follows:

- The Cautious and Focused Scenarios (Scenarios 1 and 2) produce essentially fiscally neutral results with the Cautious Scenario producing generally worse results than the Focused Scenario due to the location of the projected growth.

- The Focused Scenario assumes more development in the core area of the City, which leads to lower infrastructure costs relative to the Cautious Scenario.

- The Bold Scenario (Scenario 3) generates the best results of the three scenarios, with net surpluses generated to the City. The amount of growth assumed—and the revenues generated from that growth—relative to the expenditures leads to net surpluses.

Overview of Phase III: Revenue Strategies

Fiscal strategies and revenue sources are discussed in this document in support of the Shreveport-Caddo Master Plan. They address sources for both operating and capital needs with an emphasis on infrastructure. The rationale is that to promote the "Bold" Master Plan scenario, which was preferred in public meetings where the three scenarios were reviewed, investments in infrastructure improvements will be necessary. Additional resources that can be used for operating needs can free up funds for capital purposes. Similarly, additional funding that is dedicated for capital purposes can also relieve pressure on General Fund dollars that may currently be used for capital expenses.

The report covers the following topics:

- **Approaches, Strategies, and Philosophy**: Discussion of the types of responses to budget needs as well as the rationale behind different approaches. This section discusses additional *Fiscal Sustainability Implementation Strategies* that are not necessarily revenue raising mechanisms, but strategies that support the goals of the Master Plan.
- **Funding Needs**: Summary of infrastructure needs to serve both existing development and projected new growth.
- **Revenue Options**: Description of potential available revenue sources.
- **Putting it All Together**: Comparing estimated costs with available revenues and solving for the shortfall along with other implementation strategies.

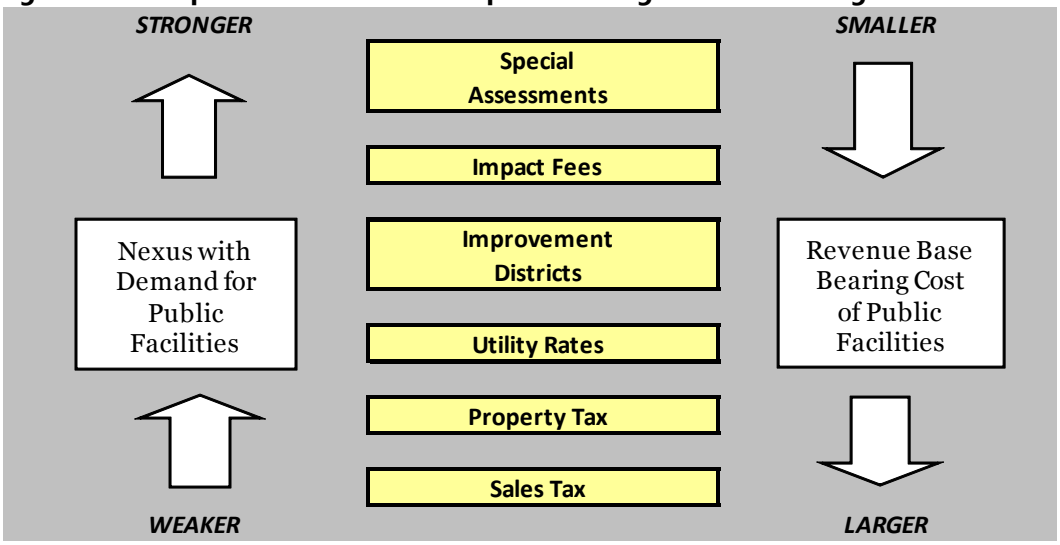
Approaches, Strategies, and Philosophy

Operating and capital shortfalls present unique challenges for a jurisdiction. It is often somewhat easier to "solve for a capital shortfall" than find new revenue sources for operating expenditures. In many jurisdictions, often there are more **additional types** of revenues to fund capital improvements (such as impact fees, excise taxes, special assessments) than are available for ongoing operating expenses. In fact, in some places funding may be available to build capital facilities, but there are insufficient funds for ongoing operations. This is a concern in the

City of Shreveport and has been acknowledged by the Shreveport Citizen's Bond Committee in their recommendations regarding a future bond referendum.

To address **infrastructure** funding, revenue strategies often force decision-makers to wrestle with a dynamic tension between two competing desires. As shown on the left side of Figure 1, various infrastructure funding options have a strong to weak connection between the source of funds and the demand for public facilities. For instance, area-specific assessments are based on known capital costs in a specific location and are paid by those directly benefiting from the new infrastructure. In contrast, property tax revenue may be used by a locality to fund infrastructure with very little, if any, connection between those paying the tax and the need for capital improvements.

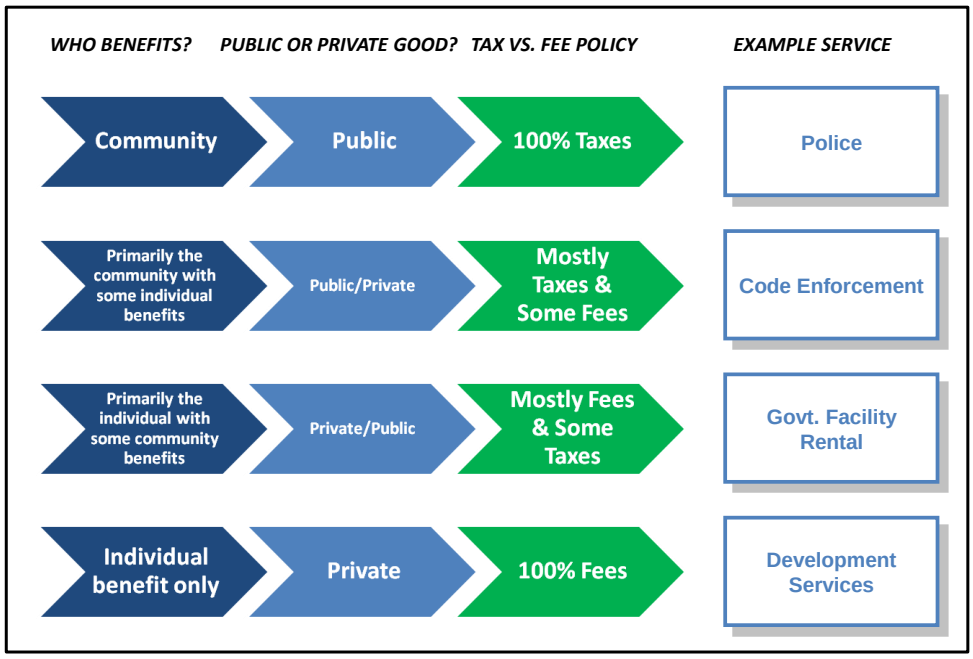
Figure 1. Conceptual Framework for Capital Funding Revenue Strategies



Source: TischlerBise: P. Tischler, D. Guthrie, and N. Mishkovsky, "Introduction to Infrastructure Financing," ICMA IQ Service Report

As with capital infrastructure funding, paying for public services offers its own set of tensions. As depicting in the figure below, certain types of services are more appropriate to be funded with general tax dollars because they are a public good and benefit all of a community, rather than an individual (e.g., public safety). At the other end of the continuum, other services can be viewed as more appropriately funded with user fees because the benefit is directly enjoyed by an individual (e.g., development services such as building permits). Still others are a mix of both community and individual benefits and therefore appropriate to be funded with a combination of general tax dollars and fees. Because of these issues, local governments often establish policies regarding acceptable thresholds for cost recovery from fees while considering social and economic factors.

Figure 2. Taxes vs. Fees: Who Benefits and Who Should Pay?



Source: TischlerBise, Inc.

Fiscal Sustainability Strategies

In addition to identifying and exploring other revenue sources, several fiscal strategies are discussed in the report as follows:

- *Fiscal Neutrality*
  "Fiscal Neutrality" is where the City would not subsidize growth at the periphery, but adopt policies to ensure that growth pays its way (i.e., achieves fiscal neutrality). This approach could achieve several outcomes such as ensuring infrastructure is provided by developers; require that City standards for infrastructure be met; and incentivizing development in the Core.

- *Fees by Distance or Consumption*
  Related to the fiscal neutrality concept, is the concept of developing fees based on geography or consumption. Examples of this would be impact fees derived by distance or demand factors such as higher vehicle miles of travel (VMT) in certain areas of city.

- *Capital Improvement Planning*
  A final implementation strategy relates to Capital Improvement Planning. The Master Plan identifies guidelines and best practices for capital improvement plans. Future capital improvement planning should identify those projects that are new construction,

expansions, and/or provide additional capacity, which will assist in implementation of a system of impact fees and/or other exactions. Operating impacts of new capital projects should also be identified. Policies and strategies to support fiscal sustainability should be reflected in future City Capital Improvement Plans thus reinforcing the goals of the Master Plan.

Funding Needs

The analysis identifies funding needs for both existing and potential future development, according to the three Scenarios modeled as part of the Master Plan effort. A summary of estimated funding needs is shown below in Figure 3. As shown, over twenty years the shortfall is projected to be $441 million ($22 million per year) to $647 million ($32 million per year), depending on the growth scenario.

Figure 3. Estimated Funding Needs for Existing and Future Development (x$1,000s)

	Scenario 1	*Scenario 2*	*Scenario 3*
	20-Year Cumulative (x$1,000s)		
Subtotal Existing Development Unfunded Capital Costs	$332,474	$332,474	$332,474
Subtotal Future Growth Capital Costs	$305,287	$331,701	$604,580
TOTAL Capital Costs	**$637,761**	**$664,174**	**$937,054**
TOTAL Current Revenue Sources	**$196,368**	**$204,461**	**$290,043**
SHORTFALL (20-Yr Cumulative)	***($441,393)***	***($459,713)***	***($647,011)***
Average Annual Shortfall	***($22,070)***	***($22,986)***	***($32,351)***

Source: City of Shreveport; TischlerBise

Revenue Options

To address the projected revenue shortfall, the report focuses on revenue strategies potentially available to the City. The discussion is focused on additional **local revenue sources.** Other sources of funding will likely be available from the State or Federal governments in the future for specific purposes and should be pursued vigorously. However, this analysis focuses exclusively on local revenue. The sources discussed in this report are:

- Bonds
- Increase Existing Taxes and Dedicating Proceeds
- Impact Fees

- New and/or Increased User Fees
- Utilities: Rates, Connection Fees, and Asset Management
- Annexation Fees
- Excise Tax
- Tax Increment Financing
- Special Assessment/Benefit Districts
- Gas Royalties/Lease Payments

Given the conditions in the Shreveport Master Plan Area, the following is our assessment of each of these revenue sources according to four criteria: (1) revenue potential; (2) technical ease; (3) proportionality; and (4) public acceptance.

Figure 4. Evaluation of Revenue Strategies

	Revenue Potential	***Technical Ease***	***Proportionality***	***Public Acceptance***
Bonds	High	Voter approval	Low	Positive/ Neutral*
Increase Existing Taxes and Dedicating Proceeds	High	Voter approval	Low	Positive/ Negative**
Impact Fees	Moderate/High	Study required; ongoing admin	High	Positive
New and/or Increased User Fees	Moderate	Study required	High	Neutral/ Negative
Utility Rates & Connection Fees; Stormwater Utility	Moderate	Study required	High	Positive/ Neutral
Annexation Fees	Moderate/Low	Study required; ongoing admin	High	Positive
Excise Tax	Moderate	Legal analysis/study required	Low/Moderate	Positive/ Neutral*
Tax Increment Financing	Low/Moderate	Study required	High	Positive
Special Assessment/Benefit Districts	Low/Moderate***	Study required	High	Positive*
Gas Royalties/Lease Payments	Moderate	Admin requirements	Low	Positive****

** Depends on the projects/purposes.*
*** Depends on projects and structure of tax increase (e.g., finite period for specific projects)*
**** Depends on geographic area assessed and purpose.*
***** Likely depends on locations.*

The three revenue sources evaluated in greater detail in this analysis are: (1) impact fees; (2) increased sales tax rate (and dedicating the increased revenues to a specific purpose); and (3) increased user fees.

Impact Fees

Impact fees (also called development fees or capacity fees) are one-time fees assessed on new development and reflect new growth's fair share of the cost to provide necessary capital facilities. The City of Shreveport does not currently assess impact fees.

Impact fees are regulatory measures that happen to generate revenue—the overall premise is that the fee is a mechanism to provide adequate infrastructure to ensure orderly growth. Fees can be structured to incentivize the location of development—i.e., to direct development and redevelopment to the City's core. In determining the reasonableness of these one-time fees, the fee must meet three requirements: (1) needed capital facilities are a consequence of new development; (2) fees are a proportionate share of the government's cost; and (3) revenues are managed and expended in such a way that new development receives a substantial benefit. Potential fee categories for the City of Shreveport are (1) Water; (2) Sewer; (3) Roads; (4) Parks and Recreation; (5) Public Safety; and (6) Solid Waste.

Increase Sales Tax Rate and Dedicating Proceeds

Often when communities need to increase revenues, the first sources considered are the largest existing revenue sources. The City of Shreveport's largest revenue sources is the sales tax. A small increase in the tax rate could result in a significant amount of revenue. For example, increasing Shreveport's local rate by .4 percent—matching the City of Bossier's total rate—would likely *not* put Shreveport at a competitive disadvantage, while at the same time potentially generating hundreds of millions of dollars in revenue. If this increased revenue were to be dedicated for a specific purpose such as capital improvements in general or specific capital projects, it may be more likely to be supported by voters. Furthermore, because revenue is also generated by visitors and non-residents, voters may be supportive.

New and/or Increased User Fees

User fees promote economic efficiency because they are related to the costs of providing a public service that directly benefits the fee payer. User fees are typically not subject to voter approval and are often more acceptable to the public than increased taxes. A common concept is that fees should be established at a level that will recover costs of providing the service and that profit is not an objective.

Increasing fee levels as well as adding additional types of fees will help the City's overall bottom line. However, there is a need to balance community and individual benefits as well as ensure that services and programs are affordable to those who will benefit. Toward this end, several economic and policy issues are recommended throughout this report for a City expanded user fee program including:

- Establish fees at a level that permits lower income groups to participate in services that might not otherwise be able to afford.
- Consider community-wide benefit versus individual benefit for certain services such as recreation programs, City facility rental use, and senior activities.
- Determine who is the service recipient versus the service driver.
- Consider elasticity of demand in pricing certain City services. Increasing the price of some services results in a reduction of demand for those services, and vice versa, such as for youth and senior programs.
- Price services to encourage or discourage certain behaviors.

Revenue Potential

The revenue potential from these three sources is estimated by assuming a low and high amount for each source. Revenues are estimated for each future Master Plan growth scenario combined with additional revenues from existing development. Results are shown below in Figure 5.

Figure 5. Revenue Potential from Three Sources

	(Projected 20-Year Cumulative Totals) (x$1,000s)					
	Scenario 1		***Scenario 2***		***Scenario 3***	
	Low	*High*	*Low*	*High*	*Low*	*High*
Subtotal Impact Fees	*$78,465*	*$235,395*	*$85,421*	*$256,263*	*$132,033*	*$396,100*
Subtotal Increased Sales Taxes	*$79,600*	*$318,300*	*$81,600*	*$326,500*	*$96,400*	*$385,500*
Subtotal Increased User Fees	*$21,300*	*$64,000*	*$21,600*	*$64,800*	*$23,400*	*$70,100*
GRAND TOTAL POTENTIAL NEW REVENUES	**$179,365**	**$617,695**	**$188,621**	**$647,563**	**$251,833**	**$851,700**

Putting it All Together

Putting the above two sections together—potential new revenues compared to remaining capital expenditure shortfalls—provides some insight into the potential to fund additional infrastructure improvements in the City. Figure 6 provides a summary of projected potential new revenues compared to capital expenditure shortfalls to derive a remaining shortfall or surplus. **As shown, assuming the "high" revenue factors eliminates the shortfall in all Scenarios**.

Figure 6. Solving for the Shortfall (x$1,000s)

	(Projected 20-Year Cumulative Totals) (x$1,000s)					
	Scenario 1		***Scenario 2***		***Scenario 3***	
	Low	*High*	*Low*	*High*	*Low*	*High*
Subtotal Potential New Revenues: Existing Base	*$92,000*	*$348,000*	$92,000	$348,000	$92,000	$348,000
Subtotal Potential New Revenues: New Growth	*$87,365*	*$269,695*	*$96,621*	*$299,563*	*$159,833*	*$503,700*
GRAND TOTAL POTENTIAL NEW REVENUES	**$179,365**	**$617,695**	**$188,621**	**$647,563**	**$251,833**	**$851,700**
GRAND TOTAL EXPENDITURE SHORTFALLS with WATER & SEWER	**($441,393)**	**($441,393)**	**($459,713)**	**($459,713)**	**($647,011)**	**($647,011)**
REMAINING SHORTFALL OR SURPLUS (20-Yr Cumulative)	***($262,028)***	***$176,302***	***($271,092)***	***$187,850***	***($395,178)***	***$204,689***
Average Annual Shortfall or Surplus	***($13,101)***	***$8,815***	***($13,555)***	***$9,392***	***($19,759)***	***$10,234***

Source: TischlerBise

Relationship to the Master Plan

The Shreveport Caddo Master Plan is an ambitious set of goals, strategies, and actions. To realize the visions in the Plan, implementation of those strategies and actions is essential. In many instances, implementation requires resources—particularly local funding. Furthermore, a main goal of the Plan is to revitalize and redirect growth in the City's core. To do this, incentives are required. The strategies and revenue sources identified in this document intend to promote implementation of the Master Plan by generating additional local resources and identifying incentives to manage and direct future growth in the City and Parish.

BACKGROUND

TischlerBise is part of a consultant team, headed by Goody Clancy & Associates, working with the Shreveport Metropolitan Planning Commission of Caddo Parish (MPC) to develop a comprehensive plan for the MPC area, the *Shreveport-Caddo 2030 Master Plan.* TischlerBise's role is to identify and analyze fiscal impacts of development patterns in the city and parish. Toward that end, a three-phase Fiscal Analysis is being conducted:

- Phase I: Identification of past and current trends in demographics, the local and regional economy, city finances, municipal services, and infrastructure. The Phase I report, "**Preliminary Fiscal Evaluation of Development Patterns in the Shreveport-Caddo Metropolitan Planning Area,**" was completed in September 2009.
- Phase II: A fiscal impact analysis of potential future development scenarios as part of the Master Plan analyses. The Phase II Report, "**Fiscal Impact Analysis of Three Scenarios,"** was submitted in July 2010.
- Phase III: Identification and analysis of revenue sources and implementation strategies to address infrastructure and operating needs in the City.

This document provides findings from the third phase of the Fiscal Analysis, "**Revenue Strategies**."

SUMMARY OF PHASES I AND II

A fiscal impact evaluation analyzes revenue generation and operating and capital costs to a jurisdiction associated with the provision of public services and facilities under a set of land use and level of service assumptions. This section provides a brief summary of Phases I and II of the fiscal impact analysis conducted by TischlerBise for the Shreveport Master Plan Area.

Phase I: Preliminary Fiscal Evaluation of Development Patterns

The Phase I analysis was a fiscal review of development patterns in the Shreveport Master Plan Area. In this phase, TischlerBise researched historical data for Shreveport, Caddo Parish, Bossier Parish, and the metropolitan area as a whole on demographics, economy, development patterns, municipal finances, levels of service, and facilities. The report also provided a brief overview of fiscal impact analysis and findings from other relevant studies. The key findings from the Phase I analysis were:

- Population trends in the City of Shreveport and Caddo and Bossier Parishes indicate a pattern of disinvestment in the City with growth in the parishes. Population growth occurring outside the City has long-term negative consequences on income disparities, fiscal needs, and other issues.

- With population density in the City decreasing significantly over time due to expansion of the City's borders, the stress of providing dispersed services and expanding infrastructure continues to deepen for the City with escalating costs and declining levels of service.

- Caddo Parish's share of regional retail sales has decreased over time thus impacting one of the City's main revenue sources. If this trend continues, the City will be further constrained in its ability to fund current levels of service.

- As revenue growth in the City slows and expenditures continue to increase, decision makers are forced to wrestle with difficult choices on the use of diminishing resources. A better understanding of cost drivers, existence of excess capacity, land uses that are fiscally beneficial, and the potential benefits of targeted incentives would provide useful and timely information to better tackle these decisions.

- In summary, the City of Shreveport has experienced disinvestment in the city's core while expanding on the fringes through annexation. The particular conditions in Shreveport will inform the results of a local fiscal impact analysis—all communities are unique with different levels of service, community priorities, and cost and revenue structures.

Phase II: Fiscal Impact Analysis of Three Scenarios

Phase II was a fiscal impact analysis of three land use scenarios depicting possibilities for future 20-year growth in the Master Plan Area. General assumptions for the scenarios are that:

- The Shreveport-Caddo planning area will have more jobs and households in 2030 than it does in 2010.
- The job growth rate will at least equal the Caddo Parish 1997-2007 rate of job growth.
- Population growth will be proportionate to job growth and average household size will remain the same or smaller.

The three Master Plan scenarios varied the amount, type, and location of growth. A summary of each scenario is provided below:

1. **Scenario 1: Cautious**. This scenario reflects basic changes that won't cost the city money (i.e., change zoning, seek grant funding, etc.) Development patterns stay mostly the same, however some inner core development takes place because of clearer and more targeted policies. Basic funding structures remain the same. Essentially, most new development would require new infrastructure.

2. **Scenario 2: Focused**. This scenario incorporates more policy actions to curb outward sprawl. It is envisioned that more people are living in the core, which would require infrastructure improvements to accommodate the growth, but could support higher densities over time. Some growth still occurs at the periphery, which would also require additional infrastructure. It is anticipated that a policy option for this type of scenario could be pricing differentials, where private development costs increase as one goes farther from the center.

3. **Scenario 3: Bold**. This scenario assumes significant growth in both residential and nonresidential development in all areas of the City. More development occurs in the core than the other scenarios (50% of all new households locate in the core areas). Policy options as a result of pursuing this scenario are pricing differentials (as described in Scenario 2) as well as impact fees for roads, water and sewer, except in target areas.

TischlerBise modeled each scenario using numerical projections of population, housing units, employment, and nonresidential building area through the year 2030 allocated to seven areas of the City-Parish planning area. These "fiscal analysis sectors" allowed the analysis to vary land use characteristics such as property values and infrastructure requirements.

The main findings from Phase II are as follows:

- The Cautious and Focused Scenarios (Scenarios 1 and 2) produce essentially fiscally neutral results with the Cautious Scenario producing generally worse results than the Focused Scenario due to the location of the projected growth.
- The Focused Scenario assumes more development in the core area of the City, which leads to lower infrastructure costs relative to the Cautious Scenario .
- The Bold Scenario (Scenario 3) generates the best results of the three scenarios, with net surpluses generated to the City. The amount of growth assumed—and the revenues generated from that growth—relative to the expenditures leads to net surpluses.

In evaluating the Fiscal Impact Analysis of three growth scenarios in Phase II, TischlerBise also identified three main themes:

1. **Expanding Infrastructure:** As has been noted previously (by TischlerBise in our Phase I report and others), the City has a large amount of infrastructure for the population and employment base it serves. This is a continuing trend as new infrastructure is being built to support development at the periphery of the City.

2. **Free Ride:** Development has occurred without adequate contributions for infrastructure. This has a ripple effect:

    - Without funds available to provide additional infrastructure to serve new growth, resources get diverted from maintaining infrastructure and providing services to existing development.

    - Existing infrastructure deteriorates further as resources are spread thin.

    - While it is not the responsibility of new growth to fix existing deficiencies, these deficiencies affect quality of life and the overall development potential of the City. If new development were to help provide infrastructure to meet its needs, this will free up other funds to fix existing problems.

    - Related to the "free ride" theme, many services that are typically fee-based in other localities (e.g., solid waste) covering all or a portion of costs, are primarily provided through general taxes in Shreveport. (This is discussed further in this report.)

3. **Short-Term Needs vs. Long-Term Planning**. Long-term capital planning for replacement, renewal, and expansion has been difficult because of short-term needs related to providing infrastructure and services to support sprawl development. Given the City's combination of both expanding and aging infrastructure, short-term crises have taken precedence over long-term capital analysis, planning, and implementation. Good information on existing conditions and future needs from an asset management system; a pavement management system; water, sewer, and drainage master plans; and a current utility rate study and model would assist with long-term planning.

Furthermore, the Master Plan 's strategies to achieve the twenty-year vision for the Master Plan Area focus on improving quality of life and **levels of service in order to attract growth.** The Phase II Fiscal Impact Analysis used *current levels of service* to enable an "apples to apples" comparison among the future land use scenarios. No judgment was made as to whether the levels of service are adequate, inadequate, or better than adequate. However, levels of service will likely have to change in some areas to attract and retain the levels of residential and business growth assumed in the Master Plan scenarios. In particular, infrastructure improvements will be necessary to correct the existing backlogs of deferred needs. And the new levels of service will have to be maintained at this improved level to retain new residents and businesses.

OVERVIEW OF PHASE III: REVENUE STRATEGIES

Fiscal strategies and revenue sources are discussed in this document in support of the Shreveport-Caddo Master Plan. They address sources for both operating and capital needs with an emphasis on infrastructure. The rationale is that to promote the "Bold" Master Plan scenario, which was preferred in public meetings where the three scenarios were reviewed, (Scenario 3 in the Phase II Fiscal Report), investments in infrastructure improvements will be necessary. Additional resources that can be used for operating needs can free up funds for capital purposes. Similarly, additional funding that is dedicated for capital purposes can also relieve pressure on General Fund dollars that may currently be used for capital expenses.

Revenue sources and strategies identified and discussed throughout this report are intended to provide a range of potential options for further exploration and debate by City and Parish officials and other stakeholders.

The remaining sections of this report include:

- **Approaches, Strategies, and Philosophy**: Discussion of the types of responses to budget needs as well as the rationale behind different approaches. This section discusses additional *Fiscal Sustainability Implementation Strategies* that are not necessarily revenue raising mechanisms, but strategies that support the goals of the Master Plan.
- **Funding Needs**: Summary of infrastructure needs to serve both existing development and projected new growth.
- **Revenue Options**: Description of potential available revenue sources.
- **Putting it All Together**: Comparing estimated costs with available revenues and solving for the shortfall along with other implementation strategies.

It should be noted that this document is generally focused on fiscal solutions—namely specific actions the City and Parish can explore to increase revenues. At the same time, other non-fiscal actions can also contribute to the bottom line—namely implementation of Master Plan goals to encourage sustainable development, neighborhood revitalization, and targeted economic development that in turn will generate increased revenues to the City through greater retail sales and higher property values.

APPROACHES, STRATEGIES, AND PHILOSOPHY

Operating and capital shortfalls present unique challenges for a jurisdiction. It is often somewhat easier to "solve for a capital shortfall" than find new revenue sources for operating expenditures. In many jurisdictions, often there are more **additional types** of revenues to fund capital improvements (such as impact fees, excise taxes, special assessments) than are available for ongoing operating expenses. In fact, in some places—including Shreveport—funding may be available to build capital facilities, but there are insufficient funds for ongoing operations.[1] It is especially challenging in the current economic climate, given the slow economic recovery expected from the Great Recession of 2007-2009 and the lagging impacts that typically affect local governments. Although we must be realistic about current national economic conditions, the Shreveport area has been more fortunate in weathering the recent economic downturn than many regions of the country, with positive trends appear to be increasing, and the twenty-year horizon of the Master Plan and this report assumes that opportunities for growth will continue to exist.

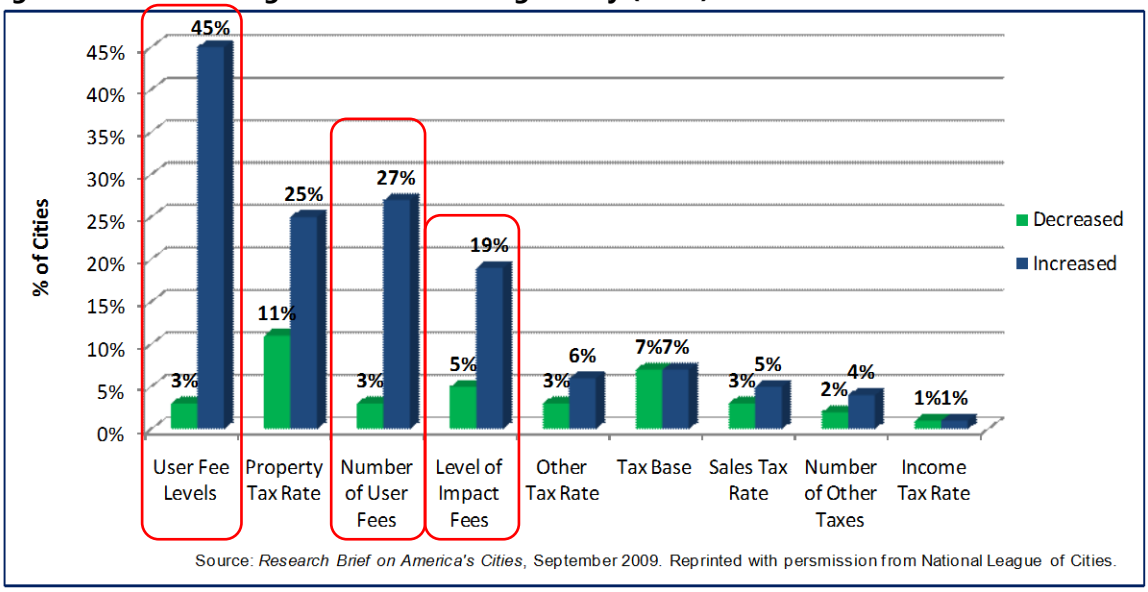
Operating Funding

To cover operating shortfalls, many localities first decrease levels of service. This is occurring across the country with layoffs, furloughs, closing of non-essential facilities, and other means. Second, jurisdictions are exploring alternative revenue sources and strategies. The most common responses to enhance local coffers are **increases in user fee levels and implementation of new user fees**. According to a recent National League of Cities survey, 45 percent of respondents increased their community's fee levels while 27 percent increased the number of fees charged to service users. Another common response was an increase in impact fee levels.

Fortunately, the City of Shreveport has not had to undertake significant drastic cost-cutting measures. Funding for vehicles (other than for police), equipment, and training has been curtailed over the last several years, but major layoffs or furloughs have not occurred, albeit 200 vacancies have not been filled. Despite economic challenges, major crime has decreased in the City through targeted efforts in public safety and code enforcement. Utility rates have been increased in recent years and the City has seen a recent increase in property values. The City has taken a conservative approach and has made efforts to live within its means. That said, if the City is to pursue the goals identified in the Master Plan, the City and Parish will need new fiscal strategies and revenue strategies to provide improved infrastructure and services.

[1] In Shreveport, Fire Station #22 remained vacant and unstaffed for several months after it was built due to a lack of funding. (See the Phase I report.)

Figure 7. National League of Cities Funding Survey (2009)

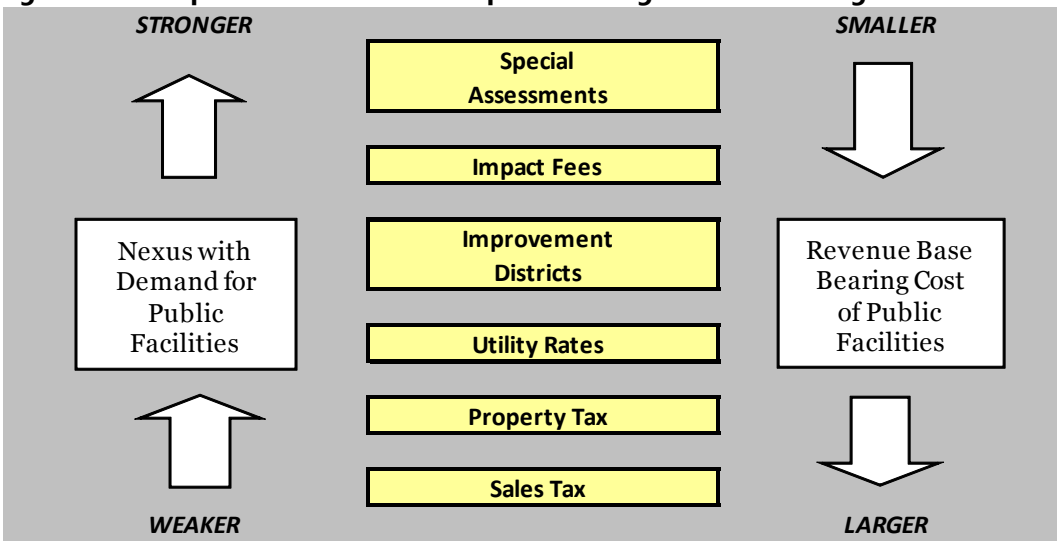


Infrastructure Funding

To address **infrastructure** funding, revenue strategies often force decision-makers to wrestle with a dynamic tension between two competing desires. As shown on the left side of Figure 8, various infrastructure funding options have a strong to weak connection between the source of funds and the demand for public facilities. For instance, area-specific assessments are based on known capital costs in a specific location and are paid by those directly benefiting from the new infrastructure. In contrast, property tax revenue may be used by a locality to fund infrastructure with very little, if any, connection between those paying the tax and the need for capital improvements.

It is unfortunate that the funding options with the closest nexus to the demand for public facilities also have the smallest demand base to bear the cost of the public facilities (see the right side of the diagram). Using utilities as an example, only new utility customers pay capacity fees, which are similar to impact fees. In contrast, all existing customers, plus the new customers that are added each year, pay water/sewer user rate charges. Therefore, the base of utility user charges continues to increase over time, but new customers paying a capacity fee do not accumulate, it is only the revenue from new users year to year.

Figure 8. Conceptual Framework for Capital Funding Revenue Strategies



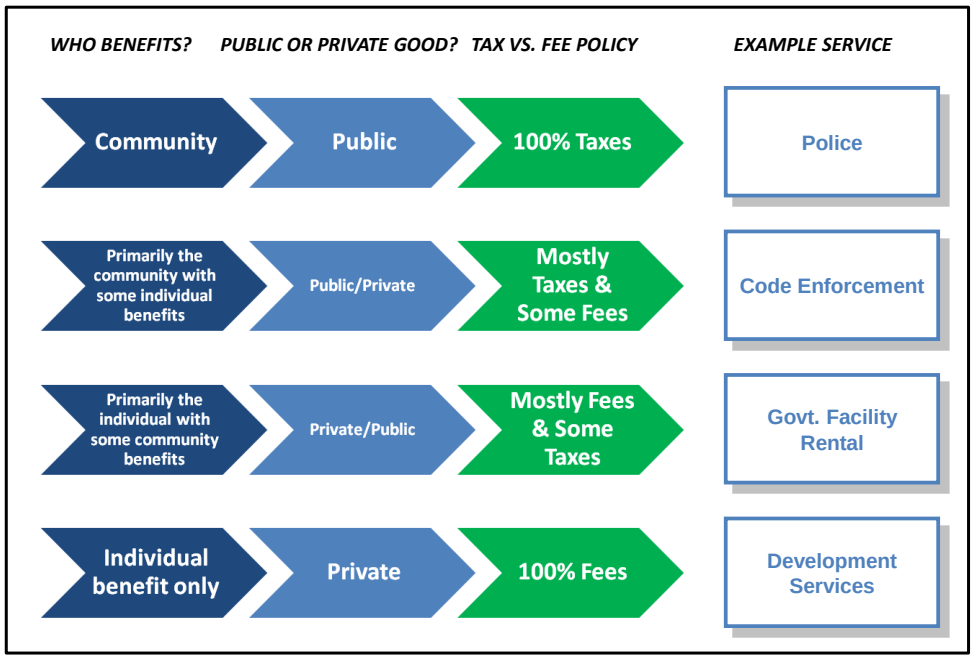
Source: TischlerBise: P. Tischler, D. Guthrie, and N. Mishkovsky, "Introduction to Infrastructure Financing," ICMA IQ Service Report

The City of Shreveport assesses all of the above revenue sources, with the exception of Impact Fees. However, with the exception of the dedicated property tax millage for debt service, the other revenue sources in the City are not dedicated to capital funding.

COST OF PROVIDING SERVICES: WHO SHOULD PAY?

As with capital infrastructure funding, paying for public services offers its own set of tensions. As depicting in the figure below, certain types of services are more appropriate to be funded with general tax dollars because they are a public good and benefit all of a community, rather than an individual (e.g., public safety). At the other end of the continuum, other services can be viewed as more appropriately funded with user fees because the benefit is directly enjoyed by an individual (e.g., development services such as building permits). Still others are a mix of both community and individual benefits and therefore appropriate to be funded with a combination of general tax dollars and fees. Because of these issues, local governments often establish policies regarding acceptable thresholds for cost recovery from fees while considering social and economic factors.

Figure 9. Taxes vs. Fees: Who Benefits and Who Should Pay?



Source: TischlerBise, Inc.

In FY2010 in the City of Shreveport, External Service Charges accounted for approximately $10 million in the General Fund with the majority of the revenue from landfill fees, which covers about 90 percent of the costs to operate the landfill (acting somewhat like an enterprise fund). The remaining service charge revenues total $1.2 million (less than 1 percent of the General Fund budget), which is from SPAR activities, Property Standards, and other miscellaneous activities. For License and Permit revenues, Shreveport generates sufficient revenues to cover the direct costs of the Permits and Inspections Division of the Department of Operational Services as well as additional revenue to support other services. The Engineering Division also generates sufficient revenues from charges built into City capital projects. The City of Shreveport also assesses internal service charges to other departments for indirect costs incurred. Examples of those indirect services are human resources and finance. The City has an outside consultant perform this analysis.

As indicated above, user fees are appropriate for certain services, such as recreation, athletic, and event services. Current cost recovery in the City of Shreveport for all of SPAR (parks, recreation, athletic leagues, and public assembly venues) is approximately one percent. However, revenue generation and cost recovery should be evaluated within the context of the community and the values that public programs provide. The Master Plan discusses this issue in this way:

> ***Seek a dedicated source of funding for park and recreation maintenance and operations and develop a set of criteria for charging fees where appropriate.***
> *The most successful park systems have a dedicated funding source. In addition, they charge fees for some activities (with the potential for scholarships for youth activities). Fees should not be charged for activities, such as youth programs, that have a strong social purpose that is valuable to the community as a whole. However, the more the benefits of an activity are individual, rather than community-wide, it is appropriate to charge a fee. This also would allow SPAR to offer more recreational classes and activities and upgrade facilities.* Source: Draft Shreveport-Caddo Master Plan, Chapter 4: Natural Heritage: Green Systems and Sustainability; Goal 7, Strategy A.

These issues are explored further under the "User Fee" section later in this document.

FISCAL SUSTAINABILITY STRATEGIES

Increasing revenues can be one part of an overall approach to achieve fiscal sustainability. However, this concept can be taken further—specifically, to ensure that new growth pays its own way. New development, particularly on the periphery of a developed jurisdiction, demands new infrastructure that may be built by local governments and at a minimum will likely be maintained by government. Tools available for growth-related infrastructure discussed in this report (e.g., impact fees; capacity fees), strive to ensure that growth pays its way while freeing up other revenues to support investing in backlog infrastructure projects as well as to incentivize growth in desired locations. Other strategies are discussed below.

Fiscal Neutrality

As noted in the introductory section, the City has a large amount of infrastructure for the population and employment base it serves. This trend has continued in recent years as development occurred on the periphery. One strategy the City may want to move toward is a policy of "fiscal neutrality" in certain areas of the City.[2] Instead of the City subsidizing growth

[2] An example of this approach is from Sarasota County, Florida, where a "Resource Management Area" (RMA) overlay has been designated to "create an incentive-based structure" and to "address development issues within six unique resource areas: Urban/Suburban; Economic Development; Rural Heritage/Estate; Village/Open Space; Greenway; and Agriculture Reserve." For the Village/Open Space designation, achieving fiscal neutrality is required: *"Each Village and each Hamlet development within the Village/Open Space RMA shall provide adequate infrastructure that meets or exceeds the levels of service standards adopted by the County and be Fiscally Neutral or fiscally beneficial to Sarasota County Government, the School Board, and residents outside that development. The intent of Fiscal Neutrality is that the costs of additional local government services and infrastructure that are built or provided for the Villages or Hamlets shall be funded by properties within the approved Villages and Hamlets."* (*Sarasota 2050: Sarasota County Comprehensive Plan.*)

at the periphery, policies could be put in place to ensure that growth pays its way (i.e., achieves fiscal neutrality). This approach could achieve several outcomes:

1. Growth would still occur in all areas of the City, but the City would not be financing unsustainable amounts of new infrastructure. Developers would be required to provide or pay for required infrastructure.
2. Developers would be required to show that the development being proposed would be self-sustaining both on the capital and operating sides. For example, local roads would be required to be built to City standards and would not be taken into the City inventory until and unless developers do so.
3. This approach could have the added benefit of incentivizing development in areas where there is available capacity in existing infrastructure (i.e., the City's core).
4. These policies could and should be applied only to certain areas of the City. This would support the recommendations of the Master Plan regarding revitalizing neighborhoods and redirecting development back to the core.

Fees by Distance or Consumption

Related to the fiscal neutrality concept, is the concept of developing fees based on geography or consumption. Examples of this would be impact fees derived by distance or demand factors such as higher vehicle miles of travel (VMT) in certain areas of city. An example from Greeley, Colorado, is discussed later in this report in the section on impact fees. And our analysis of existing development and lane miles in the City of Shreveport reveal that VMTs are likely higher toward the periphery of the City. An impact fee could be derived to reflect this.

Similarly, utility rates and connection fees could be derived using distance factors as well as usage. Incorporating a distance factor into the rate and fee structure could incentivize development in close-in locations.

Capital Improvement Planning

A final implementation strategy relates to Capital Improvement Planning. The Master Plan identifies guidelines and best practices for capital improvement plans (see "Chapter 13: Stewardship and Implementation of the Plan"). Future capital improvement planning should identify those projects that are new construction, expansions, and/or provide additional capacity, which will assist in implementation of a system of impact fees and/or other exactions. Operating impacts should also be identified. Policies and strategies to support fiscal sustainability should be reflected in future City Capital Improvement Plans thus reinforcing the goals of the Master Plan. Ongoing monitoring of the Plan and adopted fiscal strategies will allow for feedback to those strategies with modifications and improvements as necessary.

Additionally, the Master Plan recommends implementation of an asset management system and condition assessment tool to assist in capital improvement planning. Implementation of these tools will (1) inform the CIP by identifying, prioritizing, and scheduling projects; (2) direct and plan for the use of limited resources; and (3) provide a defensible and easily communicated rationale and information for use of tax-payer dollars.

FUNDING NEEDS

The City has identified significant infrastructure needs primarily to correct existing deficiencies as well as to fund some future capacity improvements. These infrastructure needs were evaluated by the 2010 Shreveport Citizens' Bond Study Committee, which made recommendations regarding a future bond referendum. Figure 10 provides a summary of City departmental requests for capital funding and the Committee's recommended amount.

Figure 10. City Infrastructure Cost Estimates

Infrastructure Category	*Department Request*	*Bond Committee Recommendation*
Roads and Bridges (DOS)	$84,500,000	$19,850,000
Drainage (DOS)	$27,000,000	$11,330,000
Police	$12,400,000	$8,400,000
Fire	$25,200,000	$11,500,000
SPAR	$31,550,000	$22,950,000
General Government	$1,000,000	$1,000,000
Water (DOS)	$166,235,000	$21,165,000
Sewer (DOS)	$186,280,000	$68,805,000
TOTAL	**$534,165,000**	**$165,000,000**

The Citizens' Bond Committee reviewed departmental requests and evaluated needs given the following criteria[3]:

1. What is the Cost/Benefit? In other words, how many people are going to benefit at what cost?
2. Is it a department priority?
3. Is this project mandated by state or federal officials?
4. How were the estimated costs calculated and are they recent?
5. Are there alternative funding sources for this project?
6. Are there alternatives to the project? (Can it be made smaller, done in phases, or combined with something else?)
7. How will this project be maintained in the future—with what funding?

The Committee noted that ongoing operating costs are a concern (item number 7). **This is an important point—often it is easier to "solve" for capital funding shortfalls but operating**

[3] "2010 Bond Study Committee Report to Shreveport City Council, Mayor and Citizens," August 24, 2010.

costs can be problematic. The Committee discusses Shreveport Public Assembly and Recreation (SPAR) as an example and notes: "SPAR could be allowed to increase fees at their most popular venues, or sell off underperforming assets." We agree with this recommendation (and discuss elsewhere in this document). Recognition of operating costs while planning capital improvements—and integrating operating impacts and departmental funding sources in the City's capital improvement programming could assist in long-term financial planning and in gaining support for future capital improvements as well as to ensure adequate levels of service.

Figure 11 provides a summary of estimated unfunded infrastructure costs to serve existing development as discussed above. That is, these costs are for those improvements that are needed to mostly correct existing problems—and not being recommended for bond funding. We have assumed that 10 percent of the costs are to benefit future growth. Therefore, because the Fiscal Impact Analysis results (shown in
Figure 12) capture growth-related costs, we adjust the departmental needs downward to reflect existing development's share of the costs.

Figure 11. Existing Development Capital Costs (x $1,000s)

	Existing Conditions Costs (x$1,000s)			
Infrastructure Category	*Department Request*	*Bond Committee Recommendation*	*Unfunded Needs*	*UNFUNDED NEEDS (Adj)**
Roads and Bridges (DOS)	$84,500	$19,850	$64,650	$58,185
Drainage (DOS)	$27,000	$11,330	$15,670	$14,103
Police	$12,400	$8,400	$4,000	$3,600
Fire	$25,200	$11,500	$13,700	$12,330
SPAR	$31,800	$22,950	$8,850	$7,965
General Government	$1,000	$1,000	$0	$0
Solid Waste**	$0	$0	$0	$0
Transit**	$0	$0	$0	$0
SUBTOTAL Costs	*$181,900*	*$75,030*	*$106,870*	*$96,183*
Water (DOS)	$166,235	$21,165	$145,070	$130,563
Sewer (DOS)	$186,280	$68,805	$117,475	$105,728
SUBTOTAL Costs	*$352,515*	*$89,970*	*$262,545*	*$236,291*
GRAND TOTAL Costs	***$534,415***	***$165,000***	***$369,415***	***$332,474***
% Water and Sewer	*66%*	*55%*	*71%*	*71%*
% All other General Govt.	*34%*	*45%*	*29%*	*29%*

Notes:

** Adjusted to reflect existing development's share, which is assumed for this study's purposes at 90 percent.*

*** The Fiscal Impact Analysis included additional infrastructure categories.*

Source: City of Shreveport; TischlerBise

In addition to existing development infrastructure needs, future growth will require capital improvements. Costs to serve future growth are shown in
Figure 12, which is a summary of the results from the Fiscal Impact Analysis of the three Master Plan scenarios and their three levels of potential growth. As shown, 20-year cumulative growth-related costs range from $300 to $600 million.

Figure 12. Future Development 20-Year Capital Costs (x $1,000s)

	Future City Growth Costs (20-year) (X$1,000s)*		
Infrastructure Category	*Scenario 1*	*Scenario 2*	*Scenario 3*
Roads and Bridges (DOS)	$100,388	$103,816	$189,675
Drainage (DOS)	$0	$0	$0
Police	$10,041	$11,305	$19,574
Fire	$20,500	$21,550	$39,025
SPAR	$24,000	$24,000	$42,900
General Government	$0	$0	$0
Solid Waste**	$9,360	$10,400	$15,600
Transit**	$1,425	$1,650	$3,225
SUBTOTAL Costs	*$165,714*	*$172,721*	*$310,000*
Water (DOS)	$70,161	$79,917	$148,081
Sewer (DOS)	$69,412	$79,063	$146,499
SUBTOTAL Costs	*$139,573*	*$158,980*	*$294,581*
GRAND TOTAL Costs	***$305,287***	***$331,701***	***$604,580***

Notes:
** Future growth costs are from TischlerBise Fiscal Impact Analysis of three land use scenarios for Master Plan. Costs reflect Pay-Go expenses to align with existing conditions' costs. Costs also include vehicles and equipment (initial and replacement costs over 20-year period).*
*** The Fiscal Impact Analysis included additional infrastructure categories.*
Source: City of Shreveport; TischlerBise

A number of caveats should be noted on the above cost calculations:

- Estimates for existing conditions' needs reflect departmental requests to the City Bond Committee. Because of lack of up to date information in some cases (for example, the

condition of older underground infrastructure), the estimates are based on conditions in comparable communities. However, these costs may or may not fully reflect the total infrastructure needs of existing development in the City.

- Related to the above point, existing development projects and costs do not reflect additional replacement, maintenance, or other costs that may be necessary after the initial capital improvement.
- Future growth costs reflect 20-year totals.
- Because Water and Sewer are included in the Citizens Bond Committee recommendations, we include those costs here.

A summary of total estimated capital costs is provided below.

Figure 13. Existing and Growth Capital Costs (x$1,000s)

	Scenario 1	*Scenario 2*	*Scenario 3*
	20-Year Cumulative (x$1,000s)		
Subtotal Existing Development Unfunded Capital Costs	$332,474	$332,474	$332,474
Subtotal Future Growth Capital Costs	$305,287	$331,701	$604,580
TOTAL Capital Costs	**$637,761**	**$664,174**	**$937,054**

REVENUE OPTIONS

POTENTIAL REVENUE SOURCES

This section of the report is focused on revenue strategies potentially available to the City to address operating and infrastructure needs and revenue gaps revealed by the Fiscal Impact Analysis. It should be noted that this is not a legal analysis, which should be conducted prior to implementation of any of the mechanisms discussed below. Also, this discussion is focused on additional **local revenue sources.** Other sources of funding will likely be available from the State or Federal governments in the future for specific purposes and should be pursued vigorously. However, this analysis focuses exclusively on local revenue. The sources discussed in this chapter are as follows:

- Bonds
- Increase Existing Taxes and Dedicating Proceeds
- Impact Fees
- New and/or Increased User Fees
- Utilities: Rates, Connection Fees, and Asset Management
- Annexation Fees
- Excise Tax
- Tax Increment Financing
- Special Assessment/Benefit Districts
- Gas Royalties/Lease Payments

Bonds

Most localities do not pay cash for major infrastructure improvements, but finance them by issuing debt. Using debt to build infrastructure and make other necessary capital improvements is standard practice for jurisdictions and an integral part of municipal fiscal sustainability. This is particularly the case when the assets will be used by both current and future residents and businesses. That is, those paying for the improvements, for example through property taxes, will enjoy and benefit from the capital improvements. General obligation bonds and revenue bonds are the most common options. The City has made use of both types of bonds in the past—and plans to continue to do so in the future. While the citizenry may be skeptical about debt (due to past use), the prudent use of municipal debt reflects stewardship of public resources.

General Obligation Bonds. General obligation bonds are usually secured by property taxes and other general fund revenue. Accordingly, they are backed by the "full faith and credit" of a jurisdiction and require voter approval. The City of Shreveport has a dedicated debt service property tax millage that allows for issuing of debt periodically. In FY 2010, the debt service millage was 26.56 per $1,000 in assessed value. The City also has available *debt capacity* to issue new debt (set by State law at 10 percent of assessed value for any one purpose, or 35 percent of total assessed valuations for all purposes). As of 2010, the City's legal debt capacity is $282 million under current tax rates. **That is the City could issue an additional $282 million in General Obligation bonds—backed by property taxes—without raising the current debt service property tax millage**. The recommendation from the Citizen's Bond Committee is for $165 million (as discussed in earlier sections).

Revenue Bonds. Revenue bonds are generally not as prevalent as general obligation bonds. With this type of bond, debt is retired with revenue received from the users of the capital improvement. These bonds are backed by revenue from sources more specifically defined than those backing general obligation bonds. Examples of this kind of revenue include utility rates, user fees, impact fees, and special benefit district fees.

In late 2009, the Shreveport Internal Audit Office conducted an audit of the Debt Service Fund and debt management in general. The Auditor found that the City does not have comprehensive, written debt management policies and procedures and recommended they move to do so. Not only will this promote stability and continuity, standardize responses to situations, educate decision makers, and promote long-term thinking, it should contribute to higher bond ratings, which will result in lower interest costs and overall cost savings to tax payers. The Auditor recommended that the City develop and adopt debt management policies. The Auditor also recommended that the City is close to debt capacity for *revenue bonds*—due to future revenue streams, and that the City should establish and report a formal analysis of debt capacity and thresholds for these non-General Obligation debt issuances.

That said, Shreveport makes use of its debt capacity. The current economic environment, while somewhat uncertain, actually is a good time to issue debt and do capital improvements:

- Interest rates are at historic lows.
- Construction activity in most parts of the country has lulled, thus providing a supply of workers at lower costs.
- Construction activity is an "economic stimulus" that will create jobs.
- Shreveport's assessable base has increased in the last year, which provides a solid footing for borrowing using the debt service millage.

Guidelines for Issuing Debt[†]

A government should adopt policies to guide the issuance and management of debt. Issuing debt commits a government's revenues several years into the future, and may limit the government's flexibility to respond to changing service priorities, revenue inflows, or cost structures. Adherence to a debt policy helps ensure that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality.

Elements of a policy on debt issuance and management should include:

- purposes for which debt may be issued;
- matching of the useful life of an asset with the maturity of the debt;
- limitations on the amount of outstanding debt;
- types of permissible debt;
- structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints;
- refunding of debt; and
- investment of bond proceeds.

Legal or statutory limitations on debt issuance should be incorporated into debt policies. Debt policies should be made available to the public and other stakeholders. Because these policies are essential to budget decision making, particularly capital budgets, they should be reviewed by decision makers during the annual budget process and summarized in the budget document. The legislative body should formally adopt debt policies and compile them with other financial policies.

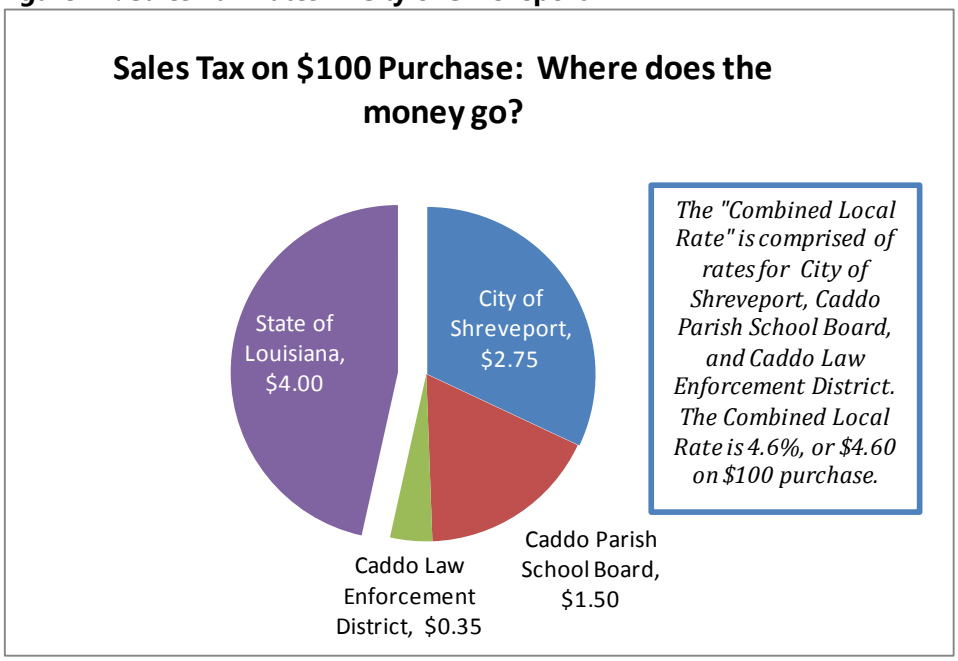
[†] *From Government Finance Officers Association, Best Practices in Public Budgeting (http://www.gfoa.org/services/nacslb/)*

Increase Existing Taxes and Dedicating Proceeds

Often when communities need to increase revenues, the first sources considered are the largest existing revenue sources. The City's two largest revenue sources are sales tax (accounting for approximately $110 million or 55% of the FY2010 General Fund budget) and property taxes (accounting for approximately $22 million in the General Fund (11 percent) and $37 million for debt service). Shreveport is no exception as the City has on several occasions raised its ad valorem and sales tax rates with voter approval to fund specific initiatives such as in 2003 when City voters approved a .25 percent sales tax rate increase to fund fire and police salaries and equipment. Traditionally, these sources of revenues are relatively stable and predictable, although sales tax is more volatile than property taxes. However, a small increase often results in a significant amount of revenue and in the case of sales tax revenues are generated by visitors and non-resident workers, thus increasing the base and often contributing to voter support. Increases in these taxes can be dedicated for a specific purpose such as capital improvements, which may also improve the likelihood of such increases being approved.

The City's current Combined Local Sales Tax Rate of 4.6 percent is comprised of the rates for the City of Shreveport, the Caddo Parish School Board, and the Caddo Law Enforcement District. The State levies a 4 percent rate in addition to the local rates for a total sales tax rate in the City of 8.6 percent. The following figure shows the amount of sales tax that goes to each taxing jurisdiction on a $100 purchase.

Figure 14. Sales Tax Rates in City of Shreveport



In comparison, neighboring Bossier City's Combined Local Sales Tax Rate is at 5 percent, for a total sales tax rate of 9 percent—0.4 percent higher than the City of Shreveport. **Increasing Shreveport's local rate to 5 percent (reflecting an increase of 0.4 percent, or 40 cents on a $100 purchase) would likely *not* put Shreveport at a competitive disadvantage—while at the same time has the potential to generate hundreds of millions of dollars in revenue**. (See below.)

Figure 15. Potential Revenue from Sales Tax Rate Increase

	Scenario 1		Scenario 2		Scenario 3	
	Low*	High**	Low*	High**	Low*	High**
Revenue from Sales Tax Rate Increases (x $1,000s)						
Subtotal Sales Tax (20-Year Cumulative)	$79,600	$318,300	$81,600	$326,500	$96,400	$385,500
Subtotal Sales Tax (Average Annual)	$3,980	$15,915	$4,080	$16,325	$4,820	$19,275

** Assumes an increase in sales tax rate of .1 percent*

*** Assumes an increase in sales tax rate of .4 percent*

Source: TischlerBise

Furthermore, this increase could be dedicated for a specific purpose (e.g., general capital improvements or a specific category such as roads), which could assist in gaining the necessary voter approval. Examples of these types of efforts from other parts of the country are included in the boxed section below.

Best Practices in Tax-Supported Infrastructure Improvements

Oklahoma City MAPS

Oklahoma City's MAPS (Metropolitan Area Projects) is a capital improvement program for new and upgraded sports, recreation, entertainment, and cultural and convention facilities in the City's central core funded by a voter-approved temporary increase in the sales tax. The one-cent sales tax was initially approved in December 1993 and continued to July 1, 1999. During that time period, the tax raised $309 million and earned $54 million in interest. Projects built and/or improved include: AT&T Bricktown Ballpark, Bricktown Canal, Civic Center Music Hall, Cox Business Services Convention Center, Ford Center, Fairgrounds, Library/Learning Center, Oklahoma River, and Transportation Link. A 21-member citizen committee provided oversight to all projects and provided recommendations to the City Council. An economic impact study[††] on the program identified a laundry list of additional investment in the City's core that accompanied the MAPS projects, including major developments at the Oklahoma Health Center, two new downtown hotels, a new Oklahoma City Museum of Art, two major new office buildings, a large upscale apartment complex, and a Bass Pro Shops retail store. The study draws linkages between the public investment in infrastructure and the other private and institutional investments. The impact of the MAPS projects is summarized as follows:

- Many more people are recreating and/or doing business in the study area as a result of the investments.
- Several of the projects have resulted in facilities so different and/or so improved that they are able to attract much higher quality performers and exhibits.
- The area's Health Economy investments are so extensive that it now appears that this sector has become the most important source of sustained growth within the study area.
- Investments underway and planned in the immediate proximity of the study area will have profound impacts.
- New and planned apartments and retail establishments are providing a much needed balance to the study area.
- And finally, "a previous image of a declining or static central core has been dispelled and it is *now OK to be downtown in OKC."*

The original MAPS project was followed by MAPSforKids in 2001 and MAPS3 in 2009. MAPS3 includes the following projects:

- $280 million for a new 200,000 sq ft Convention Center
- $130 million for a 70-acre downtown park
- $130 million for mass transit including a downtown 5-6 mile modern streetcar system
- $50 million for health and wellness aquatic centers to be located throughout the city
- $60 million for improvements at the Oklahoma State Fair
- $60 million for improvements to the Oklahoma River
- $40 million to extend trails throughout the city
- $10 million to build sidewalks around the city

Source: Oklahoma City, Oklahoma.

[††] *Warner, Larkin, "Executive Summary: Impact Analysis of MAPS and Other Significant Central City Investments," Report to Central City Development and Greater Oklahoma City Chamber of Commerce, September 2003. (http://www.okc.gov/maps/impact/maps_impact_summary.pdf.)*

Best Practices in Tax-Supported Infrastructure Improvements

"Penny for Pasco," Pasco County, Florida
In Pasco County, Florida, voters approved a one-cent Local Option Surtax in 2004 that went into effect on January 1, 2005, for a limited ten-year period. The "Penny for Pasco" campaign, also promoted as "Your Penny at Work," was successful in obtaining voter approval due to earmarking proceeds for specific entities and purposes. The proceeds are divided among the Pasco County School Board (45 percent), local municipalities within the County (10 percent), and the County (45 percent). In FY08-09, the tax generated close to $30 million. To gain support, not only was the tax earmarked for specific jurisdictions, but within jurisdictions, uses were limited. The County earmarked proceeds for four purposes:

1. Improve transportation and to address traffic congestion (50%)
2. Acquire environmental lands (25%)
3. Improve public safety (20%)
4. Address contingencies (5%)

Source: Pasco County, Florida.

Impact Fees

Impact fees (also called development fees or capacity fees) are one-time fees assessed on new development and reflect new growth's fair share of the cost to provide necessary capital facilities. Impact fees are regulatory measures that happen to generate revenue—the overall premise is that the fee is a mechanism to provide adequate infrastructure to ensure orderly growth. It is important to keep this in mind when developing an impact fee program. In Louisiana, impact fees have been implemented in East Baton Rouge and St. Tammany Parish.

Fees are collected from new development only and can only be used to pay for new or expanded capital improvements not maintenance or operations. Put simply, the fees reflect the cost to provide infrastructure to new development.

In Shreveport, possible impact fee categories include: (1) Water; (2) Sewer; (3) Roads; (4) Parks and Recreation; (5) Public Safety; and (6) Solid Waste. In addition, to advance the goals of the Master Plan, an impact fee program could be structured to promote growth and redevelopment in the core while ensuring that growth pays its way on the periphery. This could be achieved either through fee differentials—higher where infrastructure needs to be expanded or to reflect different land use characteristics (see below)—or through waivers or reduced fees where development is to be encouraged. In areas where waivers or reduced amounts are desired—but additional capacity is still needed—standard impact fee requirements are that the program will

need to be fully funded. That is, the City would be required to fund those "waived fees" from other revenue sources.

In determining the reasonableness of these one-time fees, the fee must meet three requirements: (1) needed capital facilities are a consequence of new development; (2) fees are a proportionate share of the government's cost; and (3) revenues are managed and expended in such a way that new development receives a substantial benefit. Fee categories generally can include infrastructure where new capacity is needed due to growth such as water, sewer, roads, parks and recreation, public safety, and general government facilities.

Impact fees cannot be imposed on new development to pay for or provide public improvements needed by existing development nor can they used for maintenance, replacement of existing facilities, or renovation of existing facilities that do not add new capacity. Capital improvements funded by impact fees must enable the City to accommodate new development by adding facility capacity.

To be proportionate, new development should pay for the capital cost of infrastructure according to its "fair" share of impact on a particular public facility. To ensure impact fees are proportionate, the cost allocation methodology should consider variations by type of development and type of public facility. As appropriate, capital cost assumptions must consider the net cost of facilities after accounting for grants, intergovernmental revenues and other funding sources. The reasonable connection between the impact fees and the benefit requires that funds be earmarked for use in acquiring capital facilities to benefit the new development. Substantial benefit also requires consideration of when the fees are spent. Typically, this requires that funds be spent on a "first in, first out" basis within a 5 to 6 year Capital Improvement Program time frame. For example, a park/recreation impact fee is collected from new development and those funds are accumulated and used to add capacity to the park/recreation system in 5 to 6 years. Other major types of improvements such as streets and utilities can allow for a longer time period for expenditure.

The substantial benefit test often leads communities to set up collection and expenditure zones for public facilities that have general geographic service areas. This can take the form of fee differentials, based on land use characteristics, or spending in areas in which the fees are collected. In the latter case, impact fees would not differ by geography but the revenue collected in a specific area would be spent in the same area.

Impact fees can help meet capital facility needs due to new growth with less pressure on the tax rate. Given the choice, impact fees are often politically attractive since they pass specific capital costs to future development. From a planning perspective, impact fees coordinate new growth with the facilities demanded. A formal impact fee system is more predictable and equitable than an informal system of negotiated exactions and is likely to generate considerably more revenue.

Potential revenue generation from a range of impact fee amounts is provided below for each of the Master Plan scenarios. Three levels of fees are analyzed from $3,000 per unit to $9,000 per unit and applied to the growth projections from the Master Plan growth scenarios. The actual fee amounts will depend on the impact fee categories included in the program and the percentage of the maximum supportable amounts that are adopted by the City Council.

Figure 16. Hypothetical Impact Fee Revenue Potential

	Scenario 1	Scenario 2	Scenario 3
Increase in Housing Units	26,155	28,474	44,011
Impact Fee Range (per unit)	***Projected 20-Year Cumulative Totals (x$1,000s)***		
$3,000	$78,465	$85,421	$132,033
$6,000	$156,930	$170,842	$264,067
$9,000	$235,395	$256,263	$396,100
	Projected Average Annual (x$1,000s)		
$3,000	$3,923	$4,271	$6,602
$6,000	$7,847	$8,542	$13,203
$9,000	$11,770	$12,813	$19,805

Note: Residential only shown for illustrative purposes.

Impact fee rates will vary by type of housing unit (e.g., single family detached; multifamily).

Nonresidential development will also add impact fee revenue.

Impact fees are typically not due until development occurs. As a result, this sometimes makes it difficult to use the fees to construct capital improvements prior to or in conjunction with new development. However, fee revenue can be used to pay debt service or repay other funds that may have "fronted" the expenditure.

Due to the rational nexus requirements for impact fees, earmarking and accounting controls are required, thus restricting use of these revenues for the purposes they were collected. Finally, development of impact and capacity fees requires a technical study to document the assumptions and calculations behind the fee program.

Potential Impact Fee Use in the City of Shreveport

As noted above, impact fees are used to fund capacity improvements to serve new growth. Impact fees should not be seen as a "silver bullet" to solve all capital funding needs. However, properly structured, an impact fee program can enhance capital funding, promote the goals of the Master Plan, and free up other funds to be used for other capital or operating purposes.

In urban areas with a city core and growth at the periphery, like Shreveport, an impact fee system can be structured to accommodate these two different situations. For instance, the City of Shreveport could establish "Impact Fee Areas" and calculate fees by area for different types of infrastructure. The fees could reflect different demand factors (reflecting geography, land use mix, etc.) as well as different capital needs. For instance, road fees could be calculated to reflect longer trip lengths in some parts of the City versus others.

An example is from a TischlerBise study for Greeley, Colorado, shown below. In this assignment, a tiered road fee was calculated. In Greeley, as density and mix of development decrease along the edges of the City, vehicle miles of travel (VMT) increase. This allows for an impact fee to be derived by service area.

Figure 17. Average Vehicle Miles Traveled, City of Greeley, CO

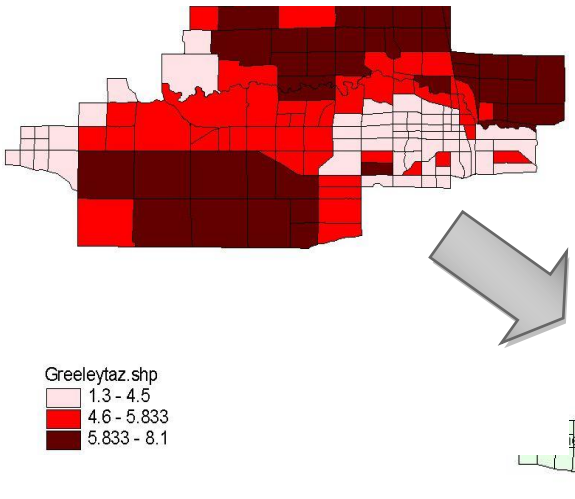
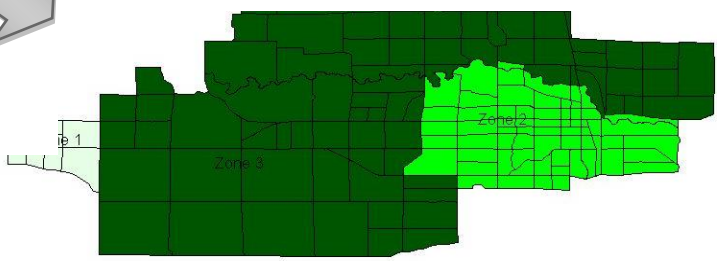


Figure 18. Impact Fee Zones, City of Greeley, CO



Source: TischlerBise

Some infrastructure categories will be more appropriate for a citywide fee (e.g., public safety) and others may lend themselves to calculation and implementation by geographic zone. For several infrastructure categories in the City of Shreveport, it is likely that a small portion of new capital facility costs will be covered by impact fee revenues. Police capital project needs, for instance, are mostly due to existing deficiencies but will serve future growth as well. Costs for these facilities will need to be allocated to a large demand base, thus lowering the impact fee amount.

For utilities, water and sewer capacity fees could be calculated to recover costs the City has or will incur for new capacity. In this case, new development has or will benefit from the improvements and the fee could recoup a portion of the City's costs.

Another consideration is the effect of impact fees on affordable housing. Studies have examined this issue and impact fee practitioners have responded with appropriate methodologies. One such approach is outlined below in the boxed text.

Impact Fees and Affordable Housing

The majority of impact fee schedules charge a flat fee by type of dwelling unit, regardless of size or numbers of bedrooms. While legally defensible, the "one fee fits all" structure of this type of schedule can have serious drawbacks as smaller homes and apartments pay disproportionately larger share of costs, while larger homes disproportionately smaller shares. The result is that flat fees tend to have a regressive effect as those with lower incomes bear a larger percentage of these costs.

One of the fundamental requirements of impact fees is the concept of proportionate share. Proportionate share is the principle that impact fee amounts must correspond with the demand and cost for additional infrastructure capacity. This relationship is the critical difference which distinguishes impact fees from taxes. Entry-level and/or affordable homes are typically smaller in size and often have smaller household sizes compared to larger, more expensive homes. Also, single family detached housing units have significantly different characteristics than attached or multi-family housing units. These differences have a direct relationship on the need for additional infrastructure capacity resulting in differences in impact fee amounts. Impact fees which are designed to more accurately reflect actual proportionate share have less of a negative impact on housing affordability.

To better reflect the proportionate share of different types of residential land uses and address affordable housing concerns, TischlerBise has designed "progressive" impact fee schedules for a number of communities across the country. These schedules vary household size and other key variables such as vehicle trips by size of housing units. This supports affordable housing and ensures that larger units pay their proportionate share.

New and/or Increased User Fees

User fees promote economic efficiency because they are related to the costs of providing a public service that directly benefits the fee payer. User fees are typically not subject to voter approval and are often more acceptable to the public than increased taxes. A common concept is that fees should be established at a level that will recover costs of providing the service and that profit is not an objective.

Comprehensive user fee programs can be developed with a long-term perspective where an agency establishes policy goals for the user fee program. A primary policy objective should identify the appropriate cost layers to be recovered through the fees and the level of cost recovery for each department or division. User fee models identify the following cost layers:

- Direct department labor.
- Indirect department and support department labor.
- Department overhead.
- Central service support (often an agency's indirect cost allocation plan can identify central service support levels or they can be calculated as part of the fee analysis).

The combination of a user fee system and a cost allocation plan can be used to recover all or a portion of the operating and capital costs of providing a public service that directly benefits the fee payer.

In addition to determining if current fees fully reflect the cost of providing services; new fees can be created to cover costs for services provided where fees did not previously exist. For example, unlike the majority of cities for which TischlerBise has consulted, the City of Shreveport pays for solid waste collection through the General Fund rather than an enterprise fund (fee-sustained) operation. New user fees can be used to fund gaps created by other declining taxes or funds whose use are restricted. A comprehensive user fee study and cost allocation plan can define the actual costs of providing services which may enhance community understanding and inform policy discussions on appropriate levels of subsidy.

A specific example is noted by the City Bond Committee. They note that SPAR has the opportunity to recoup operating costs through user fees and charges for services, particularly at its *public assembly* venues. Current revenue from SPAR activities is approximately $200,000, reflecting 1.1 percent of the SPAR budget. To put this in further perspective, the City generates approximately the same amount of revenue from building demolitions as it does from SPAR activities. There is potential here for increased cost recovery given the number of City-owned and operated facilities as well as recreation and athletic programs.

Increasing fee levels as well as adding additional types of fees will help the City's overall bottom line. As noted above, often user fees are generally more accepted given that the payer is receiving a direct benefit. However, as discussed elsewhere, there is a need to balance community and individual benefits as well as ensure that services and programs are affordable to those who will benefit. Toward this end, several economic and policy issues are recommended for a City expanded user fee program:

- Establish fees at a level that permits lower income groups to participate in services that might not otherwise be able to afford.
- Consider community-wide benefit versus specific benefit for certain services such as recreation programs, City facility rental use, and senior activities. Set fees according to this benefit trade-off.
- Determine who is the service recipient versus the service driver. For example, code enforcement activities benefit the community as a whole, but the service is driven by an individual or single business owner violating City code.
- Consider elasticity of demand in pricing certain City services. Increasing the price of some services results in a reduction of demand for those services, and vice versa. For example, most youth and senior programs are extremely price sensitive and significant increases to current fees will likely result in a significant reduction in demand for those programs.
- Price services to encourage or discourage certain behaviors. Some examples of this would be to establish a low fee for a water heater permit to encourage homeowners to ensure their water heater is properly installed and functioning. Setting false alarm response fees on an incrementally higher scale would discourage multiple false alarms and costly City response.
- Establish a formal review process of the comprehensive fee schedule. By adopting review intervals, City staff can monitor and adjust fees to changes in service delivery functions, resources and costs thus avoiding the potential for significant fee level spikes.
- Consider future tracking of all fee generating services to determine work flow patterns and compare revenue generation amounts at current fee levels versus future or proposed fee levels.

Utilities: Rates, Connection Fees, and Asset Management

While TischlerBise's fiscal impact analysis did not include a full analysis of the City's water and sewer utilities, these funds comprise a significant portion of the City's finances and should be included in any discussion of new or increased revenues.

Major findings from our brief review of the City's water and sewer utilities are as follows:

- The City has not conducted a formal utility rate study since 1999.
- The City's rates appear to be low relative to other comparable systems.
- For the water utility, rates can be structured to encourage conservation. Currently City rates do not encourage conservation.

The City should conduct a comprehensive utility rate study which incorporates a multi-year analysis of revenue requirements as well as an evaluation of customer classes and feasibility of tiers within customer classes to ensure rates are proportionate to usage and encourage conservation. The study should also include an evaluation of connection fees charged to new development to connect to the utility system. These fees could be structured in relation to the distance from the City's existing utility infrastructure footprint. By incorporating these various elements, the City can minimize "rate shock" to its customers while ensuring the long-term fiscal viability of these enterprises.

The Bond Committee's recommendations for General Obligation funding include water and sewer improvements, including funding for a sewer master plan. However, the EPA has required that the City do a sewer master plan immediately. Notably, the Committee recognized that unlike other city services and facilities, water and sewer have alternative means to generate funding, such as through rates and capacity fees (one-time fees paid by new development for capacity expansions, akin to impact fees). As we discuss above, a comprehensive rate study will calculate the complete costs for the systems and how to appropriately allocate costs to users. It should distinguish between growth-related and non-growth related expenses and include costs for infrastructure replacement. Once the analysis has identified growth-related capacity improvements, those costs can be used to derive capacity (or impact) fees (see Impact Fee discussion). In turn, capacity fees charged to new development will help to alleviate pressure on existing rate payers.

In addition, implementation of a condition assessment system to monitor the health of the utility system will add to its overall efficiency. Like an asset management system, a condition assessment tool helps to prioritize necessary improvements. However, this type of system allows viewing from inside sewer and water pipes to better determine if

replacement/rehabilitation is needed as opposed to prioritizing based on age of the infrastructure alone.

Condition assessment and asset management programs in general benefit utilities by: improving decision making due to better information about capital assets and improved relationships with governing bodies, ratepayers, and other stakeholders because of the defensible information available on infrastructure needs and need for improvements.

Specific examples of using comprehensive asset management systems are provided below[4]:

Sacramento Regional County Sanitation District (482,000 customers):

In implementing its asset management approach, managers at the Sacramento Regional County Sanitation District reassessed a proposed investment in new wastewater treatment tanks and decided on a less expensive option, thereby saving the utility approximately $12 million. During this reassessment, managers found that increasing preventive maintenance on existing tanks would lower the risk of shutdown more cost-effectively than adding a new set of tanks. Utility officials commented that their implementation of asset management helped change their decision-making process by, among other things, bringing together staff from different departments to ensure more complete information, and more effectively using the data to understand investment options.

Orange County Sanitation District (2.3 million customers):

The Orange County Sanitation District estimated the overall savings it will achieve using comprehensive asset management. Specifically, an engineering firm projected that asset management would reduce life-cycle costs for the Sanitation District by about $350 million over a 25-year period. Among other data, the engineering firm used the utility's available operating expenditure information (operations, maintenance, administration, and depreciation data) and capital improvement program expenditures (growth/capacity, renewal/replacement, and level of support data) to model the projected life-cycle cost savings.

[4] U.S. General Accounting Office (GAO), *Water Infrastructure: Comprehensive Asset Management Has Potential to Help Utilities Better Identify Needs and Plan Future Investments*, March 2004. (http://www.gao.gov/new.items/d04461.pdf.)

Stormwater Utility

In the case of stormwater drainage infrastructure, new development is typically required to mitigate storm-drainage impacts. Significant costs exist, however, due to existing development and aging infrastructure. Annual maintenance and infrastructure replacement costs are estimated by DOS at approximately $7 million. The backlog of drainage infrastructure capital improvements is estimated at $110 million.

Development of a stormwater utility would provide a dedicated source of funding to address these issues. This would act like an enterprise fund, similar to the City's water and sewer utilities. Stormwater utility fees are typically calculated and assessed based on the amount of impervious surface area on a site. As discussed in the Master Plan, stormwater utilities provide an incentive for best management practices by offering credits against the stormwater fee to private property owners who reduce or eliminate runoff or improve the water quality of runoff.

Annexation Fees

Similar to impact fees, annexation fees could be another tool to address infrastructure needs to serve growth in the City. These fees could be structured and calculated like impact fees, but would be assessed on development that is annexed to the City. The fees could capture the annexed growth's share of infrastructure costs to ensure that the annexed areas pay its share of necessary infrastructure.

Excise Tax

Similar to impact fees, excise taxes are often used for new infrastructure demanded by new construction. Excise taxes differ from impact fees in that they are primarily a tool for raising revenue as opposed to a land use regulation designated to finance growth-related facilities. In addition, excise taxes often do not have to be earmarked or segregated or accounted for separately from the City's general revenue, do not have to specifically benefit new growth, and can be used in and calculated in a less restrictive manner than impact fees. However, often complying with a policy of growth-related needs for an excise tax program sometimes garners more support in their approval and use. Excise taxes can be applied in several ways. Some communities apply a rate to the construction value of the land use; other communities use a flat fee per acre of development, while other communities apply a straight fee by type of housing unit or square foot. A legal interpretation would be required prior to adoption of excise taxes.

Tax Increment Financing

Tax increment financing (TIF) in general uses increases in property or sales tax revenue from new development or redevelopment within a geographic sub-area of a jurisdiction to help pay for improvements that serve that area. The incremental increase in revenue is earmarked for infrastructure improvements or services needed in that same geographic sub-area. Throughout the lifetime of the TIF district, the tax contributions from the properties in the district remain at the original "baseline" amounts. Meanwhile, the increases in tax revenue due to the increment increase in value of the "baseline" tax assessments is deposited in the TIF fund, which pays for the necessary infrastructure improvements.

In Louisiana, however, TIF districts are limited to **retail sales tax increases** and not property tax increases, which restrict their usefulness. Because of this restriction, TIF projects are limited to retail development. While it may provide a financing mechanism for needed infrastructure improvements in the designated area, this restriction precludes its use in areas without significant retail development.

Special Assessment/Benefit Districts

Similar to tax increment financing, special assessment/benefit districts are sub-areas of the jurisdiction created by a local government to provide one or several specific public services or improvements. These districts are generally created to link costs and benefits resulting from new or upgraded infrastructure. Infrastructure improvements may be bond financed and paid back over time by the benefiting property owners, usually through special assessments and/or fees. Generally, special benefit districts are easier to implement in areas where relatively few property owners control large tracts of land.

Gas Royalties/Lease Payments

Caddo Parish receives significant revenues from gas royalties/lease payments for allowing drilling on property the Parish owns. The City could continue to strategically evaluate its City-owned properties to lease land for additional drilling opportunities and receive royalties. One example is on City-owned undeveloped parkland, where sites could be leased for drilling. In this example, revenues received could in turn be used to fund maintenance and development of the City's parks and recreation system, thus freeing up other General Fund revenues for other purposes. This would require discussion of City policies regarding appropriate criteria such as environmental, social, and economic costs and benefits to evaluate the use of City-owned land for this purpose.

PUTTING IT ALL TOGETHER

EVALUATION OF REVENUE SOURCES

In evaluating potential revenue sources, several criteria in addition to a legal analysis should be considered to provide a framework for discussion of both existing and new revenue sources and approaches.

- **Revenue Potential**: This is perhaps the most important evaluation criterion, as the ability to raise sufficient revenue to cover capital and operational costs is critical. Specific criteria include whether the revenue is on-going or one-time in nature. The long-term performance of on-going revenue sources should be evaluated for their ability to keep pace with on-going costs. This evaluation should include an analysis of what economic or other factors may impact the stability of the revenue source. Another consideration under this criterion is whether the revenue source is limited to capital expenditures or whether it is flexible and can be used for either capital or operating expenditures.

- **Proportionality**: This evaluation criterion refers to the relation between those generating the demand for public services versus those who pay the tax or fee. For example, communities sometimes choose to require developer contributions or exactions for growth-related facilities because the public perception is that existing residents are unfairly paying the cost of new growth. In another example, in order to make an impact fee proportionate and reasonably related to service demands, the fee should vary by type of land use as each generates a different number of persons, jobs, vehicle trips, etc.

- **Technical Ease**: Each of the potential revenue strategies requires some technical expertise and administrative effort to implement. They may require, for example, additional accounting and reporting requirements. Furthermore, a funding mechanism may require that a technical study be prepared to justify the fee or charge.

- **Public Acceptability**: This evaluation criterion often varies by jurisdiction and the type of facility to be funded. It reflects how the majority of *existing residents* are expected to accept each financing or planning mechanism.

The revenue strategies discussed above are evaluated according to these four criteria. Results are shown below in Figure 19.

Figure 19. Evaluation of Revenue Strategies

	Revenue Potential	*Technical Ease*	*Proportionality*	*Public Acceptance*
Bonds	High	Voter approval	Low	Positive/ Neutral*
Increase Existing Taxes and Dedicating Proceeds	High	Voter approval	Low	Positive/ Negative**
Impact Fees	Moderate/High	Study required; ongoing admin	High	Positive
New and/or Increased User Fees	Moderate	Study required	High	Neutral/ Negative
Utility Rates & Connection Fees; Stormwater Utility	Moderate	Study required	High	Positive/ Neutral
Annexation Fees	Moderate/Low	Study required; ongoing admin	High	Positive
Excise Tax	Moderate	Legal analysis/study required	Low/Moderate	Positive/ Neutral*
Tax Increment Financing	Low/Moderate	Study required	High	Positive
Special Assessment/Benefit Districts	Low/Moderate***	Study required	High	Positive*
Gas Royalties/Lease Payments	Moderate	Admin requirements	Low	Positive****

** Depends on the projects/purposes.*
*** Depends on projects and structure of tax increase (e.g., finite period for specific projects)*
**** Depends on geographic area assessed and purpose.*
***** Likely depends on locations.*

REVENUE NEEDS

As described earlier, TischlerBise examined unfunded capital costs as well as those projected by the Fiscal Impact Analysis of the Master Plan's three growth scenarios. Total costs reflect existing development's "unfunded" needs—those expenditures not recommended for the next Bond election—plus projected costs to serve new growth for each Master Plan scenario.

Evaluating calculated costs compared to **current available revenue sources** results in a shortfall ranging from $441 million to $647 million with Water and Sewer costs included. Current available revenues reflect debt service millage, other local revenues, and state and federal grant funding. See Figure 20 for detail.

Figure 20. Total Projected Capital Costs (20 Years): Existing Development Unfunded Needs and Future Growth Needs (x$1,000s)

	PROJECTED RANGE OF COSTS *Existing Unfunded + Future City Growth (20 Years)** (x$1,000s)		
Infrastructure Category	*Scenario 1*	***Scenario 2***	***Scenario 3***
Roads and Bridges (DOS)	$158,573	$162,001	$247,860
Drainage (DOS)	$14,103	$14,103	$14,103
Police	$13,641	$14,905	$23,174
Fire	$32,830	$33,880	$51,355
SPAR	$31,965	$31,965	$50,865
General Government	$0	$0	$0
Solid Waste***	$9,360	$10,400	$15,600
Transit***	$1,425	$1,650	$3,225
SUBTOTAL Costs	*$261,897*	*$268,904*	*$406,183*
Water (DOS)	$200,724	$210,480	$278,644
Sewer (DOS)	$175,139	$184,790	$252,227
SUBTOTAL Costs	*$375,864*	*$395,270*	*$530,871*
TOTAL Costs	**$637,761**	**$664,174**	**$937,054**
	PROJECTED EXISTING REVENUE SOURCES (x$1,000s)		
Debt Service Millage	$92,592	$98,043	$156,338
Other Existing Sources-Local**	$40,000	$40,000	$40,000
Other Existing Sources-State & Federal***	$63,776	$66,417	$93,705
TOTAL Existing Revenue Sources	**$196,368**	**$204,461**	**$290,043**
SHORTFALL (20-Yr Cumulative)*	*($441,393)*	*($459,713)*	*($647,011)*
Average Annual Shortfall or Surplus	*($22,070)*	*($22,986)*	*($32,351)*

Notes:

** From TischlerBise Phase II Fiscal Impact Analysis; all capital costs reflect Pay-Go*

*** Assumed at $2 million per year for 20 years*

**** Assumed at 10% of expenditures, based on historic funding levels*

***** Includes water and sewer costs*

Source: City of Shreveport; TischlerBise

REVENUE POTENTIAL

To provide order of magnitude comparisons, TischlerBise analyzed potential new and/or augmented revenue sources from existing development as well as new growth. Revenue sources analyzed are those with the potential to (a) generate substantial increased revenues and (b) promote the goals of the Master Plan. The sources analyzed are: impact fees, increased sales tax rate, and increase in user fee revenues. Results of this analysis are shown in Figure 21.

For discussion and comparison purposes, we provide a range of revenue potential from "low" to "high" using the factors indicated in Figure 21. Specific revenue sources analyzed are discussed below.

Figure 21. Revenue Potential Analysis: 20-Year Cumulative Totals (x$1,000s)

			(Projected 20-Year Cumulative Totals) (x$1,000s)					
			Scenario 1		***Scenario 2***		***Scenario 3***	
			Low	*High*	*Low*	*High*	*Low*	*High*
	Low	***High***						
Impact Fees	*per unit*							
Potential Impact Fees (New Resid. Only*)	$3,000	$9,000	$78,465	$235,395	$85,421	$256,263	$132,033	$396,100
Subtotal Impact Fees			*$78,465*	*$235,395*	*$85,421*	*$256,263*	*$132,033*	*$396,100*
	% Increase in Rate							
Sales Tax	0.10%	0.40%						
Increase in Revenue from Existing Base			$72,000	$288,000	$72,000	$288,000	$72,000	$288,000
Revenue from New Growth (reflects increase only)			$7,600	$30,300	$9,600	$38,500	$24,400	$97,500
Subtotal Sales Tax			*$79,600*	*$318,300*	*$81,600*	*$326,500*	*$96,400*	*$385,500*
	% Increase in Revenue							
User Fees	10.0%	30.0%						
Increase in Revenue from Existing Base			$20,000	$60,000	$20,000	$60,000	$20,000	$60,000
Revenue from New Growth (reflects increase only)			$1,300	$4,000	$1,600	$4,800	$3,400	$10,100
Subtotal Fees			*$21,300*	*$64,000*	*$21,600*	*$64,800*	*$23,400*	*$70,100*
Subtotal Potential New Revenues: Existing Base			*$92,000*	*$348,000*	$92,000	$348,000	$92,000	$348,000
Subtotal Potential New Revenues: New Growth			*$87,365*	*$269,695*	*$96,621*	*$299,563*	*$159,833*	*$503,700*
GRAND TOTAL POTENTIAL NEW REVENUES			**$179,365**	**$617,695**	**$188,621**	**$647,563**	**$251,833**	**$851,700**

** Residential only shown for illustrative purposes; nonresidential growth will also add impact fee revenue.*

Source: TischlerBise

Impact Fees

Impact fee amounts shown are illustrative only. Actual amounts will depend on several factors including the infrastructure categories in the program, growth-related expenditures, and adoption by the City Council. Additionally, impact fee revenues will be earmarked for specific infrastructure categories, as opposed to a lump sum total as shown above. Furthermore, our projections reflect revenue from residential development only—some fees would be charged to nonresidential development and therefore additional revenue would be generated.

With regard to the criteria listed above, impact fees have medium revenue potential, high proportionality, require technical expertise to set up and administrative effort to implement and monitor, and generally have high public acceptability from existing residents.

Sales Tax Revenues

Additional revenue is projected based on increases of .10 percent and .40 percent. As noted above, an increase of 0.40 percent would increase Shreveport's rate to a (local) total of 5 percent—the same as the City of Bossier. As shown, an increase to the sales tax rate of .40 percent is estimated to yield a total of $288 million from the existing base over 20 years—the single largest source of new revenue. We also provide projected increases in revenues from new growth, per the assumptions in each Master Plan scenario.

A sales tax rate increase has high revenue potential; low proportionality; does not require any additional technical expertise, although if funds were to be earmarked for a specific purpose, tracking would be required; and is likely to have low to medium public acceptance. As noted elsewhere, if additional revenues were earmarked for a specific purpose, public acceptance may be higher.

User Fees

We also provide a range of potential additional revenues from user fees from both existing development and new growth. We assume an increase of 10 percent and 30 percent above the base year amount, which has the potential to yield an additional $20 to $60 million over 20 years from the existing base as well as $1.3 million to $10 million from new growth, depending on the scenario assumption.

Increasing and adding user fees has the potential to generate medium levels of additional revenue; has high proportionality (those paying the fees are directly benefiting); requires technical expertise to calculate new fees but implementation is relatively straightforward; and

public acceptance will generally depend on the types of fees implemented. However, when clear benefits will ensue to those paying for the services or improvements will directly benefit, public support is more likely, especially if there can be arrangements to assist those for whom the fees are an exceptional hardship.

SOLVING FOR THE SHORTFALL

Putting the above two sections together—potential new revenues compared to remaining capital expenditure shortfalls—provides some insight into the potential to fund additional infrastructure improvements in the City. Figure 22 provides a summary of projected potential new revenues compared to capital expenditure shortfalls to derive a remaining shortfall or surplus. **As shown, assuming the "high" revenue factors eliminates the shortfall in all Scenarios**.

Figure 22. Solving for the Shortfall (x$1,000s)

	(Projected 20-Year Cumulative Totals) (x$1,000s)					
	Scenario 1		***Scenario 2***		***Scenario 3***	
	Low	*High*	*Low*	*High*	*Low*	*High*
Subtotal Potential New Revenues: Existing Base	*$92,000*	*$348,000*	$92,000	$348,000	$92,000	$348,000
Subtotal Potential New Revenues: New Growth	*$87,365*	*$269,695*	*$96,621*	*$299,563*	*$159,833*	*$503,700*
GRAND TOTAL POTENTIAL NEW REVENUES	**$179,365**	**$617,695**	**$188,621**	**$647,563**	**$251,833**	**$851,700**
GRAND TOTAL EXPENDITURE SHORTFALLS with WATER & SEWER	**($441,393)**	**($441,393)**	**($459,713)**	**($459,713)**	**($647,011)**	**($647,011)**
REMAINING SHORTFALL OR SURPLUS (20-Yr Cumulative)	***($262,028)***	***$176,302***	***($271,092)***	***$187,850***	***($395,178)***	***$204,689***
Average Annual Shortfall or Surplus	***($13,101)***	***$8,815***	***($13,555)***	***$9,392***	***($19,759)***	***$10,234***

Source: TischlerBise