

A Report of the Fiscal Impact of the Possible Annexation of Columbia Lakes by the City of West Columbia, Texas

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Prepared for:

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Table of Contents

Executive Summary	3
Full Report:	
Introduction	5
Description of Columbia Lakes	5
Possible Types of Additional Revenues and Costs for the City	5
Property Tax Collections	6
Sales Tax Collections	6
Hotel Occupancy Tax Collections	7
Utility Revenues	8
Utility Franchise Fees	9
Other Taxes, User Fees and Charges for Services	10
Total Estimated Annual City Revenues from the Development	11
Costs of General Funds Services to be Provided to the Development	11
Costs of Utility Services to be Provided to the Development	12
Debt Service Costs on Bonds that Funded Utility Infrastructure	12
Total Estimated Annual City Costs from the Development	13
Summary of the City's Estimated Annual Revenues and Costs of Annexing Columbia Lakes	13
Conduct of the Analysis	13

Executive Summary

This report presents the results of an economic analysis performed by Impact DataSource, Austin, Texas. The analysis was to determine the fiscal impact on the City of West Columbia of the possible annexation of Columbia Lakes.

About Columbia Lakes

Columbia Lakes is a residential community adjoining the city of West Columbia, Texas. The 40-year old development includes a conference center and golf course.

There are about 1,289 residential properties in the development on the Brazoria Central Appraisal District's tax rolls. Property in the development had an appraised value in 2011 of \$107,333,115.

There are an estimated 588 households in the development and 674 utility customers.

In addition, there is \$9,810,000 in bonds owed by Varner Creek Utility District that serves the development and installed utility infrastructure. These bonds will fully mature on December 31, 2029.

Total Estimated Annual City Revenues from the Development

If the City fully annexes the development, it can expect the following estimated annual revenues from the development:

Estimated Total Annual City Revenues from the Development	
Property taxes	\$892,904
Sales taxes	\$22,500
Hotel occupancy taxes	\$25,891
Utility revenues	\$772,266
Utility franchise fees	\$70,324
Other taxes, user fees and charges for services	\$76,661
Total annual revenues	\$1,860,545

Total Estimated Annual City Costs from the Development

The City can expect the following estimated annual costs from the development:

Estimated Total Annual City Costs from the Development	
Costs of general funds services	\$474,191
Costs of utility services	\$741,375
Debt service costs for utility district bonds	\$895,381
Total annual costs	\$2,110,947

Summary of the City's Estimated Annual Revenues and Costs of Annexing Columbia Lakes

If the City annexes Columbia Lakes and provides all public services and assumes debt of Varner Creek Utility District, the City's annual costs will exceed revenues from the development, as shown below.

City's Excess Annual Costs After Annexing the the Development	
City revenues	\$1,860,545
City costs	\$2,110,947
Excess city costs	(\$250,402)

Details of this analysis are on the following pages.

The Full Report

Introduction

This report presents the results of an economic analysis performed by Impact DataSource, Austin, Texas. The analysis was to determine the fiscal impact on the City of West Columbia of the possible annexation of Columbia Lakes.

Description of Columbia Lakes

Columbia Lakes is a residential community adjoining the city of West Columbia, Texas. The 40-year old development includes a conference center and golf course.

There are about 1,289 residential properties in the development on the Brazoria Central Appraisal District's tax rolls. Property in the development had an appraised value in 2011 of \$107,333,115.

There are an estimated 588 households in the development and 674 utility customers.

In addition, there is \$9,810,000 in bonds owed by Varner Creek Utility District that serves the development and installed utility infrastructure. These bonds will fully mature on December 31, 2029.

Possible Types of Additional Revenues and Costs for the City

If annexed by the City of West Columbia, the City will receive revenues from the following taxes and other revenues from the development:

- Property taxes,
- Sales taxes collected from the resort,
- Hotel occupancy taxes collected from the resort,
- Revenues from water, wastewater and solid waste services provided to residences and other users in the development,
- Utility franchise fees, and
- Other taxes, user fees and charges for services, similar to those collected from current city residences and businesses.

However, the City will incur the following costs:

- General fund costs similar to those incurred for current city residences and businesses,
- Costs of maintaining water and wastewater infrastructure and providing utility services to the development, and

- Paying debt service on Varner Creek Utility District bonds that funded utility infrastructure for the development.

Each of these revenues and costs are discussed below. In addition, the estimated net benefits for the City or net loss that it will incur by a possible annexation of the development is calculated.

Property Tax Collections

The estimated appraised value of property in the development on tax rolls shown below. From this property, if annexed, the City will collect the following property taxes:

Annual City Property Taxes to be Collected from the Development	
Estimated value of property on tax rolls	\$107,333,115
City's property tax rate per \$100 of valuation	\$0.8319
Annual property taxes that will be collected	\$892,904

Sales Tax Collections

The City will collect sales taxes on taxable sales at the resort. If estimated annual taxable sales are \$1.5 million, the City will collect the following sales taxes from the development:

Annual City Sales Taxes to be Collected from the Development	
Estimated annual taxable sales	\$1,500,000
City's sale tax rate	1.5%
Annual sales taxes that will be collected	\$22,500

Hotel Occupancy Tax Collections

The City will collect hotel occupancy taxes on lodging sales at the resort. According to the Texas Comptroller of Public Accounts, Columbia Lakes Resort and Conference Center had the following taxable hotel receipts over the latest twelve month period:

Annual Lodging Sales in the Development	
Fourth quarter 2011	\$104,637
First quarter 2012	\$88,156
Second quarter 2012	\$103,342
Third quarter 2013	\$73,732
Total	\$369,867

Therefore, the City will collect the following hotel occupancy taxes from the development:

Annual Hotel Occupancy Taxes to be Collected from the Development	
Estimated annual lodging sales	\$369,867
City's hotel occupancy tax rate	7.0%
Annual hotel occupancy taxes that will be collected	\$25,891

Utility Revenues

If the City collects utility revenues from the development based on current City billing rates, the City will receive the following utility revenues from the development:

Annual Utility Revenues from the Development	
Residential:	
Average monthly residential water bill	\$38.28
Average monthly residential wastewater bill	\$34.18
Average monthly residential solid waste bill	\$16.75
Total monthly average residential utility bills	\$89.21
Total annual average residential utility bills	\$1,070.52
Estimated number of residential customers in the development	588
Estimated annual residential utility billings	\$629,466
Commercial:	
Average monthly commercial water bill	\$10,000
Average monthly commercial wastewater bill	\$400
Average monthly commercial solid waste bill	\$1,500
Total monthly average commercial utility bills	\$11,900
Total annual average commercial utility bills	\$142,800
Total annual utility revenues	\$772,266

Utility Franchise Fees

The city may collect the following annual utility franchise fees from the development:

Annual Utility Franchise Fees to be Collected from the Development	
Residential:	
Average monthly residential electricity bill	\$85.00
Average monthly residential natural gas bill	\$45.00
Average monthly residential cable bill	\$40.00
Average number of telephone lines per household	1
Commercial:	
Average monthly electricity bill	\$20,000
Average monthly natural gas bill	\$3,500
Average monthly cable bill	\$2,000
Estimated number of telephone lines	50
Estimated City utility franchise fee rates:	
Electricity	4%
Natural gas	5%
Cable	5%
Telephone monthly line access charge:	
Residential	\$0.45
Commercial	\$0.45
Total annual utility franchise fees:	
Residential:	
Number of households	588
Electricity	\$23,990.40
Natural gas	\$15,876.00
Cable	\$14,112.00
Telephone	\$3,175.20
Subtotal residential	\$57,153.60
Commercial:	
Electricity	\$9,600
Natural gas	\$2,100
Cable	\$1,200
Telephone	\$270
Subtotal commercial	\$13,170
Total annual residential and commercial franchise fees	\$70,323.60

Other Taxes, User Fees and Charges for Services

In addition to property, sales, hotel occupancy taxes, utility revenues and utility franchise fees, the City will collect other taxes, user fees and charges for services, similar to those collected from current city residents.

Annual Other Taxes, User Fees and Charges for Services to be Collected	
Total annual city general fund revenues, newly adopted budget for 2012/13	\$2,304,135
Less sales, property, and hotel taxes, utility franchise fees and utilities	\$2,080,634
Miscellaneous city revenues	\$223,501
Percent of these revenues from residences	70%
Number of households in the city	1200
Annual miscellaneous revenues collected from each household and likely to be collected from each household in Columbia Lakes	\$130.38

If this is that case, the following other taxes, user fees and charges for services will be collected each year from the development:

Annual Other Taxes, User Fees and Charges for Services to be Collected from the Development	
Estimated other taxes, user fees and charges for services to be collected from each household	\$130
Number of households in the development	588
Annual other taxes, etc. to be collected	\$76,661

Total Estimated Annual City Revenues from the Development

The City can expect the following estimated annual revenues from the development:

Estimated Total Annual City Revenues from the Development	
Property taxes	\$892,904
Sales taxes	\$22,500
Hotel occupancy taxes	\$25,891
Utility revenues	\$772,266
Utility franchise fees	\$70,324
Other taxes, user fees and charges for services	\$76,661
Total annual revenues	\$1,860,545

Costs of General Funds Services to be Provided to the Development

Once annexed, the City may provide general fund public services to the development, similar to the services that it provides to existing residents. The City's estimated annual costs of providing services to existing residents is shown below:

The City's Annual Cost of Providing Services to Existing City Residents	
Total annual general fund expenditures, newly adopted budget for 2012/13	\$2,304,135
Percent of expenditures that are variable	60%
Variable expenditures	\$1,382,481
Percent of these expenditures for residences	70%
Number of households in the city	1200
Annual variable cost for the city to provide general funds services for each household and likely to be its variable costs for each household in Columbia Lakes	\$806.45

If this is the case, the City may incur the following additional cost:

The City's Annual Cost of Providing Services to the Development to be Collected from the Development	
Estimated cost of general fund services to each household in the development	\$806.45
Number of households	588
Estimated annual cost of providing general fund services to the development	\$474,191

Costs of Utility Services to be Provided to the Development

The City's estimated cost of provided utility services to its existing customers is an estimated 96% of utility billings. If this same cost is incurred as it provides utility services to the development, the City's estimated annual cost of provided utility services to the development will be as follows:

Annual City Utility Costs for the Development	
Estimated annual City utility revenues, discussed above	\$772,266
Estimated costs, as a percent of utility billings	96%
Estimated City utility costs for the development	\$741,375

Debt Service Costs on Bonds that Funded Utility Infrastructure

According to Varner Creek Utility District's annual financial report for the year ending December 31, 2011, \$9,810,000 in bonds issued by the district for utility infrastructure were outstanding and the bonds fully mature on December 31, 2029. The annual debt service cost is \$895,381.

If the City annexes the development, it will likely assume this debt and make these debt service payments.

Total Estimated Annual City Costs from the Development

The City can expect the following estimated annual costs from the development:

Estimated Total Annual City Costs from the Development	
Costs of general funds services	\$474,191
Costs of utility services	\$741,375
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Total annual costs	\$2,110,947

Summary of the City's Estimated Annual Revenues and Costs of Annexing Columbia Lakes

If the City annexes Columbia Lakes and provides all public services and assumes debt of Varner Creak Utility District, the City's annual costs will exceed revenues that it receives from the development, as shown below:

City's Excess Annual Costs After Annexing the the Development	
City revenues	\$1,860,545
City costs	\$2,110,947
Excess city costs	(\$250,402)

Conduct of the Analysis

This analysis was conducted by Impact DataSource using data and information supplied by the City of West Columbia and the result of other Impact DataSource research. In addition, Impact DataSource used some estimates and assumptions.

Using this data, Impact DataSource calculated the annual revenues and costs and resulting excess costs that the City may incur each year if it annexes Columbia Lakes.

Impact DataSource is a nineteen-year-old Austin economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and 25 other states. In addition, the firm has developed economic impact analysis computer programs for several clients, including the Economic Development Alliance for Brazoria County.

The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.