

# Chapter 9. Fiscal Plan

## INTRODUCTION

Many local governments have historically viewed future land use decisions as simply providing for the housing, shopping, employment, and recreational needs of their communities; however future land use decisions can drastically transform both the physical appearance of a county as well as its fiscal health. Many times it is only after land use decisions have been realized that a local government truly understands the fiscal ramifications of their decisions. A Cost of Community Services study, as well as individual case studies, offers a method to fiscally evaluate land use decisions in Harrison County. A Cost of Community Services study examines the current costs to provide services for broad land use categories. The individual case studies are meant to provide a detailed analysis of specific land uses and project their values into the future. Both of these will serve as guides for citizens, members of the County Administrators, and county administration to understand the fiscal impacts that current and future land use allocations have and will have on the fiscal health of the entire county.

## PURPOSE

As Harrison County continues to develop, development will either positively or negatively affect the financial health of the county. As a result, there needs to be an understanding of how current land use decisions will impact the long term fiscal health of Harrison County. Every citizen has a stake in having a financially healthy government to keep tax rates down while providing needed services to county residents. The purpose of this chapter is to provide information to aid decision makers in deciding on the future land uses and development in the county.

## STAKEHOLDERS

The stakeholders are citizens of Harrison County, members of the Board of Supervisors, County Administrators, and local officials. These stakeholders have been engaged throughout the planning process, primarily through individual interviews. Their feedback on the budgeting system, tax collection, and public services has guided the recommended actions to maintain strong fiscal health in the county.

## SURVEY RESULTS

During the Ideas Forum, citizens had the opportunity to participate in an activity to reallocate the existing County revenues and/or increase the revenue of the departments as future money becomes available. Each individual was first asked to spend existing money and then given additional revenue. This “new funding” could be placed in the following departments: police, fire, community services, water and sewer, roads and bridges, parks and recreation, other services, or do not spend. For both new and existing revenue spending, improving parks and recreation was the top priority of county residents. Increasing community services was the second priority for citizens. These two were followed by road and bridge improvements along with fire protection increases with existing revenues and police spending increases with future revenues. A small percentage of citizens elected to not spend the money and thus reduce taxes.

## KEY ISSUES

How can Harrison County meet the needs of residents while growing in a fiscally sound way? What can Harrison County do to:

- Provide the expanded level of services desired by residents.
- Provide urban services as urban development occurs.
- Replace County facilities destroyed in Hurricane Katrina.

**Figure 9-1. Harrison County residents would put more money into parks and recreation.**



*Source: Amy Miller and Christopher Cunningham*

## GOALS, STRATEGIES, AND ACTIONS

### GOAL 1. SUPPORT INFORMED DECISION MAKING ON THE COSTS AND REVENUES ASSOCIATED WITH FUTURE DEVELOPMENT.

STRATEGY A: Use fiscal analysis of existing land uses to guide future development decisions.

*Action 1.* Use Cost-to-Service ratios to guide future rezoning and development decisions.

STRATEGY B: Utilize best fiscal management practices for rural counties.

*Action 1.* Adopt Best Fiscal Management Practices for the County.

*Action 2.* Implement a continuous Capital Improvement Program.

*Action 3.* Measure the results of spending on achieving the goals of this plan and departmental goals.

### GOAL 2. ENSURE SUFFICIENT REVENUE TO SUPPORT THE APPROPRIATE LEVEL OF SERVICES BASED ON CITIZENS' PREFERENCES.

STRATEGY A: Maintain rural character in Restricted Growth (G-1) sectors.

*Action 1.* Provide appropriate levels of service consistent with rural character in Restricted Growth (G-1) sectors.

*Action 2.* Promote development that preserves the rural quality of life in Restricted Growth (G-1) sectors.

STRATEGY B: Promote development in designated Controlled Growth (G-2) and Intended Growth (G-3) sectors.

*Action 1.* Ensure levels of service to be consistent with desired levels of growth.

STRATEGY C: Ensure future land uses will result in the revenue necessary

to support the desired expansion of services.

*Action 1.* Regularly conduct fiscal analysis to ensure that projected revenues will support the services required of new development.

## CONCEPTS

### Cost of Community Services

A Cost of Community Services study is one of the simplest forms of fiscal analysis in that it groups major land use categories and evaluates all revenues and expenditures of the land uses throughout the county. The Cost of Community Services study for Harrison County examines the current expenditures and costs for the county. This results in an analysis of the current service requirements by land use and provides information to Harrison County on the fiscal impacts of future land use decisions.

### Revenues

As with all governmental entities, Harrison County has many revenue streams that fund its operations. Revenues for Harrison County are generally divided into eleven overall categories. The largest revenue streams for Harrison County are property taxes (ad valorem), personal property taxes, and automobile taxes. Other sources of major revenue streams for the county are gaming fees (collected at the state level, and redistributed), building permits, residential registration fees, various fines, licenses, as well as interest income and a large amount of federal and state reimbursements. Property taxes, personal taxes and motor vehicle taxes comprise approximately 56.5 percent of the total yearly budget for Harrison County. Property taxes alone make up approximately 25 percent of all revenues for Harrison County.

In Harrison County, property taxes are determined by the assessed value of the parcel, which is a percentage of true value of the land and structures on the parcel. The assessed value is then multiplied by the millage rate (a percentage multiplier determined annually), according to the parcel's location and taxing district. For example, if you live in Taxing District E (County School District) and you have a residential property that has an appraised value of \$100,000, this property will have an assessed value of \$10,000 (assessed value = 10 percent of value). If you are in Taxing District E, your total millage is 82.89, therefore the taxes you will pay are \$10,000 (assessed value) X 82.89 (millage rate) = \$828,900/\$1,000 = \$828.90 (TOTAL PROPERTY TAXES DUE).

Citizens' taxes are then broken out into categories to pay for certain services provided by the County, which are determined by the millage rate for the

Figure 9-2. The fiscal goals include supporting decisions that will support providing residents with the level of services they desire, including community centers, fire service, and roads.



Source: Josh Anderson, Chris Cunningham and Nathan Leppo

taxing district in which each property is located. For a more detailed description of taxing districts and millage rates, please see the Cost of Community Services study available on the Harrison County Zoning Administration website and at the Zoning Administration Office.

### Expenditures

The Harrison County government spent \$131 million in services for its citizens in fiscal year 2007. Expenditures were broken out into major areas of governmental spending: public works, general government services, debt services, law enforcement, health and human services, development, and fire protection. The county exhibited balanced spending with no one area dominating the county budget. While public works and law enforcement are traditionally the biggest governmental expenditure categories, health and human services and general governmental spending are on balance with the expected major categories in Harrison County.

### Service Costs

In Harrison County, Mississippi the Cost of Community Service Study shows that residential development requires more services than they are paid through taxes, fees and other revenues collected to the county. Commercial, Industrial, Agricultural/Open Space, Institutional and Casino land use categories all generated more revenues than the services they demanded. This means that from a fiscal standpoint, these types of properties are net revenue generators for Harrison County. Below is the cost per services ratios for each major land use category for 2008:

- Residential generated - \$1.70 expended per \$1 generated
- Commercial generated - \$0.75 expended per \$1 generated
- Industrial generated - \$0.96 expended per \$1 generated
- Agricultural/Open Space generated - \$0.67 expended per \$1 generated
- Institutional - No revenues are collected on these properties
- Casinos - \$0.60 expended per \$1 generated

As shown above, agriculture/open space and casino land use categories require the lowest ratio of services to revenues generated and thus contribute most favorably to the fiscal health of the county. These two categories are opposites in many ways; while casinos demand much in the way of governmental services, they generate large amounts of revenue for the county.

Agriculture and open spaces tend to generate small revenues for Harrison County but demand very few services. The commercial and industrial ratios are closer to one therefore these land uses demand almost as much in service costs as they generate in tax revenues. Commercial properties in specific vary widely in the service needs they require and the revenues they generate. For example, a commercial business like a grocery store may impose large service demands (for law enforcement, roads and drainage, for example) whereas a small book store or other retail property would require much less in the way of services. This illustrates that these ratios are across a broad land use category, as any individual specific development may generate a ratio that is higher or lower than the average and there can be significant differences in the revenues generated and services demanded in any particular land use category.

It is important to recognize that these examinations are only one means of evaluating future land use and development opportunities. Other factors like community needs and quality of life, economic development, safety and health are equally important factors in future land use decisions. Further detail on the methodology and calculation of these ratios can be found in the Harrison County Cost of Community Services Study, a separately published document.

### Case Studies

In addition to performing the Cost of Community Services Study for Harrison County's existing land uses, individual case studies were performed for existing residential and commercial land uses. The case studies were created to gain an understanding of the amount of revenue generated by the respective land uses and the respective costs to service them.

Based on the existing level of services collectively residential land uses are expending more than is collected in revenue. It is important to note that different types of residential parcels will have different revenue impacts. When considering manufactured homes vs. average residential vs. high end residential, the question becomes what impact do different types of residential uses have on County revenues. For example when examining residential land uses it is important to take into account the homestead exemption act. This law would allow a property owner tax relief in the amount of \$300 dollars on permanent property valued up to \$75,000 for a person 65 years or older. Therefore a residential parcel valued at \$75,000 will pay less in taxes than a residential parcel valued over 75,000, despite the fact that the parcels could be cost the same to service.

Three different types of residential uses that are examined in this report are manufactured homes, average single family homes, and high end single family homes. In each case, a typical parcel was selected in the unincorporated county as a representative sample of that type of residential. On the

Figure 9-3. Sources of Revenue in Harrison County

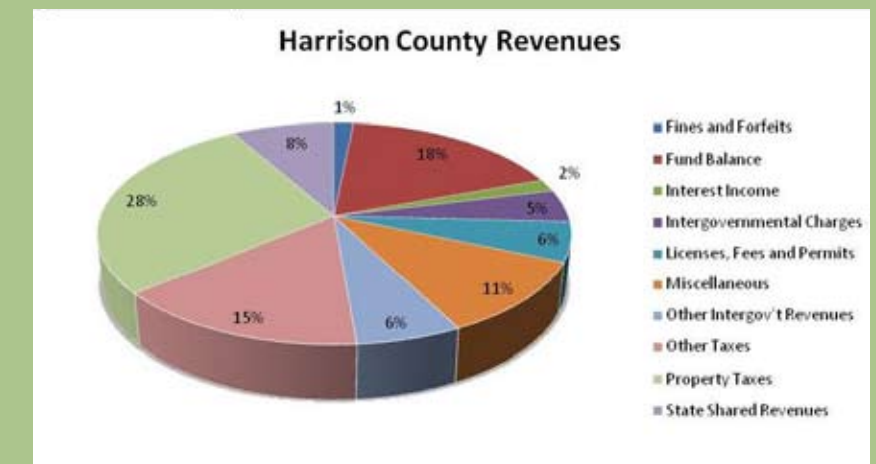
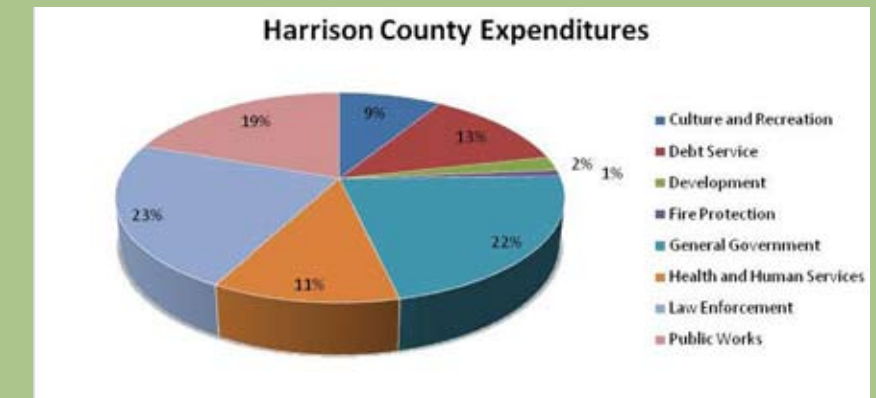


Figure 9-4. Expenditures in Harrison County



expenditure side it is estimated that the service requirements for different single-family residential land uses are similar, because the estimated persons per single family household and manufactured are the equivalent. Also, it was reported that those who live in manufactured homes and high-value single family homes use police and other services on an equal basis. While individual homes may have varying service needs, on average department heads believe there is not a significant variation in service requirements by type of residential land use.

The scale of commercial development varies across the county from small corner stores to large scale shopping centers. This study examines two types of commercial development. One is the small/typical scale development and the other is a large scale development. The revenue generated for commercial land uses slightly differ from those taxes collected from residential land uses. Commercial properties generate both sales and property tax. However sales tax generated from commercial properties in the County is collected by the state, and the resulting property tax goes to the county. Given that the cost to service ratio is less than 1, commercial land uses in Harrison County are considered to be a good investments because the revenues generated by commercial land uses exceeds the costs to provide county services. While the cost of service ratio applies to the average commercial parcel, it should be noted that different commercial uses contribute in different ways to the County's budget. On a case-by-case study, the commercial revenues were calculated in the same as the Residential Case Studies. Revenues were determined by the taxes collected for each case study (which is determined by the millage rate and taxing district of each parcel). Additional revenues for the commercial properties also remained constant. Additional revenues for commercial properties could include: motor vehicle tax, licenses, fees.

**Manufactured Home**

A manufactured home in Supervisor District 2 was selected for analysis. The total value of the parcel is \$12,903, which includes the value of the land and the manufactured home.<sup>1</sup>

This parcel sits on less than 1 acre. It is important to note that this figure reflects the total value which includes not only the price of the manufactured home, but it also includes the value of the land. The value of the land is \$12,000 dollars and the value of improvements is \$903 dollars. The estimated annual revenue to the County generated by this manufactured home parcel is \$678.98. The average estimated expenditure of a residential parcel is \$825.37. Based on this data, this property costs Harrison County \$146.39 to service this property (\$825.37 - \$678.98). Therefore on average this parcel is generating less revenue than it expends.

If this property receives \$300 off of the taxes because of Homestead Exemption, then this property would pay \$378.98 in taxes; the amount that

the county would spend in servicing this property would not change, however. Therefore, the county would receive \$378.98 in taxes, and spend \$825.37 in servicing this property. ( $\$378.98 - \$825.37 = -446.39$ ). The county would have to spend an addition \$446.39 more than it receives to service this property.

It is important to note that manufactured homes typically have a significant value at the time they are purchased, but rapidly depreciate. Because of the rapid depreciation of manufactured homes, this type of residential use quickly moves from a use that generates enough revenue to pay for its service costs to one that pays less in revenue than the service costs.

**Average Residential**

The average value for a parcel in Harrison County representing a single family residential home found was \$109,801 in 2007. The single family residential parcel that will be analyzed is located in Supervisor District 2. The total value of the parcel is \$109,845 and it sits on just less than one acre. The estimated generated annual revenue generated by this parcel type is \$1,521.02. The average estimated expenditure of a residential parcel \$1,039.45. To service this property, the county is getting \$1,521.02 in revenues, and is expending \$1,039.45; therefore this single-family residential parcel pays for itself, and Harrison County is collecting \$481.57 in revenues.

If this property receives \$300 off of the taxes because of Homestead Exemption, then this property would pay \$1,221.02 in taxes; therefore, the county would receive \$1,221.02 in taxes, and spend \$1,039.45 in servicing this property, ( $\$1,221.02 - \$1,039.45 = \$181.57$ ), indicating that the county would still collect \$181.57 in revenues.

**High Value Residential**

The high value residential parcel that was analyzed can be found in Supervisor District 3. The total value of the parcel is \$348,786 and sits on less than one acre. The estimated revenue generated for this parcel is \$4,096.20. The average estimated expenditure for a residential parcel is \$1,603.67; therefore this parcel is generating more revenue that it expends; Harrison County collects \$2,492.53 in revenues ( $\$4,096.20 - \$1,603.67$ ).

If this property receives \$300 off of the taxes because of Homestead Exemption, then this property would pay \$3,796.20 in taxes; therefore, the county would receive this amount in taxes, and spend \$1,603.67 in servicing this property, ( $\$3,796.20 - \$1,603.67 = \$2,192.53$ ), indicating that the county would collect \$2,192.53 in revenues.

**Small-Scale/Typical Commercial**

The small-scale/typical commercial example analyzed is a commercial structure, located on two acres, on a single parcel. This property is located in taxing district RW, in Supervisor District 3. This property has a total value

of \$290,642. The County revenue generated for this parcel is estimated to be \$4,400.58. The estimated cost to service a parcel of this type is \$2,366.80. Therefore the County collects \$2,033.78 in revenues, after County expenditures.

**Large-Scale Commercial**

The large-scale commercial example that was analyzed is a commercial structure, located on 11.5 acres, on a single parcel. This property is located in taxing district I, in Supervisor District 3. This property has a total value of \$1,313,215 (\$196,982 assessed). The estimated revenue generated for this parcel is \$20,486.13. The estimated expenditure is \$4,052.66. Therefore the County collects \$16,433.47 in revenues, after County expenditures.

**(Endnotes)**

<sup>1</sup> Manufactured homes are different from other types of residential. The manufactured home is considered personal property. The personal property is taxed separately from the land. These two values are combined to create the total value of the property.

**Figure 9-5. Residents have identified the preference for investing in community services and infrastructure improvements.**



*Source: Nathan Leppo*

Strategy	Goal 1: Support informed decision making on the costs and revenues associated with future development.	Responsible Parties	Immediate Year 1	Short-term Year 2-5	Mid-term Year 6-10	Long-term Year 11-20	
1A	Use fiscal analysis of existing land uses to guide future development decisions.						
Action 1	Use Cost-to-Service ratios to guide future rezoning and development decisions.	Harrison County Zoning Office					
1B	Utilize best fiscal management practices for rural counties.						
Action 1	Adopt Best Fiscal Management Practices for the County.	Harrison County Administrator					
Action 2	Implement a continuous Capital Improvement Program.	Harrison County Administrator					
Action 3	Measure the results of spending on achieving the goals of this plan and departmental goals.	Harrison County Administrator					
	Goal 2: Ensure sufficient revenue to support the appropriate level of services based on citizens' preferences.	Responsible Parties	Grant Funding	Immediate Year 1	Short-term Year 2-5	Mid-term Year 6-10	Long-term Year 11-20
2A	Maintain rural character in Restricted Growth (G-1) sectors.						
Action 1	Provide appropriate levels of service consistent with rural character in Restricted Growth (G-1) sectors.	Harrison County Board of Supervisors					
Action 2	Promote development that preserves the rural quality of life in Restricted Growth (G-1) sectors.	Harrison County Board of Supervisors					
2B	Promote development in designated Controlled Growth (G-2) and Intended Growth (G-3) sectors						
Action 1	Ensure levels of service to be consistent with desired levels of growth.	Harrison County Board of Supervisors					
2C	Ensure future land uses will result in the revenue necessary to support the desired expansion of services.						
Action 1	Regularly conduct fiscal analysis to ensure that projected revenues will support the services required of new development.	Harrison County Administrator					

