

Appendix V-C Determining Priorities for Annexation

Criteria

1. Is the area a net financial benefit to the city?

Annual Costs (-) and Revenues (+)	Areas Under Consideration			
	A	B	C	D
Operating for Streets, Public Safety and Lighting (-)	(\$21,500)	(\$900)	(\$15,000)	(\$2,300)
Property Taxes (+)	7,600	1,400	25,000	300
Sales Taxes (+)	4,000	0	0	2,000
Utility Revenues Lost (-)*	(5,600)	0	0	(780)
Utility Revenues (+)	67,000	2,300	50,000	2,300
I & S for Capital Imp. (-)	(27,300)	(8,000)	0	(3,000)
Operating Costs for Water/Sewer (-)	(8,700)	(1,800)	(40,000)	(850)
Net Gain (Loss)	\$15,500	\$(7,000)	\$20,000	(\$2,330)

2. Is the area in the city's prime growth area?

Yes No Yes No

3. Protection from substandard development?

No Yes Yes Yes

- Based upon the above criteria, the priorities for annexation are:

2nd 4th 1st 3rd

*Based upon the assumption that areas outside the city limits pay 1.5 times the inside city utility rates.

Appendix V-C (Continued)
Methodology Used for Calculating Costs,
Revenues, and Lost Revenues in Annexation Areas

1. Annual Costs:

a. Street Maintenance

The average cost to maintain one mile of street in your city equals

$$\frac{\text{Total Street Department Budget}}{\text{Total Miles of Street}}$$

Multiply this average cost times the number of miles of street in the proposed annexation area. Of course, adjustments should be made for various local circumstances, such as deleting that portion of the Street Department budget allocated for drainage, mowing, etc.

b. Street Lighting

The local power and light company can provide the average cost per street light in your city. Multiply this cost per light times the number of street lights needed in the proposed annexation area.

c. Police

Find the cost to keep a policeman on the street by dividing the total Police Department budget by the number of certified police officers. Multiply this cost times the 1,000's of population in the proposed annexation area.

$$\text{Cost of One Police Officer} \times \frac{\text{Population}}{1,000} = \text{Cost of Police in Annexation Area}$$

d. Interest and Sinking

Determine the cost of financing debt for capital improvements in the proposed annexation areas, such as water and sewer, street, and other capital improvements.

e. Water

The average cost to maintain one mile of utility main in your city =

$$\frac{\text{Total Water Department Budget for Maintenance}}{\text{Total Miles of Water}}$$

Multiply this average cost times the number of miles of water main in the proposed annexation area. Of course, adjustments can be made for different maintenance costs for various main materials – for example, AC water main in clay soil may prove more costly to maintain than PVC.

2. Revenues:

a. Property Taxes

Multiply the tax rate times the assessed valuation of the proposed annexation area divided by \$100.

$$\frac{\text{Tax Rate} \times \text{Assessed Valuation}}{\$100} = \text{Property Tax Revenues}$$

b. Sales Taxes

Estimate of taxable sales from commercial establishment in the proposed annexation area. The State Comptroller's Office (1-800-252-5555) can provide information regarding taxable sales.

c. Water/Sewer/Gas

Determine the average monthly utility bill for city customers.

$$\frac{\text{Total Utility Fund Receipts for Services}}{\text{\# of Customers}}$$

Multiply this average revenue times the number of customers in the proposed annexation area.

3. Lost Revenues:

If your city charges a higher rate for utility services outside the city limits, then annexation will eliminate this extra charge. For example, a charge of 1.5 times the inside the city limits rate will be decreased by 1/3 if an area is annexed.

To find this lost revenue, first determine the average utility bill for customers outside the city limits. Then subtract the outside average from the inside the city limits' utility bill.

	Outside City Limits	Inside City Limits
Average Monthly Utility Bill =	\$25.50	\$17.00

$$\text{Lost Revenue} = \$25.50 - \$17.00 = \$8.50$$

Finally, multiply the lost revenue by the number of customers in the annexed area to find the total lost revenue per month, and multiply by 12 for the year.