

**THE COST OF COMMUNITY SERVICES
IN
NORTHAMPTON COUNTY, VIRGINIA**

JUNE, 1999



ACKNOWLEDGEMENTS

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Citizens for a Better Eastern Shore
Eastern Shore of Virginia Foundation
Eastern Shore Soil and Water Conservation District
Eastern Shore of Virginia Nurseryman's Association
Northampton Farm Bureau
The Nature Conservancy

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INTRODUCTION

Background

Located on the southern tip of the Delmarva Peninsula, Northampton County is one of two counties that comprise the Eastern Shore of Virginia. The Chesapeake Bay Bridge Tunnel connects the county to the Virginia mainland to the south and to the north is Accomac County, Virginia and the Maryland border. A large portion of America's last intact barrier island system is located in Northampton County, providing an internationally significant natural resource.¹

Northampton County is 35 miles long and includes about 230,000 acres.² It contains miles of tidal shoreline and its sandy loam soils are well suited for agriculture. Agriculture is still the county's primary industry and, along with neighboring Accomac County, produces 70 to 75 percent of Virginia's vegetables.³

Although Northampton County is primarily rural, development pressures threaten its valuable farmland. In response to local concerns, several community organizations commissioned American Farmland Trust to conduct a Cost of Community Services (COCS) study to gain a better understanding of the financial impact of existing land uses in the county. The goal of this study was to provide information to help county officials make informed planning decisions and balance the distribution of land uses in the future.

American Farmland Trust

American Farmland Trust is the only private, nonprofit conservation organization dedicated to protecting the nation's strategic agricultural resources. Founded in 1980, AFT works to stop the loss of productive farmland and to promote farming practices that lead to a healthy environment. Its activities include public education, technical

¹ Northampton County Comprehensive Plan, 1989, 164.

² Northampton County Comprehensive Plan, 1989, 54 & 136.

³ Northampton County Extension Office

assistance, economic research, policy research and development, and direct land protection projects.

American Farmland Trust developed the COCS methodology to investigate three common claims:

1. Residential development lowers property taxes by increasing the tax base;
2. Farm and forest land receive an unfair tax break when they are assessed at their current use instead of at their potential use for development;
3. Open land, including productive agricultural and forestlands, are interim uses awaiting conversion to their “highest and best” use.

What is a COCS Study?

A COCS study is a case study analysis of the net fiscal impacts of different land uses in the present. It provides a snapshot in time of costs versus revenues based on current land use. Unlike traditional fiscal impact analysis, COCS studies are descriptive - not predictive - and are based on real budgets for a specific community. These analyses show what services private residents receive in return for the taxes they pay to their local jurisdiction.

The process of conducting a COCS study is relatively straightforward and easy to understand. Local budgetary information is allocated to land use categories. The studies rely on financial data and probing interviews with local government officials to understand how revenues were generated and how appropriations were spent during a recent year.

METHOD

There are four basic steps in the process of conducting a Cost of Community Services study:

- 1) Meet with local sponsors and define land use categories.
- 2) Collect data: Obtain relevant reports, contact officials, boards and departments.
- 3)
 - Allocate revenues by land use.
 - Allocate expenditures by land use.
- 4) Analyze data and calculate ratios.

The following description explains how these steps were followed in Northampton County.

COCS Process in Northampton County

- 1) Meet with local sponsors and define land use categories

On March 2, 1999, representatives from AFT met with Northampton County officials, Citizens for a Better Eastern Shore, Northampton Farm Bureau and The Nature Conservancy. The purpose of these meetings was to discuss the COCS methodology and how it would be applied in Northampton County.

This group decided that they wanted AFT to conduct the study at the county level, using the Fiscal Year 1998 (1997-1998) budget because this was the most recent year with closed books. The following three land use categories were deemed appropriate for the study: 1) Residential Development, 2) Commercial and Industrial Development, and 3) Farm and Open Land.

For the purposes of this study, Residential Development is defined as property used for dwellings, *including farmhouses*, employee housing and rental units. Commercial and

Industrial Development is defined as property actively used for business purposes other than agricultural or forestry, including retail and wholesale production and utilities. Farm and Open Land is defined as property used or designated as open space, forest, or farmland. Tax-exempt properties were included in the analysis; although they do not contribute revenues in the form of property taxes, they still require county services.

2) Collect data: Obtain relevant reports, contact officials, boards and departments

Appointments were scheduled with county officials and department heads. The purpose of these interviews was to obtain relevant information and to collect necessary documents. These were some of the materials gathered to conduct the analysis for the county:

- 1998 County Budget - includes modified FY98 budget numbers to be used in this study
- 1998 assessed property values broken down by land use classification
- 1998 property exempt from taxation broken down by land use classification
- FY98 reports of calls made for fire, police, first aid, building inspections and others per interviews with department heads

Researchers evaluated revenues and expenditures from the perspective of the private taxpayer. Because the study was conducted at the county level, any federal or state lands, and thereby any contributions for that land, were excluded. For example, county roads are maintained by the state and therefore were not included within the county budget. In FY98, the federal government made a payment of \$26,206 to the county in lieu of taxes for the Eastern Shore of Virginia National Wildlife Refuge and Fisherman's Island. This revenue was removed from the analysis because it came from federal land. However, it is important to note that while this property is maintained without receiving any county services, it still contributes money towards the operation of the county government.⁴

⁴ If this payment of \$26,206 for FY98 had been included under Revenues in this analysis, the final land use ratios would have remained the same.

3) Allocate revenues and expenditures by land use

Interviews were conducted with local officials to allocate all FY98 revenues into the three land use categories. In the interviews, officials were asked how each revenue was generated and who benefited from each expenditure: residents, businesses, or farms and open land. Revenues generated by residents, such as charges for waste collection and disposal from neighborhoods, were allocated to the Residential Development.

Expenditures for farms, such as grant money spent to prevent the spread of Johnsongrass on farmland, were allocated to Farm and Open Land. Most items were not generated entirely by one land use, but were split between land uses.

Some line items had straightforward allocations because records were available by land use. For example, building permits were allocated according to how many fees were generated from residents versus businesses in FY98. (Northampton County farmers are not required to get permits to build farm structures). Line items without straightforward records by land use were broken down based on the activity in the associated department.

Calculation of “fall-back percentages”:

Even after extensive record searches, there was not a clear allocation into land use categories for some line items. For example, administrative salaries and public buildings serve the entire county in a general capacity. In this type of situation, a “fall-back” breakdown was used based on the percentage of assessed value for each land use relative to the total FY98 assessed value for Northampton county. Sixty-three percent of the total assessed value was from Residential Development, 13 percent from Commercial and Industrial Development, and 24 percent from Farm and Open Land. Line items without a clear allocation were allocated according to these fall-back percentages.

In calculating these percentages, vacant land and farms classified agricultural according to the assessor’s records were considered Farm and Open Land. The values of the farmland, barns and other structures contributing to the operation of the farm business

were included in this category. The assessed values of farm houses were separated out and included in the Residential Development category to correspond with the services that homeowners demand separate from the agricultural business.

Tax-exempt values classified as Historical Society, Charitable and Cemetery were considered Residential and Public Property and Miscellaneous were broken down further by analyzing each property.

Fall-back percentages were used as defaults for both revenues and expenditures.⁵ However, when default percentages were needed to allocate tax-related line items, the percentage of tax revenue collected for FY98 was used without including tax-exempt values.

4) Analyze data and calculate ratios

Once interviews were complete and the necessary data was collected, the information was synthesized on a computer spreadsheet. The dollar amount for each line item of the budget was allocated among the three land use categories according to the associated percentage breakdown. Once the percentages were entered for each line item, total revenues and total appropriations were summed for each of the three land use categories. By comparing total revenues to total expenditures in each category, the total net contribution or loss was calculated. This information is also presented in an easy to understand ratio that shows the actual expenditure for every dollar raised. (See table of findings on page 7 for information in both formats). The findings were checked for accuracy and analyzed to understand differences in the ratios.

⁵ Miscellaneous and public property owned by veterans and religious organizations, libraries and community centers were included in Residential Development. Vacant properties and unimproved parks were considered Farm and Open Land. Railroads and utility buildings were considered Commercial and Industrial Development. Properties associated with fire or first aid were allocated according to the associated departmental breakdown. Because this is a county level analysis, all state and federal property values were taken out.

FINDINGS

Specific findings for the county are presented in the table below. The first two rows of each table show the total dollars that were allocated to each land use for revenues and expenditures. The third row shows the net dollar impact on the county budget for each land use. This was determined by comparing the revenues generated with the expenditures provided. The final row of the table presents this same information in the form of ratios. This is a clear way to see how much each land use costs for every dollar of revenue that it raises for the county.

In Northampton County, Residential Development generated \$19.3 million in revenues to cover expenditures of \$21.9 million, creating a net loss of \$2.6 million to the county. Commercial and Industrial Development generated both revenues and expenditures of approximately \$1.6 million. Total revenues from Farm and Open Land were \$2.3 million while expenditures were only \$534,293. Therefore, Farms and Open Land was able to provide surplus revenues to help pay for county services to Residential Development.

NORTHAMPTON COUNTY	FY98 Budget	Residential Development	Com/Ind Development	Farm/Open Land
a) Total Revenues	\$ 23,250,036	\$ 19,288,679	\$ 1,669,619	\$ 2,291,738
b) Total Expenditures	\$ 24,043,581	\$ 21,882,579	\$ 1,626,706	\$ 534,293
Net contribution/loss (a-b)		(\$ 2,593,900)	\$ 42,913	\$ 1,757,445
Final land use ratio		1: 1.13	1: .97	1: .23

The final land use ratios are presented in the last row of the table. They show the costs required per dollar of revenue generated in FY98. For every one dollar of revenue that Residential Development generated for Northampton County, \$1.13 was required in public services for county residents. For every one dollar of revenue that Commercial and Industrial Development generated in the county, 97 cents was required in services. For every one dollar that was generated by Farm and Open land, only 23 cents was required for associated county services.

DISCUSSION

For Northampton County, Farm and Open Land had the lowest net cost of the land uses studied. Farm and Open Land required less than one quarter of the money that it generated, creating a surplus of revenues for the county. Residential Development created a net loss due to its higher service demands. Therefore, surplus revenues from Farm and Open Land were available to subsidize the net loss from residential development.

The ratio for Commercial and Industrial Development is high compared with findings from COCS studies done in other communities. The main reason for this is Northampton County's heavy investment in economic development in the year studied. In FY98, \$770,336 was spent on specific economic development initiatives, which represents approximately 47 percent of the Commercial and Industrial Development expenditures. Almost all of the revenues generated by this Commercial and Industrial Development were needed to cover these high expenditures.

Agriculture contributes to the scenic, economic and environmental values that give Northampton County its rural character. As the county continues to experience growth pressures, land use policies and decisions will have important consequences for the future environment and lifestyle of residents. Builders will try to defend continued Residential Development by claiming that it brings tax revenue and economic development into communities. However, these claims only look at one side of the equation by failing to include the costs that new development imposes on the community. The findings of this study provide factual information to help residents of the county understand the demands for services in relation to tax revenue generated. It is clear that agriculture benefits the local economy through jobs, sales and products. The findings of this study also show the financial savings to the county government as a result of keeping land in agriculture. These dual economic benefits of agriculture emphasize the importance of protecting this valuable natural resource that has served the county for generations.

BUDGET ALLOCATIONS

<u>REVENUES:</u>	<u>FY 98</u>	<u>Residential</u>	<u>Com/Ind</u>	<u>Farm/Open</u>
Taxes				
Property	6,390,506	4,153,829	702,956	1,533,721
Local Sales and Use	831,506	557,109	166,301	108,096
Consumer Utility Tax	466,253	293,739	60,613	111,901
Business License Tax	142	0	142	0
Franchise License Tax	21,014	0	21,014	0
Motor Vehicle Licenses	139,695	88,008	18,160	33,527
Recordation Taxes	45,428	37,819	3,066	4,543
Tax On Wills	3,709	2,337	482	890
Transient Occupancy Tax	74,385	0	74,385	0
Public Utility License Tax	43,515	0	43,515	0
Permits & Privilege Fees				
Animal Licenses	7,623	7,623	0	0
Transfer Fees	607	395	67	146
Zoning Advertising Fees	24,350	14,610	9,740	0
Building Permits	32,083	28,049	4,034	0
Health Dept. Fees- Local	14,787	14,787	0	0
Fines & Forfeitures				
County Fines	29,267	24,877	4,390	0
Use of Money & Property				
Interest on Bank Deposits	16,299	10,594	1,793	3,912
Interest on Investments	186,307	121,100	20,494	44,714
Rent. of General Property	13,761	8,945	1,514	3,303
Charges For Services				
Court Costs	848	763	85	0
Chgs. For Comm. Attorney	292	292	0	0
Chgs. Waste Coll. & Disposal	210,247	210,247	0	0
Recreation Fees	16,324	16,324	0	0
Chgs. For Wil. Wharf Harbor	5,099	3,059	2,040	0
Sale of Maps, Surveys, Etc	1,533	920	613	0
Miscellaneous Total				
Expend Refunds - General	2,256	1,466	248	541
Expend Refunds - School	17,932	17,932	0	0
Expend Refunds - VPA	61,974	61,974	0	0
Gifts & Donations	1,159	1,159	0	0
Sale of Sal. & Surplus Co.	1,157	1,157	0	0
Sale of Equipment - County	778	778	0	0
Ins. Adjustments - County	10,224	6,646	1,125	2,454
Courthouse Main. Fee	15,132	15,132	0	0
Other Misc. - County	2,864	2,864	0	0
Other Misc. - School	142,712	142,712	0	0
Other Misc. - Exten. Service	37,525	26,268	0	11,258
Jail - Inmate Med.- Co-Pay	432	432	0	0
Recovered Costs Total				
Recovered Costs - General	29,819	29,819	0	0
Non - Categorical				

Northampton County, Virginia
Cost of Community Services

	<u>FY 98</u>	<u>Residential</u>	<u>Com/Ind</u>	<u>Farm/Open</u>
ABC Profits	15,821	0	15,821	0
Wine Taxes	12,636	0	12,636	0
Mobile Home Titling Tax	40,001	40,001	0	0
Rolling Stock Tax	1,813	0	1,813	0
Auto Rental Tax	273	0	273	0
Shared Expenses				
Commonwealth's Attorney	128,354	80,863	16,686	30,805
Sheriff	928,645	585,046	120,724	222,875
Commissioner of Revenue	80,583	50,767	10,476	19,340
Treasurer	82,554	52,009	10,732	19,813
Medical Examiner	330	208	43	79
Registrar/Electoral Board	34,541	21,761	4,490	8,290
Clerk of Court	5,565	3,506	723	1,336
Categorical Welfare/ State				
Welfare Reimbursement	543,402	543,402	0	0
Foster Care	110	110	0	0
Education/State				
State Sales Tax	1,504,690	1,504,690	0	0
Basic School Aid	4,484,198	4,484,198	0	0
K-3 Initiative	88,897	88,897	0	0
Gifted & Talented	54,416	54,416	0	0
Remedial Education	187,053	187,053	0	0
Enrollment Loss	12,971	12,971	0	0
Incentive Funds	41,174	41,174	0	0
Compos. Index/Sol Staff	17,005	17,005	0	0
Special Education - SOQ	423,421	423,421	0	0
Summer Remedial School	11,562	11,562	0	0
Textbook Payments	89,037	89,037	0	0
School Food	70,517	70,517	0	0
Pupil Transportation	5,750	5,750	0	0
Vocational Ed. - SOQ	108,831	108,831	0	0
Vocational Ed. - Categorical	69,526	69,526	0	0
Social Security - Instruct.	258,562	258,562	0	0
Social Security - Non-Instruct.	15,205	15,205	0	0
Retirement - Instruct.	220,421	220,421	0	0
Retirement - Non-Instruct.	16,697	16,697	0	0
Group Life - Instruct.	3,049	3,049	0	0
Group Life - Non-Instruct.	632	632	0	0
Supplemental State Salary	205,759	205,759	0	0
Special Ed - Homebound	3,775	3,775	0	0
Disparity Funds	238,457	238,457	0	0
Truancy	24,574	24,574	0	0
Reading Intervention	29,207	29,207	0	0
Other State Grants	96,274	96,274	0	0
At Risk	298,982	298,982	0	0
Maintainance Reserve	25,507	25,507	0	0
ESL	17,739	17,739	0	0
State Technology	51,708	51,708	0	0
Project Renew	51,034	51,034	0	0

Northampton County, Virginia
 Cost of Community Services

	<u>FY 98</u>	<u>Residential</u>	<u>Com/Ind</u>	<u>Farm/Open</u>
Other/ State				
Local Jails	160,300	160,300	0	0
Litter Control	7,920	4,990	1,030	1,901
Other State Grants - General	9,129	5,751	1,187	2,191
Sustan. Dev. Grants	274,500	0	274,500	0
Ches. Bay Loc. Assis. Grant	18,502	0	0	18,502
Ext. Ser-Preg. Prev. Grant	14,461	14,461	0	0
Ext. Ser. - Sum. Int. Grant	6,944	6,944	0	0
Ext. Ser. T.T. Train Grant	3,434	0	3,434	0
Categorical Welfare/ Fed.				
Welfare Reimb. (Federal)	1,176,726	1,176,726	0	0
Education/ Federal				
Chapter I/ Title I	644,845	644,845	0	0
Title 6	18,301	18,301	0	0
Goals 2000	86,343	86,343	0	0
Sch. Food Payments	501,435	501,435	0	0
Migrant	123,556	123,556	0	0
Drug Free/ Title II/ Handcap	62,647	62,647	0	0
Vocational Education	113,101	113,101	0	0
Other/ Federal				
Cops Fast Grant	38,551	38,551	0	0
Church Arson Prev. Grant	-337	-337	0	0
Law Enf. Block Grant	4,115	2,592	535	988
Forest Lands Management	18	0	0	18
VIC/ WIT Grant Dept of CJ	40,587	40,587	0	0
Insurance Recoveries				
Insurance Recoveries - County	8,867	5,586	1,153	2,128
Sale of Property				
Sale of Land/ Bldgs. County	11,901	7,498	1,547	2,856
Transfer From Recor. Tax	40,021	25,213	5,203	9,605
Transfer From Recor. Pres. Gra	40,145	25,291	5,219	9,635
Transfer From Payroll With.	1,635	1,030	213	392
Transfer From E-911	341,587	215,200	44,406	81,981
Total Revenues	\$23,250,036	\$19,288,679	\$1,669,619	\$2,291,738

<u>EXPENDITURES:</u>	<u>FY 98</u>	<u>Residential</u>	<u>Com/Ind</u>	<u>Farm/Open</u>
Legislative	39,204	24,699	5,097	9,409
County Administrator	225,637	142,151	29,333	54,153
County Attorney	22,782	16,038	2,369	4,374
Independent Auditor	19,000	11,970	2,470	4,560
Commissioner of the Revenue	164,977	111,634	40,144	13,199
Board of Assessors	67,302	42,400	8,749	16,152
County Treasurer	200,227	126,143	26,030	48,054
Electoral Board & Officials	63,691	63,691	0	0
Circuit Court	18,360	13,302	2,194	2,864
General District Court	4,330	4,330	0	0
Magistrates	7,008	7,008	0	0
Clerk, Circuit Court	109,213	80,545	11,631	17,037
Commonwealth Attorney	140,107	126,096	14,011	0
Sheriff	1,352,594	830,154	400,706	121,734
E - 911	341,588	273,270	51,238	17,079
Ambulance and Rescue Service	17,229	14,329	2,668	232
Fire Prevent. & Detect.	60,358	42,253	13,075	5,030
Emergency Med. Services	155,534	142,314	9,488	3,733
Confine & Care Prisoners	416,442	262,359	154,083	0
Judicial Court Services	63,549	63,549	0	0
Building Inspection	67,338	58,584	8,754	0
Animal Warden	46,225	46,225	0	0
Other Protection	26,706	26,706	0	0
Refuse Disposal	537,437	537,437	0	0
General Property	185,065	116,591	24,058	44,416
General Property - Grounds	35,005	22,053	4,551	8,401
Local Health Department	261,480	261,480	0	0
Chapter X Board	52,939	52,939	0	0
Welfare Administration	1,800	1,800	0	0
State & Local Hospitalization	6,947	6,947	0	0
Other Welfare	72,140	72,140	0	0
Community Colleges	22,945	22,945	0	0
Parks & Recreation	152,600	152,600	0	0
Harbors & Boat Ramps	6,298	4,787	1,511	0
Regional Library	50,981	50,981	0	0
Local Library	2,000	2,000	0	0
Planning & Zoning	173,479	102,005	68,004	3,470
Community Development	22,277	15,731	0	6,546
Sustainable Economic Development	301,839	0	301,839	0
Joint Industrial Development	41,214	0	41,214	0
Wetlands & Arch Review Board	1,000	980	0	20
Joint & Local Planning Comm	2,475	1,733	743	0
Other Econ. Development	90,695	0	90,295	400
Soil & Water Conservation	11,829	0	0	11,829
Extension Service	85,474	59,832	0	25,642
Ext. Serv. After School Program	14,436	14,436	0	0
Ext. Serv. Teen Preg. Prev	10,000	10,000	0	0
Johnson Grass	3,604	0	0	3,604

	<u>FY 98</u>	<u>Residential</u>	<u>Com/Ind</u>	<u>Farm/Open</u>
Ext. Serv. Family Pres.	6,853	6,853	0	0
Exten. Serv. T.- T- Trainer	3,995	0	3,995	0
Work. Comp./ Unemp. Ins.	57,170	36,017	7,432	13,721
General Insurance	44,287	27,901	5,757	10,629
Capital Projects	269,300	169,659	35,009	64,632
Port of C.C. Ind Pk Cap. Prj.	226,874	0	226,874	0
Eastville Inn Cap. Project	12,325	0	12,325	0
Capital Proje. Temp. Jail	24,000	15,600	8,400	0
Debt Service	97,389	61,355	12,661	23,373
Operating Transfers Out				
To School Oper.	14,491,818	14,491,818	0	0
To VPA Fund	2,026,248	2,026,248	0	0
To School Debt	1,007,962	1,007,962	0	0
Total Expenditures	\$24,043,581	\$21,882,579	\$1,626,706	\$534,293

FINAL LAND USE RATIOS:	<u>Residential</u>	<u>Com/Ind</u>	<u>Farm/Open</u>
	1: 1.13	1: .97	1: .23