Revised Draft

The Economics of Land Use



Fiscal Analysis of Danville Annexation Areas

Prepared for:

Town of Danville

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Berkeley Sacramento Denver December 3, 2010

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1. INTRODUCTION

The Town of Danville is considering expanding its Sphere of Influence (SOI) to the east of the Town's current boundaries, adjacent to Camino Tassajara. These areas would be intended for eventual annexation into the Town's jurisdiction. Upon annexation, the Town would become responsible for providing services to the annexed residents; services would include general government, police protection, and maintenance services. The purpose of this report is to provide a detailed review and augmentation, where necessary, of the preliminary fiscal analysis prepared by the Town Manager.¹

The purpose of the fiscal analysis is to estimate the potential implications of annexation upon the Town's budget. This information, along with a number of other factors, will help the Town make a decision about its SOI expansion and annexation.

The annexed residents would pay the same fees, charges and assessments currently paid by Town residents, and would increase the amount of revenue the Town would receive from State sources which are based on population levels. A portion of the property tax generated from those households would be shared with the County according to an existing Tax Sharing Agreement. The fiscal analysis compares the potential revenues generated as a result of annexation to the potential additional costs of service.

The analysis is based on information contained in the preliminary fiscal analysis by the Town, discussions with Town staff, data in the FY11 budget, and other sources as necessary to revise and update the fiscal estimates. The analysis assumes that annexation occurs after buildout of vacant parcels; no new sales tax revenue is attributed to the households, as it is assumed that the Town is already capturing a share of their sales tax dollars with or without annexation. No significant changes are assumed to current property values or assessed values (other than increases due to development of vacant parcels), or other costs and revenues, although they will be affected by the timing of annexation, future economic conditions, policy decisions by the Town council, and other economic and fiscal conditions affecting local state government. All results are expressed in "dollars of constant 2010 purchasing power."

Annexation will incur one-time start up costs associated with expansion of maintenance services (e.g., meter conversions, equipment and supplies) that are not included as a part of this analysis. These costs are assumed to be funded as a one-time capital budget line item.

¹ Memorandum from Joe Calabrigo, Town Manager, and Rob Ewing, City Attorney, to the Mayor and Town Council, October 13, 2009.

2. EXECUTIVE SUMMARY

1. Annexation of all neighborhoods within the existing and proposed SOI could result in a positive annual impact on the Town's budget.

As summarized in **Table 1**, annexation of all areas could result in revenues exceeding expenditures by about \$450,000 annually. The annexation of multiple areas provides additional revenues while certain major costs, primarily police, do not increase beyond the five police personnel required to serve initial annexations.

Annexation of only the areas to the south of Camino Tassajara (Area "A") could result in an annual shortfall of approximately \$150,000. This impact could be mitigated to the extent that the increase in police personnel could be restricted to four.

2. The fiscal effects on the Town budget would be significantly positive if sales taxes from annexed households were included.

The current analysis assumes that the annexation households (existing and future new development prior to annexation) will already be spending taxable dollars in the Town, and would continue to spend regardless of whether annexation occurred or not; therefore, these dollars are not included in the fiscal impact analysis. Nonetheless, the Danville sales tax dollars from existing and future new development to be annexed total about \$650,000 estimated on an average per-household basis, which would more than offset the potential shortfall if only the areas to the south of Camino Tassajara are annexed. Future new development would account for about a \$130,000 increase compared to existing Town sales tax revenues.

3. The fiscal conclusions depend upon a number of factors, including the extent and cost of Town responsibility for Camino Tassajara maintenance costs.

The analysis assumes that the annexation of areas to the south of Camino Tassajara does not require that the Town take responsibility for any additional Camino Tassajara costs. Annexation of other areas is assumed to add additional responsibilities. The segments of road for which the Town is responsible may be the subject of negotiations with the County.

	<u>Area A</u> Monterosso,	<u>Area B</u> Shadow Creek		<u>Area C</u> Bettencourt	
Item	Wendt Ranch, Willow Collection,	and adjacent non- HOA area to the	Subtotal		Total
	and Alamo Creek	swest	Aleas A & D		All Aleas
GENERAL FUND					
Revenues	AEE 74E	174 104	620,800	110 619	740 547
Property Tax [1] Property Tax In Lieu of VI E [2]	400,710	65 260	029,099	119,010 50,478	749,317
Sales and Use Tax [3]	0	05,209	230,007	0,470	200,040
Document Transfer Tax [4]	66.412	23.441	89.853	15.328	105.180
Transient Occupancy Tax [5]	0	0	0	0	0
Business Licenses [6]	8,742	3,302	12,043	2,554	14,597
Franchise Fees [7]	142,420	53,795	196,215	41,604	237,819
Vehicle License Fees [7]	9,360	3,536	12,896	2,734	15,630
Fines and Forfeitures [7]	12,190	4,604	16,794	3,561	20,355
Use of Money and Property [8]	0	0	0	0	0
Misc., Other Revenue [8]	<u>0</u>	229,420	1 105 767	0 225 976	1 421 642
Total Revenues	007,037	320,130	1,195,767	235,676	1,431,042
Expenditures					
General Government [8]	0	0	0	0	0
Police Services [9]	1,040,544	0	1,040,544	0	1,040,544
Animal Control [10]	20,922	7,903	28,824	6,112	34,936
Development and Transportation [11]	0	0	0	0	0
Recreation Services [13]	0	<u>0</u>	<u>0</u>	0	4 075 400
lotal Expenditures	1,061,466	7,903	1,069,368	6,112	1,075,480
Net General Fund Surplus or (Shortfall)	(\$193,829)	\$320,227	\$126,398	\$229,764	\$356,162
MAINTENANCE SERVICES					
Revenues					
Gas Taxes [14]	105,730	39,936	145,666	30,886	176,552
Measure C/J [15]	35,773	12,841	48,614	5,790	54,404
LLAD Assessments [16]	431,108	170,025	601,133	131,494	/32,62/
Total Povonuos	<u>44,100</u> 616 771	<u>10,000</u> 220,492	<u>00,040</u> 856 253	<u>12,900</u> 181.070	1 027 222
Total Revenues	010,771	200,402	000,200	101,070	1,007,022
Expenditures					
Maintenance Services [17]	557,888	210,724	768,612	162,970	931,582
Net Maint. Services Surplus or (Shortfall)	\$58,883	\$28,758	87,641	\$18,100	\$105,740
CAPITAL IMPROVEMENTS					
Pavement Management costs [18]	\$109,420	\$40,250	\$149,670	\$11,250	\$160,920
OTHER					
Planning and Building Fees [19]	\$92,105	\$34,790	\$126,895	\$26,906	\$153,801
NET IMPACT, Surplus or (Shortfall)	(\$152,261)	\$343,525	\$191,264	\$263,520	\$454,784

[1] Property tax estimates based on Property Tax Share Agreement between Danville and the County (Reso. 87/234).

Tax includes revenues currently accruing to P-6 district, and a share of San Ramon Fire District revenues

per agreement (Addendum to the May 24, 2000 Agreement).

[2] Town would receive additional \$50 per capita based on AB1602.

[3] Annexation area residents' expenditures assumed to be reflected in Town sales tax revenues.

[4] Based on \$0.55 per \$1,000 value; assumes 10% avg. turnover of assessed value.

[5] TOT revenues due to annexation area residents (and their guests) assumed to already be captured in Town TOT revenues.

[6] Assumes home businesses in a portion of annexation area homes; rate based on Town information.

[7] Based on an average per resident.

[8] No significant impact assumed.

[9] Additional police contract costs, including liability costs and communications. Startup costs shown separately. See Table A-10 for additional detail. Assumes additional beat required for Area A, with no further staffing increases required for addition of Areas B and C.

[10] Animal control estimated on a per resident basis.

[11] Minimal costs offset by fees and charges. Annexation assumed following buildout.

[12] Assumes General Fund transfer to cover maintenance services and pavement management not funded by gas taxes or LLAD assessments.

[13] Minimal costs offset by fees and charges

[14] Gas taxes include 2103, 2105 (Prop. 111), 2106 and 2107 estimated on a per capita basis; 2107.5 is fixed based on the size category the Town falls into

[15] Measure J was approved in 2004 to extend the 1/2 cent transportation sales tax, allocated per road miles and population.

[16] See Table A-11

[17] Maintenance services increased proportionate to increase in number of units.

[18] See Table A-12. Based on number of centerline miles, adjusted for portions annexed. Includes segments of Camino Tassajara.

[19] Residential remodel fees; excludes new units and commercial.

The potential annexation areas are located to the east of Town, south and north of Camino Tassajara, as shown in **Map 1** and **Table 2**. For evaluation purposes, the neighborhoods have been grouped into three major areas:

Area A – Neighborhoods to the south of Camino Tassajara, including Monterosso, the Villas at Monterosso (apartments), Wendt Ranch, the Willow Collection, and Alamo Creek. Existing development totals 974 units, including 168 apartment units, and approximately 2,659 residents. New development, assumed to occur before annexation, would add about another 498 units according to the Town of Danville, bringing the total population to about 4,019. The area also includes the soccer fields adjacent to the northeast corner of Alamo Creek, and the school next to the northwest corner of Monterosso. No change will occur in current operation and maintenance responsibilities for the school facilities or soccer fields in the area.

Area B – Includes all neighborhoods within the proposed SOI expansion to the north of Camino Tassajara, with the exception of Bettencourt Ranch. The neighborhoods include Shadow Creek (with Bourne Court and Bourne Lane), and an area to the southwest of Shadow Creek.

There is also a parcel to the south of Camino Tassajara occupied by the Home for Jewish Parents, opposite Bettencourt Ranch. This parcel currently is assumed to be annexed if Area B is annexed; however, it may be separately considered.

Area C – Bettencourt Ranch is included in Area C. Existing development totals approximately 430 units

Map 1: Potential Annexation Areas, Analysis Areas, and TRAs



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Table 2Project Description and AssumptionsDanville Annexation Analysis

	<u>Area A</u> Monterosso.	<u>Area B</u> Shadow Creek		<u>Area C</u> Bettencourt	
	Wendt Ranch.	and adjacent non-			
	Willow Collection,	HOA area to the	Subtotal		Total
Item	and Alamo Creek	s'west	Areas A & B		All Areas
Current					
Residential Units					
Single-Family	679	556	1,235	430	1,665
Townhouse	127		127		127
Apartments	<u>168</u>		<u>168</u>		<u>168</u>
Total	974	556	1,530	430	1,960
Population [1]	2,659	1,518	4,177	1,174	5,351
Assessed Value	\$813,891,590	\$426,192,681	\$1,240,084,271	\$278,684,243	\$1,518,768,514
Road Miles (lane miles)	,			· · ·	
Additional Development	[2]				
Single-Family	<u> </u>		420		420
Townhouse			0		0
Apartments	78		78		78
Total	498	0	498	0	498
Population [1]	1,360	0	1,360	0	1,360
New Assessed Value [3] Road Miles (lane miles)	\$393,600,000	\$0	\$393,600,000	\$0	\$393,600,000
Buildout					
Single-Family	1 099	556	1 655	430	2 085
Townhouse	127	000	127	-00F 0	127
Apartments	246	0	246	0	246
Total	1, 472	55 6	2, <u>028</u>	43 <u>0</u>	2, 458
Population [1]	4,019	1,518	5,536	1,174	6,710
Assessed Value Road Miles (lane miles)	\$1,207,491,590	\$426,192,681	\$1,633,684,271	\$278,684,243	\$1,912,368,514

[1] An average citywide population of 2.73 persons/household assumed.

(Memorandum from Joe Calibrigo to Town Council re: Expansion of Danville's SOI, 10/13/09).

[2] Assumes that all vacant parcels will be developed; this may require 5 years, depending on market conditions.

[3] Assumes:

Single-family	\$900,000 per unit
Apartment	\$200,000 per unit

General Fund

Property Tax

Upon annexation, current property taxes received by the County from the annexation area would be split according to the Master Property Tax Transfer Agreement for Allocation of Property Tax between the County of Contra Costa and City of Danville (Reso. 87/234). In addition, the Town would gain the current property tax allocated to the County's P-6 district because of the transfer of responsibility for police protection to the Town. The property taxes to the Town would also include a share of the San Ramon Valley Fire District's property tax.

The estimates assume that annexation occurs after buildout of the areas; therefore, the base tax is shared according to the formula specified in the Tax Transfer Agreement. Future growth in property value would be distributed according to Tax Allocation Factors, which also are calculated per the Agreement. The Town's share of future tax increment is essentially the same as its initial share of the base property taxes.

Annexation areas "split" existing Tax Rate Areas (TRAs); the assessed value within each annexation area has been estimated based on the relative proportions of development in each annexation area.

Property Tax in-lieu of Vehicle License Fees

State legislation replaced the Vehicle License Fee (VLF) revenue previously subvented to cities and counties with property tax. However, these revenues were not allowed to grow as a result of increases in property tax resulting from value added by annexations. Subsequent legislation (AB1602) provided for a transfer of \$50 per capita (population as of the date of annexation) for annexations to address this issue. The \$50 is adjusted annually based on State population and VLF revenues received; currently, the amount is approximately \$43 per capita. The Town will continue to receive the initial per capita allocation of VLF plus future growth in assessed value in the annexation area.

Sales and Use Tax

The proposed annexation areas do not include any commercial land uses. Residents are assumed to spend a portion of their total taxable expenditures in the Town; however, these expenditures would (or are) occurring regardless of whether the area is annexed or not. Therefore, no incremental increases in Town sales tax revenues are assumed as a result of annexation.

Growth in sales tax revenue to the Town is likely to occur as portions of the annexation areas develop prior to annexation. Although these revenues are not included in the impact analysis since they would accrue to the Town in any case, these revenues would help to mitigate any potential short-term fiscal impacts that may occur if annexations are phased and revenues are received after costs are incurred for new police staff.

Document Transfer Tax

The Town receives \$0.55 per \$1,000 of value transferred during a sale of property. The analysis assumes on average that 10 percent of properties will sell annually. This rate will vary year to year depending on economic conditions, age of the housing stock, and demographic factors. The 10 percent is applied to assessed value, which is a conservative estimate of the potential value exchanged, since property that has not sold for many years will likely transact at a value much higher than assessed value.

Transient Occupancy Tax (TOT)

No hotels, which would generate TOT, are located in the potential annexation areas. As described above for sales tax, any TOT generated by residents (e.g., out-of-town visitors, special events, etc.) at Danville hotels would already be included in the Town budget independent of annexation.

Business License Fees

Although there are no commercial land uses in the proposed annexation areas, a portion of the homes are likely to accommodate home-based businesses which would pay the tax. The tax is \$100 annually, plus \$10 per employee. The estimated revenues are calculated from current average Town revenues from home-based businesses.

Franchise Fees

Franchise fees are paid by certain utilities (PG&E, cable, solid waste) providing services within the Town. These revenues are assumed to increase proportionate to the increase in population in the proposed annexation areas.

Vehicle License Fees (VLF)

The Town continues to receive a small portion of VLF, although the majority was "swapped" by the State for property tax, as noted above. This revenue is estimated on a per resident basis.

Fines and Forfeitures

The Town receives a small amount of revenue from various fines and forfeitures, including parking fines, violations of Town codes, etc. This revenue is estimated on a per-resident basis.

Other Revenues

No significant change in park and recreation fee revenue is assumed. While there may be some increase in recreation use by the added residents, the Town's budget would already include some revenue from residents of the area, and Town residency may actually reduce revenue because of resident discounts. In addition, many recreation programs are assumed to be offset by corresponding costs.

The additional revenues and expenditures associated with the proposed annexation areas are likely to increase the funds flowing through Town accounts, and correspondingly increase interest earnings; however, these have not been estimated.

Special Revenues

Building and Planning

The annexations are assumed to occur following buildout, therefore no significant amount of building and planning revenues from new development are assumed. There is likely to be some level of remodeling activity, which has been estimated based on current averages per unit. No significant increases in related service costs are assumed.

State Gas Tax

The Town receives a number of gas taxes authorized and distributed by the State. These include 2103, 2105 (Prop. 111), 2106, and 2107. Proposition 1B also provides funds for road and transit-related purposes. These revenues are estimated on a per-capita basis.

Measure J

In 2004, County voters approved Measure J which extended the life of a ½ cent sales tax for transportation purposes. A portion of the revenues are "returned to source"" based on a population and road miles formula. Therefore, annexation would shift some Measure J funds from the County to the Town.

SPCP Assessments

The Town collects assessments of \$30 per unit to fund Clean Water program activities, including drainage maintenance and street sweeping. Those costs are estimated as part of the maintenance services impacts. Residents of the annexation areas are already paying this charge; the funds and responsibilities would shift from Contra Costa County to the Town.

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General Government

The analysis assumes that current General Government functions, including the Town Council, Town Manager, Town Clerk, Town Attorney, Human Resources, are sufficiently staffed to handle any potential increase in activity that may result following annexation of the proposed areas. No cost increase is assumed.

Police Services

Annexation of the Wendt Ranch, Alamo Creek, and Intervening Properties is expected to require the addition of a beat. This beat would require an increase in current contract costs to provide for five officers to provide patrol coverage 24/7. The estimated expenditures include liability costs and communications. Startup costs, including a vehicle, equipment and uniforms, are estimated separately, and are not included in the ongoing operating costs shown in **Table 1**.

The Town anticipates that this level of staffing would be sufficient to also serve the annexation areas to the north of Camino Tassajara.

Animal Control

Animal control costs are estimated proportionate to increases in population.

Development and Transportation

Annexation is assumed to occur after buildout, therefore there are no significant developmentrelated planning or building costs from new development are assumed. Any services required are assumed offset by fees and charges for services.

Costs related to the Town's Clean Water Program are assumed to be included in the maintenance services budget and cost estimates. Funds applied towards these costs are generated by SPCP assessments which currently are \$30 per Equivalent Dwelling Unit (EDU).

Maintenance Services

Maintenance services are estimated based on a "per-unit" calculation, derived from existing "perunit" costs town-wide. Management costs related to maintenance services are assumed to be fixed, and therefore are deducted from total costs before calculating the "per-unit" cost.

The average "per-unit" cost is applied to all development; further analysis may refine these estimates given that portions of the annexation areas, including Bettencourt (all of Area C) and Hansen/Mrack (portion of Area B), are private "gated" communities which would require fewer Town maintenance services.

Maintenance services include creek maintenance, which is performed by in-house staff and by a contract with a private firm. Annexation areas will add creeks which currently are the responsibility of the County. Further analysis would be required to determine whether the creeks have been maintained to Town standards, or whether they would require additional one-time costs to bring them up to standard.

In the annexation areas, two creeks are of interest that may affect Town of Danville services should it decide to annex. The first is Alamo Creek which runs to the east of Blackhawk Drive through Blackhawk Country Club and extends south of Camino Tassajara into annexation Area A. This creek is maintained by the property owners and currently has no maintenance authority responsible for it.

The second creek of interest is the west branch of Alamo Creek which is a tributary watercourse to Alamo Creek. It runs nearly parallel to Blackhawk Meadow Drive through annexation Area B until the regional detention basin near Camino Tassajara and annexation Area C, then it veers south and west through Danville and follows Crow Canyon Road. Maintenance for this creek is provided by Drainage Area 1010 which is a County Benefit Assessment District. Annual assessments are collected to pay for maintenance costs in this area.

Pavement Management

Pavement management includes major repairs, rehabilitation and reconstruction of streets; ongoing routine maintenance, such as minor emergency repair (potholes, etc.), is included in the "maintenance services" category. Cost estimates were provided by the Town of Danville based on an average cost per mile, applied to the additional miles of public roads that would become the responsibility of the Town. The cost estimates for Camino Tassajara are based on a higher average cost per mile given the width of the roadway and its daily traffic volume. Depending on the area of annexation, only certain directional travel lane costs are applied.

Recreation Services

No significant changes in park and recreation costs or revenues are assumed. While there may be some increase in recreation use by the added residents, the Town's budget would already include some revenue from residents of the area, and Town residency may actually reduce revenue due to resident discounts. In addition, many recreation programs as assumed to be offset by corresponding recreation and program fee revenue.

APPENDIX A

Fiscal Impact Analysis and Assumptions



Appendix A Table of Contents Danville Annexation Analysis

<u>Section</u>	Table #	Table Title
Summary	Table 1 Table A-2a Table A-2b	Summary of Fiscal Impacts of Potential Annexation Areas Budget Revenue Summary and Estimating Factors Budget Expenditure Summary and Estimating Factors
Assumptions	Table A-3	Citywide 2009 General Assumptions
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Revenues	Table A-5 Table A-6 Table A-7 Table A-8 Table A-9	Property Tax Tax Allocation by TRA (pre- and post-annexation) Assessed Values by TRA Master Tax Sharing Agreement Neighborhoods by TRA
Expenditures	Table A-10 Table A-11 Table A-12	Police Department Service and Cost Estimate LLAD Estimates Pavement Management Costs

	<u>Area A</u> Monterosso,	<u>Area B</u> Shadow Creek		<u>Area C</u> Bettencourt	
	Wendt Ranch,	and adjacent non-	Cubicital		Tatal
Item	Willow Collection, and Alamo Creek	HOA area to the s'west	Areas A & B		All Areas
		0.000			
Revenues					
Property Tax [1]	455,715	174,184	629,899	119,618	749,517
Property Tax In Lieu of VLF [2]	172,798	65,269	238,067	50,478	288,545
Sales and Use Tax [3]	0	0	0	0	0
Document Transfer Tax [4]	66,412	23,441	89,853	15,328	105,180
Business Licenses [6]	8.742	3.302	12.043	2.554	14,597
Franchise Fees [7]	142,420	53,795	196,215	41,604	237,819
Vehicle License Fees [7]	9,360	3,536	12,896	2,734	15,630
Fines and Forfeitures [7]	12,190	4,604	16,794	3,561	20,355
Use of Money and Property [8]	0	0	0	0	0
Misc., Other Revenue [8]	0	0	4 405 707	005.070	0
Total Revenues	867,637	328,130	1,195,767	235,876	1,431,642
Expenditures					
General Government [8]	0	0	0	0	0
Police Services [9]	1,040,544	0	1,040,544	0	1,040,544
Animal Control [10]	20,922	7,903	28,824	6,112	34,936
Development and Transportation [11]	0	0	0	0	0
Total Expenditures	1.061.466	7.903	1.069.368	6.112	1.075.480
Net General Fund Surplus or (Shortfall)	(\$193,829)	\$320,227	\$126,398	\$229,764	\$356,162
MAINTENANCE SERVICES					
Cas Taxes [14]	105 730	30.036	145 666	30,886	176 552
Measure C/1[15]	35 773	12 841	48 614	5 790	54 404
LLAD Assessments [16]	431,108	170,025	601,133	131,494	732,627
SPCP Revenues	44,160	<u>16,680</u>	60,840	12,900	73,740
Total Revenues	616,771	239,482	856,253	181,070	1,037,322
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Maintenance Services [17]	557,888	210,724	768,612	162,970	931,582
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	\$109,420	\$40,∠50	ə149,070	\$T1,250	૱ 160,920
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Tax includes revenues currently accruing to P-6 district, and a share of San Ramon Fire District revenues

per agreement (Addendum to the May 24, 2000 Agreement).

[2] Town would receive additional \$50 per capita based on AB1602.

[3] Annexation area residents' expenditures assumed to be reflected in Town sales tax revenues.

[4] Based on \$0.55 per \$1,000 value; assumes 10% avg. turnover of assessed value.

[5] TOT revenues due to annexation area residents (and their guests) assumed to already be captured in Town TOT revenues.

[6] Assumes home businesses in a portion of annexation area homes; rate based on Town information.

[7] Based on an average per resident.

[8] No significant impact assumed.

[9] Additional police contract costs, including liability costs and communications. Startup costs shown separately. See Table A-10 for additional detail. Assumes additional beat required for Area A, with no further staffing increases required for addition of Areas B and C.

[10] Animal control estimated on a per resident basis.

[11] Minimal costs offset by fees and charges. Annexation assumed following buildout.

[12] Assumes General Fund transfer to cover maintenance services and pavement management not funded by gas taxes or LLAD assessments.

[13] Minimal costs offset by fees and charges

[14] Gas taxes include 2103, 2105 (Prop. 111), 2106 and 2107 estimated on a per capita basis; 2107.5 is fixed based on the size category the Town falls intc [15] Measure J was approved in 2004 to extend the 1/2 cent transportation sales tax, allocated per road miles and population.

[16] See Table A-11

[17] Maintenance services increased proportionate to increase in number of units.

[18] See Table A-12. Based on number of centerline miles, adjusted for portions annexed. Includes segments of Camino Tassajara.

[19] Residential remodel fees; excludes new units and commercial.

Table A-2aBudget Revenue Summary and Estimating FactorsDanville Annexation Analysis

ltem	FY2009-10 Adopted Budget	E	stimating Factor
GENERAL PURPOSE REVENUES			
Property Tax	\$10,989,305		see Table A-5
Property Tax In Lieu of VLF		\$43.00	per capita [1]
Sales and Use Tax	3,151,206	\$199.51	per new household [2]
Transfer Tax	262,500	\$0.55	of \$1,000 in value [3]
Transient Occupancy Tax	83,922		no impact
Charges for Services	53,650		assumed offset by costs
Business Licenses	343,800	\$5.94	per unit [4]
Franchise Fees	1,525,473	\$35.44	per capita
Vehicle License Fees	100,258	\$2.33	per capita
Fines and Forfeitures	130,563	\$3.03	per capita
Use of Money and Property	655,575		not estimated
Misc., Other Revenue	<u>141,849</u>		not estimated
Subtotal	\$17,438,101		
Recreation Services	\$2,232,352		no impact
TOTAL	\$19,670,453		
SPECIAL PURPOSE REVENUES			
PEG	\$86,600	\$0.30	assumed offset by costs [6]
Police	123,450		no impact
Building/Planning	\$1,446,150	\$62.57	per unit (residential remodel)
Engineering	\$218.000	·	assumed offset by costs
Gas Taxes	\$1,132,478	\$26.31	per capita [7]
Measure C/J	\$575.000	\$13.36	per capita [5]
Clean Water (SPCP)	\$568 520	\$30.00	per EDU
	\$3,020,998	400.00	see Table A-11
Donations/Contributions	\$6,120		no impact
Asset Replacement - All	125 880		no impact
Subtotal	\$7 303 196		no impact
Cubicital	\$1,000,100		
CDA	\$1,871,495		no impact
TOTAL	\$9,174,691		
TOTAL REVENUES All Funds	\$28,845,144		

[1] Town would receive additional per capita amount (per AB1602) based on \$50 per capita adjusted for current State VLF and pop

[2] Annexation area residents' expenditures assumed to be already captured in Town sales tax revenues.

No change is projected whether or not annexation occurs.

[3] Assumes that average turnover rate is approximately 10%

[4] Home-based business licenses (per unit estimate from Memorandum from Joe Calibrigo to Mayor & Town Council, 10/13/09). Current business licenses for home-based businesses are \$100 plus \$10 per employee; per-unit estimate equivalent to home businesses in about 6% of units.

[5] A portion of the revenues are "returned to source" per population and road miles.

[6] PEG revenuesare \$0.60 per cable subscriber, dedicated to programming-related services and facilities.

[7] Gas Taxes include 2103, 2105 (Prop. 111), 2106, 2107. Prop. 1B no longer available.

Table A-2bBudget Expenditure Summary and Estimating FactorsDanville Annexation Analysis

Item	FY2009-10 Adopted Budget		Estimating Factor
GENERAL GOVERNMENT	\$4,109,933		no impact
POLICE SERVICES			
Patrol	\$4,775,347		Table A-10
Animal Control	224,095	\$5.21	per capita
Other [1]	<u>2,303,359</u>		no impact
Subtotal	\$7,302,801		
DEVELOPMENT & TRANSPORTATION SERVIC	CES		
Building/Planning	\$1,762,735		offset by revenues
Engineering	264,889		offset by revenues
Clean Water Program	632,125		offset by revenues
Other [2]	<u>1,835,711</u>		no impact
Subtotal	\$4,495,460		
MAINTENANCE SERVICES			
Management	\$327,573		no impact
Services	<u>5,990,490</u>	\$379	per unit
Subtotal	\$6,318,063		
RECREATION SERVICES			
Subtotal	\$3,103,174		no impact/offset by revenues
Total Town Expenditures	\$25,329,431		
CDA	\$1,146,449		no impact
Total Town & CDA Expenditures	\$26,475,880		
OTHER EXPENDITURES (CIP) Pavement Management	\$1,050,000		per mile; see Table A-12

[1] PD Mgmt./Community Svcs., Investigation, Disaster Preparedness, and School Resource Program

[2] D&T Management, C.I.P. Management, Transportation, and Economic Development

[3] Maintenance Management, Buildings, Equipment, Parks, Roadsides, and Street Lighting

Table A-3Citywide 2009 General AssumptionsDanville Annexation Analysis

Item	Amount	Sources
Housing	15,795 units	Town of Danville (10/13/09 memo)
Population	43,043 residents	Town of Danville (10/13/09 memo)
Persons/Household	2.73 /unit	Town of Danville (10/13/09 memo)
Road Miles	145 miles	FY10 Financial Plan (pg. 100)

Table A-4Project Description and AssumptionsDanville Annexation Analysis

	<u>Area A</u> Monterosso.	<u>Area B</u> Shadow Creek		<u>Area C</u> Bettencourt	
	Wendt Ranch.	and adjacent non-			
	Willow Collection,	HOA area to the	Subtotal		Total
Item	and Alamo Creek	s'west	Areas A & B		All Areas
Current					
Residential Units					
Single-Family	679	556	1,235	430	1,665
Townhouse	127		127		127
Apartments	<u>168</u>		<u>168</u>		<u>168</u>
Total	974	556	1,530	430	1,960
Population [1]	2,659	1,518	4,177	1,174	5,351
Assessed Value	\$813,891,590	\$426,192,681	\$1,240,084,271	\$278,684,243	\$1,518,768,514
Road Miles (lane miles)	,			· · ·	
Additional Development	[2]				
Single-Family	<u> </u>		420		420
Townhouse			0		0
Apartments	78		78		78
Total	498	0	498	0	498
Population [1]	1,360	0	1,360	0	1,360
New Assessed Value [3] Road Miles (lane miles)	\$393,600,000	\$0	\$393,600,000	\$0	\$393,600,000
Buildout					
Single-Family	1 099	556	1 655	430	2 085
Townhouse	127	000	127	-00F 0	127
Apartments	246	0	246	0	246
Total	1, 472	55 6	2, <u>028</u>	43 <u>0</u>	2, 458
Population [1]	4,019	1,518	5,536	1,174	6,710
Assessed Value Road Miles (lane miles)	\$1,207,491,590	\$426,192,681	\$1,633,684,271	\$278,684,243	\$1,912,368,514

[1] An average citywide population of 2.73 persons/household assumed.

(Memorandum from Joe Calibrigo to Town Council re: Expansion of Danville's SOI, 10/13/09).

[2] Assumes that all vacant parcels will be developed; this may require 5 years, depending on market conditions.

[3] Assumes:

Single-family	\$900,000 per unit
Apartment	\$200,000 per unit

Table A-5 Property Tax Danville Annexation Analysis

ltem	Factor	<u>Area A</u> Monterosso, Wendt Ranch, Willow Collection, and Alamo Creek	Area B Shadow Creek and adjacent non- HOA area to the s'west	Subtotal Areas A & B	<u>Area C</u> Bettencourt	Total All Areas
Base Property Tax Base Property Tax City Share	1.0%	\$8,138,916 \$455,715	\$4,261,927 \$174,184	\$12,400,843 \$629,899	\$2,786,842 \$119,618	\$15,187,685 \$749,517
Tax Increment Revenue Assessed Value of New Development Property Tax New City TAF applied to each area [1] City Share of Increment	included in 1.0%	calculation of base a \$0 5.30444% \$0	at buildout \$0 5.51776% \$0	\$0 \$0	\$0 5.66029% \$0	\$0 \$0
Total Property Tax to the City (at build	\$455,715	\$174,184	\$629,899	\$119,618	\$749,517	

[1] Calculation of TAF based on a formula per tax sharing agreement with the County, and includes Service Area P-6 factor. See Table A-8 for detail.

Table A-6 Tax Allocation by TRA (pre- and post-annexation) **Danville Annexation Analysis**

Itom					Aroa B		Area C
item	Monterosso, W	endt Ranch. Wi	illow Collection.	Shadow Creek	Aled C		
	and Alamo Creek				Dellencoun		
	TRA 66412	TRA 66123	TOTAL	TRA 66123	TRA 66122 [3]	TOTAL	TRA 66122 [3]
TOTAL TRA Tax	6.829.239	3.016.884	9.846.123	3.016.884	5.876.075	8.892.959	5.876.075
Share of TRA by Area	100%	43%	-,,	56%	44%	-,,	47%
	6 829 239	1 309 677	8 138 916	1 703 184	2 558 743	4 261 927	2 786 842
PPE-ANNEYATION (1)	0,020,200	1,000,011	0,100,010	1,700,104	2,000,140	100%	2,700,042
Tax Incromont Eactors				40 /0	00 /8	woighted avg:	
County General			17 34527%	17 34527%	15 64883%	16 32677%	15 64883%
Serv Area P-6			1 17625%	1 17625%	1 20573%	1 10305%	1 20573%
San Ramon VIv Fire			11 80591%	11 80591%	18 90108%	16.06565%	18,90108%
Town of Danville			0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Other			69.67257%	69.67257%	64.24436%	66.41362%	64.24436%
Total			100.00000%	100.00000%	100.00000%	100.00000%	100.00000%
Base Tax Allocation (2009-10)							
County General	1,185,572	227,666	1,413,238	296,070	401,883	697,954	437,709
Serv Área P-6	80,381	15,430	95,811	20,066	30,851	50,918	33,602
San Ramon Vly Fire	806,884	154,926	961,810	201,476	484,665	686,141	527,870
Town of Danville	0	0	0	0	0	0	0
Other	4,756,402	<u>911,655</u>	5,668,057	<u>1,185,571</u>	<u>1,641,344</u>	2,826,915	1,787,661
Total	6,829,239	1,309,677	8,138,916	1,703,184	2,558,743	4,261,927	2,786,842
Incremental Buildout Growth in	n Base Tax Allo	cation [1]					
County General			682,710			0	0
Serv Area P-6			46,297			0	0
San Ramon Vly Fire			464,681			0	0
I own of Danville			0			0	0
Other			2,742,312			<u>0</u>	<u>0</u>
Iotai			3,936,000			0	0
Total Base Tax Allocation at B	uildout						
County General			2,095,947			697,954	437,709
Serv Área P-6			142,108			50,918	33,602
San Ramon Vly Fire			1,426,491			686,141	527,870
Town of Danville			0			0	0
Other			<u>8,410,369</u>			<u>2,826,915</u>	<u>1,787,661</u>
Total			12,074,916			4,261,927	2,786,842
Tax Increment Factors							
County General			14 27961%			13 44887%	12 89537%
Serv Area P-6			0.00000%			0.0000%	0.00000%
San Ramon VIv Fire			10 74338%			17 45517%	14 36456%
Town of Danville			5 30444%			5 51776%	5 66029%
Other			69.67257%			63.57820%	67.07979%
Total			100.00000%			100.00000%	100.00000%
Base Tax Allocation							
County General			1,910,725			636,440	399,201
Serv Area P-6			0			0	0
San Ramon Vly Fire			1,298,107			624,388	480,362
Town of Danville			455,715			174,184	119,618
Other			<u>8,410,369</u>			<u>2,826,915</u>	<u>1,787,661</u>
lotal			12,074,916			4,261,927	2,786,842

Increase in assessed value * 1% tax rate from new units multiplied by current TAFs; assumes buildout prior to annexation.
 Based on the Master Property Tax Transfer Agreement for Allocation of Property Tax between Contra Costa County

See also Table A-8

[3] A small western portion of TRA 66122 is outside the annexation area, therefore the allocations shown do not total 100%. Area B assumed to include the Home for Jewish Parents.

note: TRA 66381 (adjacent to Hanson Lane) is within Area B, but does not appear to have any assessed value.

Table A-7Assessed Values by TRADanville Annexation Analysis

Item			
	TRA 66412	TRA 66123	TRA 66122
TOTAL TRA Tax			
County General	1,185,572	524,435	922,913
Serv Area P-6	80,381	35,544	70,849
San Ramon Vly Fire	806,884	356,878	1,113,018
Town of Danville			
Other	4,756,402	2,100,027	3,769,295
Total	6,829,239	3,016,884	5,876,075

Source: Bobby Romero, Contra Costa County Auditor's Office, 7/28/10, report No. EA9248.01

Master Tax Sharing	Provision [1]		Area A Monterosso, Wendt Ranch, Willow Collection, and Total	Area B Shadow Creek and adjacent non- HOA area to the s'west Total	Area C Bettencourt Total	
7a.(3)(A) Initial Yea	ar Base Tax (for a jur	isdictional change w	hich results in Ci	ty's providing a servi	ce provided by a sp	ecial dist.)
A = B x 1/2 C =			\$185,222	\$61,514	\$38,508	
	B = County's base	tax before transfer =	\$2,095,947	\$697,954	\$437,709	
	C = (F - H)/(F + G	- H) =	17.67432%	17.62690%	17.59531%	
		F = G = H = P6 rate =	6.61% 25.31% 1.176250%	6.61% 25.31% 1.193949%	6.61% 25.31% 1.205730%	
	D = B - A = County's base after transfer =		\$1,910,725	\$636,440	\$399,201	
	Town base with fire	Fire base Transfer from Fire 9%	1,426,491 \$128,384 \$313,606	686,141 \$61,753 \$123,266	527,870 \$47,508 \$86,016	
	p6 Base Town base with fire	e & P-6	\$142,108 \$455,715	\$50,918 \$174,184	\$33,602 \$119,618	
'7a.(3)(B) Annual ta	ax increment					
J = (E x C) + H =		P-6 only;	4.24191%	4.07185%	3.95919%	
	E = County's TAF b	before transfer =	17.34527%	16.32677%	15.64883%	
	C = (see above) =		17.67432%	17.62690%	17.59531%	
	H = P6 Transfer =		1.176250%	1.193949%	1.205730%	
		P-6	1.176250%	1.193949%	1.205730%	
	K = Cnty TAF after transfer = E - (E x C)		14.27961%	13.44887%	12.89537%	
	Other factor	San Ramon Vly Fire = = of	1.062532% 9% 11.80591%	1.445909% 9% 16.06565%	1.701097% 9% 18.90108%	
		with Fire =	5.30444%	5.51776%	5.66029%	

[1] Based on the Master Property Tax Transfer Agreement for Allocation of Property Tax between the County of Contra Costa and City of Danville (Reso. 87/234).

Table A-9 Neighborhoods by TRA Danville Annexation Analysis

Annexation				E	stimated A.V		Estimated		
Area	HOA/Area	TRA	Units	Unit Value [1]	A.V./Value	Total	Тах	% of TRA	Comments
A	Monterosso	66412	377	\$1,000,000	100%	\$377,000,000	\$3,770,000		
А	Alamo Ck	66412	178	\$950,000	100%	\$169,100,000	\$1,691,000		
А	Willow Collection	66412	127	\$570,000	100%	\$72,390,000	\$723,900		Attached units
А	Monterosso (apts)	66412	168			\$17,280,000	\$172,800		County Assessor
		Subtotal, TR	A 66412			\$635,770,000	\$6,357,700	100%	
А	Wendt Ranch	66123	124	\$1,050,000	100%	\$130,200,000	\$1,302,000	43%	
A	Monterosso (school)	66123							
Subtotal, A	rea A		974			\$765,970,000	\$7,659,700		
В	Shadow Ck SE	66123	204	\$830,000	100%	\$169,320,000	\$1,693,200	56%	
В	Unrepresented	66123	4	\$100,000	100%	\$400,000	\$4,000	0.1%	
		Subtotal, TR	A 66123			\$299,920,000	\$2,999,200	100%	
В	Unrepresented	66122	70	\$930,000	80%	\$52,080,000	\$520,800	9%	a small portion on east appears to overlap with 66123 (included above)
В	Home for Jewish Parents	66122				\$21,425,394	\$214,254	4%	County Assessor Estimate
В	Shadow Ck NW	66122	278	\$850,000	80%	\$189,040,000	\$1,890,400	31%	av/value is higher assuming newer units, compared to north of Camino Tassaiara
Subtotal, Ar	rea B		556			\$732,185,394	\$7,321,854		
С	Bettencourt	66122	430	\$950,000	70%	\$285,950,000	\$2,859,500	47%	
NA	Adjacent to SW Bettencourt	66122	162	\$480,000	70%	\$54,432,000	\$544,320	9%	Outside of annexation area (but in TRA); units are attached.
		Subtotal, TR	A 66122			\$602,927,394	\$6,029,274	100%	

[1] Prices estimated based on Zillow.com, 7/28/10.

Table A-10 Police Department Service and Cost Estimate **Danville Annexation Analysis**

ltem		Area A Monterosso, Wendt Ranch, Willow Collection, and Alamo Creek	Area B Shadow Creek and adjacent non-HOA area to the s'west	Area C Bettencourt	Total All Areas
Police Personnnel Required Officers Sergeant Total [1]		4 <u>1</u> 5	0	0	5
Cost/Officer [2] Salary and Benefits [3] Officers Sergeant Subtotal	192,073 210,117	768,292 <u>210,117</u> 978,409 7 500	0 <u>0</u> 0	0 <u>0</u> 0	768,292 <u>210,117</u> 978,409 7 500
Liability Charge Communications Subtotal	2,170 <u>8,757</u> 414,617	7,500 10,850 <u>43,785</u> 62,135	0 0 0 0	0 0 0 0	10,850 <u>43,785</u> 62,135
TOTAL (ongoing operations)		1,040,544	0	0	1,040,544
<u>Start-up Costs [4]</u> One additional Vehicle/equipment Additional Pooled Equipment Uniforms Other Subtotal	40,000 one vehicle 6,000 total 800 per personnel 5,384 per personnel	40,000 6,000 4,000 <u>26,920</u> 76,920	0 0 0 0 0	0 0 0 0 0	40,000 6,000 4,000 <u>26,920</u> 76,920

Per Memorandum, Joe Calabrigo to Mayor and Town Council, 10/13/09. Annexation of either area requires an additional beat; one beat could serve all areas.
 Contract City managers' Meeting, March 3, 2010 unless otherwise noted; applicable to FY11.

[3] Tier A, does not include corporal enhancement.[4] Per Town of Danville

Table A-11 LLAD Estimates **Danville Annexation Analysis**

Item			Area A Monterosso, Wendt Ranch, Willow Collection, and Alamo Creek	Area B Shadow Creek and adjacent non-HOA area to the s'west	Subtotal Areas A & B	Area C Bettencourt	Total All Areas
Zone A not applicable							
Zone B (Landscaping) Residential	\$179.50	per unit	\$264,224	\$99,802	\$364,026	\$77,185	\$441,211
Zone C (Street Lighting) Residential/Single-Fami Vacant Single-Family Apartments	\$58.50 \$47.53	per unit [1] per unit [2]	\$71,721 \$11,693	\$32,526 \$0	\$104,247 \$11,693	\$25,155 \$0	\$129,402 \$11,693
Zone D (Park & Recreation Residential/Single-Fami Apartments Vacant Residential	9 n) \$67.80 \$1.41 \$11.30	per unit [1] per unit [3] per unit [4]	\$83,123 \$347	\$37,697 \$0	\$120,820 \$347	\$29,154 \$0	\$149,974 \$347
Total			\$431,108	\$170,025	\$601,133	\$131,494	\$732,627

[1] No condos assumed (equal to .5 EDU).

[2] Apartments are equal to 3.25 EDU per 4 apartment units (Preliminary Engineers Report, FY2011, May 18, 2010).
[3] Apartments are 4 acres per EDU; estimates assume 12 units per acre.
[4] Vacant residential is 1 acre per EDU; estimates assume 6 units per acre (assumes single-family)

Table A-12Pavement Management CostsDanville Annexation Analysis

Item	Factor	Area A Monterosso, Wendt Ranch, Willow Collection, and Alamo	Area B Shadow Creek and adjacent non- HOA area to the s'west	Subtotal Areas A & B	Area C Bettencourt	Total All Areas
Center Line Miles of Public Roads Collector Residential Subtotal		2.42 <u>10.64</u> 13.06	1.27 <u>2.83</u> 4.10	3.69 <u>13.47</u> 17.16	0.00 <u>0.00</u> 0.00	3.69 <u>13.47</u> 17.16
Annual Pavement Management Collector Residential Subtotal	\$7,000 per mile/yr (avg	\$91,420	\$28,700	\$120,120	\$0	\$120,120
Camino Tassajara Miles Width (e.g., westbound only = 50%) Average Cost	\$30,000 per mile/yr (avg	1.20 EB lanes 50% \$18,000	0.77 WB lanes 50% \$11,550	1.97 \$29,550	0.75 WB lanes 50% \$11,250	4.69 \$40,800
TOTAL	. , , , , ,	\$109,420	\$40,250	\$149,670	\$11,250	\$160,920

APPENDIX B

Map of Neighborhoods and TRAs

Note: this map requires the current version of Adobe Acrobat in order to select and display various layers.



Map 1: Potential Annexation Areas, Analysis Areas, and TRAs

