

## **APPENDIX B**

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### **Fiscal Analysis of Alternatives**

bae urban economics

General Plan Alternatives Fiscal Impact Analysis

Prepared for the City of Manteca

October 18, 2018

# bae urban economics

October 18, 2018

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Dear Beth:

Attached, please find the Draft Fiscal Impact Analysis for the Manteca General Plan Alternatives. This analysis incorporates the buildout assumptions that De Novo provided to BAE on September 18, 2018. Matt Fairris and I are available to discuss the analysis by phone if you have any questions or comments.

Sincerely,



Matt Kowta  
Managing Principal

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# EXECUTIVE SUMMARY

BAE conducted the following fiscal impact analysis for three land use alternatives developed as part of the Manteca General Plan Update. The results of the fiscal impact analysis are intended to assist the City in selecting and refining the preferred land use alternative that will form the basis for the General Plan Update. The fiscal analysis is focused on the City of Manteca General Fund, including the flow of revenues from the projected increase in residents and businesses, as well as the expenditures associated with the expanding service population.

## *Land Use Scenarios*

Each of the three land use alternatives would accommodate significant increases in the supply of residential units and non-residential square footage. As seen in Table ES-1, Alternative A includes an increase of roughly 37,000 net new housing units, 13.1 million square feet of commercial space, 5.9 million square feet of office space, and 18.1 million square feet of industrial space. Alternative B would accommodate similar growth, with 38,000 new housing units, 14.6 million square feet of commercial space, 4.2 million square feet of office space, and 16.7 million square feet of industrial space. Alternative C, which is consistent with the City’s existing General Plan, would also envision substantial growth, but at a reduced level compared to Alternatives A and B. This would include nearly 28,000 net new housing units, 12 million square feet of commercial space, 1.8 million square feet of office space, and 15.9 million square feet of industrial space.

**Table ES-1: Net New Development by Land Use Alternative**

<b>Residential</b>	<b>Net New Residential Units</b>		
	<b>Alternative A</b>	<b>Alternative B</b>	<b>Alternative C</b>
Single-Family Units	28,550	28,460	21,193
Multifamily Units	8,327	9,867	6,716

<b>Non-Residential</b>	<b>Net New Non-Residential Square Footage</b>		
	<b>Alternative A</b>	<b>Alternative B</b>	<b>Alternative C</b>
Commercial	13,087,473	14,591,422	12,043,199
Office	5,885,005	4,181,583	1,845,743
Industrial	18,098,037	16,722,261	15,894,136
Other (a)	-125,636	-62,704	-1,250

Note:

(a) Other land uses include Agriculture, Government, Institutional, Religious, Utilities, and All Other land use categories.

Sources: City of Manteca; De Novo Planning Group, 2018.

### ***Net Fiscal Impact Summary***

Based on the projected increases in revenues and expenditures, using a methodology developed in consultation with City staff, the fiscal model projects substantial net annual General Fund fiscal surpluses for each land use alternative. As seen below in Table ES-2, Alternative A could be expected to yield an increase in annual General fund revenues of nearly \$90.5 million at buildout. Based on the same projected growth, the fiscal model projects annual citywide General Fund expenditures would increase by nearly \$59.9 million, for an annual net fiscal surplus of approximately \$30.6 million. The City could expect buildout of Alternative B to generate similar General Fund impacts, with an increase in annual revenue of roughly \$91.6 million and an increase in annual expenditures of \$60.9 million, for a net annual fiscal surplus of approximately \$30.7 million. Alternative C, by contrast, could produce more modest increases in both revenues and expenditures. As seen below, buildout under Alternative C would generate an annual General Fund revenue increase of roughly \$70.0 million and an expenditure increase of nearly \$44.1 million. Though still substantial, at \$25.9 million, the projected net annual fiscal surplus is reduced as compared to Alternatives A and B.

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**Table ES-2: Fiscal Impact Summary by Land Use Alternative**

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<b>General Fund Impact</b>	<b>Land Use Alternative</b>		
	<b>Alternative A</b>	<b>Alternative B</b>	<b>Alternative C</b>
Revenues	\$90,482,579	\$91,640,749	\$69,963,341
Expenditures	\$59,880,562	\$60,902,617	\$44,103,231
<b>Net Annual Fiscal Surplus</b>	<b>\$30,602,017</b>	<b>\$30,738,132</b>	<b>\$25,860,110</b>
20% Increase in Expenditures	-\$11,976,112	-\$12,180,523	-\$8,820,646
Capital Facilities Reserve Transfers Out (a)	-\$997,121	-\$1,012,623	-\$749,086
<b>Adjusted Annual Fiscal Surplus</b>	<b>\$17,628,784</b>	<b>\$17,544,985</b>	<b>\$16,290,378</b>

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Note:

(a) Based on the 3-year average transfer out of the General Fund to the Capital Facilities Reserve, projected based on the increased service population for each alternative.

Sources: City of Manteca; De Novo Planning Group; BAE, 2018.

To account for existing service deficiencies and/or future service enhancements as well as potential increases in capital facility reserve contributions from the General Fund, BAE also projected the fiscal impacts based on a 20 percent increase in expenditures across all departments, as well as an annual capital facilities reserve transfer. As seen the lower part of Table ES-2, the 20 percent increase in expenditures reduces the projected fiscal surplus substantially across all land use alternatives. For both Alternatives A and B, General Fund expenditures increase further by roughly \$12 million annually, while Alternative C factors in an additional \$8.8 million in General Fund expenditures. Similarly, while transfers to the capital facilities reserve have varied in the past, BAE estimated the average transfer out from the General Fund based the previous three City budgets and projected the additional capital facilities reserve contribution proportionate to the increase in service population. This increased contribution to the capital reserve fund would help ensure the City has sufficient

capital to finance major capital expenditures, such as expansion or construction of police and fire stations. Based on these assumptions, the projected annual fiscal surpluses would decline by roughly \$1 million under Alternative A and B and approximately \$750,000 under Alternative C. Even after accounting for these adjustments, all three land use alternatives yield fiscal surpluses.

***Fiscal Impact Conclusion***

The fiscal analysis indicates that the Manteca General Fund would benefit from the continued expansion of the City's residential and non-residential land use sectors, under any of the three land use alternatives. A series of sensitivity analyses for key variables found that even with conservative estimates of reduced residential property values or severely reduced non-residential development, the City would still expect fiscal surpluses at buildout, albeit reduced from the baseline modeling assumptions. Similarly, modifying assumptions to incorporate additional costs associated with enhancing service levels from those reflected in the current City budget also continued to produce projections of net annual fiscal surpluses. These results indicate that if the City continues to grow and realizes economies of scale and other efficiencies of service provision that are embedded in the fiscal model, projected fiscal surpluses could provide the City with new financial resources that could be used to enhance service and/or make other strategic investments in the community. As noted at the end of the report, however, the City must continue to track retail sales given the changing landscape of the retail sector. Given the General Fund's reliance on local sales tax revenue, reductions in the per capita capture rate for local and regional taxable retail spending could pose challenges to the City's fiscal sustainability.



# INTRODUCTION

In order to assist the City of Manteca in selecting a preferred General Plan Land Use scenario, BAE conducted the following fiscal impact analysis to project the changes in General Fund revenues and expenditures at build out of each of the three General Plan land use alternatives.

## ***Land Use Alternative Scenarios***

De Novo Planning Group furnished BAE with assumptions regarding the quantities of net new residential and non-residential development that could be expected by buildout of each of the land use alternatives. As outlined in Table 1 below each alternative envisions a substantial increase in the City's total residential and non-residential development.

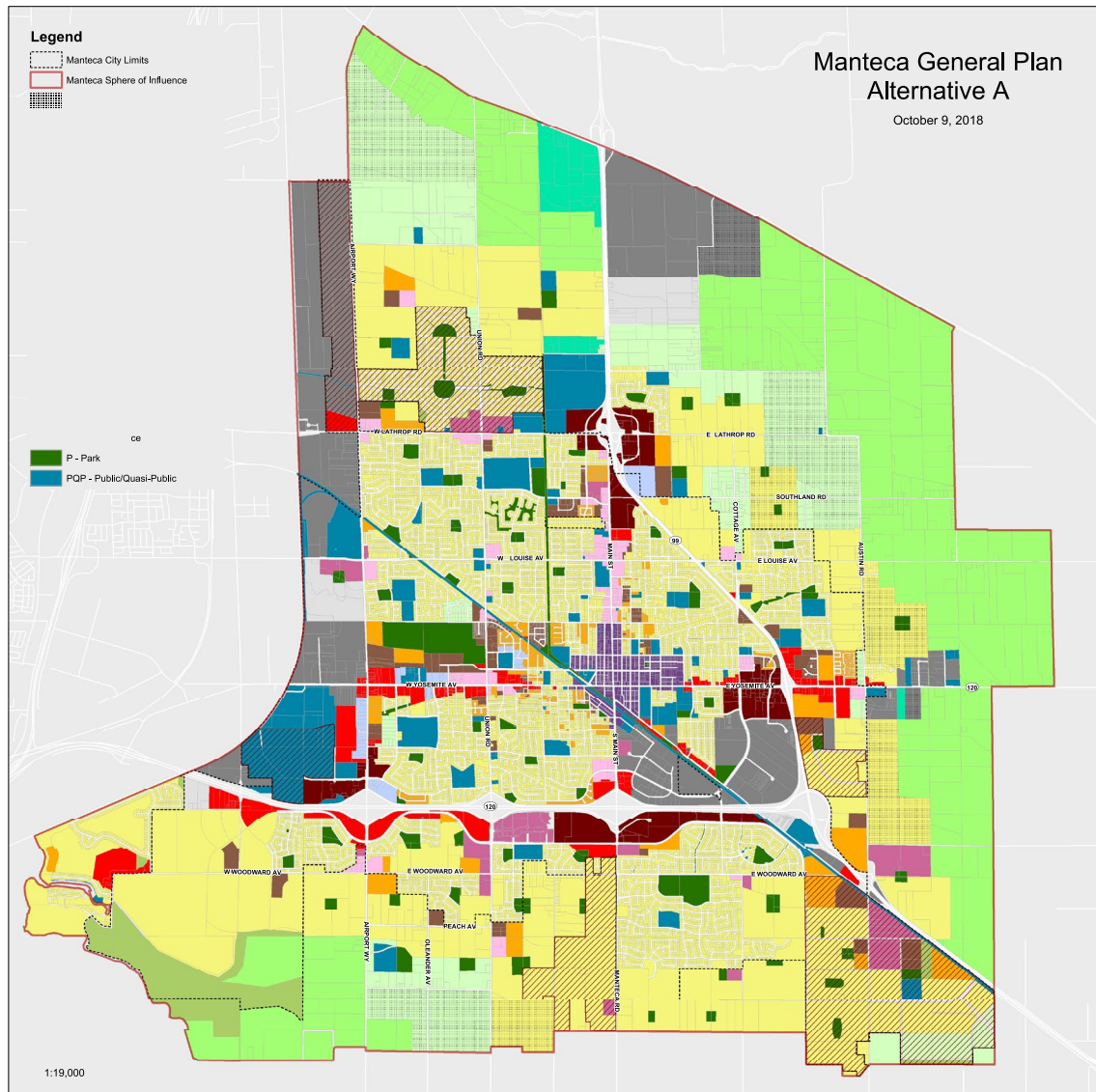
As seen in the table, Alternative A anticipates a total of roughly 29,250 total new single-family residential units (28,550 net new units) and 8,410 new multifamily residential units (8,327 net new units). Alternative A also includes 13.3 million square feet of commercial space (13.1 million net new square footage), 5.9 million square feet of office space, and 18.1 million square feet of industrial space.

Alternative B includes a more housing-focused buildout, with a minor reduction in non-residential square footage. Based on the De Novo projections, Alternative B provides for a gross increase of 29,100 single-family residential units (28,460 net new units) and approximately 9,950 multifamily units (9,870 net new units). This alternative includes an increase of 14.7 million gross square feet of commercial space (14.6 net new space), 4.2 million square feet of office inventory, and 16.7 million square feet of industrial space.

Alternative C, which represents the existing General Plan Land Use Map adopted in 2003, includes a modestly reduced buildout plan. Alternative C would still accommodate a significant increase in the number of residential units and the inventory of non-residential space. As seen in Table 1, Alternative C includes almost 21,750 gross new single-family residential units (21,200 net new units) and 6,800 new multifamily units (6,715 net new units). In addition to nearly doubling the number of residential units in the city, Alternative C anticipates approximately 12.1 million new square feet of commercial space (12.0 million net new square feet), 1.8 million square feet of office space, and 15.9 million square feet of industrial space.

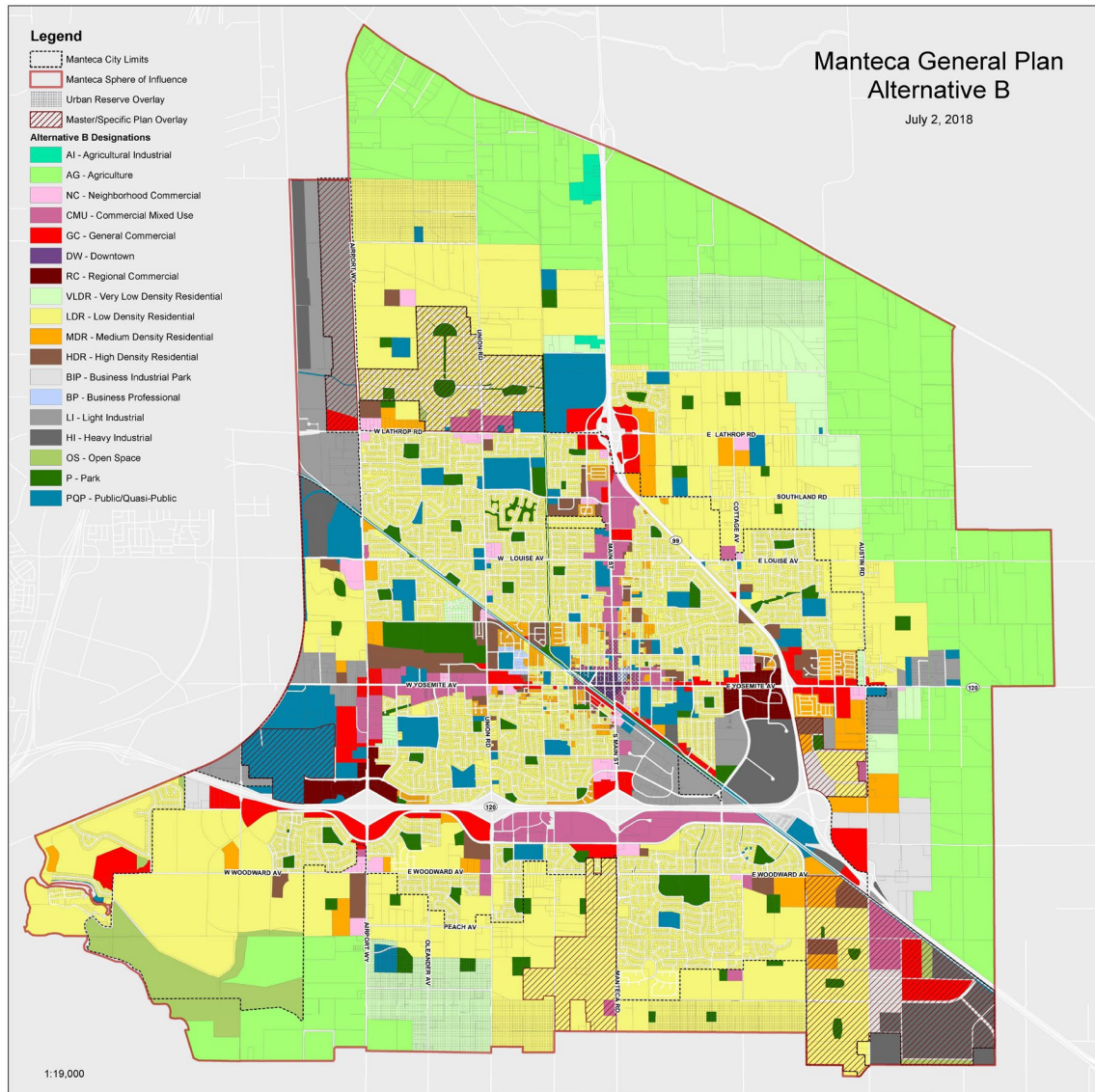
Figures 1 through 3, below, display geographic distribution of the projected growth, by land use category.

**Figure 1: Alternative A Land Use Plan**



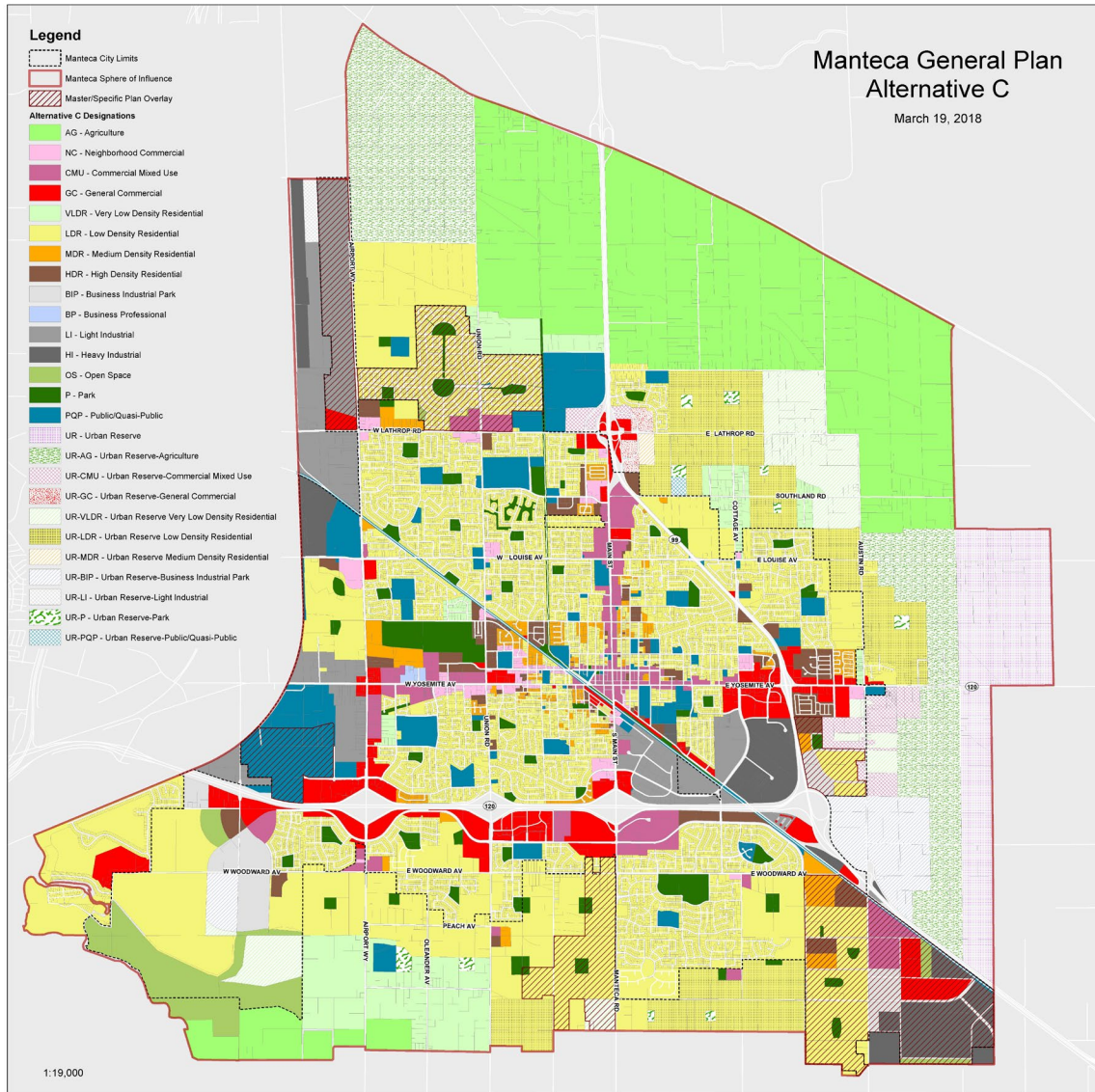
Sources: City of Manteca; De Novo, 2018.

**Figure 2: Alternative B Land Use Plan**



Sources: City of Manteca; De Novo, 2018.

**Figure 3: Alternative C Land Use Plan**



Sources: City of Manteca; De Novo, 2018.

**Table 1: Development Program by Alternative**

<b>Residential</b>	<b>Net New Residential Units</b>					
	Alternative A		Alternative B		Alternative C	
	Gross	Net New	Gross	Net New	Gross	Net New
Single-Family Units	29,247	28,550	29,094	28,460	21,747	21,193
Multifamily Units	8,410	8,327	9,947	9,867	6,796	6,716

<b>Non-Residential</b>	<b>Net New Non-Residential Square Footage</b>					
	Alternative A		Alternative B		Alternative C	
	Gross	Net New	Gross	Net New	Gross	Net New
Commercial	13,321,053	13,087,473	14,682,407	14,591,422	12,134,184	12,043,199
Office	5,885,005	5,885,005	4,181,583	4,181,583	1,845,743	1,845,743
Industrial	18,121,168	18,098,037	16,745,392	16,722,261	15,917,267	15,894,136
Other (a)	137,217	-125,636	137,217	-62,704	137,217	-1,250

Note:

(a) Other land uses include Agriculture, Government, Institutional, Religious, Utilities, and All Other land use categories.

Sources: City of Manteca; De Novo Planning Group, 2018.

### ***New Service Population***

To estimate the increase in service population in each alternative, De Novo and BAE applied average residential and employment densities to the projected increases in the different land use categories. As seen in Table 2, new single-family residential units are estimated to increase the population at a rate of 3.24 persons per household, while multifamily units are estimated to contain 2.78 persons per household. While these residential densities assume full occupancy across unit types, BAE also applied a vacancy rate adjustment of 3.4 percent when estimating the new service population. In terms of non-residential employment densities, commercial space is estimated to contain one employee per 490 square feet of space, with office and industrial employment densities at one employee per 333 and 1,000 square feet, respectively.

In total, Alternative A is projected to increase the population by almost 111,800, accompanied by an increase of almost 62,400 jobs. Alternative B would support a similar increase of residents and employees, or roughly 115,700 new residents and 59,000 new jobs. Alternative C, by contrast, would accommodate a comparatively more limited increase in service population, with approximately 84,500 new residents and 46,000 new jobs. While both residents and employees generate demand for services, BAE projects the increase in expenditures based on the new service population, which is defined as new residents plus one-half of the projected employees.<sup>1</sup> Alternative A and B yield similar increases in net service population, of roughly 145,000 new persons served, while Alternative C would support 107,500 new persons served.

<sup>1</sup> This definition of service population is commonly used in fiscal impact analysis and is meant to reflect the fact that people who work in the community typically generate reduced demand for municipal services as compared to residents.

**Table 2: New Service Population by Alternative**

<b>Land Use</b>	<b>Service Population Density</b>	<b>Net New Development (New Service Population)</b>		
		<b>Alt A</b>	<b>Alt B</b>	<b>Alt C</b>
<b>Single-Family Residential Units</b>		<b>28,550</b>	<b>28,460</b>	<b>21,193</b>
<i>New Residents</i>	<i>3.24 persons per hh</i>	<i>92,583</i>	<i>92,291</i>	<i>68,725</i>
<b>Multifamily Residential Units</b>		<b>8,327</b>	<b>9,867</b>	<b>6,716</b>
<i>New Residents</i>	<i>2.78 persons per hh</i>	<i>23,150</i>	<i>27,431</i>	<i>18,671</i>
<b>Commercial Sq Ft</b>		<b>13,087,473</b>	<b>14,591,422</b>	<b>12,043,199</b>
<i>New Employees</i>	<i>490 sq. ft. per employee</i>	<i>26,733</i>	<i>29,900</i>	<i>24,535</i>
<b>Office Sq Ft</b>		<b>5,885,005</b>	<b>4,181,583</b>	<b>1,845,743</b>
<i>New Employees</i>	<i>333 sq. ft. per employee</i>	<i>17,673</i>	<i>12,557</i>	<i>5,543</i>
<b>Industrial Sq Ft</b>		<b>18,098,037</b>	<b>16,722,261</b>	<b>15,894,136</b>
<i>New Employees</i>	<i>1,000 sq. ft. per employee</i>	<i>18,098</i>	<i>16,722</i>	<i>15,894</i>
<b>Other Sq Ft</b>		<b>-125,636</b>	<b>-62,704</b>	<b>-1,250</b>
<i>New Employees (a)</i>	<i>650-1,000 sq. ft. per employee</i>	<i>-71</i>	<i>-8</i>	<i>56 (b)</i>
<b>New Service Population</b>				
Residents		115,732	119,722	87,396
<i>Vacancy Adjustment</i>	<i>3.4% Vacancy Rate (c)</i>	<i>-3,905</i>	<i>-4,040</i>	<i>-2,949</i>
Adjusted New Residents		111,827	115,682	84,447
New Employees		62,433	59,171	46,028
<b>Service Population (d)</b>		<b>143,044</b>	<b>145,267</b>	<b>107,461</b>

## Notes:

(a) Varies by alternative and mix of "other" land use designations.

(b) Job count increases despite a net loss in square footage due to the employment densities of the land use mix included in the "other" category.

(c) Based on the 2016 City of Manteca residential vacancy rate, as reported by the U.S. Census Bureau.

(d) Defined as new residents plus one-half of the new employees.

Sources: City of Manteca; De Novo Planning Group; U.S. Census Bureau; BAE, 2018.

# GENERAL FUND FISCAL IMPACTS

## Methodology

De Novo furnished BAE with parcel-level buildout estimates, to identify the location of the anticipated new development under each land use alternative. In addition to the land use assumptions, the databases contained County Assessor's information, including data regarding existing development and assessed values. BAE utilized this information to calculate the net new development and increase in service population associated with each alternative. After estimating the net increase in service population, BAE then projected the increase in General Fund revenue generated by the new residents and jobs, including property tax and sales tax, among others. In addition to estimating revenues, the analysis also projects increased General Fund service costs, including expenditures for police, fire, and the remaining General Fund departments. By aligning the projected increases in revenues and expenditures associated with each alternative, the following analysis presents each alternative's estimated net fiscal impact. This assessment can help the City better understand the fiscal implications of the land use alternatives, to assist in refining the preferred land use plan for the General Plan Update.

## Projected Revenues

The following section estimates the increase in revenue associated with the new residential and non-residential development included in each land use alternative.

### *Property Tax and ILVLF Revenue*

As the largest source of General Fund revenue for the City of Manteca, property tax is levied on residential and non-residential properties based on their assessed value. To estimate the net change in assessed value, BAE first compiled recent sales of newly developed residential and non-residential properties. Based on this research, BAE estimates the value of single-family residential and multifamily units are roughly \$474,000 and \$217,000, respectively. Non-residential uses, including commercial, office, and industrial, are valued at approximately \$300, \$190, and \$85 per square foot, respectively. Based on these estimates, the total assessed valuation of the gross new development for Alternatives A and B amount to nearly \$23 billion each. After subtracting the existing valuation on the parcels that are expected to redevelop (roughly \$450 million of existing valuation that would be replaced by new development), the net new assessed valuation amounts to roughly \$22 billion in both Alternative A and B. For Alternative C, the net new valuation would be \$16.7 billion.

Based on the parcel-level property tax allocation factors that dictate the share of the property taxes that will accrue to various governmental entities, all three alternatives result in an average of roughly ten percent of the total ad-valorem property tax being allocated to the City's General Fund. Parcels already located in the city tend to yield higher Manteca General Fund property tax shares compared to those that require annexation. Alternatives A and B would

generate roughly \$21.9 and \$22.1 million in new annual property tax revenue, respectively, by buildout. Because of the reduced buildout estimates in Alternative C, the total new assessed valuation amounts to almost \$16.7 billion, generating \$17.4 million in new annual property taxes to the City by buildout.

In addition to the secured property tax revenue, the City also collects property taxes on unsecured property. In order to estimate the revenue generated by unsecured property, BAE calculated the existing citywide unsecured property valuation as a percent of the secured property value, which amounts to roughly three percent. This yields an additional \$482,000 to \$593,000 in annual unsecured property tax revenue to the city by buildout, depending on the alternative.

The City also receives property tax in-lieu of vehicle license fee (ILVLF) revenue. Based on the existing allocation of ILVLF revenue, equal to roughly 0.1 percent of the total citywide assessed value, the City can anticipate approximately \$21 million in new annual ILVLF revenue by buildout under Alternatives A and B, and roughly \$16 million under Alternative C.

In total, as summarized in Table 3, Alternative A would yield nearly \$42.5 million in new annual property-related revenue to the City's General Fund by buildout. Alternative B results in a similar increase in revenue, of approximately \$43.2 million in annual revenue to the City. Lastly, the reduced buildout of Alternative C would generate nearly \$34 million in annual General Fund revenue.



**Table 3: Property Tax and ILVLF Revenue by Alternative**

<b>Secured Property Tax Revenue</b>	<b>Estimated Value</b>	<b>Gross New Assessed Value</b>		
		<b>Alt A</b>	<b>Alt B</b>	<b>Alt C</b>
Single-Family Residential	\$474,000 per unit	\$13,863,078,000	\$13,790,556,000	\$10,308,078,000
Multifamily Residential	\$217,000 per unit	\$1,824,970,000	\$2,158,499,000	\$1,474,732,000
Commercial	\$300 per sq. ft.	\$3,996,315,900	\$4,404,722,100	\$3,640,255,200
Office	\$190 per sq. ft.	\$1,118,150,950	\$794,500,770	\$350,691,170
Industrial	\$85 per sq. ft.	\$1,540,299,280	\$1,423,358,320	\$1,352,967,695
Other	\$100 per sq. ft.	\$13,721,700	\$13,721,700	\$13,721,700
<b>Total New Assessed Valuation</b>		<b>\$22,356,535,830</b>	<b>\$22,585,357,890</b>	<b>\$17,140,445,765</b>
Existing Assessed Valuation		\$468,755,471	\$450,290,341	\$409,192,196
<b>Net New Assessed Valuation</b>		<b>\$21,887,780,359</b>	<b>\$22,135,067,549</b>	<b>\$16,731,253,569</b>
Property Tax Allocation to City (a)		9.6%	9.7%	10.4%
<b>Net Ad-Valorem Property Tax Increase</b>		<b>\$20,903,568</b>	<b>\$21,425,704</b>	<b>\$17,435,009</b>
<b>Unsecured Property Tax Revenue</b>				
Unsecured Property Tax as % of Secured		3%	3%	3%
Unsecured Property Tax Revenue		\$578,338	\$592,784	\$482,374
<b>Property Tax In-Lieu of Vehicle License Fees</b>				
2017/2018 Net Citywide AV		\$6,551,894,000	\$6,551,894,000	\$6,551,894,000
2017/2018 City ILVLF		\$6,275,700	\$6,275,700	\$6,275,700
ILVLF as % of Net AV		0.10%	0.10%	0.10%
<b>Estimated New City ILVLF</b>		<b>\$20,965,104</b>	<b>\$21,201,966</b>	<b>\$16,025,950</b>
<b>TOTAL NEW PROPERTY TAX AND ILVLF REVENUE</b>		<b>\$42,447,010</b>	<b>\$43,220,454</b>	<b>\$33,943,333</b>

Note:

(a) Based on the parcel-level property tax allocation factors. Includes annexation areas based on the Revenue Sharing Agreement between the City of Manteca and San Joaquin County (20%/80% revenue split).

Sources: City of Manteca; De Novo Planning Group; BAE, 2018.

### **Sales Tax**

As a result of new residents and employees, the City of Manteca could expect a substantial growth in taxable retail sales, due to increases in local demand. Based on data from the California State Board of Equalization, the City of Manteca currently sees approximately \$9,865 in local taxable retail and food sales per resident, as well as \$10,661 in non-retail taxable sales per employee, which include business to business transactions and other non-store sales. Based on the new residents and employees in the three land use alternatives, the City of Manteca could anticipate between \$1.3 and \$1.8 billion in new annual taxable sales. Of the total citywide increase in taxable sales, Manteca receives 1.0 percent, which amounts to nearly \$18 million in revenue under Alternatives A and B, and \$13.2 million under Alternative C. In addition, based on the voter-approved Measure M, the City receives an additional 0.5 percent of all taxable sales, resulting in an additional \$6.6 to \$8.9 million of additional annual General Fund revenue at buildout, depending on the land use alternative. Lastly, the State of California redistributes additional sales tax revenue to jurisdictions to support public safety, including police and fire service. Based on the existing citywide revenue per service population, the City will likely receive between \$380,000 and \$515,000 annually by buildout, depending on the alternative.

In total, this amounts to an increase in annual sales tax revenue of \$27.0 million for both Alternatives A and B, and \$20.2 million for Alternative C. These calculations are shown in Table 4.

**Table 4: Sales Tax Revenue by Alternative**

Spending Type	Estimated Taxable Sales	New Development (New Taxable Sales)		
		Alt A	Alt B	Alt C
New Residents		111,827	115,682	84,447
<i>New Taxable Sales</i>	<i>\$9,865 per resident (a)</i>	\$1,103,231,132	\$1,141,260,978	\$833,113,512
New Employees		62,433	59,171	46,028
<i>New Taxable Sales</i>	<i>\$10,661 per employee (b)</i>	\$665,614,338	\$630,836,953	\$490,719,652
<b>Total Taxable Sales</b>		<b>\$1,768,845,470</b>	<b>\$1,772,097,931</b>	<b>\$1,323,833,164</b>
City Share of Sales Tax				
Base Bradley Burns Sales Tax	1.0% of taxable sales	\$17,688,455	\$17,720,979	\$13,238,332
Measure M Public Safety Tax	0.5% of taxable sales	\$8,844,227	\$8,860,490	\$6,619,166
Public Safety Sales Tax (Prop. 172)	\$3.55 per person served	\$507,271	\$515,157	\$381,086
<b>TOTAL SALES TAX REVENUE</b>		<b>\$27,039,953</b>	<b>\$27,096,626</b>	<b>\$20,238,584</b>

Notes:

(a) Based on 2016 City of Manteca per capita taxable retail sales.

(b) Based on 2016 City of Manteca non-retail sales per employee.

Sources: City of Manteca; State Board of Equalization; De Novo Planning Group; BAE, 2018.

### ***Real Estate Transfer Tax***

The City receives a portion of the property transfer tax collected at the sale of a residential or non-residential property. Currently, a transfer of ownership results in a tax of \$1.10 per \$1,000 of the value of the property. San Joaquin County receives half of this revenue, with the remainder allocated to the City of Manteca. At buildout, this would generate an additional \$1.4 million in revenue annually under Alternative A and B, and approximately \$1.1 million under Alternative C, as shown in Table 5.

**Table 5: Real Estate Transfer Tax Revenue by Alternative**

Use Type	Assumed Turnover Rate	Net New Assessed Value (Value of Turnover)		
		Alt A	Alt B	Alt C
Single-Family Units AV		\$13,532,700,000	\$13,490,040,000	\$10,045,482,000
Value of Turnover	7 years	\$1,933,242,857	\$1,927,148,571	\$1,435,068,857
Multifamily Units AV		\$1,806,959,000	\$2,141,139,000	\$1,457,372,000
Value of Turnover	7 years	\$258,137,000	\$305,877,000	\$208,196,000
Retail (Sq. Ft.) AV		\$3,926,241,900	\$4,377,426,600	\$3,612,959,700
Value of Turnover	20 years	\$196,312,095	\$218,871,330	\$180,647,985
Office (Sq. Ft.) AV		\$1,118,150,950	\$794,500,770	\$350,691,170
Value of Turnover	20 years	\$55,907,548	\$39,725,039	\$17,534,559
Industrial (Sq. Ft.) AV		\$1,538,333,145	\$1,421,392,185	\$1,351,001,560
Value of Turnover	20 years	\$76,916,657	\$71,069,609	\$67,550,078
<b>Total Average Turnover Per Year</b>				
Property Transfer Tax Rate (per \$1,000)		\$1.10	\$1.10	\$1.10
Share to City		50%	50%	50%
<b>Property Transfer Tax Revenues to City</b>		<b>\$1,386,284</b>	<b>\$1,409,480</b>	<b>\$1,049,949</b>

Sources: De Novo Planning Group; BAE, 2018.

### Remaining General Fund Revenues

The remaining sources of General Fund revenue are projected to increase based on the City's existing average revenues per service. These revenue items include charges for services, franchise fees, transient occupancy tax, licenses and permits, and all other miscellaneous revenue. As shown in Table 6, the revenues generated per service population range from \$10 to \$65 annually. Based on the estimated new service population for each land use alternative, both Alternative A and B will yield nearly \$20 million in new annual revenues, while Alternative C could be expected to generate approximately \$14.7 million. Across all sources covered in Table 6, charges for services, including parks and recreation charges and general government support services, account for the most substantial increase.

**Table 6: Remaining General Fund Revenues by Alternative**

Revenue Source	Revenue Generation (a)	New Revenue Generation (b)		
		Alt A	Alt B	Alt C
Charges for Services	\$64.56 per person served	\$9,235,253	\$9,378,829	\$6,937,968
Franchise Fees	\$20.24 per person served	\$2,895,294	\$2,940,306	\$2,175,085
Transient Occupancy Tax	\$13.47 per person served	\$1,926,094	\$1,956,038	\$1,446,974
License and Permits	\$10.53 per person served	\$1,506,780	\$1,530,205	\$1,131,966
Other Misc. Revenue	\$28.28 per person served	\$4,045,911	\$4,108,811	\$3,039,484
<b>Total, Other Revenue</b>		<b>\$19,609,332</b>	<b>\$19,914,188</b>	<b>\$14,731,476</b>

Note:

(a) Service Population includes all existing Manteca residents and half of the employment.

2018 Population	81,345
2018 Jobs	17,034
<b>Service Population</b>	<b>89,862</b>

(b) Based on new service population for each alternative.

Sources: City of Manteca; De Novo Planning Group; BAE, 2018.

## Projected Service Costs

### *Police Service*

Based on discussions with Manteca Police Department representatives, law enforcement expenditures associated with the anticipated growth are projected to increase based on the existing average cost per service population. As shown in Table 7, police patrol accounts for the largest portion of the existing budget, at roughly \$11.6 million or \$130 per service population per year. Multiplying the existing average expenditure by the increased service population, Alternative A and B would increase the total Police Service expenditures by almost \$34 million per year at buildout, more than doubling the existing police budget. Alternative C would also require a substantial increase in the police budget, equating to an increase of roughly \$25 million annually by buildout.

According to the Police Department, Manteca is currently operating with a fairly lean budget and number of law enforcement staff. While the initial assessment of increased expenditures relies on the existing average annual per service population costs, police department staff noted that a 20 percent increase in expenditures would get the department to a more ideal capacity and BAE also tested the impact of assuming a higher per service population cost for expanded police services. Based on the stated 20 percent adjustment, the total police expenditures would increase to roughly \$40 million annually at buildout for Alternatives A and B, and roughly \$30 million under Alternative C.

It is worth noting that these annual General Fund expenditures do not include large one-time capital expenses. These types of expenditures will come out of capital improvement funds, rather than the General Fund. The City has contributed a marginal amount of excess revenue from the General Fund to the Capital Facilities Reserve in previous years. While the allocation amount has varied, BAE estimated the impacts of additional contributions to this reserve fund when testing the sensitivity of the fiscal impact conclusions. Based on the growing demand, the City will likely need to plan for an expansion of the police station, if not the development of an entirely new station, in order to accommodate the expected increase in police department staff. Adequate planning and preparation for this major expense will be necessary in order to ensure the City has adequate facilities to house the necessary police department expansion.

**Table 7: Police Service Expenditures by Alternative**

<b>Department</b>	<b>2018/2019</b>		<b>New Police Expenditures</b>		
	<b>Budget</b>	<b>Service Demand (a)</b>	<b>Alt A</b>	<b>Alt B</b>	<b>Alt C</b>
Administration	\$2,873,535	\$31.98 per person served	\$4,574,130	\$4,645,242	\$3,436,307
Patrol	\$11,638,370	\$129.51 per person served	\$18,526,108	\$18,814,124	\$13,917,706
Investigations	\$3,335,385	\$37.12 per person served	\$5,309,309	\$5,391,850	\$3,988,609
Support Services	\$630,510	\$7.02 per person served	\$1,003,654	\$1,019,257	\$753,993
Dispatch	\$1,455,805	\$16.20 per person served	\$2,317,369	\$2,353,396	\$1,740,920
Code Enforcement	\$297,820	\$3.31 per person served	\$474,074	\$481,444	\$356,147
Jail Services	\$266,725	\$2.97 per person served	\$424,576	\$431,177	\$318,962
Animal Services	\$437,130	\$4.86 per person served	\$695,829	\$706,647	\$522,740
<b>Total, All Departments</b>	<b>\$20,935,280</b>	<b>\$232.97 per person served</b>	<b>\$33,325,049</b>	<b>\$33,843,137</b>	<b>\$25,035,385</b>

Note:

(a) Service Population includes all existing Manteca residents and half of the employment.

2018 Population	81,345
2018 Jobs	17,034
<b>Service Population</b>	<b>89,862</b>

Sources: City of Manteca; De Novo Planning Group; BAE, 2018.

### ***Fire Service***

Based on the projected growth in service population associated with each of the alternative land use plans shown in Figures 1 through 3, the Manteca Fire Department indicated the need for two new fire stations and associated staff under both Alternative A and B, with the need for just one new fire station under Alternative C. Under both Alternative A and B, Fire Department staff noted the growth in the southwest and northeast of the City as the prime areas that would trigger the need for the new stations. With the lower amount of northeast expansion under Alternative C, Fire Department staff indicated a new station would only be required in the southwest in order to adequately serve the new population and maintain the required response times. As a result, Table 8 below outlines the increase in costs under the various scenarios. At the direction of Fire Department staff, this analysis assumes the new fire stations will operate with staffing and equipment similar to the existing Fire Station Number 4, which includes three shifts of fire staff, consisting of one captain, engineer, and firefighter for each shift. Given the need for two new stations under Alternative A and B, the increase in fire service costs are approximately twice the existing \$1.8 million annual operating budget for Fire Station #4, resulting in a total increase of roughly \$3.6 million annually. Under Alternative C, however, the increase in annual Fire Department costs amount to \$1.8 million due to the need for only one new station, in the southwest portion of the City.

Similar to the Police Department expenditures discussion above, the General Fund expenditures projected below do not account for large one-time capital expenses, including the fire station development costs.

**Table 8: Fire Service Expenditures by Alternative**

<b>Service Item</b>	<b>New Service Demand</b>		
	<b>Alt A</b>	<b>Alt B</b>	<b>Alt C</b>
<b>Fire Station</b>	<b>2</b>	<b>2</b>	<b>1</b>
<b>Staff</b>			
<i>Captain</i>	6	6	3
<i>Engineer</i>	6	6	3
<i>Firefighter</i>	6	6	3
<b>Expenditures</b>	<b>Alt A</b>	<b>Alt B</b>	<b>Alt C</b>
Captain	\$1,178,850	\$1,178,850	\$589,425
Engineer	\$955,110	\$955,110	\$477,555
Firefighter	\$1,123,200	\$1,123,200	\$561,600
Operational	\$374,400	\$374,400	\$187,200
<b>Total Expenditures</b>	<b>\$3,631,560</b>	<b>\$3,631,560</b>	<b>\$1,815,780</b>

Note:

(a) Assumes the following salaries and operating overhead.

<i>Captain</i>	\$226,350
<i>Engineer</i>	\$196,475
<i>Firefighter</i>	\$159,185
<i>Station Overhead</i>	\$187,200

Sources: City of Manteca Fire Department; City of Manteca Finance Department; BAE, 2018.

### ***Remaining General Fund Costs***

The remaining General Fund expenditure items are projected by applying the existing average expenditures per service population to the projected increases in service population under each of the three land use alternatives, with an adjustment for the fixed nature of some existing service expenditures. Table 9 below shows these calculations. Rather than applying the existing expenditures per person served to the projected population and employment growth, variability adjustments are made for each expenditure category. These variability factors estimate how much of the existing expenditures relate specifically to the service population and how these expenditures are projected to increase as the population increases. For example, expenditures associated with Legislation and Policy, including the City Council and City Clerk, do not increase in a linear fashion based on population growth. Rather, as the population and jobs base increases in the City, roughly 25 percent of the existing costs in this department will be expected to increase in response to growth in the City's service population. Conversely, as the City population grows, essentially 100 percent of the City's existing annual expenditures in the Parks, Recreation, and Community Services budget are expected to be variable in response to residential growth, due to the increased inventory of park space and demand for recreation activities and community services associated with a growing population.<sup>2</sup>

<sup>2</sup> Note that for this service category, this calculation is not based on service population, but on average expenditures per resident, as demand for Parks, Recreation, and Community Services is viewed as primarily driven by resident population, rather than by both residents and local employees.

Using this approach, Table 9 projects that Alternative A and B would increase the City's non-public safety General Fund expenditures by between \$23 and \$24 million annually at buildout. General Government expenditures would account for the largest share of these costs, at roughly \$11 million, followed by Parks, Recreation, and Community Services, with approximately \$8 million in annual expenditures. Under the same alternatives, Fiscal and Revenue Management costs are projected to increase by \$1.5 million, while annual transfers out of the General Fund, mainly to the Vehicle Fund, Equipment Fund, and Recreation Fund, will amount to just over \$1.3 million annually. Remaining costs include approximately annually \$630,000 for Public Utilities, \$160,000 for Roads, and \$700,000 for Animal Services. Alternative C, by comparison, follows a similar distribution of increased expenditures, though at a lower degree due to the lower population and job growth. For Alternative C, General Government expenditures are projected to increase by roughly \$8 million annually, with an additional \$5.9 million in Parks, Recreation, and Community Services. Alternative C also increases the Fiscal and Revenue Management budget by \$1.2 million, transfers out of the general fund by almost \$960,000, Public Utilities by \$540,000, Roads by almost \$120,000, and Animal Services by roughly \$520,000 annually. In total, the increased General Fund costs under Alternative C would amount to approximately \$17.3 million.

**Table 9: Other General Fund Expenditures**

Expenditure Item	2018/19		Variability Factor	New General Fund Expenditures		
	Budget	Service Demand (a)		Alt A	Alt B	Alt C
General Government	\$8,267,923	\$92.01 per person served	82%	\$10,737,953	\$10,904,890	\$8,066,868
<i>Legislation and Policy</i>	\$1,179,860	\$13.13 per person served	25%	\$469,529	\$476,829	\$352,733
<i>Legal Services</i>	\$254,500	\$2.83 per person served	75%	\$303,837	\$308,561	\$228,257
<i>City Administration</i>	\$1,162,385	\$12.94 per person served	75%	\$1,387,725	\$1,409,299	\$1,042,526
<i>Public Works Administration</i>	\$377,340	\$4.20 per person served	75%	\$450,491	\$457,495	\$338,431
<i>Human Resources</i>	\$754,936	\$8.40 per person served	75%	\$901,288	\$915,300	\$677,091
<i>Facilities Maintenance</i>	\$1,070,010	\$11.91 per person served	100%	\$1,703,256	\$1,729,735	\$1,279,568
<i>Fleet Maintenance</i>	\$788,175	\$8.77 per person served	100%	\$1,254,627	\$1,274,132	\$942,536
<i>Non Departmental</i>	\$2,680,717	\$29.83 per person served	100%	\$4,267,200	\$4,333,540	\$3,205,727
Fiscal & Revenue Management	\$1,288,500	\$14.34 per person served	75%	\$1,538,288	\$1,562,203	\$1,155,636
Parks, Rec, and Comm. Services	\$5,672,615	\$69.74 per resident	100%	\$7,798,299	\$8,067,116	\$5,888,945
Public Utilities	\$604,250	\$6.72 per person served	75%	\$721,390	\$732,605	\$541,943
Roads	\$99,725	\$1.11 per person served	100%	\$158,744	\$161,211	\$119,256
Animal Services	\$437,130	\$4.86 per person served	100%	\$695,829	\$706,647	\$522,740
Transfers Out (b)	\$800,000	\$8.90 per person served	100%	\$1,273,450	\$1,293,248	\$956,677
<b>Total, All Other Expenditures</b>				<b>\$22,923,952</b>	<b>\$23,427,921</b>	<b>\$17,252,066</b>

Note:

(a) Service Population includes all existing Manteca residents and half of the employment.

2018 Population	81,345
2018 Jobs	17,034
<b>Service Population</b>	<b>89,862</b>

(b) Based on annual transfers out to the Vehicle Fund, Equipment Fund, and Recreation Fund.

Sources: City of Manteca; De Novo Planning Group; BAE, 2018.

## Net Fiscal Impact

Based on the projected revenue and expenditures associated with the increase in residents, businesses, and employees within the City of Manteca, Table 10 below summarizes the net fiscal impact associated with buildout of each land use alternative. Summing all of the revenue items, including property tax, ILVLF revenue, property transfer tax, sales tax, and other remaining revenues, Alternative A yields an annual increase of roughly \$90.5 million of revenue to the City's General Fund at buildout. Alternative A generates an estimated increase in General Fund expenditures of nearly \$60 million annually at buildout, principally driven by the increase in Police Service and General Government expenditures. Subtracting increased expenditures from increased revenues, Alternative A yields a net annual fiscal surplus of nearly \$30.6 million at buildout.

Given the similar increase in service population and land use expansion, Alternative B results in a similar net fiscal impact. As seen in the table below, Alternative B yields nearly \$91.6 million in annual General Fund revenue at buildout, fairly evenly distributed between the various major revenue sources. Alternative B would generate an increase of nearly \$60.9 million in General Fund costs annually at buildout. Combined with the projected revenue increase, this would yield a net General Fund surplus of roughly \$30.8 million annually at buildout.

Compared to Alternatives A and B, buildout of Alternative C would generate notably lower increases in revenue and expenditures, though the results still suggest the General Fund revenue and expenditures would more than double. As seen below, Alternative C would yield roughly \$70 million in new annual General Fund revenues at buildout, equally distributed between the major revenue sources. Annual expenditures, by contrast, would be expected to increase by approximately \$44.1 million, driven predominantly by police service demand. This would generate a net annual fiscal surplus of roughly \$25.9 million to the General Fund at full buildout of Alternative C, somewhat lower than the \$31 million surpluses projected under both Alternative A and B.

Overall, the fiscal analysis suggests that the City of Manteca could benefit fiscally from continued residential and non-residential growth. It appears that these benefits would accrue primarily due to the expectation that the City would be able to take advantage of economies of scale in expanding its General Fund services to a growing service population. More specifically, while existing annual General Fund expenditures amount to roughly \$462 per service population, the fiscal analysis projects expenditures of just \$420 per service population for alternatives A and B, and just \$410 per service population for Alternative C. Key to achieving these reduced expenditures will be to limit the need to expand the City's Fire Department beyond the need for staffing for one or two fire stations, and to limit increases in expenditures for General Government functions aside from Police, Fire, and Parks, Recreation, and Community Services. With projected fiscal surpluses, the City has buffers against unanticipated increases in the City's cost to provide services, or unanticipated changes in



economic conditions that hold revenue increases below the project levels; however, the magnitude of these surpluses is dependent upon realization of substantial levels of growth that will likely be possible only over the very long-term. Thus, in the near to mid-term, the City should carefully monitor changes in service demand, service expenditures, and revenue collection and fine-tune its budget strategies to ensure that the City commits to provision of new or expanded services only when the increased revenues are reasonably assured.

**Table 10: General Fund Net Fiscal Impact by Alternative**

	<b>General Fund Cost</b>		
	Alt A	Alt B	Alt C
<b><u>Revenues</u></b>			
Property Tax	\$21,481,907	\$22,018,488	\$17,917,383
<i>Secured</i>	\$20,903,568	\$21,425,704	\$17,435,009
<i>Unsecured</i>	\$578,338	\$592,784	\$482,374
ILVLF	\$20,965,104	\$21,201,966	\$16,025,950
Property Transfer Tax	\$1,386,284	\$1,409,480	\$1,049,949
Sales Tax	\$27,039,953	\$27,096,626	\$20,238,584
<i>Bradley Burns</i>	\$17,688,455	\$17,720,979	\$13,238,332
<i>Measure M</i>	\$8,844,227	\$8,860,490	\$6,619,166
<i>Prop. 172</i>	\$507,271	\$515,157	\$381,086
<u>Other Revenues</u>	\$19,609,332	\$19,914,188	\$14,731,476
<b>Subtotal, All Revenues</b>	<b>\$90,482,579</b>	<b>\$91,640,749</b>	<b>\$69,963,341</b>
<b><u>Expenditures</u></b>			
Police Service	\$33,325,049	\$33,843,137	\$25,035,385
Fire Service	\$3,631,560	\$3,631,560	\$1,815,780
General Government	\$10,737,953	\$10,904,890	\$8,066,868
Fiscal & Revenue Management	\$1,538,288	\$1,562,203	\$1,155,636
Parks, Rec, and Comm. Services	\$7,798,299	\$8,067,116	\$5,888,945
Public Utilities	\$721,390	\$732,605	\$541,943
Roads	\$158,744	\$161,211	\$119,256
Animal Services	\$695,829	\$706,647	\$522,740
<u>Transfers Out</u>	\$1,273,450	\$1,293,248	\$956,677
<b>Subtotal, All Expenditures</b>	<b>\$59,880,562</b>	<b>\$60,902,617</b>	<b>\$44,103,231</b>
 <b>NET ANNUAL FISCAL SURPLUS</b>	 <b>\$30,602,017</b>	 <b>\$30,738,132</b>	 <b>\$25,860,110</b>

Sources: City of Manteca; De Novo Planning Group; BAE, 2018.

## Other Fiscal Considerations

Through the compilation of revenue and expenditure assumptions, a number of other fiscal considerations arose that will be important to consider in finalizing the Land Use Element for the General Plan Update.

### *Land Use Sensitivity*

The above analysis is reliant on the realization of the projected mix of land uses. However, the results of the analysis are sensitive to certain land use types and assumptions. First, as the market has recovered from the Great Recession, home prices in Manteca have finally reached pre-recession levels. For this analysis, BAE used the median sale price of new residential projects, of nearly \$475,000 per unit. However, if the sale prices of these units experience a decline, similar to that experienced during the recession, the associated property tax and ILVLF revenue will be significantly lower than projected above. For example, a drop in average new home values to \$250,000 per unit, well above the median sale price in San Joaquin County after the Great Recession, property-related revenue would drop significantly, resulting in a 42 percent reduction in General Fund revenues under the different land use alternatives. This would reduce the projected fiscal surpluses under Alternatives A, B, and C to \$17.3 million, \$17.5 million, and \$15.6 million, respectively.

Similarly, the aggressive increase in commercial, office, and industrial inventory results in significant increases in revenue driven by property taxes and sales tax. The realization of the non-residential development depends on capturing a share of regional market demand in Manteca and any reduction in the delivery of these land uses will impact the General Fund fiscal situation. For example, if the projected residential uses are delivered without any of the non-residential construction, the projected net fiscal surpluses for the different alternatives would be reduced by more than 50 percent, suggesting that the non-residential development would play an integral role in generating revenue for the City with limited offsetting increases in expenditures. Nevertheless, these projections suggest that even without the contributions of non-residential development, the City could still realize fiscal surpluses with buildout of the residential components of the land use alternatives.

Another important component of non-residential buildout is the changing landscape of the retail sector. Given that sales taxes are projected to be the largest revenue source at buildout, supported by the statutory one percent local sales tax allocation and additional local voter-approved half-cent sales tax, the health of Manteca's retail sector will have significant implications for the City's fiscal sustainability. While the City has a variety of large retailers, predominantly located along the highway corridors, the increased share of retail sales migrating to the internet may reduce taxable sales captured within the City of Manteca. If, for example, it is assumed that local taxable sales associated with projected growth decline by one-third, the overall net fiscal surplus would be reduced by between 24 and 27 percent, depending on the alternative. Despite this potential decreased revenue, the projected fiscal surplus appears to be sufficient to accommodate modest declines in sales tax capture rates.

### ***Existing Service Deficiencies***

Through conversations with various City staff, it is evident that many departments are operating with a fairly lean staff, suggesting existing expenditures per service population may under estimate the ideal expenditure profile in order to provide the desired level of services to residents and local businesses. Given that the preceding analysis is calibrated to the existing General Fund budget, any existing operating deficiency will be projected forward. If, for example, all expenditures are increased by 20 percent to account for existing deficiencies, a figure specifically stated by the City's Police Department, the projected net fiscal surplus would be reduced by nearly 40 percent across all alternatives. More specifically, as seen in Table 11 below, the increase in per service population expenditures results in a decrease of the projected annual fiscal surplus by roughly \$12 million for Alternatives A and B, and \$8.8 million in Alternative C.

The projected fiscal surpluses suggest that the City would have the budgetary capacity to improve service standards relative to current General Fund expenditure levels and still balance new expenditures with new revenues. Depending on the fiscal projections for the final Land Use Element incorporated into the adopted General Plan Update, the City may wish to conduct a more detailed analysis of targeted service standards and existing service levels across General Fund departments and develop a strategic plan for utilizing future improvements in the City's fiscal position to enhance services where they will make the greatest impact on local quality of life, for both residents and businesses. Such improvements will in turn help to make Manteca a more competitive location for new residential and non-residential development, which will help to reinforce the City's ability to capture the new development necessary to achieve buildout under the land use alternative that is ultimately chosen.

### ***Capital Expenditures***

As noted previously, the preceding analysis solely projects the General Fund fiscal impacts associated with the increase in residents, businesses, and employees. As a result, major one-time capital expenses are not factored into the analysis, though they could have an impact on the General Fund if other funds require additional contributions not included in the typical transfers out of the General Fund indicated by City staff. The City has periodically allocated available General Fund revenues to the Capital Facilities Reserve fund, which will be used to help fund the development or expansion of major city facilities. Based on the previous three budget documents, the City has transferred an average of approximately \$625,000 per year to the Capital Facilities Reserve fund, or roughly \$7 per service population. Projecting that forward based on the new service population would equate to an annual transfer of roughly \$1 million to the Capital Facilities Reserve under Alternatives A and B and \$750,000 under Alternative C.

As the City realizes the projected increase in residential and non-residential development and the associated increases in service population, these capital expenditures will be necessary to provide services to the growing population. For example, as a result of the nearly tripling of

the Police Department budget, the General Fund accounts for the increase in staffing and other expenditures, but it is likely that the current Police Station will require major additions or renovations in order to house the increase in staff.

**Table 11: Potential General Fund Adjustments**

<b>General Fund Impact</b>	<b>Land Use Alternative</b>		
	<b>Alternative A</b>	<b>Alternative B</b>	<b>Alternative C</b>
Revenues	\$90,482,579	\$91,640,749	\$69,963,341
Expenditures	\$59,880,562	\$60,902,617	\$44,103,231
<b>Net Annual Fiscal Surplus</b>	<b>\$30,602,017</b>	<b>\$30,738,132</b>	<b>\$25,860,110</b>
20% Increase in Expenditures	-\$11,976,112	-\$12,180,523	-\$8,820,646
Capital Facilities Reserve Transfers Out (a)	-\$997,121	-\$1,012,623	-\$749,086
<b>Adjusted Annual Fiscal Surplus</b>	<b>\$17,628,784</b>	<b>\$17,544,985</b>	<b>\$16,290,378</b>

Note:

(a) Based on the 3-year average transfer out of the General Fund to the Capital Facilities Reserve, projected based on the increased service population for each alternative.

Sources: City of Manteca; De Novo Planning Group; BAE, 2018.

***Adjusted Fiscal Impacts***

Even after adjusting for potential existing service deficiencies and/or future service enhancements as well as increased Capital Facilities Reserve transfers from the General Fund, seen in Table 11, the fiscal analysis still projects that the City would experience a fiscal surplus from the continued growth of residential and non-residential development. While the projected fiscal surpluses are reduced by roughly 40 percent across each alternative by the increased service expenditures and reserve transfers, the results indicate the City would still have a sufficient buffer against unanticipated increases in City expenditures, or changes in economic conditions that result in lower revenue generation.