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Revenue Strategies Report

Prepared for:

The City of Champaign, Illinois

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Prepared by:

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I. EXECUTIVE SUMMARY

TischlerBise is under contract with the City of Champaign to evaluate the fiscal impact of two future growth scenarios comparing the impact of growth within the City's current service area versus growth outside the existing service area and reflecting different mixes of land use types. The fiscal impact analysis determined whether revenues generated by new growth are sufficient to cover the resulting costs to the City. The fiscal impact analysis showed net surpluses from new development when growth occurs only within the existing service area of the City and showed a net deficit when growth occurs both within and outside the existing service area (See *Fiscal Impact of Development Scenarios: Champaign, Illinois*, TischlerBise, Inc., February 5, 2010.). In each scenario, net surpluses to the operating budget offset deficits to the capital budget. As a supplement to this effort, TischlerBise evaluated potential revenue sources and funding mechanisms to close this funding imbalance that occurs in the City's revenue structure. This report, together with the fiscal impact results, is intended to foster discussion about revenue enhancement, finance, and budgetary issues.

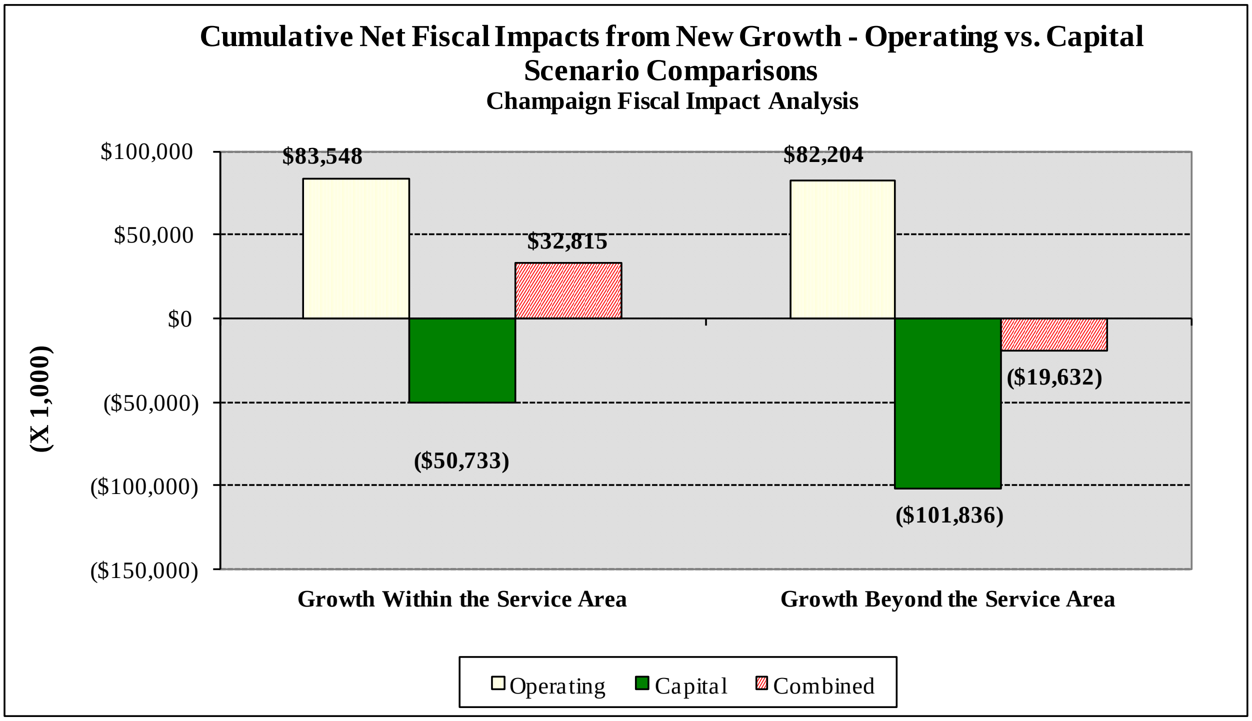
A. Fiscal Impact Results

As noted in the previously issued fiscal impact analysis report, the analysis shows that growth pays for itself within the existing service area but not when it spreads outside this service area. More importantly, within the operating budget, the findings show that the City is in a position to provide current levels of service to new development under the present revenue structure. If strategies are implemented to close the capital budget deficit, the City has some degree of freedom to choose a growth strategy without having to be concerned about whether or not new growth is fiscally sustainable.

It is important to note that the net operating surpluses generated by new growth in the fiscal analysis study leave little room for level of service increases. There is already anecdotal evidence that current levels of service are not sufficient, particularly in road maintenance where the City has been unable to provide adequate levels of service. Relatively minor increases in certain levels of service will reduce any net surpluses generated by new growth. Additionally, as the City ages there will be a greater need for infrastructure replacement and maintenance. Separate funding sources need to be developed to pay for this.

Based on the City's current funding structure, each scenario examined in the fiscal analysis study resulted in deficits to the City's capital budget. As shown in Figure 1, the cumulative deficit to the *capital budget* for the Growth Within the Service Area scenario was $50.7 million over the 20-year study period and $101.8 million for the Growth Beyond the Service Area scenario. Both scenarios project growth consistent with recent development activity and the City's expectations for future development. Should growth outpace trends, capital budget deficits are expected to be even higher.

Figure 1: Fiscal Impact Analysis Study Results - Cumulative Net Fiscal Impacts



The fiscal impact analysis shows that future road construction and public works facilities represent the largest projected capital expenditures for the City during the study period. In the Growth Within the Service Area scenario, capital expenditures total $41.8 million for roads and $20.9 million for public works facilities over the study period while in the Growth Beyond the Service Area scenario capital road expenditures total $85.9 million and public works facilities capital costs total $21.2 million. Do note that because these capital projects are assumed to be financed with debt, payments for roads and public works facilities are incurred not only throughout the twenty-year timeframe considered in the study but also beyond it. Thus, capital costs are actually higher than they appear to be in the figure above.

The City's primary sources for funding capital improvements are General Fund transfers and state subsidies. In fact, less than 11% of the revenue in the Capital Improvements Fund comes from its property tax levy. While the Motor Fuel Tax is used primarily to maintain existing road facilities in the City, several road maintenance type projects are being funded in the Capital Improvements Fund rather than the Motor Fuel Tax Fund including annual bridge maintenance, local street rehabilitation, and neighborhood street rehabilitation. Continued shifting of road maintenance projects from the Motor Fuel Tax Fund to the Capital Improvements Fund will create greater fiscal pressures on the City's General Operating Budget to fund both needed road maintenance and other capital projects.

This report evaluates potential revenue sources and financing mechanisms the City may want to consider to enhance its revenue structure. The majority of revenue sources and financing mechanisms evaluated in this analysis are for the funding of capital facilities. This is because it is much easier to solve deficits generated to the capital fund because 1) capital costs are one-time in nature and are frequently debt financed, and 2), the larger on-going operating expenses associated with capital facility construction are typically funded by some form of a tax (i.e. property tax, sales tax, etc.), which elected officials are hesitant to raise.

B. FINANCING MECHANISMS AND EVALUATION CRITERIA

The City of Champaign is faced with the challenge of ensuring City revenue streams are adequate for the provision of essential City services and facilities, sufficiently diversified to withstand economic cycles, and are appropriate and competitive when compared with other similar cities.

Specifically, this report provides a framework of financing options which can be systematically evaluated using a variety of considerations including financial factors, fair cost sharing between public and private sectors, and marketplace considerations.

The financing mechanisms evaluated in this section include:

- Property Tax
- Bonds
- Impact Fees
- Excise Tax
- Dedicated Sales Tax
- Special Benefit Districts
- Tax Increment Financing
- Special Purpose Taxes
- Charges for Services (User Fees)

The potential financing mechanisms were evaluated according to a defined set of evaluation criteria. The evaluation criteria include:

- Revenue Potential
- Proportionality
- Technical Ease
- Public Acceptability

C. Summary of Evaluation Findings

An overall evaluation of the potential revenue sources and funding mechanisms for Lenexa is illustrated in Figure 2. It is important to note that TischlerBise's review does not include an analysis of legal considerations.

Figure 2: Evaluation of Potential Revenue Sources and Financing Mechanisms

	Revenue Potential	Proportionality	Technical Ease	Public Acceptance
Property Tax	positive	negative	positive	negative
Bonds	positive	negative	neutral	negative
Impact Fees	positive	positive	negative	positive
Exise Tax	positive	negative	positive	neutral
Dedicated Sales Tax	positive	negative	positive	negative
Special Benefit District	positive	positive	negative	positive
Tax Increment Financing	neutral	neutral	negative	neutral
Special Purpose Tax	neutral	negative	positive	neutral
Charges for Services (User Fees)	positive	positive	positive	neutral

D. Opportunities for Revenue Enhancement

The following bullet points reflect TischlerBise's recommendations regarding potential funding mechanisms to correct the projected imbalance between the City's operating and capital budgets shown in the fiscal analysis study. Larger Illinois cities benefit from broad home rule powers, giving Champaign the authority to levy taxes, excises, fees, charges and other exactions. This provides the City with considerable leeway to increase its revenues to address the need for new capital facilities and operating costs as a result of new growth and redevelopment.

Given increased capital costs due to new development and future infrastructure replacement needs, the City will face increased demands on its General Fund resources. The options presented below provide the City with a number of opportunities to raise revenue.

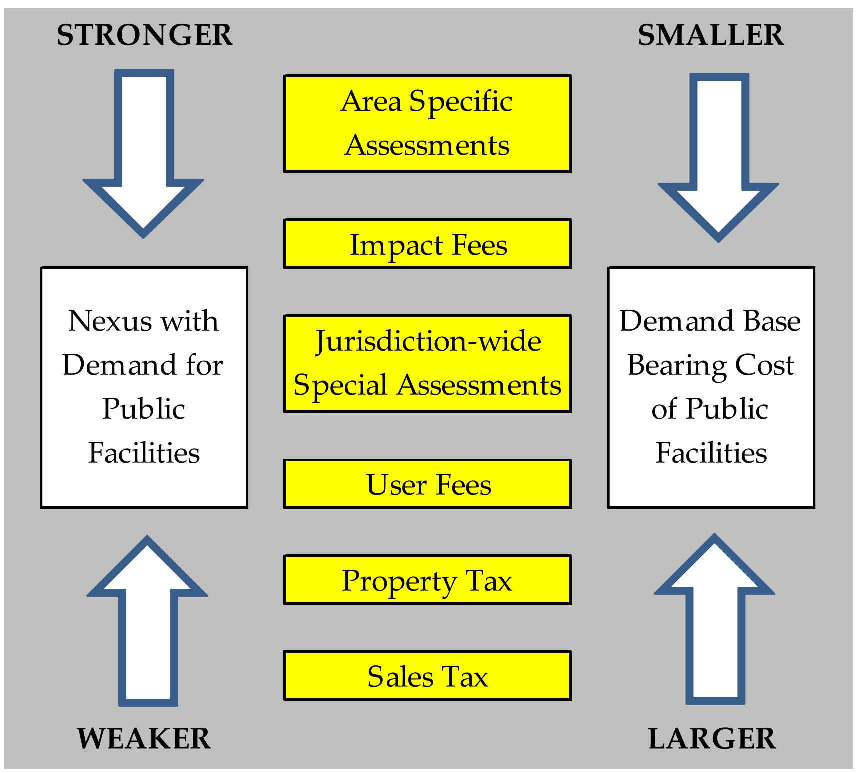
- Adoption of impact fees for public works, general government, police, fire, and library infrastructure would allow the City to recoup the full cost of growth-related infrastructure.
- The City should continue its effort to recalibrate the current user fee schedule as needed. Other services for which user fees are appropriate should be evaluated in to cover a greater share of the cost of programs and services. This is particularly true for growth-related functions where existing development may be paying for services provided primarily to new growth. For example, the current planning and development fees fail to cover the cost of reviewing development proposals.

- A new source of funding should be identified to support road maintenance expenses and ease the fiscal pressure this backlog of needs is placing on both the General Fund and Capital Improvements Fund. The City could increase sales tax by 0.25% and dedicated this funding to road maintenance. Another possibility would be to dedicate food and beverage tax revenues to road maintenance.
- Similarly, the City could adopt an excise tax and dedicate that revenue to capital improvements and infrastructure.
- Tax increment financing (TIF) can continue to be a viable tool to the City as opportunities for targeted investment in a particular geographic area is beneficial.
- Special benefit districts could be established in the growth areas to finance needed infrastructure. For example, a special benefit district could be formed in the areas of the intersections Bradley Avenue at Staley Road and I-74 at Olympia Drive to finance the new fire station that would be required under the Growth Beyond the Service Area scenario.

II. POTENTIAL FINANCING MECHANISMS

Revenue enhancement alternatives force decision-makers to wrestle with a dynamic tension between two competing desires. As shown on the left side of Figure 3 for public facilities, various funding options have a strong to weak connection between the source of funds and the demand for public facilities. For instance, area-specific assessments are based on known capital costs in a specific location and are paid by those directly benefiting from the new infrastructure. In contrast, property tax revenue may be used by the City to fund infrastructure with very little, if any, connection between those paying the tax and the need for capital improvements. It is unfortunate that the funding options with the closest nexus to the demand for public facilities also have the smallest demand base to bear the cost of the public facilities (see the right side of the diagram). Using sewer as an example, only new utility customers pay capacity fees, which are similar to impact fees. In contrast, all existing customers, plus the new customers that are added each year, pay sewer user charges. Therefore, the base of utility user charges continues to increase over time, but the increase in new development is relatively constant from year to year. A similar relationship exists for operating needs.

Figure 3: Conceptual Framework for Funding Alternatives



A. EVALUATION CRITERIA

An array of potential funding tools to address cost-of-growth issues are available to the City, many of which the City already has in place. They include property taxes, bonds, impact fees, excise taxes, dedicated sales tax, special benefit districts, tax increment financing, special purpose taxes, and charges for services (user fees). An important consideration for the City is whether it is maximizing its current revenue. Another consideration is to enhance the City's revenue base without raising general taxes (property and sales tax). This is discussed for each revenue category examined.

In focusing on a funding strategy to address the funding imbalance between the operating and capital budgets generated by new development, it is important to begin by prioritizing or identifying the funding tools that provide the most realistic opportunities to achieve the funding goals of the City. It is suggested that in considering which tools are most appropriate, four principle criteria be considered:

- Revenue Potential: Whether the tool can generate substantial sums of monies to fund capital infrastructure and operating costs;
- Proportionality: The relationship between the source of funds and demand for public facilities and/or operating costs;
- Technical/Administrative Ease: The ease of administering the tool; and,
- Public Acceptability: How residents will accept the funding mechanism.

The fiscal impact analysis has shown that the funding needs and funding "gap" for infrastructure is substantial, consequently, it is important when considering revenue tools that they have the capacity to generate substantial revenue over time. Usually, revenue tools that can be applied across the City have the capacity to generate more substantial sums of revenue. Furthermore, revenue tools that can be applied across the region are generally considered to more fairly allocate funding responsibilities for City-wide facilities. As discussed previously, it is important to consider the connection between those paying the tax and the need for capital improvements. Some revenue tools are easier to administer than others, in terms of the time and resources that have to be committed from staff to keep the program current. Finally, the public acceptability of a revenue tool is important, especially when it has to be approved by voters.

Although operating surpluses are generated, to the extent additional operating revenue can be generated through revenue source enhancement, the more revenue will be available for transfers to the capital budget.

III. POTENTIAL REVENUE SOURCES

The City of Champaign is faced with the challenge of ensuring City revenue streams are adequate for the provision of essential City services and facilities, sufficiently diversified to withstand economic cycles, and are appropriate and competitive when compared with other similar cities.

In this section, each potential funding mechanism is discussed along with its advantages and disadvantages.

A. Property Tax

When a community needs to increase revenue, the first sources usually considered are the community's largest revenue sources, one of which is generally property tax. This is true in Champaign, as property tax is the second largest revenue source totaling $18 million in FY2009: $10.4 million in the General Fund, $6.3 million in the Library Funds, and $1.4 million in the Capital Improvements Fund. Unless the City pursues other revenue enhancement opportunities, the property tax will increasingly be looked to as a source for capital dollars, particularly for infrastructure replacement.

Advantages

- Property tax is a relatively stable and predictable source of revenue.
- The monies collected from property tax can be used for any governmental purpose, including construction, maintenance, and operation of new public facilities.

Disadvantages

- Increases to property tax rates are politically unattractive.
- Increasing the property tax would be inconsistent with the policy decision for FY2010 to avoid increasing the City's major broad-based revenue sources.
- There is a poor relationship between the source of funds and demand for public facilities, while other capital funding sources (impact fees, excise taxes) pass on specific capital costs to future development.

B. Bonds

If a locality is not paying cash for infrastructure, a primary consideration is probably general obligation or revenue bonds. General obligation bonds are secured by property taxes and other general fund revenue. Accordingly, they are backed by the "full faith and credit" of the jurisdiction. Revenue bonds are not as prevalent as general obligation bonds. With this type of bond, debt is retired with revenue received from the users of the capital improvement. These bonds are backed by revenue from sources more specifically defined than those backing general obligation bonds. Examples include income taxes, user fees, impact fees, special benefit district fees, and excise taxes. With the issuance of series 2009 bonds in May, the City has $57.6 million in general obligation bonds. Because it is a home rule City, Champaign has no legal limitation on debt.

Advantages

- Revenue bonds may not affect the City's debt capacity since they are not backed by the "full faith and credit" of the jurisdiction.
- Revenue and general obligation bonds do not require voter approval.
- Revenue bonds can be used in conjunction with another financing mechanism (i.e. special assessment districts revenue), with that mechanism pledged to retire the debt.
- General obligation and revenue bonds lessen the need for the City to upfront its own general fund dollars.
- The City's Fitch AAA bond rating and strong financial position make general obligation bonds an affordable option for financing capital needs.

Disadvantages

- Since dedicated revenue streams are sometimes less predictable and less stable than general revenue, interest rates may be higher for revenue bonds versus general obligation bonds.
- With general obligation bonds, costs to individual property owners will be proportional to property value rather than demand for the facility and will be applied to all City property owners.

C. IMPACT FEES

Impact fees can be defined as new growth's fair share of the cost to provide necessary capital facilities. In determining the reasonableness of these one-time fees, the fee must meet three requirements: 1) needed capital facilities are a consequence of new development; 2) fees are a proportionate share of the government's cost; and 3) revenues are managed and expended in such a way that new development receives a substantial benefit.

Impact fees cannot be imposed on new development to pay for or provide public improvements needed by existing development. Capital improvements funded by impact fees must enable the City to accommodate new development by adding facility capacity. To be proportionate, new development should pay for the capital cost of infrastructure according to its "fair" share of impact on a particular public facility. To ensure impact fees are proportionate, the cost allocation methodology should consider variations by type of development and type of public facility. As appropriate, capital cost assumptions must consider the net cost of facilities after accounting for grants, intergovernmental revenues and other funding sources. The reasonable connection between the impact fees and the benefit requires that funds be earmarked for use in acquiring capital facilities to benefit the new development. Substantial benefit also requires consideration of when the fees are spent. This substantial benefit test often leads communities to set up collection and expenditure zones for public facilities that have general geographic service areas.

Although the State of Illinois only has specific enabling legislation for road impact fees, non-road impact fees are allowable under the authority granted to home-rule cities. Note that the State Legislature is currently considering enabling legislation for "public capital facilities" including schools, parks, libraries, roads, wastewater treatment, sanitary sewer, and stormwater management. The City currently has no impact fees. As discussed previously, the fiscal impact analysis shows that future road construction and fire facilities represent the largest projected capital expenditures for the City during the study period. The City may want to consider enacting impact fees in order to recoup the full cost of new growth-related infrastructure. The City may also consider impact fees for other categories of public facilities such as police vehicles and equipment; public works facilities, vehicles, and equipment; general government facilities, vehicles, and equipment; and library facilities and collection.

Advantages

- Impact fees can help meet local capital facility needs due to new growth with less pressure on the tax rate.
- Impact fees are politically attractive since they pass on specific capital costs to future development.
- Impact fees coordinate new growth with the facilities demanded.
- Impact fees are more predictable and equitable than informal systems of negotiated exactions and are likely to generate considerably more revenue.

Disadvantages

- Impact fees are typically not due until development occurs. As a result, this makes it difficult for the City to use the fees to construct capital improvements prior to or in conjunction with new development.
- Rational nexus requirements impose a set of earmarking and accounting controls that limit the use of impact fee revenue.
- Technical studies are required to develop and justify the adopted impact fee amount.

D. EXCISE TAX

Similar to impact fees, excise taxes are often used for new infrastructure demanded by new construction. Excise taxes differ from impact fees in that they are primarily a tool for raising revenue as opposed to a land use regulation designed to finance growth-related facilities. In addition, excise taxes do not have to be earmarked or segregated or accounted for separately from the City's general revenue, do not have to specifically benefit new growth, and can be used in and calculated in a looser fashion than impact fees. Excise taxes can be applied in several ways. Some communities apply a rate to the construction value of the land use; other communities use a flat fee per acre of development, while other communities apply a straight fee by type of housing unit or square-foot. The City currently has no excise tax.

Advantages

- Since it is a tax, a jurisdiction has more discretion in its use than they do with impact fees. Excise taxes differ from impact fees in that they do not have to meet the strict "proportionality" and "nexus" requirements applied to impact fees.
- The monies collected from excise taxes can typically be used for any general governmental purpose including construction, maintenance, and operation of new public facilities.

Disadvantages

- Frequently, the adoption of new taxes is generally less popular than the adoption of new development fees or special assessments.
- Increases to the excise tax rate require voter approval.
- Although not required, it is generally considered a necessity to conduct a study in order to calibrate excise taxes for the types of improvements they are intended to provide.
- Generally, excise taxes usually must be uniform throughout the City so a differential excise tax amount for a specific geographic area may not be allowable under state law.

E. DEDICATED SALES TAX

Sales tax is generally used as a source for general fund operating revenue, but when dedicated to capital facilities it can be a significant source of capital revenue. In Champaign, the sales tax is comprised of a 1% statutory tax and a 1.25% home rule sales tax for a total sales tax rate of 2.25%. The City has treated 20% of its sales tax revenues as a dedicated sales tax by allocating it to Stormwater Management for drainage improvements.

Home rule cities in Illinois are not limited to a maximum sales tax by state statue; increases must be in increments of 0.25%. Champaign may wish to consider an increased sales tax rate dedicated to other capital facilities. Note that only Cook County has a rate higher than 1.5% at this time.

Advantages

- As a levy on sales tax, a jurisdiction has considerable discretion in its use and is not bound by the use requirements associated with impact fees.

- The monies collected from sales taxes can typically be used for any government purpose.
- A sales tax is a broad-based revenue source paid by both residents and nonresidents.
- A sales tax is generally easy to administer.

Disadvantages

- Increasing the sales tax would be inconsistent with the policy decision for FY2010 to avoid increasing the City's major broad-based revenues.
- There is little relationship between the source of funds and demand for public facilities and services.
- A sales tax is considered a regressive tax since lower income households tend to spend a greater share of income on taxable items, particularly if grocery items are taxed.
- Sales tax revenue tends to vary with spending trends and therefore are less reliable than property tax revenue.

F. Special Benefit District

A special benefit district is created by a local government to provide one or several specific public services or improvements. These districts are generally created to link costs and benefits resulting from new or upgraded infrastructure. Typically, the property owners in the benefiting area agree to establish a special benefit district or assessment area. Infrastructure improvements may be bond financed and paid over time by the benefiting property owners, usually by means of an additional charge on the property tax bill. In general, special benefit districts are easier to implement in areas where relatively few property owners control large tracts of land.

Advantages

- Special assessment districts may be more politically acceptable and equitable because they confine levies to the local users of benefits.
- Special assessment districts have fewer restrictions imposed by federal or state law than development exactions, impact fees and user fees.
- Unlike some other financing techniques, such as impact fees or excise taxes, special assessment districts are not limited to new development only.
- The revenue stream from special assessments may be more reliable than other financing mechanisms, since it is based on an annual levy.
- Due to the amortization of the debt, an assessment typically results in a lower annual payment.

- The revenue generated from the assessment district can be used to pay the debt service on a bond issue. With a dedicated revenue stream from the assessment, the City could issue revenue bonds that would most likely not impact its debt capacity.

Disadvantages

- Special assessment districts may be inappropriate to finance projects with far-reaching benefits that are not confined to the assessment area.
- Special assessment districts often require detailed studies to document the direct benefits to each member of the district who will pay the assessment, and to document a fairly concrete connection between the payment of the assessment and the receipt of the benefit.
- The creation of too many independent special assessment districts in a community can result in the fragmentation of decision-making and lack of government coordination.

G. Tax Increment Financing

Tax increment financing (TIF) identifies increases in property or sales tax revenue within a geographic area that are due to new development or redevelopment. The incremental increases in revenue are earmarked for infrastructure improvements or services needed in that same geographic area. Throughout the lifetime of the TIF district, the tax contribution from the properties in the district remains at the original "baseline." Meanwhile, the increases in tax revenue that is due to the incremental increase in value over the "baseline" tax assessments is deposited in the TIF fund, which pays for necessary infrastructure improvements.

The City has used TIF for redevelopment areas in Downtown, East University Avenue, and North Campus.

Advantages

- Tax increment financing is usually accepted by the community and the developers alike.
- Unlike some other financing techniques, such as impact fees or excise taxes, tax increment financing is not limited to new development only.
- Tax increment financing can encourage new, private investment in an area that may not otherwise have been developed, can be used to promote redevelopment.

Disadvantages

- New development in a TIF area is likely to create additional demands for public services, but the jurisdiction will not receive the increased tax revenue from the TIF district until the TIF-backed bonds/improvements are retired.

- Since the City will not receive the tax benefits from the property improvements for an extended period of time, public concern over funding may hamper the approval of a TIF district.
- A TIF-backed bond is likely to have a higher interest rate than a general obligation or revenue bond.
- As with general obligation bonds, costs to individual property owners will be proportional to property value rather than demand for the facility.

H. Special Purpose Taxes

Although usually restricted by state authority, the City is able to levy special taxes for fund-specific purposes. An example of special purposes taxes includes the 1% food and beverage tax; the revenues from this source have been dedicated to infrastructure and building improvements in Campustown. When those needs are met, these revenues could be dedicated to other capital needs.

The City also currently has the maximum allowable hotel/motel tax rate of 5%. The City could consider adoption of an amusement tax.

The City's share of the State gasoline tax is used for road maintenance. Gasoline tax revenues do not cover the City's costs associated with road maintenance. Given the current shortfall, it is important that the City consider other revenue options. This shortfall will be exacerbated as roads built to serve new development will ultimately place increased on the City for infrastructure replacement. When the City's population reaches 100,000 (which is not expected until approximately 2030), it will be eligible by State statute to implement a home rule motor fuel tax (a form of special purpose tax), subject to voter approval. This revenue source might be an option to consider for funding road maintenance.

Advantages

- Like user fees, special taxes may be politically successful when they are restricted to a specific purpose.
- A food and beverage tax can be used to back revenue bonds, which will not impact the City's debt capacity.
- A food and beverage tax is generally easy to administer and relatively invisible when it is paid at the same time payment is made on the meal.
- A food and beverage tax broadens the tax base to include non-residents.
- In the case of the hotel/motel tax, the tax burden is shifted almost entirely to nonresidents.

Disadvantages

- Depending on state tax, a local referendum may be required.
- It can be argued that a food and beverage tax is regressive since the tax burden is higher for lower income households.
- May have to be accounted for separately.

I. CHARGES FOR SERVICES (USER FEES)

The City has implemented a number of charges for services, or user fees, to help recover the cost of providing various services. These charges for services include such things as fees for building permits, public safety and special events fees. Like most local governments around the country, the City has had to rely more heavily on this type of revenue over the past several years. These user fees ensure that those who benefit from specific governmental services bear the cost. This is one reason why they are becoming increasingly popular with cities. Currently, some user fees do not cover the costs associated with many of the services provided. For example, planning and development fee revenue was only $7,000 in the FY09 budget reflecting a heavily subsidized service provided by the City.

TischlerBise recommends the City undertake a comprehensive study to evaluate elements of its revenue and fee programs. The information gathered in this study will be used by the City to make decisions regarding their fee and revenue programs, consistent with sound economic and financial policy, and in keeping with best practices and approaches implemented by other similar cities to address similar circumstances. This study should:

- Review current fees supported activities to determine where fees could be increased to cover current and anticipated cost of operations.
- Review current General Fund based fee programs to determine where gaps in current collections are occurring and identify corrective actions that could be taken to maximize current revenue collections.
- Identify potential programs that are currently supported by general tax revenues that could be supported fully or in part by the imposition of new service charges or user fees.

Advantages:

- Existing revenue streams can be updated to match current service delivery costs.
- Fees can be aligned with community policies and goals.
- New fees can be created to cover costs for services provided where fees did not previously exist.

- A fee study can define the actual cost of providing services which may enhance community understanding.
- With user fees, consumers of the service see a direct relationship between benefits and charges.
- By permitting departments to be self-supporting, user charges promote administrative efficiency.
- The City has already begun an effort to review its user fees.

Disadvantages:

- Implementing user fees at 100% may not be consistent with City policies such as recreation programs where the City would like to encourage participation.

IV. RESULTS OF EVALUATION

A general evaluation was conducted of the potential financing mechanisms using the four criteria discussed above. It is important to note again that TischlerBise's review does not include an analysis of legal considerations.

Figure 4: Conceptual Framework for Funding Alternatives

	Revenue Potential	Proportionality	Technical Ease	Public Acceptance
Property Tax	positive	negative	positive	negative
Bonds	positive	negative	neutral	negative
Impact Fees	positive	positive	negative	positive
Exise Tax	positive	negative	positive	neutral
Dedicated Sales Tax	positive	negative	positive	negative
Special Benefit District	positive	positive	negative	positive
Tax Increment Financing	neutral	neutral	negative	neutral
Special Purpose Tax	neutral	negative	positive	neutral
Charges for Services (User Fees)	positive	positive	positive	neutral

A. Revenue Yield

In terms of revenue yield, all of the potential revenue enhancement/financing mechanisms with exception of two score high on revenue potential. Tax increment financing and special purpose tax both score neutrally. Tax increment financing receives a neutral rating because it is largely dependent on market conditions. Special purpose taxes (i.e. hotel/motel, food and beverage, and amusement tax) also receive a neutral score for two reasons. First, there are already hotel/motel and food and beverage taxes in the City. Secondly, this makes it highly unlikely that a rate increase would be enough to generate as much revenue as other sources, although the revenue yield would most likely be of some significance, especially if an amusement tax were pursued.

B. Proportionality

In terms of proportionality, only impact fees, special benefit districts and charges for services (user fees) relate the amount paid to the direct impact on services. The remaining financing mechanisms do not relate to the direct impact on services and therefore receive a negative score.

Tax increment financing is considered neutral.

C. Technical Ease

Property taxes, excise taxes, dedicated sales tax, special purpose taxes and charges for service (user fees) all rate high on technical ease. Bonds and franchise fees have a neutral rating. Because of the required technical studies and administrative and accounting requirements, special assessment districts and impact fees score negatively in terms of technical ease. Tax increment financing receives a negative score as well, due to the administrative burden placed on a locality.

D. PUBLIC ACCEPTANCE

Impact fees score positively because they place the costs of growth on new development. Special assessment districts also score positively because those who pay their assessments know that their assessment is proportionate to the direct benefits they receive. In our experience, special purpose taxes and charges for service (user fees) are likely to generate a neutral response. Property taxes, bonds and sales taxes tend to be less acceptable because they are viewed as causing higher taxes and fees for the general public.