

## MEMORANDUM

DATE: June 17, 2013

TO: City of Prescott  
Honorable Mayor and Council

FROM: North Airport Annexation Ad Hoc Committee  
(John Danforth, Mike Gjedes and Roger Swenson)

SUBJECT: Committee Comments regarding Applied Economics Report –  
Fiscal Impacts of the Deep Well Ranch North Annexation

Resolution Number 3878-0846 establishes cost-benefit analysis guidelines for proposed annexations of 250 acres or more or smaller annexations determined to be significant. The proposed Deep Well Ranch North Annexation encompasses 499 acres and is consequently subject to these guidelines.

In addition to specifying the scope and technical aspects of the required cost-benefit analysis, the guidelines require that the completed cost-benefit analysis be reviewed and evaluated by a Mayor's Ad hoc Advisory Annexation Financial Review Committee. Specifically, this independent Committee is charged with assessing the completeness and validity of assumptions underlying the analysis.

Pursuant to its guidelines, the City contracted with Applied Economics to provide the detailed analysis of not only the financial implications of the proposed annexation but to also identify any non-quantifiable impacts related to the Annexation. Their draft report provided the basis for the Committee's review, comments and subsequent changes to that report.

The Committee held three meetings regarding the draft report. In reviewing the report, the Committee questioned a number of the underlying assumptions and recommended some minor changes to improve the consistency and reasonableness of the analysis. Revisions were made to the draft report, and the Committee concluded that the revised report complies fully with the procedures specified in the City's Annexation Review policy and the analysis contained in the final Report is professionally rendered and incorporates no obvious biases.

The Report and, specifically, its Executive Summary provide an extensive discussion regarding assumptions and the results of the financial modeling applied to the proposed annexation.

Under any set of assumptions regarding future economic conditions, the Committee concluded that proceeding with the annexation presents virtually no short or long-term risk to the City. The Report projects a modest long-term financial benefit to the various City funds over the next 30 years. The size of this projected benefit (having a net present value of approximately \$4.4 million for all funds through the year 2042)

suggests that *neither revenue nor expense considerations should 'drive the decision' to annex the property.*

However, the Committee concurs that the contemplated *non-quantifiable impacts of the annexation are potentially significant and positive.* These impacts include:

- increased viability of the Airport,
- protection of the Airport from encroachment,
- expansion of medical services in the region,
- job creation, and,
- provide 'marketable industrial sites' for future development.

Lastly, the Committee wishes to express its sincere appreciation to Mark Woodfill and Sarah Murley. Their patience and professionalism during the Committee's review process and dissection of the report's assumptions and methodology made the Committee's work much more enjoyable than it might have been!