

OCPS Impact Fee Update Findings and Comments

May 10, 2016



Orange County, CA Sacramento, CA Phoenix, AZ Boise, ID Las Vegas, NV
Denver, CO Austin, TX Dallas, TX Tampa, FL Orlando, FL Research Triangle, NC



2016–2025 OCPS Capital Budget

FY2016		
School District	Enrollment	Capital Fund Balance
Orange County	199,817	\$ 375,425,000
Hillsborough County	212,545	\$ 134,465,000
Broward County	268,836	\$ 403,723,000

Fiscal Year	End of Year OCPS Capital Fund Balance
2011	\$ 956,251,350
2012	\$ 949,280,907
2013	\$ 1,006,961,930
2014	\$ 1,073,856,460
2015	\$ 1,148,098,787
2016	\$ 375,425,461
2017	\$ 377,632,872
2018	\$ 373,161,110
2019	\$ 454,223,267
2020	\$ 495,066,306
2021	\$ 539,202,743
2022	\$ 557,012,535
2023	\$ 749,885,260
2024	\$ 951,270,075
2025	\$ 1,242,816,097

The construction scope of the sales tax projects will bring all 132 K–12 schools up to the prototype standard and/or size of a new school. On August 26, 2014, the renewal of the half-cent sales was approved to fund the remaining 42 sales tax projects that were unfunded in the previous 10-year plan.

The FY 2016 Budget includes:

- \$331.8 million for Comprehensive Replacement Projects
- \$295.0 million for new schools
- \$78.2 million for site acquisitions

The OCPS capital fund balance is projected to increase by \$867 million over the next 10 years.

2016–2025 OCPS Capital Budget

Revenues & Projects	1 2016	2 2017	3 2018	4 2019	5 2020
Budget Recap:					
Revenues	\$ 441,544,687	\$ 436,408,242	\$ 451,190,622	\$ 466,919,181	\$ 483,320,523
Appropriations	(1,124,653,255)	(406,637,949)	(422,897,394)	(349,678,019)	(401,516,451)
Capital Renewal Reserve Funding	(89,564,758)	(27,562,882)	(32,764,990)	(36,179,005)	(40,961,033)
Net Surplus (Deficiency)	\$ (772,673,326)	\$ 2,207,411	\$ (4,471,762)	\$ 81,062,157	\$ 40,843,039
Revenues & Projects	6 2021	7 2022	8 2023	9 2024	10 2025
Budget Recap:					
Revenues	\$ 490,056,875	\$ 496,913,889	\$ 503,893,908	\$ 510,999,322	\$ 518,232,568
Appropriations	(399,391,138)	(426,429,095)	(255,895,980)	(252,327,097)	(168,920,544)
Capital Renewal Reserve Funding	(46,529,300)	(52,675,002)	(55,125,203)	(57,287,410)	(57,766,002)
Net Surplus (Deficiency)	\$ 44,136,437	\$ 17,809,792	\$ 192,872,725	\$ 201,384,815	\$ 291,546,022

The FY2016–25 Capital Budget reflects annual surpluses beginning in 2017 assuming very modest annual growth rate assumptions for capital improvement property taxes during 2021–2025.

OCPS Capital Revenue Growth Rate Assumptions			
Fiscal Year	Impact Fees	Property Tax	Sales Tax
2017	2.0%	-3.0%	2.0%
2018	2.0%	6.2%	2.0%
2019	2.0%	6.1%	2.0%
2020	2.0%	6.1%	2.0%
2021	2.0%	0.5%	2.0%
2022	2.0%	0.5%	2.0%
2023	2.0%	0.5%	2.0%
2024	2.0%	0.5%	2.0%
2025	2.0%	0.5%	2.0%

Impact Fee Study Findings

School Construction Costs

The Florida Impact Fee Act requires the impact fee to be based on “the most recent and localized data.”

The cost component in the study is not based on recent construction costs¹. Furthermore, the study does not consider the cap limitations set forth in HB 7029.

Assumed in OCPS Impact Fee Study

	Elementary	Middle	High
Square Feet per Student Station	110.0	129.4	133.1
Construction Cost per Gross Square Foot	\$ 135	\$ 155	\$ 175
Construction Cost per Student Station	\$ 14,850	\$ 20,057	\$ 23,293

OCPS Recent Construction Projects

	Elementary	Middle	High
Square Feet per Student Station	110.0	129.4	133.1
Construction Cost per Gross Square Foot	\$ 108	\$ 115	\$ 153
Construction Cost per Student Station	\$ 11,880	\$ 14,881	\$ 20,364

Average Cost of Construction - Other Florida Jurisdictions

	Elementary	Middle	High
Square Feet per Student Station	110.0	129.4	133.1
Construction Cost per Gross Square Foot	\$ 140	\$ 148	\$ 136
Construction Cost per Student Station	\$ 15,400	\$ 19,151	\$ 18,102

OCPS CIP Estimates

	Elementary	Middle	High
Square Feet per Student Station	110.0	129.4	133.1
Construction Cost per Gross Square Foot	\$ 181	\$ 211	\$ 227
Construction Cost per Student Station	\$ 19,910	\$ 27,303	\$ 30,214
Current Cap	\$ 21,615	\$ 23,341	\$ 30,318

¹Construction costs presented above exclude land acquisition and site improvement costs.

Credit Component Finding

The credit component of the impact fee calculation does not consider the scope of the sales tax referendums which will bring all 132 K-12 schools up to prototype standard and/or size of a new school.

The credit calculation assumes this historical level of spending on existing schools will continue for a 25 year period which results in an overstated impact fee.

Table 6
Capital Improvement Credit per Student

Funding Source	2011-2015	2016-2020	Total
<i>Orange County Schools Capital Expansion Projects ⁽¹⁾</i>			
Capital Improvement Tax (Ad Valorem)	\$984,254	\$63,074,130	\$64,058,384
Class Size	\$15,983,673	-	\$15,983,673
Classroom Addition	\$1,088,962	-	\$1,088,962
Other Local Sources	-	\$11,552,044	\$11,552,044
Sales Tax	\$145,736,177	\$251,933,377	\$397,669,554
Total Expenditures	\$163,793,066	\$326,559,551	\$490,352,617

Credit Component – Revised

Applying the credit component methodology, which is far more equitable and addresses the findings in the previous slide, used by TischlerBise in the 2015 Manatee County School Impact Fee Study demonstrates the overstatement in the current study.

TischlerBise has performed over 900 impact fee studies across the U.S.

TischlerBise Credit Component Methodology

Fiscal Year	District Capital Taxes	CO & DS	Sales Tax	Total	Students	Credit per Student
2016	\$ 161,809,528	\$ 2,302,212	\$ 211,323,339	\$ 375,435,079	199,817	\$ 1,879
2017	156,939,552	2,302,212	215,549,805	374,791,569	205,031	\$ 1,828
2018	166,657,680	2,302,212	219,860,802	388,820,694	210,145	\$ 1,850
2019	176,812,704	2,302,212	224,258,018	403,372,934	212,827	\$ 1,895
2020	187,529,040	2,302,212	228,743,178	418,574,430	215,496	\$ 1,942
Total	\$ 849,748,504	\$ 11,511,060	\$ 1,099,735,142	\$ 1,960,994,706		\$ 9,395
				Discount Rate		5.5%
				Net Present Value		\$ 8,015
				COMPARED TO		
				Tindale Oliver		\$ 4,284
				PER STUDENT CREDIT UNDERSTATED BY		\$ 3,731

Impact Fee– Recalculated

The fee schedule below has been revised to reflect the appropriately calculated credit for dedicated school capital revenue sources.

Residential Land Use	Students per Unit	Tindale Oliver		Fee		Corrected Fee
				Overstatement		
Single Family Detached	0.417	\$	8,784	\$	1,556	\$ 7,228
Townhouse	0.329	\$	6,930	\$	1,228	\$ 5,702
Multi-Family	0.281	\$	5,919	\$	1,048	\$ 4,871
Mobile Home	0.289	\$	6,088	\$	1,078	\$ 5,010

Impact Fee Accountability

Florida Impact Fee Act – Accounting And Reporting

F.S. §163.31801(3)(b) Provide for accounting and reporting of impact fee collections and expenditures. If a local governmental entity imposes an impact fee to address its infrastructure needs, the entity shall account for the revenues and expenditures of such impact fee in a separate accounting fund.

Annual reports documenting compliance with this statute are not available on the Orange County and OCPS websites. Detailed annual reports should reconcile to the School Impact Fee Trust Fund and should also account for school impact fee receivables from other jurisdictions.

Prior to adopting a new impact fee ordinance, past and current compliance with the Florida Impact Fee Act should be validated.

Florida Impact Fee Act – Annual CAFR Affidavits

F.S. §163.31801(4) Audits of financial statements of local governmental entities and district school boards which are performed by a certified public accountant pursuant to s. 218.39 and submitted to the Auditor General must include an affidavit signed by the chief financial officer of the local governmental entity or district school board stating that the local governmental entity or district school board has complied with this section.

The required affidavit is not included in either the Orange County or the OCPS 2015 CAFRs. Prior to adopting a new impact fee ordinance, past and current compliance with the Florida Impact Fee Act should be validated.

OCPS Internal Audit Findings

- ▶ The 2014–2015 *OCPS Internal Audit Annual Report* states
Lastly we noted instances of noncompliance with the Inter–local Agreement by the district as well as some of the other local government entities.
- ▶ The June 2014 *Impact Fee Follow–Up Assessment* states:
Our current findings and recommendations are similar to the findings and recommendations noted in the 2011 audit. It appears no significant improvement has been made in the monitoring of impact fee collections...Several local governments have failed to submit impact fees to The School Board of Orange County in a timely manner as called for in the inter–local agreement and ordinance...The processes used by the Planning and Governmental Relations and Finance Departments are not effective for monitoring impact fee collections and following–up on discrepancies.

Prior to adopting a new impact fee ordinance, best practice dictates that corrective action must be in place to address existing system deficiencies.