

Town of Vail

Summary of Feasibility Study

Citizens for Vail

7/17/2013



This study summarizes the feasibility work done in 2012 by a local Vail citizens group to determine the fiscal viability of forming an incorporated town within the Vail community. The work done here is based on publicly available information and represents the approach and analysis that went into determining the feasibility of incorporation. Further information is available at incorporatevail.org.

Background on Feasibility

The initial analysis of Vail self-governance dates back to early 2007. The effort took dramatic steps forward starting in 2010 when the Vail Community Action Board looked at forms of self-governance culminating in a Town Hall meeting. At the Town Hall in 2011, community participants were polled for their preference of self-governance. There was a clear preference for further exploration of incorporation. (57% of participants voted in favor). The direction to move forward with the incorporation option began in late 2011 beginning with feasibility analysis of the Town based on a viable boundary. Feasibility was completed in late 2012 and thus began the current incorporation committee's drive to allow the registered voters to voice their opinion on incorporation. Over 1,000 signatures were collected from registered voters within the proposed Town of Vail boundary to put the initiative on the ballot for November 5, 2013. The aforementioned glimpse at the beginnings of this process is provided for the purpose of demonstrating that this issue has been studied for an extended period of time. The incorporation committee has looked at financial feasibility in detail and believes that the forecasting and budgeting are comprehensive, sufficient, and consistent with local government practices for a new Arizona town.

Essential/Mandated Services for a Town

By Arizona State Statutes, the future Town of Vail will be required to provide police protection, road maintenance, and town administration. Some towns choose to provide additional services that are not mandated by law – this is the case with many other towns similar in size to Vail. The community of Vail currently receives services from other public and private entities on a user fee basis. The feasibility analysis discussed later in this document was generated with the assumption that outside services provided today will continue to be provided tomorrow. Additional services are not required and would be a consideration for the future Town Council when appropriate.

Establishing the Level of Service

County's Current Level of Service

It is important to understand the level of services that future Town residents are receiving currently so that the feasibility for operating the new town can be put into perspective.

The County Sheriff provides law enforcement for the Vail Community now with their Rincon District Beat 1 which comprises about 665 square miles. The proposed Town of Vail boundary encompasses 35 square miles. The Town is a mere 5% of the total area of the Beat 1 area, which is staffed with two (2) deputies 24 hours a day and 7 days a week. By the County's own numbers they are spending \$1.6 Million (6 Units) for patrol of the entire Beat 1 on an annual basis. Vail's proportional share is very difficult to ascertain because population is not distributed evenly throughout the beat, but on a pro-rated share of population (11,500 out of 18,000) Vail receives about 65% of that service meaning that the proposed Town of Vail boundary is currently receiving about \$1 Million in police protection from the County. Other services that the County has estimated include:

- The County Department of Transportation has indicated it has expended about \$417,000 in road maintenance annually within the proposed boundary.
- The County does not service the Vail area with any parks.
- The County provides development services estimated at \$55,200.

Table 1 summarizes the total current County Expenditures in the future town boundary.

Table 1, County Expenditures in Vail

	Annual Estimate (\$)
Law Enforcement	1,000,000
Road Maintenance	417,000
Development Services	55,200
Animal Control	70,000
Incarceration	35,000
Administration (15%)	220,350
Total	1,797,550

Incarceration costs listed above are additional services that County provides but hasn't given an estimate for the Vail area. Most municipal contracts with Sheriff Departments will include this cost and it is anticipated to be 3.5% of the cost of patrol.

Services that Will Continue As-Is

- Fire protection is currently served by two special districts: Rincon Valley Fire District and Corona de Tucson Fire District.
- Water service will continue to be provided by private entities such as Vail Water Company, Saguaro Water Company, and Spanish Trail Water Company.
- Garbage collection service will continue to be the responsibility of individuals to contract with a private collection service.
- Sewer service will continue to be provided by Pima County or by private septic systems.
- Other utility services will continue to be provided by a private service.

Starting Out

As a new town, Vail will not be unlike the other 91 cities and towns starting out on their own. It will be a transition from new town, to adolescent town, to mature town. Comparing the Town of Vail to established cities and towns is not an accurate or realistic comparison. However, comparing Vail to other towns in their infancy is appropriate and can bring the feasibility discussion into perspective.

Vail's Initial Feasibility Analysis

The projected feasibility budget below is the proposed breakdown of revenue versus expenses for the first full year. With state shared revenue alone, the Town is already proposing to spend more per capita than the County has historically spent within the Town boundary on an annual basis.

<i>Revenue:</i>	
Arizona Revenue Sharing*	\$3,245,000
<i>Expenses:</i>	
Contracted Services	\$2,603,000
Other Costs	\$295,000
Administration	\$138,000
Capital Investments	\$104,000
Total Expenses	\$3,140,000
Surplus:	\$105,000

* Note: This is the FY2012-2013 estimate for Arizona Revenue Sharing; the 2013-2014 estimate is \$3.5M. Source: The League of Arizona Cities and Towns.

A common misconception on budgeting is that capital improvements come out of the general and road maintenance funds. Capital improvements such as roads, flood control, buildings and parks are funded by different means including bond programs, impact fees, STIP funds, flood control levy fund, block grants, LTAF, HURF, VLT, and RTA all of which exist today. These projects funding mechanisms remain in place after incorporation and the Town will receive its share of the funding. We anticipate the Town Council will approve impact fees and that development impact funding will continue. The funding for capital projects is obligated over a larger period and for that reason will not show up in our projected initial budget.

Comparative Analysis of other Towns during Start-up

Two towns that we have used as model towns to base our projections on are the Town of Sahuarita and the City of Maricopa incorporated in 1994 and 2003 respectively. Considering each town started with different populations, the most representative statistic is budget per capita in the first year. Dollar values for the historical budgets have been inflated at 3% to bring them up to 2013 dollars.

Town	1 st Year Budget (\$)	Population	Budget per Capita (\$) *
Maricopa	\$1,246,841	5,000	\$437
Sahuarita	\$272,520	1,629	\$293
Vail	\$2,000,000 ¹	11,500	\$305

* Inflation rates of 1.34 and 1.75 were used to bring Maricopa and Sahuarita dollars to 2013 dollars. Factor was applied in Budget per capita calculation

¹ The first year budget is based on 8 months of state shared revenue without the income tax component

It is apparent from the above results that Vail is consistent with first year budget of one of the model towns Sahuarita in terms of budget per capita. The reason Maricopa had a higher initial budget per capita stems from the fact that their Town Council immediately approved a sales tax which netted them additional revenue in their first year. Projections for the Town of Vail revenue have not considered sales tax revenue only because it is more conservative forecasting to exclude it. The Citizens for Vail Committee has not taken a position on sales tax; noting that residents of Vail are currently paying sales tax when they shop at a supermarket or at big box stores in Tucson.

It is important to note that a newly incorporated town in Arizona is only required to provide a basic town administration function until the beginning of the next fiscal year following incorporation. Police protection and road maintenance continue to be provided by the county until that time. Vail’s initial budget was crafted on a full-year allocation of state shared revenue because it wouldn’t begin to provide all mandated services until July 1, 2014.

How does Vail Compare to other Town’s it’s size?

A few towns that compare to the proposed Town of Vail in terms of population are listed below:

Town Name	Population
Chino Valley	10,817
Camp Verde	10,873
Coolidge	11,825
Vail	11,500

While these towns are similar in size, not every town provides the same kind and amount of services. The matrix below will help demonstrate the types of services that each Town provides or “will provide” in the case of Vail:

Services Matrix of Similar Sized Towns

Town	Police Protection	Road Maintenance	Town Administration	Parks Department	Water Utility	Sewer Utility	Fire Department	Solid Waste Collection	Landfill	Airport	Municipal Court	Library	Recreation Programs	Transit	Television Channel
Camp Verde	x	x	x	x							x	x	x		
Chino Valley	x	x	x	x	x	x					x	x	x	x	x
Coolidge	x	x	x	x		x	x	x	x	x	x	x	x	x	x
Vail	x	x	x												

Initial feasibility analysis for Vail anticipated that it will only provide state mandated services and no services beyond what the County is currently providing prior to incorporation. The services in blue are mandated and all other services listed to the right are not mandatory. This list in itself should provide good perspective on how minimal or comprehensive a town can be.

If we strip away the non-mandated services and compare the expenditures for each town based on the services that Vail intends to provide (in blue above) we will have an “apples to apples” analysis. The table below lists the actual FY 12 expenditures for each of the towns based on only state mandated services.

FY 12 Expenditures (\$)

Mandated Service	Camp Verde	Chino Valley	Coolidge	Vail *
Police Protection	1,982,936	1,996,674	1,900,000	1,500,000
Road Maintenance	524,865	582,249	973,669	700,000
Town Administration	1,281,251	1,573,451	1,859,000	942,180
Total	3,789,052	4,152,374	4,732,669	3,142,180

* Based on the 2012 feasibility analysis

Conclusion

The tendency is to lump all towns and cities into the same category and expect similar financial data, but as was shown above, towns can vary greatly by the types and quantity of services provided. It is clear that some towns have taken it upon themselves to provide services that are not mandated or services that certain towns view as essential. The future Town of Vail, when put into perspective, is very comparable financially speaking to other towns its size and maturity.

The take-home message of this analysis is that Vail can:

- Provide a higher level of service than the County is currently providing at no additional cost to the residents
- Provide the mandated services of a town within the initial forecasted revenue.
- Provide comparable services to towns of similar population when budgets are stripped of non-mandated services.