

## Town of Windsor

### Memorandum

March 12, 2019

**TO:** The Honorable Mayor and Town Council

**FROM:** Michael Stallings, Town Manager *MS*

**SUBJECT:** Holland Meadows Proffers

Attached you will find a letter from Mr. William Riddick, attorney for Holland Meadows, Inc. as well as a copy of a fiscal impact study completed by Mr. Ted Figura.

They are requesting a reduction in the amount of proffers for the 44 units in phase 2 of the development from the current \$8,913 (\$6,113 to schools and \$2,800 to the Town) to \$1,000 per unit. It would be up to the Town to determine what the best use of these funds would be.

I sent a copy of the study to Isle of Wight County for review. I heard back from the Director of Planning & Zoning concurring with the recommended reduction in proffers.

It is my recommendation that Council agree to the reduction in proffers based off the fiscal impact study that has been presented. This will allow the project to move forward and will provide additional housing stock for the Town and will allow for the total completion of the Holland Meadows project.



**BARLOW & RIDDICK, PC**  
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February 27, 2019

Michael Stallings  
Town Manager  
Town of Windsor  
8 E. Windsor Boulevard  
Windsor, VA 23487

HAND DELIVERED

Re: Holland Meadows, Phase 2

Dear Michael:

I represent Holland Meadows, Inc, the owner/developers of the Holland Meadows subdivision lying within the boundaries of the Town of Windsor. Although this subdivision was approved many years ago, Phase 2 has not been developed. The down turn in the economy severely delayed the build out of Phase 1 which was completed in March of 2017. The great increase in development costs over this time period together with the proffers for the development are the primary reasons for the owner's decision not to proceed with Phase 2.

During the period since 2009 when the zoning application for this property was approved there have been significant changes in the laws as they apply to cash proffers. Localities are only permitted to accept cash proffers for developments that have actual impact on facilities and in particular schools. The owner has caused a new Fiscal Impact Study to be prepared by Ted Figura Consulting, Inc., a copy of which is attached hereto along with the methodology applied to the study and a statement of the consultant's qualifications. Ted Figura was selected because of his extensive and recent experience in the preparation of fiscal impact studies for five developments in Isle of Wight County.

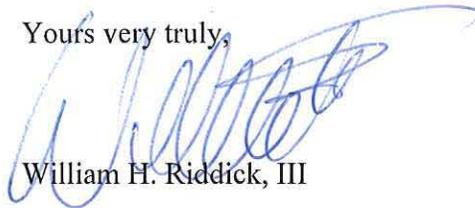
The Fiscal Impact Study shows that the proposed development of Holland Meadows, Phase 2 will provides the locality with significant revenues over and above the actual costs. These benefits will accrue to both the general fund and the enterprise funds associated with utilities. The study also shows that the additional students projected for Phase 2 will not cause any need for additional school facilities as there is currently adequate capacity in the schools that would be affected.

For the reasons stated herein and more particularly set forth in the Fiscal Impact Study, Holland Meadows, Inc. respectfully requests that the Town Council consider a reduction in the

February 27, 2019  
Page 2

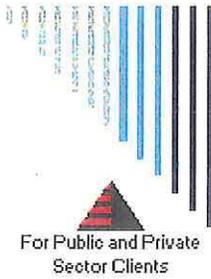
cash proffers associated with Holland Meadows, Phase 2. In particular, the owner is requesting that the total proffers be reduced to \$1,000.00 per unit which would be paid to the Town of Windsor to defray capital costs that the Town has or will accrue as identified in its Capital Improvements Plan. My clients want very much to see that Phase 2 is developed but the proffers now associated with the project make it fiscally imprudent to proceed. They believe however that it is in the best interest of the Town of Windsor to have this development completed. It will provide additional housing opportunities to citizens who might wish to live in Windsor. Please set this on the agenda for consideration by the Town Council at its earliest opportunity. If you have questions or concerns please do not hesitate to contact me and I will make sure they are answered or addressed.

Yours very truly,



William H. Riddick, III

cc: Holland Meadows, Inc.



# Holland Meadows

## Fiscal Impact Study

Isle of Wight County, Virginia

Prepared by

**Ted Figura Consulting, Inc.**

for

Holland Meadows, Inc.  
Windsor, Virginia

March 1, 2019

## Table of Contents

Executive Summary.....	3
Background.....	4
Methodology.....	5
Fiscal Impact: Holland Meadows.....	8
 Appendix – Methodology	
Approach.....	A-1
Parameters and Assumptions.....	A-3
Revenue Calculations.....	A-4
Cost Calculations.....	A-13
Variable per-household cost of public services other than education.....	A-13
Capital costs.....	A-23
Education costs.....	A-23
School capital costs.....	A-28
 Tables	
Table 1 – Available School Capacities Before and After Holland Meadows.....	8
Table 2 – Holland Meadows: Projected Revenues .....	9
Table 3 – Holland Meadows: Projected Costs.....	10
Table 4– Holland Meadows: Projected Cash Flow.....	11
Table 5 – Holland Meadows: Fiscal Impact Measures.....	12
Table A-1- Holland Meadows Sale Prices and Assessed Values, by Model Type.....	A-7
Table A-2 - Isle of Wight County Variable, Per-Household Revenues, FY 2018-2019 Adopted Operating and Capital Budget.....	A-10
Table A-3– The Isle of Wight County Non-School Expenditures: Expenditure per Household, FY 2018-2019 Adopted Operating and Capital Budget.....	A-24
Table A-4 – The Isle of Wight County Non-School Expenditures: Expenditures per Unit other than Households, FY 2018-2019 Adopted Operating and Capital Budget.....	A-25
Table A-5 – Local Funding of Variable Costs Isle of Wight County School Budget.....	A-27
Table A-6 – Isle of Wight County Variable Cost of Operations per Student, SY 2018-2019.....	A-27
Table A-7– Available School Capacities Before and After Holland Meadows.....	A-29

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## Holland Meadows: Fiscal Impact Analysis

### Executive Summary

The applicant, Holland Meadows, Inc., is seeking a reduction of the cash proffers previously offered by the applicant (in 2009) in its successful rezoning application in order to facilitate the development of Phase 2 of Holland Meadows, (or “the proposed development”). The Phase 2 property is owned by the applicant and is located adjacent to Holland Meadows, Phase 1. Phase 2 will be developed on 26.58 acres along the extension of Lena Rose Street, with lots developed along Savannah Street and Kelsie Street as well, in Isle of Wight County (“the Site”). The proffer amendment is requested in order to construct 44 single-family dwellings.

As proposed, this development is projected to have a positive fiscal impact on the general fund and the enterprise funds of the Isle of Wight County (“the County”) and, therefore on the Isle of Wight County Public Schools (“the Public Schools”) after its initial five-year analysis period and in the stabilization year. In the stabilization year, net new revenues for the County (revenues minus costs) are projected to be more than \$55,000 annually. Over the five-year analysis period, cumulative net new revenue from all funds is projected to be more than \$535,000.

Prices for the proposed units are expected to average \$309,900 for units averaging 2,300 square feet. Based on these prices, the average income for the proposed development’s households was estimated to be \$77,475 compared to the County’s estimated 2020 average household income of \$86,425 and an estimated 2020 median household income of \$74,325 (2020 being the first year in which units would be sold).

The proposed development is expected to generate only 17 new students attending Isle of Wight County Public Schools. No school to which students from the proposed development will be assigned will become overcrowded due to the construction of Holland Meadows.

The table below summarizes the fiscal impact measures for the proposed development.

<b>Holland Meadows Fiscal Impact Measures, Combined General and Enterprise Funds</b>	
Stabilization Period (FY 2023 and ongoing)	
Annual Revenues	\$144,150
Annual Costs	\$ 86,675
Cash Flow	\$ 57,475
Benefit-to-Cost Ratio	1.66-to-1
-----	
Cumulative Measures (FY 2020-FY 2024)	
Total Revenues	\$806,725
Total Costs	\$269,000
Cumulative Cash Flow	\$537,725
Benefit-to-Cost Ratio	3.0-to-1

Figures rounded to the nearest \$25

A more detailed analysis follows.

## Background

Holland Meadows, Inc. has proposed a 44-unit expansion (Phase 2) of the existing single-family detached development, Holland Meadows. Phase 2 is to be located on 26.58 acres along the extension of Lena Rose Street, with lots developed along Savannah Street and Kelsie Street as well, in Isle of Wight County (“the County”) on parcels 54-01-97 and 54-01-97A (collectively, the “Site”). The Site is properly zoned to permit the development of Holland Meadows, Phase 2, or ‘the development.’”

The purposed of this fiscal impact analysis is to determine the fiscal impact of the proposed development on the Isle of Wight County Public Schools in conjunction with a request by the applicant to the Town of Windsor (“the Town”) that cash proffers previously offered to the Town as part of a rezoning application to permit the development of Holland Meadows be reduced. Town officials have indicated that they will consider this request as long as the proposed development does not have a negative fiscal impact on the County’s public schools. However, since the County contributes funds to the Isle of Wight County Public Schools and the County’s ability to make such contributions is impacted by the costs incurred by the County for purposes of general government and by the revenues it receives from the proposed development, the fiscal impact of the proposed development on the County’s public schools cannot be divorced from its fiscal impact on the County as a whole. Therefore, the fiscal impact of the proposed development on the County, including the Isle of Wight Public Schools, has been calculated.

The planned single-family units in Phase 2 are expected to average 2,300 square feet in size, with six models ranging from 1,900 to 2,800 square feet in size. Dwellings in Phase 2 are expected to sell for an average of \$309,825, ranging from \$289,900 to \$329,900. Half of the models are planned to have 2 ½ baths and half are planned to have 3 ½ baths. Based on these prices, the average income for the proposed development’s households was estimated to be \$77,475 compared to the County’s estimated 2020 average household income of \$86,425 and an estimated 2020 median household income of \$74,325 (2020 being the first year in which units would be sold).

Assuming a proffer amendment approval by April 2019, construction is expected to begin in January 2020. The first units are anticipated to be occupied in the third quarter of 2020 (the first quarter of FY 2021). All units are expected to be sold and occupied by the second quarter of 2022 (fourth quarter of FY 2022). Thus, the stabilization year--the year following completion of the proposed development beyond which revenues and costs, measured in constant dollars, do not change—is expected to be FY 2023. A five-year analysis period, beginning in FY 2020, ends in FY 2024.

Phase 1 of Holland Meadows was completed in 2017 and contains 61 single-family dwellings. Cash proffers of \$4,200 per unit were paid to the Town and forwarded to the County’s public school system. These cash proffers totaled \$256,200. Additionally, the applicant paid the Town \$131,000 as a contribution toward the future construction of a new police station. The current proffers for the proposed development also pledge a contribution of \$120,000 to the Town for sidewalk construction upon the completion of Phase 2. The applicant is requesting that the total amount of proffers pledged for Phase 2 of Holland Meadows be reduced to \$1,000 per unit.

These parameters are best estimates of the scope of the proposed development made by the applicant at this point in time. The specifics of the proposed development are subject to change based upon final determinations of site constraints and/or market conditions. Descriptions of the proposed development contained herein are not guarantees by the applicant that the proposed development will be constructed exactly as described above. However, the basic elements of the proposed development are those outlined above. Any change in the fiscal impact of the proposed development on the County due to minor changes in the scope of the proposed development are expected to be in the magnitude of projected revenues and costs and are expected to be in practically the same proportion of revenues to costs as estimated in the fiscal impact analysis report.

### Methodology

The fiscal impact of the proposed development on Isle of Wight County was calculated using the methodology described below. Fiscal impact is defined as the difference between all revenues to Public Schools generated by the project and all costs to the Public Schools attributable to the project. In order to calculate the fiscal impact of Holland Meadows on the Public Schools, the fiscal impact on the Isle of Wight County general fund must also be calculated. The Public Schools receives a considerable amount of its funding from the County and a positive school fiscal impact would occur only if revenues from the proposed development paid for the County's share of school costs attributable to Holland Meadows *after* those revenues have paid for County general and enterprise fund costs attributable to the proposed development. Revenues and costs are described in further detail below.

The fiscal impact was calculated over a five-year period. This period was chosen for convenience because the stabilization year falls within five years after construction of the proposed development is projected to begin. The proposed development is expected to be fully developed with the last units occupied in the fourth quarter FY 2022. Fiscal year 2023 will be the first full fiscal year in which costs and revenues from the proposed development are stabilized.

All fiscal impacts are presented in constant 2019 dollars, (i.e., inflation is not applied to either revenues or costs throughout the analysis period). A constant in 2019 dollars was chosen because the analysis is substantially based on the revenue, cost and tax rate assumptions contained in the *Isle of Wight County, Virginia Adopted Operating and Capital Budget, Fiscal Year 2018-2019* and the *Isle of Wight County Schools FY 2019 Approved Budget*, individually or collectively, "the *Budget(s)*," as the case may be. These were the budgets in effect at the time this fiscal impact analysis was drafted.

The constant dollar approach means that no assumptions are made about rates of increase in real estate assessments in the County. Also, no assumptions are made about increasing tax revenues from sales, meals or business license taxes based upon retail price increases. Neither are assumptions made about future increases in the unit costs of government. The practical implication of this approach is that any future systemic imbalances between rising revenues and rising costs are assumed to be adjusted through changes in the County's tax rate, either upward or downward.

A marginal revenue/marginal cost approach was used to calculate expected revenues and costs to the County attributable to the proposed development. This is opposed to the average revenue/average cost approach that was used in the original Fiscal Impact Statement. The average revenue/average cost approach estimates of a project's revenues and costs are based upon a jurisdiction's per-capita total revenues and total costs. The marginal revenue/marginal cost methodology counts only variable costs and revenues and, thus, does not count fixed costs and revenues that would be spent or received by the County whether additional development occurs or not. It counts only revenues and costs attributable to an increase in the number of households from the development being analyzed.

It is, thus, a more accurate estimate of future revenues and costs resulting from a development than is the average revenue/average cost approach. The average revenue/average cost approach actually calculates a project's "fair share" of public costs, rather than the incremental impact of a project on a locality's fiscal position. The average revenue/average cost approach invariably overestimates the true costs to a municipality of new development, as it attributes costs to the proposed development that will not actually occur if new households are incrementally added to the jurisdiction.

Revenues estimated for the proposed development in this fiscal impact analysis fall into three categories: one-time direct revenues, recurring direct revenues and additional tax revenues generated by households. The methodology does not use multipliers to calculate revenues that could be generated through a project's secondary impacts, as such multipliers are considered to be unreliable for small geographic areas. The methodology does not include revenues generated from spending by construction workers at the proposed development, as such spending cannot reliably be said to occur within the County.

One-time direct revenues are revenues to the County derived from the construction of the proposed development. They include all plan review fees, building permit and associated fees (electrical, mechanical and plumbing), other development fees, including sewer connection fees, the local recordation tax and grantor's tax. The value of cash proffers offered by the applicant with this proffer amendment request is also calculated as one-time direct revenues in the fiscal impact of the proposed development.

Recurring direct revenues consist of real estate property taxes, personal property taxes (car tax), car rental tax, sewer collection charges, and other fees paid by households to the County. These are taxes and fees paid directly to the County by households and/or property owners. Taxes currently paid on the current assessed value of the Site were deducted from real estate property tax calculations. Taxes were calculated based upon estimates of the assessed property values, the County's per-household user fees or other methodologies explained in the Appendix.

Additional tax revenues generated by households are estimates of taxes paid by Isle of Wight County businesses due to purchases made by the proposed development's residents. These include the local sales tax option, meals tax, and the business license fees paid by businesses on gross receipts from these sales by businesses located in the County but not in the Towns of Windsor or Smithfield.

Purchases by Holland Meadows residents are estimated based upon spending patterns according to estimated household income. Spending patterns are derived from the most recent U.S. Bureau of Labor Statistics Consumer Expenditure Survey. Adjustments were made for the distribution of local option sales taxes to the towns of Smithfield and Windsor and for meal purchases made outside the County or in the towns of Smithfield and Windsor. The methodology for estimating these revenues is presented in the Appendix. No generated taxes were estimated for construction workers or employees of businesses located in Isle of Wight County, as these employees were assumed either to be already living and spending in Isle of Wight County or living outside the County and, thus, spending most of their income outside the County.

Costs were divided into five categories: education variable operating costs per student, other variable operating costs of government per household, education capital costs (if any), general government capital costs (if any) and public utilities (enterprise fund) costs. Cost data and assumptions were derived from the *Budgets*.

Per household and per business costs were calculated for various budget line items. State and federal revenues supporting various budget line items were deducted to leave only the County's operating cost. Certain government functions, such as public assistance and public health services, that would not serve the proposed development's population were not included in the calculations.

Chief executive, legislative and administrative functions, which would be performed regardless of population size, were not included in the calculations. A percentage of certain administrative support services, to the extent that they support operations which have variable costs, were included in the calculations. The methodology for estimating the cost of government, including, public utility costs (the per-customer cost of billing and the per-gallon cost of water and sewer treatment) is presented in more detail in the Appendix.

Education costs exclude administrative and other fixed costs. Student generation ratios were derived from the Isle of Wight Public School's *2018 Student Yield & Subdivision Analysis* prepared by Cooperative Strategies. These were used to calculate the number of students projected to be generated by Holland Meadows. This study was also used to calculate the distribution of students among elementary, middle and high schools. Education costs were calculated on a per-student basis. Education capital costs were estimated based upon data contained in the County's *Capital Improvements Plan, FY 2018-2027*.

Student generation, projected school enrollment and remaining capacity estimates for the proposed development are shown in Table 1, on the following page. Student generation forms the basis for estimating variable education operating costs and any education capital costs. School capacity and current enrollment data are based upon reports provided by the Isle of Wight County Public Schools and by the Virginia Department of Education. The methodologies for estimating the cost of education are presented in more detail in the Appendix.

School	Programmed Capacity	Current Enrollment	Remaining Capacity	Holland Meadows Enrollment	Capacity After Holland Meadows
Windsor Elementary	696	573	123	7	116
George Tyler M.S.	576	437	139	4	135
Windsor H.S.	816	522	294	6	288

Sources: Isle of Wight County Public Schools; Cooperative Strategies, Virginia Department of Education

As shown in Table 1, students from Holland Meadows can easily be accommodated by all schools to which students from Holland Meadows will be assigned.

Three measures of fiscal impact were used—cash flow, cumulative cash flow and the benefit-to-cost ratio. Cash flow shows the annual surplus or deficit of revenues less costs through the stabilization year. Because revenues and costs are reported in constant dollars, there is no change in the projected cash flow after the stabilization year.

Cumulative cash flow is the sum of annual cash flows over the analysis period. Another way of explaining cumulative cash flow is that it is derived by subtracting total costs to the County attributable to a project from total revenues to the County derived from a project over the analysis period, leaving the County’s total net revenue from a project.

Finally, the benefit-to-cost ratio is the ratio of total project revenues to the County and total project costs to the County. A benefit-to-cost ratio greater than 1.0-to-1 signals a net fiscal benefit. The magnitude of the benefit-to-cost ratio signals the strength of the fiscal impact on the County. For instance, a benefit-to-cost ratio of 1.5-to-1 indicates that for every additional dollar of spending a project costs the County, the County is expected to receive \$1.50 in additional revenue.

#### Fiscal Impact: Holland Meadows

The applicant is seeking a proffer amendment to reduce previously pledged cash proffers in order to permit the development described above. The derivation of the revenues and costs attributed to the proposed development are described in the Methodology section, above, and in the Appendix. The revenues projected for the proposed development are listed in the Table 2 on the following page. Costs generated by the proposed development are displayed in Table 3, located on page 12. Both revenues and costs are shown for the stabilization year and for the total five-year analysis period (FY 2020-FY 2024).

**Table 2  
Holland Meadows  
Projected Revenues**

Revenue Type	Annual Revenues, Stabilization Year (FY 2023)	Five-Year Total (FY 2020- FY 2024)
Existing Real Estate Property Tax on Land	\$ (15,950)	\$(79,700)
Real Estate Property Tax, Land	\$ 0	\$ 45,950
Real Estate Property Tax, Improvements	\$112,875	\$315,500
Personal Property (Car) Tax and Car Rental Tax	\$ 23,475	\$ 73,650
Other fees	\$ 1,025	\$ 3,175
<i>Subtotal Direct Taxes</i>	<i>\$121,425</i>	<i>\$358,575</i>
Additional Revenues Derived from Households	\$ 4,800	\$ 15,050
<b><i>General Fund Annual Revenues</i></b>	<b><i>\$126,225</i></b>	<b><i>\$373,625</i></b>
Sewer Collection Fee	\$ 17,925	\$ 56,250
<b><i>Enterprise Fund Annual Revenues</i></b>	<b><i>\$ 17,925</i></b>	<b><i>\$ 56,250</i></b>
<b>Subtotal Annual Revenues</b>	<b>\$144,150</b>	<b>\$429,875</b>
Building Permit and Review Fees (including electric, mechanical and plumbing)		\$ 35,175
Development Review and Other Fees		\$ 10,150
Proffers		\$ 44,000
Recordation Tax & Grantor's Fee		\$120,450
<b><i>General Fund One-time Revenues</i></b>		<b><i>\$209,775</i></b>
Sewer Connection, Service Fees		\$164,125
Utility Development Fees		\$ 2,950
<b><i>Enterprise Fund One-time Revenues</i></b>		<b><i>\$167,075</i></b>
Value of On & Off-site Improvements		\$ 0
<b>Subtotal One-time Revenues</b>		<b>\$376,850</b>
<b>Total Revenues</b>	<b>\$144,150</b>	<b>\$806,725</b>
<b><i>Total General Fund Revenues</i></b>	<b><i>\$126,225</i></b>	<b><i>\$583,400</i></b>
<b><i>Total Enterprise Fund Revenues</i></b>	<b><i>\$ 17,925</i></b>	<b><i>\$223,325</i></b>

Figures rounded to the nearest \$25.

<b>Table 3 Holland Meadows Projected Costs</b>		
Cost Type	Annual Costs, Stabilization Year (FY 2023)	Five-Year Total (FY 2020- FY 2024)
General Government Service Operating Costs	\$28,650	\$ 91,475
General Government Capital Costs		\$ 0
Education Operating Costs	\$57,525	\$175,950
Education Capital Costs		\$ 0
<b><i>Total General Fund Costs</i></b>	<b><i>\$86,175</i></b>	<b><i>\$267,425</i></b>
<b><i>Enterprise Fund Costs</i></b>	<b><i>\$ 500</i></b>	<b><i>\$ 1,575</i></b>
<b>Total Operating Costs</b>	<b>\$86,675</b>	<b>\$269,000</b>

Figures rounded to the nearest \$25.

It should be noted that, while the County's Public Utilities fund contains substantial costs, these are nearly all fixed costs that will not change with the addition of new households to the County. Adding households actually provides new revenues to help the County defray these fixed costs. Additionally, the development of Holland Meadows will not cause the County to increase its budgeted cost for sewer line maintenance and few, if any, repairs to the new sewer lines should be required during the fiscal impact analysis period. Therefore, sewer line maintenance has been treated as a fixed cost to the County.

All of the schools that students from Holland Meadows would attend have significant remaining capacity and the addition of students generated by the proposed development would leave these schools still with significant classroom capacity. The proposed development is also not projected to generate enough students to warrant the purchase of a new school bus. Fire, public safety, park and other public infrastructure were deemed to be adequate to serve the proposed development. Additionally, no water or sewer capital costs would be occasioned by the proposed development. Therefore, there are no capital fiscal impacts attributable to the proposed development.

Subtracting projected costs from revenues yields a positive overall cash flow (or revenues net of costs) for the County from the proposed development. The County is expected to receive almost \$140,000 annually in new revenue generated by the proposed development while incurring less than \$90,000 in new annual costs.

Annual cash flow from the proposed development is shown in Table 4 below. In the stabilization year, the County is expected to see net new revenues (revenues less costs) of more than \$55,000 annually. Of this revenue surplus, more than \$40,000 is projected to enter the County's general fund and the County's enterprise fund can be expected to receive almost \$18,000 in surplus revenues annually from FY 2023 going forward. The County's enterprise funds, though separate for accounting purposes, ultimately impact the County's general fund. An increase in net revenues would reduce the amount of funds transferred from the general fund to cover enterprise fund deficits or the funds would be used to enable a faster repayment of debt service, which could result in surpluses transferred to the general fund in the future.

<b>Table 4 Holland Meadows Projected Cash Flow</b>				
	FY2020	FY 2021	FY 2022	Stabilization Year FY 2023
General Fund Revenues	\$ 23,800	\$120,350	\$189,800	\$126,225
Enterprise Fund Revenues	\$ 47,350	\$ 94,400	\$ 45,700	\$ 17,925
<b>Total Revenues</b>	<b>\$ 71,150</b>	<b>\$214,750</b>	<b>\$235,500</b>	<b>\$144,150</b>
General Fund Costs	\$ 750	\$ 21,775	\$ 72,525	\$ 86,175
Enterprise Fund Costs	\$ 0	\$ 150	\$ 425	\$ 500
<b>Total Costs</b>	<b>\$ 750</b>	<b>\$ 21,925</b>	<b>\$ 72,950</b>	<b>\$ 86,675</b>
General Fund Cash Flow	\$ 23,050	\$ 98,575	\$117,375	\$ 40,050
Enterprise Fund Cash Flow	\$ 47,350	\$ 94,250	\$ 45,275	\$ 17,425
<b>Total Cash Flow</b>	<b>\$ 70,400</b>	<b>\$192,825</b>	<b>\$162,650</b>	<b>\$ 57,425</b>

Figures rounded to the nearest \$25.

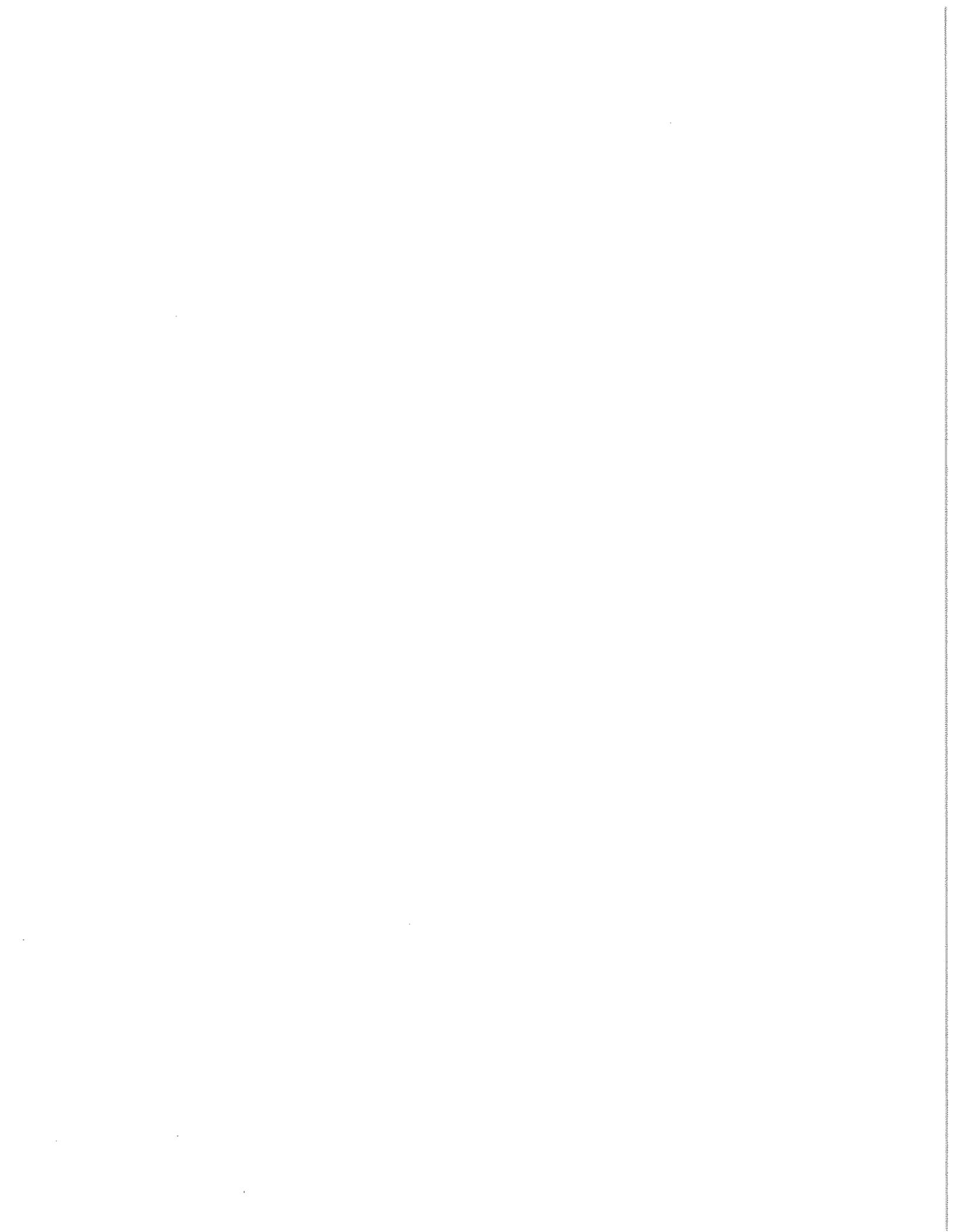
Table 5, on the following page, shows the fiscal impact measures for the proposed development. These are positive with the overall benefit-to-cost ratio in the stabilization year exceeding 1.6-to-1, meaning that the County is expected to receive \$1.66 in revenue for every dollar of cost attributed to the proposed development. The County's general fund can expect to see revenues of \$1.46 for every dollar spent to support Holland Meadows from the stabilization year going forward. Over a five-year period, the County can expect to receive more than \$535,000 in net new revenue from the proposed development.

<b>Table 5</b> <b>Holland Meadows</b> <b>Fiscal Impact Measures, General and Enterprise Funds</b>		
	Stabilization Year (FY 2023)	Five-Year Total FY 2020- FY 2024)
Cumulative Cash Flow		
General Fund	N/A	\$315,975
Enterprise Funds	N/A	\$221,750
Combined Funds	N/A	\$537,725
Benefit-to-Cost Ratio		
General Fund	1.46-to-1	2.18-to-1
Enterprise Funds	35.85-to-1	141.79-to-1
Combined Funds	1.66-to-1	3.0-to-1

\*Does not include value of on-site improvements

It should be noted that real estate taxes alone are more than enough to cover all of the expected new costs to both the County's general fund and its enterprise fund generated by the proposed development. Other tax and fee revenues create a revenue surplus for the County's general fund.

In summary, the development of Holland Meadows, Phase 2 would provide the County with sufficient new revenues, surplus to the additional costs that the County would incur, so that the County could completely fund the additional cost that the proposed development would generate for the Public Schools. After funding the Public Schools, the County would still have significant surplus revenues derived from Holland Meadows. Furthermore, the County has already received significant proffer revenue from the development of Holland Meadows, Phase 1 which, extrapolating from this fiscal impact analysis, were surplus to the cost of providing education to students generated from Holland Meadows. The positive fiscal impact that the development of Holland Meadows, Phase 2 is expected to have on the County supports the applicant's request for a reduction of proffers previously offered in association with the proposed development.



# Holland Meadows

## Appendix

### Methodology

## Approach

Fiscal impact is defined as the difference between all revenues to Isle of Wight County Public Schools generated by the project and all costs to the Isle of Wight County Public Schools (“the Public Schools”) attributable to the project. In order to calculate the fiscal impact of Holland Meadows, Phase 2 (“Holland Meadows” or “the proposed development”) on the Public Schools, the fiscal impact on the Isle of Wight County general fund must also be calculated. The Public Schools receives a considerable amount of its funding from Isle of Wight County (“the County”) and a positive school fiscal impact would occur only if revenues from the proposed development paid for the County’s share of school costs attributable to Holland Meadows *after* those revenues have paid for County general and enterprise fund costs attributable to the proposed development.

Only variable revenues and costs are counted in the fiscal impact study. This means that, rather than applying per capita or per household total non-tax revenue and total County per capita or per household expenditures to Holland Meadows, only those incremental revenues and costs that the County will actually receive or incur due to the increase in households and businesses are counted as having a fiscal impact. Fixed costs that do not rise as population, households or businesses increase incrementally are not counted as having a fiscal impact.

Revenues include one-time direct revenues, annual direct revenues from the project and tax revenues generated by households. One-time revenues include building permit fees and other development fees, sewer and water connection fees, recordation and grantors’ taxes, and cash proffers. They also would include the value of any on and off-site public infrastructure improvements or amenities provided by the developer that have benefit to the County beyond the benefit to the proposed development.

Annual direct revenues include: real estate property taxes, personal property taxes, car rental taxes, and various local government fees, fines and user charges. They also include sewer collection consumption charges which provide revenue to the County’s enterprise funds. Tax revenues generated by households are taxes paid or collected by Isle of Wight County businesses due to purchases made by the proposed development’s households.

Costs include: operating costs of government per household or per other unit, any County (non-school) capital costs generated by the proposed development that will actually be incurred by the County, education operating costs per student, and any school capital costs generated by the proposed development that will actually be incurred by the County.

Enterprise fund revenues and costs attributable to the proposed development are included only to determine whether transfers from the County's general fund will be needed as a result of the proposed development in order to compensate for enterprise fund costs attributable to Holland Meadows. If such transfers were to occur, this would deplete revenues from the general fund available to fund the Public Schools. Any enterprise fund surpluses, though they may be transferred to the general fund at the discretion of the Board of Supervisors, are not assumed to be available to fund Public School costs. County enterprise fund costs and revenues were calculated only for sewer services as water services are provided by the Town of Windsor ("the Town").

All fiscal impacts are presented in constant 2019 dollars. Inflation is not applied to either revenues or costs throughout the analysis period. The constant dollar approach also means that no assumptions are made about the rate of real estate assessment increases in the County. No assumptions are made about future increases in tax revenues from sales, meals or business license taxes that are based upon retail price increases. Neither are assumptions made about future increases in the unit costs or revenues of government. The practical implication of this approach is that any systemic future imbalances between rising (or falling) revenues and rising costs will be adjusted through changes in the County's tax rate, either upward or downward. All cost and revenue data were derived from the *Isle of Wight County, Virginia, Adopted Operating and Capital Budgets, Fiscal Year 2018-2019* and the *Isle of Wight County Schools School Operating Budget, Fiscal Year 2019* ("the Budget(s)").

The net revenue surplus or deficit of the proposed development is calculated by subtracting total costs to the County attributable to the project from total revenues to the County derived from the project over the analysis period. This was calculated for each year of project activity through the stabilization year. The year in which all costs and revenues have been fully realized was designated the stabilization year for the proposed development. This was FY 2023. The stabilization year captures the cost and revenue impact generated by the project upon and after completion. Because revenues and costs are reported in constant dollars, there is no significant change in the projected cash flow after the stabilization year. Since the stabilization year falls within the first five-year increment following the assumed proffer amendment approval, a five-year analysis period was used for convenience (FY 2020-FY 2024).

Three measures of fiscal impact are used. One is the annual cash flow through the stabilization year (revenue minus costs). The second fiscal impact measure is the cumulative net revenue surplus over the five-year analysis period (total revenues minus total costs). This is also the cumulative annual cash flow over the analysis period.

Finally, the benefit-to-cost ratio is the ratio of total project revenues to the County and total project costs to the County. A benefit-to-cost ratio greater than 1.0-to-1 signals a net fiscal benefit. The magnitude of the benefit-to-cost ratio signals the strength of the fiscal impact on the County. For instance, a benefit-to-cost ratio of 1.5.0-to-1 indicates that for every additional dollar of spending the project costs the County, the County is expected to receive \$1.50 in additional revenue. Although this metric will be calculated, any benefit-to-cost ratio above 1.0 would demonstrate that Public School costs associated with Holland Meadows have been fully funded by revenues from the proposed development.

Throughout, revenue and cost data are estimated on a per-household basis or per some other unit, as appropriate. When costs are clearly variable per-capita (e.g., population-based funding formulas), they were converted to a per-household cost. Additionally, per-household data were adjusted, where appropriate, for the larger household size predicted for Holland Meadows as opposed to all households in Isle of Wight County. This was done whenever the number of persons in a household would have a marginal impact on variable costs or revenues. This is more fully described below under “Cost Calculation.”

The number of households in the County in FY 2019 (14,556) was estimated by multiplying the number of households reported by the U.S. Census Bureau’s American Community Survey (ACS) for 2017 (five-year average) by the rate of household increase from 2015 to 2017 (also from the ACS). No additional increase in households was forecast in keeping with the constant dollar approach. The County’s estimated FY 2019 population (36,443) using the same methodology employed for calculating the FY 2019 number of households but using the ACS 2017 and 2015 population estimates.

The number of business establishments in the County (816), available from the third quarter 2018 Virginia Employment Commission’s Quarterly Census of Employment and Wages, was used to adjust per-household metrics when services are provided to both businesses and households (see under “Cost Calculations” for an explanation of the adjustment methodology).

#### Parameters and Assumptions

This fiscal impact analysis pertains to Phase 2 of Holland Meadows, proposed as a continuation of Holland Meadows Phase 1, a single-family residential development located in the Town of Windsor. Sixty-one (61) lots were developed in Phase 1, sixty (60) of which have been completed with single-family detached units. Holland Meadows is located along John Henry Street, south of Shiloh Drive. Phase 2 of Holland Meadows will be developed along the extension of Lena Rose Street, with lots developed along Savannah Street and Kelsie Street as well. Phase 2 will encompass parcels 54-01-97 and 54-01-97A (collectively, the “Site”). The entire Site is approximately 26.58 acres. The Site is currently properly zoned to permit the proposed development to be constructed. The current assessed value of the Site is \$1,875,000, or approximately \$70,550 per acre, rounding to the nearest \$25.

Home model plans are to be determined in consultation with the builders engaged to construct the proposed development and based upon market demand. Six models have been assumed to be constructed by two builders. Pricing is expected to average \$309,900 per unit and range from \$289,900 to \$329,900. These prices have been used to estimate average household incomes for residents of the proposed development. Unit sizes are expected to range from 1,800 square feet to 2,800 square feet and average 2,300 square feet. Half of the units are assumed to have 2 ½ baths and half are assumed to have 3 ½ baths. Models in Phase 2 of Holland Meadows are expected to be somewhat larger than those in Phase 1, with selling prices averaging about 27% higher, due both to the increase in unit size and the steady housing price appreciation that has occurred since the first units were sold in Phase 1 (2011).

The applicant expects to begin construction shortly after receiving approval of their request for a proffer reduction with site work taking approximately eight months to complete. Without a reduction in proffers, the developer deems the proposed development to be financially infeasible in the current market and real estate financing environment. Assuming approval in April 2019, construction of the first units is assumed to begin in January 2020 with the first units sold and occupied in the third quarter of 2020 (the first quarter of FY 2021). The applicant expects that two units will be built and sold each month. All units are expected to be sold and occupied by the end of the second quarter 2022 (fourth quarter of FY 2022). Thus, the stabilization year—the year following completion of development beyond which revenues and costs, measured in constant dollars, do not change—is expected to be FY 2023.

Prior to the construction of Phase 2, the existing parcels will be replatted into 44 individual parcels to be developed as single-family homes, a parcel consisting of the right of way for the roads, and one parcel consisting of land for wetlands, open space and BMPs. The latter parcel may be discontinuous.

It is recognized that the above description is based on a preliminary concept plan and details of the proposed development may change due to site considerations or changing market conditions. This representation is not a pledge or guarantee from the developer that the proposed development will exactly match this description. However, the final development plan is expected to not diverge from the above description to an extent that would materially change the results of this fiscal impact.

### Revenue Calculations

Revenues estimated for the proposed development fall into three categories: one-time direct revenues, direct annual revenues, and additional annual tax revenues and fees generated by households. The methodology does not use multipliers to calculate revenues that could be generated through the project's secondary impacts. Such multipliers are considered to be unreliable when applied to small economic units, such as localities.

One-time direct revenues are revenues to the County derived from the construction of the proposed development. These include County development and building permit fees, as well as County sanitary sewer connection fees, plus one-time taxes and payments. Specific fees are listed below and on the following page:

- Building permit fees, including electrical, mechanical, plumbing, sign and technology fees
- Building plan examination fee
- Code enforcement administration fee
- Construction/development plan fee
- Erosion and sediment control permit fee
- Proffers

- Recordation tax and grantors fees
- Sewer service fees (charged once upon unit completion)
- Sewer tap fees
- Stormwater infrastructure inspection fee
- Street sign permit fee
- Subdivision plan fee
- Utility infrastructure inspection fee
- VSMP fees local share, including renewal fees

For calculating building permits, average unit sizes of 1,800 square feet (7 units), 2,000 square feet (7 units), 2,200 square feet (8 units), 2,400 square feet (8 units), 2,600 square feet (7 units) and 2,800 square feet (7 units) for each model type, respectively, were used. It was assumed that the plan examination fee would be levied for the review of each model rather than for each unit, with six model selections assumed for the proposed development. Electrical permit fees were calculated assuming all services are under 400 amps. One temporary electrical service was assumed for every three units.

Plumbing permits for residential units were based upon an assumption of 2 ½ baths for 22 units and 3 ½ baths for 22 units. Plumbing permits for manholes and storm drains were based upon a standard of one occurrence every 400 feet and 2,750 linear feet of roadway, yielding an estimated seven manholes and storm drains. All plans are assumed to be submitted in FY 2020, with the first permits issued in FY 2020. One water and sewer line connection was assumed for each residential unit. Mechanical permits were based on a cost of \$10,000 per unit.

It was assumed that a single erosion and sediment control permit fee would be paid for the entire Phase 2 development and not for each lot and that the developer would obtain a bond in lieu of obtaining erosion and sediment control inspections. Since the proposed development is a continuation of the existing development (Holland Meadows), no new monument signs are anticipated for the proposed development. Based on the applicant's concept plan, two new public street signs were assumed.

The stormwater and utility infrastructure inspection fees were assumed to be for their minimum amounts. The local portion of the VSMP fee and renewals was assumed to be calculated on developable, rather than gross acreage. The County's 5% IT surcharge was applied to all building permits and stormwater charges. Sewer tap fees were calculated based on 5/8" meters for each residential unit. Recordation and grantor's taxes were based on selling prices.

Proffer revenue included in this fiscal impact analysis is the amount being offered by the applicant as a proffer reduction.

Direct annual revenues consist of those revenues paid directly to Isle of Wight County by the proposed development's property owners and residents. These include real estate property taxes, personal property taxes on vehicles, the car rental tax remitted to the County by the Commonwealth, sewer usage charges and other fees paid to the County. Taxes and fees levied by the Town were not included in this fiscal impact analysis since these revenues will not enter into the calculation of the fiscal impact of the proposed development on the Public Schools.

The annual stormwater fee was not included as direct annual revenue, though it will be paid by Holland Meadows property owners and provide revenue for the County's enterprise fund. It was excluded because this fee is levied at the discretion of the County (and is, thus, not a reliable revenue source) and because these fees are dedicated to funding stormwater improvements that would not be made if the County did not levy the fee (thus, they do not constitute a net revenue to the enterprise fund). The remittance from the Commonwealth of the communications sales tax was also not included as direct annual revenue because this remittance is based upon a fixed formula that would not be affected by increasing population in the County. Furthermore, revenue from the County's refuse fee was not included as a direct annual revenue per prior instruction from the County Planning and Zoning Department. Refuse is a contracted service that is not provided to all County single-family households and refuse fees pay for this contracted service. Also, per the County Planning and Zoning Department, refuse costs were not included in the fiscal impact analysis.

Real estate assessments for the single-family units in Holland Meadows Phase 2 were based upon the proposed selling prices and the assessment history of Phase 1 of Holland Meadows. The County's Parcel Viewer was used to determine the current assessed value of each unit and the most recent sale price prior to the last reassessment (July 1, 2015 assessed values). The ratio of the current assessed value to previous sale price was judged to be the best predictor of future assessed value. It is recognized that the County is currently completing a reassessment that will more accurately determine future assessed values. However, data from this reassessment is not yet available. The ratio of current assessed value to sale price was calculated as 0.973741. This ratio was then applied to the proposed sale price to estimate the assessed value for Phase 2 Holland Meadows units. Projected selling prices and calculated assessed values for each model type are shown in Table A-1 on the following page.

Although land value will ultimately be incorporated into the assessed value of the residential product, it must be taken into account during the development phase of the project. The developer intends to combine and resubdivide the two existing parcels into lots prior to construction of Phase 2. Once lots are platted, they will be assessed at their market value and subject to taxation as unimproved real estate until the finished product is sold, at which time the estimated assessment for land plus improvements is based upon the selling price of the finished product.

Table A-1 Holland Meadows Sale Prices and Assessed Values by Model Type		
Model	Sale Price	Assessed Value
Model A	\$289,900	\$282,275
Model B	\$297,900	\$290,075
Model C	\$305,900	\$297,875
Model D	\$313,900	\$305,650
Model E	\$321,900	\$313,450
Model F	\$329,900	\$321,225

Other land held by the developer is assumed to be taxed at the current assessment per acre until disposed of by the developer, except for land devoted to right-of-way (approximately 3.15 acres), which is conventionally assumed to be assessed at zero value in anticipation of its dedication to VDOT. Land for parcels in Phase 1 of Holland Meadows is currently assessed at \$50,000 per parcel regardless of parcel size. It was assumed that Phase 2 lots would be assessed at the same value until sold. Residual acreage retained by the developer (3.4 acres) is expected to be assessed at its current value of about \$70,550 per acre until this acreage is deeded to a home owners association (HOA) prior to the final lot sale. This residual acreage includes a landscaped area, BMPs and undevelopable wetlands and open space. This acreage is expected to become tax exempt starting with FY 2023, the stabilization year.

The annual personal property tax to be received by the County from the proposed development's residents was estimated by first calculating the County's average personal property tax per vehicle. This amount was then adjusted by income level and tenure to account for variations in the number and value of vehicles owned by the proposed development's households.

The average personal property tax per vehicle (\$264.02) was calculated by dividing the personal property tax on passenger vehicles estimated to be received by the County in FY2019 by the number of vehicles subject to the personal property tax. The number of vehicles in the County was supplied by the County's Commissioner of the Revenue. The estimated personal property tax was calculated from the sum of the estimated FY 2019 personal property tax on vehicles and the FY 2019 PPTRA reimbursement from the Commonwealth, both derived from the *Budget*.

Data from the 2017 U.S. Bureau of Labor Statistics Consumer Expenditure Survey (CES), the latest data available, were used to estimate the relative value of vehicles owned by households at the income level estimated for Holland Meadows households for each model type. This was done by first calculating the vehicle purchase net outlay from the CES data for the average household income estimated for the proposed development. This amount was then divided by the amount of vehicle purchase net outlay calculated for the average household income for Isle of Wight County.

The ratio of predicted vehicle purchase outlay for Holland Meadows households to the predicted vehicle purchase outlay for the average Isle of Wight household was then applied to the average personal property tax per vehicle received by the County to derive the average personal property tax per vehicle for households with an average income comparable to that of the proposed development's residents.

The number of vehicles owned per household for the average income level of the proposed development's households was then calculated. The average number of vehicles per household for the income level associated with the proposed development was first derived from the CES data. This was then adjusted for the difference in vehicle ownership between owner-occupied and all households in the County.

The number of vehicles per owner occupied household (2.03 in the Town of Windsor and the number of vehicles per household for all households Countywide (2.21) was calculated using ACS data. ACS data was used even though it significantly undercounts the actual number of vehicles owned by Isle of Wight households under the assumption that this undercount would apply equally to owner and renter households and, therefore, the relative difference between vehicles per owner-occupied households and all households would not be affected. The expected number of vehicles predicted to be owned by the CES data was then adjusted to take into account the lower number of vehicles per owner-occupied residence in the Town of Windsor.

A further adjustment to account for the larger average number of vehicles per Isle of Wight household (3.59 according to data supplied by the County Commissioner of the Revenue) than predicted by CES data for average Isle of Wight household income (2.27 vehicles per household) was *not* made, however. The large number of vehicles owned by the average Isle of Wight household was thought to reflect the predominantly rural nature of the County. Households living in the relatively urbanized environment of the Town of Windsor are not expected to own the number of vehicles predicted by the number of vehicles registered in the County. Therefore, CES data, adjusted for the lower number of vehicles owned by Windsor owner-occupied households, was used to estimate the number of vehicles owned by households at the proposed development. To the extent that households living in Holland Meadows may participate somewhat in the higher vehicle ownership patterns exhibited by other Isle of Wight households, revenue received by the County from personal property tax may be underestimated in this fiscal impact analysis.

Finally, the estimated number of vehicles per household at the proposed development was multiplied by the estimated personal property tax received per vehicle. This result was multiplied by the number of occupied units for the appropriate model type. The entire calculation can be demonstrated in the series of equations on the following page.

$$PPT = \sum PPT/V_{HM} \times V/HH_{HM} \times HH_{OHM}$$

Where, PPT = Total personal property tax paid by Holland Meadows households

$PPT/V_{HM}$  = Personal property tax per vehicle for each model type at the Holland Meadows

$V/HH_{HM}$  = Vehicles per household at Holland Meadows and

$HH_{OHM}$  = the number of occupied households at Holland Meadows

$$PPT/V_{HM} = PPT/V_{IoW} \times VPNO_{IHM}/VPNO_{IoW}$$

Where,  $PPT/V_{IoW}$  = Average personal property tax per vehicle for all Isle of Wight County households

$VPNO_{IHM}$  = Vehicle purchase net outlay for the income level at Holland Meadows and

$VPNO_{IoW}$  = Vehicle purchase net outlay for households at mean income for the Isle of Wight County

and

$$V/HH_{HM} = V/HH_{IHM} \times (HH_{OACS} / V/HH_{ACS})$$

Where,  $VHH_{OACS}$  = Vehicles per household for owner households in the Town of Windsor (from ACS data)

$V/HH_{ACS}$  = Vehicles per household for all Isle of Wight County households (from ACS data)

The resulting estimates of personal property tax to be received by the County per Holland Meadows household (\$531.23) were lower than the average personal property tax per household (\$927.86) computed by dividing the total personal property tax estimate by the estimated number of households. This reflects both the smaller number of vehicles estimated to be owned by Holland Meadows households than the Countywide average and the somewhat lower vehicle purchase expenditures made by these households.

The vehicle rental tax, which is remitted to the County by the Commonwealth, was calculated using similar methodologies. The vehicle rental tax per household (\$2.60) was adjusted for expenditures by household income using CES data for vehicle rental expenditures.

User fees per household were calculated by dividing revenues estimated to be received in FY 2019, as reported in the *Budget*, by the number of households in the County. Per household user fee revenue was calculated for animal licenses, court security and building fees, fines, delinquent tax collections and forfeitures and concealed weapons permit fees. An adjustment for the somewhat larger household size anticipated at Holland Meadows was made for Court Security & Building Fees, Fines and Forfeitures, and Weapons Permits. These adjustments are reflected in the revenue per household calculation shown in Table A-1.

Table A-2 below, details the County’s variable revenues, other than those derived from the direct levy of taxes on the project. It also shows revenues per household.

<b>Table A-2</b> <b>Isle of Wight County Variable, Per-Household Revenues</b> <b>FY 2018-2019 Adopted Operating and Capital Budget</b>		
Item	Revenue	Revenue per Household
Animal Licenses	\$ 41,000	\$ 2.82
Concealed Weapons Permits	\$ 25,000	\$ 1.84
Court Security & Building Fees	\$109,000	\$ 7.60
Delinquent Tax Collections	\$ 11,000	\$ 0.72
Fines and Forfeitures	\$145,800	\$10.10
<b>Total</b>	<b>\$331,000</b>	<b>\$23.08</b>

*Revenues rounded to the nearest \$25*

Tax rates and fees found on the current Isle of Wight County website and/or reported in the *Budget* were used and assumed to be accurate.

Tax revenues generated by households are estimates of taxes paid by Isle of Wight County businesses due to purchases made by the proposed development’s residents. Purchases by the proposed development’s residents are estimated based upon their projected spending patterns. These spending patterns were estimated using the CES.

Household incomes were estimated for the proposed development’s residents based upon the projected sale price of residential units. A housing price-to-income ratio of 4-to-1 was assumed, based on recent conversations with area mortgage brokers. The proposed development’s household incomes were, thus, estimated by dividing average unit sale prices by 4.0. This resulted in an average income estimate for households at the proposed development of \$77,475. This compares to the average 2020 estimated countywide household income of \$86,075 and a median 2020 estimated countywide household income of \$74,325.

The countywide household income was estimated based on 2017 estimates from the ACS inflated by the two-year percentage increase in the Consumer Price Index (CPI) measured from 2016 to 2018 (4.06%) and rounded to the nearest \$25.

These spending estimates were then used to calculate local sales and meals taxes generated by the proposed development at Isle of Wight businesses, as well as the business license fees from revenue generated by this spending. Using a methodology similar to that used to estimate spending on vehicle purchases, average household spending for households with income levels equivalent to those predicted for Holland Meadows households was estimated for food at home, food away from home, other retail, and personal service spending.

Adjustment was made for purchases made outside the County. The adjustment for purchases made outside the County was based on a calculation of the leakage of retail spending from the County. This was accomplished by comparing the per-household spending levels predicted with CES data (using spending predicted for the County's average household income level) to actual retail spending in the County. The County's average per-household income was obtained from the ACS and retail spending in the County was obtained from data on taxable retail sales as reported by the Weldon Cooper Center for Public Service, Center for Economic Policy Studies, at the University of Virginia, 2017 annual data (with data derived from the Virginia Department of Taxation).

Some CES spending categories were collapsed or distributed among the NAICS store categories contained in the Weldon Cooper data in order to arrive at four category groupings—food at home (grocery and convenience store spending), food away from home, other retail spending, and personal services spending. Retail sales in each category group were divided by the retail spending predicted for that category group using CES data to compute the percentage of household spending in Isle of Wight that was retained within the County and, thus, generated tax revenue for the County.

Overall, it was determined that 63.23% of household retail spending occurred within the Isle of Wight County. For grocery item spending, the retail leakage analysis indicated an influx of grocery spending into the County and, thus, 100% of grocery spending retained within the County. This could be the result of residents of outlying, more rural counties patronizing grocery outlets in Isle of Wight County.

However, Food Lion and Kroger (which will open in Smithfield Shopping Center) are the only major grocery stores located in Isle of Wight County. While the daily shopping and the majority of weekly grocery shopping for Holland Meadows residents can be expected to occur at the Food Lion located in the Town of Windsor due to its proximity to the proposed development, those wishing to shop at higher end grocers (Harris Teeter, Fresh Market, Trader Joe's and Whole Foods) or other grocers (especially Wal-Mart) or a buying club (BJs, Costco, Sam's Club) will have to do so outside Isle of Wight County.

It was assumed that Holland Meadows residents would do their daily and convenience grocery shopping and a substantial amount of their weekly grocery shopping at the nearby Food Lion. It was assumed that the average Holland Meadows household could be expected to conduct at least some of their grocery shopping at competing grocery stores in Suffolk or Newport News, and at buying clubs and specialty grocers outside of Isle of Wight County. However, these stores are 35 to 45 minutes from Windsor in light traffic and the buying clubs are even further away. Therefore, only 15% of grocery shopping by Holland Meadow households was assumed to occur outside of Isle of Wight County.

The percentage of food away from home spending (restaurants, fast food, concessions) retained within Isle of Wight County was estimated by the retail leakage analysis to be 65.88%. For most other retail categories, the County experiences significant retail leakage, as the closest department stores, category-killer stores and shopping malls are all located in Hampton, Newport News and Suffolk. Only 39.05% of other retail spending was estimated to occur within the County. Personal service spending (hair and nail salons, dry cleaners, etc.) was assumed to mirror food at home spending patterns, as these establishments tend to cluster around grocery stores. Thus, 85% of personal service spending was assumed to remain within the County. The County has no movie theaters and, therefore, 100% of admissions spending was assumed to occur outside the County.

Based upon these estimates of retail spending retention, local sales and meals taxes and business license fees calculated from predicted retail spending by the proposed development's households were reduced by 15% for grocery and personal service spending, 34.12% for restaurant spending and 60.95% for all other retail spending—the amounts of estimated grocery, restaurant and other retail spending leakage out of the County.

Additional adjustments were then made for the distribution of the local option sales tax revenue between the County and the towns and for meals tax spending occurring within the Towns of Smithfield and Windsor. The local option sales tax remitted by the Commonwealth to the County is divided by the Commissioner of the Revenue between the County and the towns based upon the proportion of school children generated from each jurisdiction. The percentage retained by the County (84.14%) was recently derived from the Commissioner and applied to the estimated net new local option sales tax revenue expected to be generated by the proposed development.

With respect to the meals tax calculation, the County does not levy a meals tax on meals purchased in the towns and, therefore, food away from home spending calculated as retained within the County must be disaggregated between the County and the towns. The projected FY 2019 revenues for meals taxes in the budgets of the County and the two towns were converted into estimated gross receipts using their respective tax rates. The proportion of estimated food and beverage sales occurring in the towns was then subtracted from the percentage of food and beverage sales retained within the County. The percentage of total meals tax remittance projected to be received by the County was 25.75%. However, Holland Meadows residents are more likely than other County residents to patronize the three restaurants and three fast food establishments located in the Town of Windsor. Therefore, it was assumed that percentage of meals consumed in the County by Holland Meadows residents would be reduced by 50%. Consequently, only 12.875% of meals spending by Holland Meadows residents was assumed to occur in the County and meals tax and associated business license fees received by the County from predicted meals spending by the proposed development's households was reduced by 87.125%.

## Cost Calculations

Costs were divided into five categories: general government operating costs, general government capital costs, education operating costs, education capital costs, and enterprise fund costs. Certain special funds are treated as belonging to the general fund, even though they are separate from the general fund for budgetary purposes. These include functions that are often included in the by many localities in the general fund and do not constitute separate enterprises. These funds include:

- Children's Service Act (although not applicable to the proposed development)
- County Fair (a fixed cost)
- Emergency Communications Center
- Grants Fund (self-sustaining)
- Risk Management and
- Social Services (although not applicable to the proposed development)

General government operating costs and capital costs were calculated on either a per household basis or on a per capita basis and, then, converted to cost per household. Costs calculated on a per capita basis were converted to a per household measure by multiplying the per capita cost by 2.71 (the number of persons per household estimated for Holland Meadows [see below for the calculation of this estimate]). Cost data and assumptions were derived from the *Budgets*.

*Variable per household cost of public services other than education.* As stated above, variable cost estimates for services provided by Isle of Wight County general government were derived from the *Budget*. Some public services are consumed by households only and some public services are consumed by households and businesses (i.e., recreational services would be assigned completely to households, since businesses do not directly consume these services). For those public services that serve businesses and households, the costs generated by businesses and the costs generated by households must be distinguished and only costs generated by households attributed to the proposed development.

Per household and per business variable operating costs were determined in the following manner. Business establishments and households were considered to be equal from the standpoint of generating public service costs, when both households and business establishments consumed those services. A percentage of each service shared by households and businesses was allocated to households or businesses according to the formula on the following page.

$$\begin{aligned} \% \text{ allocated to households} &= \# \text{ households} / [\# \text{ households} + \# \text{ businesses}] \\ \% \text{ allocated to business} &= \# \text{ businesses} / [\# \text{ households} + \# \text{ businesses}] \end{aligned}$$

Per household costs were then determined according to the formula below:

$$\begin{aligned} \text{Expenditure per household} &= \\ &[\text{Expenditure}] \times [\% \text{ allocated to households}] / \# \text{ of households} \end{aligned}$$

Per business costs were determined according to the following formula:

$$\begin{aligned} \text{Expenditure per business} &= \\ &[\text{Expenditure}] \times [\% \text{ allocated to business}] / \# \text{ of businesses} \end{aligned}$$

Governmental functions that serve both households and businesses were:

- adult criminal justice (5<sup>th</sup> District Court Services, Clerk of Court, Commonwealth Attorney, Prisoner Confinement, Sheriff), since crimes are committed against (and by) businesses as well as persons
- Assessment (both business and residential property are assessed)
- Commissioner of the Revenue and Treasurer (both businesses and households are taxed)
- E-911 Operations, Emergency Services and Fire & Rescue Response (responses to events occur at businesses and households)
- Public Utilities (both businesses and households are billed) and
- Budget & Finance, Human Resource, Risk Management and Unemployment Insurance (which support all County governmental functions).

Certain per household costs were then adjusted to take into account the somewhat larger household sizes of Holland Meadows compared to the County's overall average household size. The calculation of the estimated household size for Holland Meadows households was made using 5-year average 2016 ACS data for Census Tract 2801.03 (the Census Tract in which the proposed development is located). Household size was calculated using persons per household data for single-family detached units, multiplying the number of units with each discreet household size by the number of persons in those units and dividing the sum of the products by the total number of housing units. The result was adjusted to conform the result of the countywide computations for all unit types with the countywide household size reported in the ACS. The countywide household size was derived from the ACS household size table for the County.

The person per household estimate for Holland Meadows households (2.71) was divided by the person per household estimate for all County households (2.53) to calculate the adjustment factor (1.0711).

The per household cost of governmental functions that serve persons, rather than households, was adjusted according to the formula on the following page.

$$\text{Expenditure per owner household} = \frac{[\text{Expenditure per household}] \times [\text{persons per all households}]}{[\text{persons per owner households}]}$$

Government functions that are sensitive to household size were

- criminal justice functions
- emergency services/EMS
- E-911 Operations and
- recreation.

Certain contributions to regional organizations made by the County are based on a population formula. These contributions were calculated on a per-capita basis and then converted to a per-household cost using the Holland Meadows persons-per-household estimate according to the formula shown below:

$$E_{HH} = E / P \times P_{HM}$$

Where:  $E_{HH}$  = Expenditure per household

$E$  = Regional organization contribution

$P$  = County population and

$P_{HM}$  = Holland Meadows persons-per-owner household

The County's 2019 population (36,443) was estimated by multiplying the ACS 2017 and population estimate by the rate of population increase from 2015 to 2017 (also from the ACS). Regional organizations for which costs were calculated are shown below:

- Blackwater Regional Library Services
- Hampton Roads Military and Federal Facilities Alliance
- Hampton Roads Planning District Commission and
- Senior Services of Virginia

The County also made contributions to certain regional criminal justice functions based on usage. Usage was assumed to be related to the number households, with the cost per household also adjusted for differences in household size.

The County performs a real estate re-assessment every four years which it contracts out. Thus, the annual cost of the re-assessment is equal to 25% of the total of this contract amount. The cost for the current re-assessment, which would apply to the proposed development, \$309,000, was budgeted in the FY 2019 *Budget*. To this was added the extra cost of advertising, postage, office supplies and training. These extra costs were calculated by subtracting the latest non-re-assessment year costs (shown in the FY 2018 *Budget*) from those contained in the FY 2019 *Budget*. This combined cost was allocated on a per parcel basis using the number of real estate parcels obtained from the County's Commissioner of the Revenue. The Assessor's Office also performs an initial assessment for new construction and real estate transfers. This assessment is also contracted at a cost of \$15 per parcel.

An initial assessment is assumed to occur for each parcel when the site is platted, as well as when each unit is sold. Ancillary postage and mailing costs were estimated to be \$0.50 per parcel. Staff costs associated with initial assessments are included in the Commissioner of the Revenue variable cost analysis, and the Commissioner's Office's workload from initial assessments is assumed to be absorbed without any increase in staff positions or overtime.

Government functions for which the proposed development's population would generate no significant demands were then excluded. These included:

- Section 8 Housing
- Social Services/Social Services-Children's Services Act (household income levels of residents of the proposed development make it extremely unlikely that these households will ever demand social services from the County)
- Virginia Cooperative Extension Service (serves the rural areas of the County)
- Western Tidewater Community Services Board (primarily serves the Medicaid-eligible population) and
- Western Tidewater Health District (primarily serves lower income population).

Government functions that would be performed regardless of population size were excluded. These included:

- the chief executive and legislative functions of the County
- administrative divisions of various departments
- Communications (which is a 1-person office)
- Cooperative Extension Service
- County Attorney
- County Fair
- Debt Service
- Economic Development
- Emergency Management (which includes the administrative functions of Fire & Rescue)
- Farmer's Market
- Grants Fund
- Local Organizational Support (except as noted)
- Non-departmental (except unemployment contributions)
- Parks and Recreation – Gateways and Grounds
- Public Works – Buildings and Grounds, Capital Programs and Inspections, and Transportation
- Purchasing (which is a 1-person office)
- Road Maintenance (which is provided by VDOT)
- Technology Services and
- Tourism.

The costs of those departments providing development services to the proposed development were counted as fixed costs. It is reasonable to expect that existing staff of the Planning & Zoning and Inspections Departments would handle the workload created by the development of the proposed development. The costs of these functions were, thus, counted as fixed costs and not included as a public service cost attributable to the proposed development. Additionally, per instructions from the County's Planning & Zoning Department, Refuse Collection/Disposal costs and revenues were not included in the fiscal impact analysis, since this service is not directly provided by the County.

For functions which are a one-person office that is not likely to be expanded due to population growth but which have other variable costs, such as office supplies, personnel costs were excluded from the variable cost calculation.

These functions included:

- Circuit Court
- General District Court
- Juvenile and Domestic Relations Court
- Magistrate and
- Public Utilities Administration, billing (calculated on a per-customer basis)

Certain administrative support functions can be viewed as fixed costs (since they must be provided) but have a variable cost component (since they serve County functions that incur variable costs due to population growth). A percentage of the variable costs of these functions were thus counted in the cost calculations. This percentage was calculated to be 37.77% of budgeted cost of these functions. This was obtained by dividing total variable cost salaries into the amount of total salaries in the County's operating budget.

Functions to which this percentage was applied included:

- Budget & Finance
- Human Resources
- Risk Management – workers' compensation and
- Non-departmental – unemployment payments.

For Risk Management line-of-duty insurance, the percentage of variable cost salaries in the Fire and Rescue and the Sheriff's departments (67.88%) was applied.

Various adjustments were made to expenditure line items to arrive at the County's variable cost of providing public services. Generally, positions that must be provided for a department to function and that will not expand due to population growth ("fixed cost positions") were excluded from the cost analysis. Salaries for fixed cost positions were identified in the *Isle of Wight County, Virginia Position Classification and Compensation Plan, 2018-2019 Fiscal Year*. The mid-point of the range was used to estimate salaries except in the case of the Chief Deputy Commissioner of the Revenue (which was provided directly by the Commissioner of the Revenue).

Fixed cost positions included the director and assistant director, or equivalent position(s). For E-911, the Sheriff Lieutenant position was deemed to be equivalent to the director of this division. In the Sheriff's office, the Major was deemed to be equivalent to an assistant director and, in Fire & Rescue Response, the Fire & EMS Captains were deemed to be equivalent to assistant directors. The Fire Chief's position was contained in Emergency Services, which was entirely counted as a fixed cost. Fixed cost positions also included certain specialized, single-person positions for which a second person is not expected to be added in the foreseeable future.

These specialized positions included:

- Human Resources Coordinator
- IT Support Specialist II (Emergency Communication Center)
- Kennel Assistant (Animal Control)
- Office Manager or equivalent position,
- Procurement Agent
- Recreation Manager and
- Sheriff Captain.

Furthermore, only the accountants and technicians positions in Budget and Financing and only part-time employment of the Electoral Board were counted as variable cost positions in those departments. Salaries for the Budget and Finance positions were also identified using the *Position Classification and Compensation Plan*.

Fringe benefits and other costs associated with personnel are shown for all personnel within a budget function and must be disaggregated for fixed cost personnel and subtracted from costs, as well. These costs included:

- 457 deferred compensation
- FICA
- group life
- hospital/medical
- travel and training
- uniforms and wearing apparel and
- VRS retirement.

For the Sheriff, this also included fleet expenses.

Fringe benefit and other costs associated with fixed cost positions were removed proportionally according to the formula shown below.

$$FB_{FC} = FB \times (S_{FC} / S)$$

Where:  $FB_{FC}$  = fringe benefit and other personnel associated costs assigned to fixed cost positions

FB = all fringe benefits and other personnel associated costs

$S_{FC}$  = salaries of fixed cost positions

S = all full-time salaries (of the department or division)

In applying this formula, a distinction was made between FICA, which is paid on all salaries and wages, and other fringe benefit categories, which generally are applicable only to full-time employees. Thus, for the FICA calculation, part-time salaries and overtime were added to full-time salaries for S.

Various other types of line item costs were also excluded as fixed costs to the County. These included items shown below:

- advertising (except Electoral Board, Human Resources, Real Estate Assessment and Treasurer)
- books and subscriptions (except Commissioner of the Revenue)
- building and grounds maintenance
- capital costs
- copier costs
- dues and associated memberships
- equipment
- insurance
- leases
- professional services (except Assessor, Juvenile Accountability, Fifth District Court Services)
- repair and maintenance (except Commissioner of the Revenue maintenance contract)
- telecommunications/telephone (except E-911 Operations)
- tolls and parking and
- utilities.

Certain other costs specific to various functions were also excluded as fixed costs. These included:

- Four for Life program (fully funded by a grant) – Fire and Rescue Response
- RMS licenses – Sheriff and
- Contribution – Smithfield - Parks and Recreation

The variable costs for Public Utilities billing (postage and office supplies from Public Utilities Administration, since the billing function is carried out by a single position) were divided by the total number of combined sewer and water customers (4,296) to yield a cost per customer. (Even though Holland Meadows residents will not be County water customers, the proper unit calculation for determining billing cost is the total number of County customers.) The combined number of sewer and water customers was derived by multiplying the number of water customers reported on the County Public Utilities webpage by the ratio of all accounts to water accounts as reported in the County's FY 2018 *Budget*. Information on Public Utilities operations, including the number of water and sewer customers, was not available in the County's FY 2019 *Budget* or on the County's website. The Public Utilities Department did not respond to requests for this and other information.

For the Public Utilities sewer divisions, only the costs of treatment supplies were counted as variable costs. Since sewer charges are based upon water consumption, water usage by Holland Meadows households was estimated. Water usage was based upon an industry standard of 65 gallons per day per person. With an estimated household size of 2.71 persons per household, water consumption for Holland Meadows was estimated to be 176.15 gallons per day per household or 2,828,975 gallons annually, rounded to the nearest 25 gallons.

The cost of sewer maintenance was not deemed to be a variable cost based upon information previously obtained from the County's Public Utilities Department. Currently, and in the foreseeable future, amounts budgeted for sewer line maintenance are determined not by the length of sewer lines serviced by the County but by budgetary constraint. Therefore, sewer line maintenance was deemed to be a fixed cost. Furthermore, the new sewer lines to be installed by the developer and deeded to the County are not likely to require County maintenance for a period well beyond the fiscal impact analysis period.

Billing is also performed by Emergency Services—Emergency Management and Billing (for EMS Services. All other positions in this department except the Medical Billing Clerk are fixed cost positions. Even though the Medical Billing Clerk is currently a position filled by only one staff member, it was deemed that in the absence of the Medical Billing Clerk position the billing function would be performed by the Medical Billing/HIPPA Supervisor and that, therefore, this staff function was expandable. Besides the salary and associated fringe benefits for the Medical Billing Clerk position, all postage and 50% of office supplies were assumed to be a function of billing rather than emergency planning or Emergency Services administration. Uniforms were not included as an associated personnel cost for the Medical Billing Clerk.

Fire & Rescue Response and Parks and Recreation each perform functions that can be deemed to generate fixed costs. Costs associated with fire protection and prevention are not affected by incremental changes in population or households. Fire protection is, for the most part, a function of latent demand which is distributed over geographic areas determined by response times. The department's EMS function, on the other hand, is sensitive to incremental changes in population and is deemed to generate variable costs. These fixed and variable cost functions are not differentiated within the County's *Budget* for Fire & Rescue Response. In the absence of such data, 50% of the otherwise variable costs for each department were deemed to support fixed cost functions and excluded from the variable cost calculation.

For Parks and Recreation, the parks function is deemed to generate fixed costs since the costs of park supervision and maintenance will remain the same regardless of the size of the population served. Therefore, the Administration and the Parks, Gateways and Ground Maintenance components of Parks and Recreation costs were deemed to be fixed costs and were excluded from the analysis. The demand for recreational services, however, is generally sensitive to changes in population and generates variable costs.

Finally, revenues received by the County from the Commonwealth, as well as program income and other dedicated non-tax local revenue sources (e.g. EMS/ambulance fees) were deducted to leave only the County's operating costs. This was applied to the line items shown on below:

- Animal Control
- Clerk of Circuit Court
- Commissioner of the Revenue
- Commonwealth Attorney
- E-911 Operations
- Fire and Rescue Response
- General Registrar
- Parks and Recreation
- Sheriff and
- Treasurer.

With respect to E-911 Operations, various non-local revenue sources are used to fund E-911 costs. These include 40% of the remittance of communications sales tax, payments from the Towns of Smithfield and Windsor, and other grants and contributions from the Commonwealth. These totaled \$928,350 in the FY 2019 *Budget*.

When revenues were deducted from costs, the reduction in cost was distributed between fixed and variable costs. Only that portion of revenues defraying costs assigned to variable costs was actually deducted from costs. The formula for distributing revenues and calculating costs is displayed below:

$$NVC = VC - (R*(VC/TC))$$

Where NVC = Net Variable Costs (variable costs after revenue is deducted)

VC = Variable Costs (prior to revenue deduction)

R = Reimbursement Revenue

TC = Total Cost (variable and fixed costs)

This formula was not applied to EMS revenues in Fire and Rescue Response because all of this revenue was assumed to defray variable costs.

Portions of the reimbursement from the Commonwealth for shared cost positions are earmarked for the support of constitutional officers, which are fixed cost positions. The salaries of these positions were subtracted from the amount of reimbursement available to fund variable costs. The amount of Constitutional Officer salaries reimbursed by the Commonwealth, as well as the amount of fringe benefits for these positions that were reimbursed by the Commonwealth, was obtained for FY 2019 from the Commonwealth of Virginia Compensation Board website. The salaries and fringe benefits of other fixed costs positions (e.g. a deputy constitutional officer) were also subtracted from R in the above formula. TC was set to equal total costs less the reimbursed salaries and fringe benefits of the constitutional officer and other fixed cost positions (which were also subtracted from R).

Table A-3 on the following page details the County's variable cost expenditures for households. Table A-4 on page A-25 details the County's variable cost expenditures for government functions calculated on other than a per-household basis. Total variable costs are shown for each department or function and any adjustments are made to the cost per household, with those adjustments shown in the Notes column. An exception to this convention is the adjustment for support of variable cost activities as opposed to fixed cost activities for Budget and Finance, Human Resources, Risk Management and unemployment benefits. In these cases, the adjustment was made to Variable Costs to more accurately reflect the variable cost expenditure within these departments and functions.

*Capital costs.* The Town of Windsor is well served by public facilities and infrastructure and no additional public facilities are expected to be needed due to the development of Holland Meadows. The size of the proposed development would not warrant the addition of a Sheriff deputy patrol officer. Based upon state standards, four Sheriff deputies are required for court security duty and the remaining deputies were assumed to be patrol officers. Currently, subtracting the court security officers, there are 419 Isle of Wight County households for every Sheriff deputy. The proposed development is planned to add only 44 new households to the County—only about 10% of the coverage for a new sheriff deputy. It was assumed that this additional coverage could be absorbed by current Sheriff Office staffing.

*Education costs* were estimated separately from other public service costs of local government. Education costs were calculated on a per pupil basis. The Isle of Wight County Public School population for the 2018-19 school year (5,531 students) was obtained from the Virginia Department of Education, website, Fall Membership Data page. As stated above, cost data and assumptions for school operating costs were derived from the *Isle of Wight County Schools School Operating Budget Fiscal Year 2019* (appropriated May 10, 2018).

The *Budget* for FY 2019 provides considerably less detail than previous school budgets and, therefore, certain assumptions were made about the distribution of variable and fixed costs within the *Budget*. These are noted below. Certain intelligence concerning the *Budget* (e.g., the characterization of functions as provided in each school or systemwide) were derived from previous school budgets.

Costs for functions that must be provided and are not affected by relatively small changes in student population were excluded. This includes operations for which one office is present in each school (media, nurse's office, principal's office). However, functions that are provided systemwide or with a staff member responsible for multiple schools were included in the calculation of variable costs, as changes in student population could affect the FTEs allocated to that function.

**Table A-3**  
**Isle of Wight County Non-School Expenditures: Expenditure per Household**  
**FY 2018-2019 Adopted Operating and Capital Budget**

Item	Expenditure*	Expenditure per Household	Notes
Animal Control	\$ 359,800	\$ 24.72	Excludes animal control fees
Budget & Finance	\$ 143,850	\$ 9.36	37.77% variable cost
Circuit Court	\$ 400	\$ 0.03	
Clerk of Circuit Court	\$ 146,150	\$ 10.18	Excludes costs paid by Commonwealth; adjusted for household size
Commissioner of the Revenue	\$ 399,600	\$ 25.99	Excludes costs paid by Commonwealth.
Commonwealth Attorney	\$ 268,225	\$ 18.69	Excludes costs paid by Commonwealth; adjusted for household size
E-911	\$ 335,400	\$ 23.37	Excludes costs paid by Communications Sales Tax, grants and towns; adjusted for household size
Emergency Services	\$ 62,425	\$ 4.35	EMS Billing
Fifth District Court Services	\$ 210,000	\$ 14.63	Adjusted for household size
Fire & Rescue Response	\$ 811,625	\$ 56.56	Excludes EMS fees; 50% of costs (EMS) excludes costs paid by Four for Life; adjusted for household size
General District Court	\$ 2,875	\$ 0.20	Adjusted for household size; no personnel costs
Hampton Roads Military and Federal Facility Alliance	\$ 18,525	\$ 1.38	Adjusted for household size
Hampton Roads Planning District Commission	\$ 27,075	\$ 2.01	Adjusted for household size
Human Resources	\$ 45,275	\$ 2.94	37.77% variable cost
Juvenile Accountability Program	\$ 16,500	\$ 1.15	Adjusted for household size
Juvenile & Domestic Relations Court	\$ 2,550	\$ 0.18	no personnel costs
Library (Blackwater Regional)	\$ 778,275	\$ 57.87	Adjusted for household size
Parks & Recreation Programs	\$ 55,975	\$ 18.84	Excludes costs paid by fees; adjusted for household size
Registrar	\$ 86,900	\$ 6.39	Excludes General Registrar costs paid by Commonwealth; average FY2017-FY 2019; adjusted for household size
Risk Management-Line of Duty Insurance	\$ 54,075	\$ 3.52	67.88% variable costs
Risk Management-Workers Compensation	\$ 90,950	\$ 5.92	37.77% variable costs
Senior Services of Virginia	\$ 52,400	\$ 3.90	Adjusted for household size
Sheriff	\$3,817,150	\$265.99	Excludes fees received and costs paid by Commonwealth; adjusted for household size and criminal incidence reduction
Treasurer	\$ 292,325	\$ 19.02	Excludes costs paid by Commonwealth, Administrative Court Fees
Unemployment Payments	\$ 11,700	\$ 0.76	37.77% variable costs
Western Tidewater Regional Jail	\$ 948,025	\$ 69.76	Adjusted for household size and criminal incidence reduction
<b>Total</b>	<b>\$ 9,238,050</b>	<b>\$647.71</b>	

\* All expenditures exclude fixed cost positions  
Rounded to the nearest \$25

Table A-4 Isle of Wight County Non-School Expenditures: Expenditures per Unit other than Household FY 2018-2019 Adopted Operating and Capital Budget			
Item	Expenditure*	Expenditure per Unit	Unit of Measure/Notes
Assessment (Quadrennial assessment)	\$79,275	\$ 3.86	Per parcel / 25% of quadrennial professional services purchase
Assessment (One-time costs)	N/A	\$15.00	Per housing unit (new construction )
Public Utilities Administration (billing)	\$24,300	\$ 5.66	Per customer
Public Utilities Water (water and sewage treatment)	\$63,000	\$0.435	Per 1,000 gallons

\* All expenditures exclude fixed cost positions

The following functions were excluded as fixed costs:

- Administration, Attendance, Health, except Financial Services and Human Resources and medical supplies
- Instructional Administration, including Principals Office
- Media centers, except media supplies
- Operations and Maintenance, except a portion of Building Maintenance and
- Technology

For the financial service and human resources divisions within the Administrative, Attendance, Health category, FY 2017 clerical salaries within these divisions were adjusted based upon the FY 2017 to FY 2019 percent change in clerical salaries for the broader category. A similar approach was used regarding office supplies. Line item costs for advertising, mentoring supplies and one-half of printing in the broader category in the *Budget* were assigned to human resources and the other half of printing cost was assigned to financial services. For nursing services, the FY 2017 to FY 2019 percent change in materials and supplies was applied to the FY 2017 medical supplies cost to estimate that line item.

As in the County *Budget*, financial service and human resources variable costs were apportioned between the school system's fixed and variable costs, with only the costs from these two divisions serving variable cost functions counted as generating fiscal impact. This percentage (71.32%) was calculated by dividing the total calculated school variable cost by the total school operating fund cost.

Instructional administrative salaries and fringe benefits were identified through line items in the Instructional Services cost center of the *Budget*. Librarian salaries and fringe benefits were identified as fixed media center costs. The calculation of Operations and Maintenance cost center variable costs is explained below. No instructional positions were included in the Technology cost center and all costs were assumed to be fixed costs supporting systemwide technology platforms.

Child Nutritional Services and Categorical Grants costs were not included in the fiscal impact analysis because no County general funds are used to support these operations. Similarly, costs for the School Health Insurance Fund are funded from other sources and or by transfers that are counted as costs in the School's operating budget.

Additionally, administrative costs and other fixed costs within variable cost operating categories were excluded from the calculation of variable costs. Typically, these included those items shown below.

- Capital costs
- Dues and memberships
- Equipment, new and repairs
- Insurance
- Leases and rentals
- Office supplies
- Postage
- Purchased services
- Software
- Staff development
- Telephone
- Travel (staff)

For Building Maintenance, certain assumptions were made concerning fixed and variable costs. It was assumed that 25% of custodial supplies is variable depending on student density (more trash, etc.), while 75% of janitorial work occurs regardless of student population and is, thus, a fixed cost. Without budget detail, it was assumed that custodial services were included within contracts and the FY 2017 cost of custodial services was multiplied by the FY 2017 to FY 2019 change in contract spending to estimate the FY 2019 custodial cost. It was also assumed that 25% of water and sewer usage was for cleaning and that 75% was for domestic use and, thus, variable with student and staff population.

These variable costs were then distributed between local funding and other funding sources. Since the *Schools Budget* did not disaggregate federal and state funding into general and categorical funding sources (except functions funded by categorical grants, which were not included in the School's general operating fund), it was assumed that all state and federal General Fund *Budget* revenue was available to fund any school general fund *Budget* function. Thus, a calculation of the local share of education variable costs was a straightforward division of the County's contribution to the Isle of Wight Schools General Fund (excluding support for debt service) into the total General Fund *Budget*. Table A-5, on the following page, shows the data for these calculations.

Table A-5 Local Funding of Variable Costs Isle of Wight County School Budget	
Source of Funding	Total Funds
Local (Isle of Wight County)	\$26,058,726
Commonwealth	\$30,535,459
Federal	\$ 298,248
Other (Fees, etc.)	\$ 482,265
<b>Totals</b>	<b>\$57,374,698</b>
<b>Percent Local</b>	<b>45.42%</b>

Source: *Isle of Wight County School Operating Budget FY 2019 Approved*  
Does not include Child Nutrition Services or other special fund revenue

Variable costs were then multiplied by the local share percentage to obtain the local share of variable costs. An exception to this method for computing local share costs occurs with respect to textbooks. The local contribution to textbooks, contained in a separate fund, was identified and counted without adjustment.

Per-student education costs are then computed by dividing the local share of variable costs by the number of students. This is detailed in Table A-6 below. Thus, as seen in Table A-6, although gross spending per student is calculated at \$10,373.30, variable costs funded by the County account for only \$3,383.47 of this per-pupil cost.

Table A-6 Isle of Wight County Variable Cost of Operations per Student, SY 2018-2019			
Item	Variable Costs	Cost per Student	County Cost per Student
Instructional Services	\$37,250,025	\$6,734.77	\$3,058.83
Financial Services (71.32%)	\$ 176,425	\$ 31.90	\$ 14.49
Human Resources (71.32%)	\$ 119,400	\$ 21.59	\$ 9.80
Nursing Services	\$ 27,100	\$ 4.90	\$ 2.23
Operations and Maintenance	\$ 417,350	\$ 75.45	\$ 34.27
Psychological Services	\$ 166,900	\$ 30.18	\$ 13.71
Textbooks*	\$ 214,000	\$ 38.69	\$ 38.69
Transportation	\$ 2,574,975	\$ 465.55	\$ 211.45
<b>Total</b>	<b>\$40,946,175</b>	<b>\$7,403.03</b>	<b>\$3,383.47</b>
Non -Variable Costs**	\$16,428,525		
<b>Grand Total**</b>	<b>\$57,374,700</b>		

Source: *Isle of Wight County Schools FY 2019 Approved Budget*

\*Local share calculated directly from *School Budget*

\*\*All Funds, except School Health Insurance Fund

Education expenditures were assigned to the proposed development by estimating the number of students to be generated by the project and multiplying this by the per-student cost of education. Student generation rates used for Isle of Wight County were taken from the Isle of Wight Public School's 2018 *Student Yield & Subdivision Analysis* prepared by Cooperative Strategies. This study identified student generation rates for elementary schools grades PK-5 (i.e., Windsor Elementary School) as 0.158 students per single-family household, for middle schools grades 6-8 (i.e. George Tyler Middle School) as 0.086 students per single-family household, and for high schools (i.e., Windsor High School) as 0.125 students per single-family household.

Based upon these metrics, 17 students were assumed to be added to the Isle of Wight Public Schools due to the construction of the proposed development, with 7 students added to Windsor Elementary School, 4 students added to George Tyler Middle School and 6 students added to Smithfield High School.

*School capital cost* calculations were performed without specific reference to Virginia's current law governing the offering and acceptance of proffers, as the applicant is requesting the reduction of proffers based upon the prediction of a positive fiscal impact of the proposed development on the County's public schools, obviating the need for proffers. Nevertheless, current Virginia proffer law informs this analysis in that only proffers based upon actual impacts of a proposed development on public facilities causing them to reach or exceed their service capacity are considered to be reasonable (legally offered and accepted).

Calculations were based upon the number of students to be added to each of the County's schools to which students generated by the proposed development would be assigned. Student enrollment data was derived from the Virginia Department of Education *Fall Membership Data* for SY 2019. School capacity data was supplied by the Isle of Wight School System in a May 2018 document titled *Isle of Wight County Schools: Facility Capacity*.

The projected number of students to be added to each school by the proposed development was then applied to determine whether any existing capacities would be exhausted by the proposed development. It was determined that none of the schools to which students from the proposed development would be assigned would be overcapacity once students from the proposed development are in attendance. In fact, each school has substantial remaining capacity indicating no foreseeable circumstance in which any of these schools would become overcrowded. From a capital cost perspective, there is no justification for the applicant to offer proffers to remedy school facility impacts. School capacity, current enrollment, projected enrollment and remaining capacity after the development of Holland Meadows are shown in Table A-7, on the following page.

**Table A-7  
Available School Capacities Before and After Holland Meadows**

School	Programmed Capacity	Current Enrollment	Remaining Capacity	Holland Meadows Enrollment	Capacity After Holland Meadows
Windsor Elem.	696	573	123	7	116
George Tyler M.S.	576	437	139	4	135
Windsor H.S.	816	522	294	6	288

Sources: Isle of Wight County Public Schools; Cooperative Strategies, Virginia Department of Education

It also does not appear that an additional school bus will be required to handle students generated by the proposed development. A standard school bus can accommodate up to 64 riders. The maximum number of students from the proposed development riding any one route would be seven (assuming some high school students drive to school), which is only about 10% of bus capacity. It is doubtful that the proposed development would cause the County Public Schools to purchase a new school bus.