

**Gorham Farmland, Open Space and
Resource Conservation Plan**

**Report on the
Cost of Community Services
Study**

February 2005

prepared by
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Executive Summary

Each type of land use contributes revenue (taxes and fees) to fund the operations of municipalities and schools and the services they provide. The amount of revenue each land use contributes varies. Each municipality and school district also incurs expenses (costs) in the course of providing municipal or educational services. Each type of land use benefits to varying degrees from the services provided. A cost of community services (COCS) study is an analytical technique used to examine the relationship between land uses, on the one hand, and revenues and expenses on the other. By undertaking a COCS study, the fiscal impact each type of land use has on a municipality and school district can be quantified.

The methodology used for the Gorham COCS was developed by the American Farmland Trust, a not-for-profit organization created in 1980 for the purpose of protecting agricultural resources in the United States. The COCS analysis involves allocating or apportioning a portion of each budget revenue and expense among the different types of land uses. The amount apportioned to each land use varies for each budget line item depending on the relationship that exists between the revenue or expense and each type of land use. Financial information contained in the 2003 Town of Gorham budget and the 2002-2003 Marcus Whitman Central School District budget was used for this COCS study.

The COCS study revealed that it cost the Town of Gorham more to provide services for residential properties than the amount of revenue residential properties contributed. All other types of land uses contributed excess revenue which was used to subsidize the cost of providing the residential properties with Town services. The COCS further revealed that all land uses within the Town of Gorham contributed more school tax revenue than the Marcus Whitman Central School District expended to educate students who resided in Gorham. This result is atypical and further examination revealed that the residential properties located along Canandaigua Lake skewed the results.

The average assessed value of the lakeshore residences was \$354,135, while residences located elsewhere in Gorham had an average assessment of \$80,206. Due to the much high assessments of lakeshore properties, both the Town and the School District received appreciably more revenue than they would have otherwise received if there had been no lakefront properties in the Town. When adjustments were made to compensate for the skewing effect, the COCS calculations revealed that non-residential properties in Gorham would have had to have contributed much more revenue than they actually contributed to subsidize the Town and School District services provided for residential properties.

The COCS study further demonstrated that if future high-density residential development occurs in the Town, especially if comprised of low and moderately priced houses, such development will drive up the costs of both the Town and School District. The additional revenue provided by the development would not be sufficient to offset the increased costs. Such development would cause a financial drain on the Town and School District. To prevent this, the Town of Gorham would be wise to take measures to limit the density of future residential development, refrain from extending watermains and sanitary sewers which facilitate residential development, and utilize the various available farmland and open space preservation techniques to protect such land from being developed.

OVERVIEW

A cost of community services study (COCS) is an analytical technique used to examine the fiscal impacts different types of land uses have on local governments, including school districts, and ultimately on local taxpayers. Each type of land use contributes revenue in the form of taxes and fees to fund municipal and school district operations and the services they provide. The amount of revenue each type of land use provides varies. Municipalities and school districts also incur expenses (costs) in the course of providing municipal and educational services. The services provided benefit each type of land use to different degrees.

A COCS analysis is used to identify the relationships between municipal and school revenues and types of land uses as well as the relationships between municipal and school expenses and types of land uses. By identifying these relationships, the amount of revenue each type of land use contributes and the amount expended to provide services to each land use can be quantified. A comparison of the revenue each land use contributes versus the amount expended to provide each land use with municipal or educational services reveals which land uses “pay their own way”, i.e., contribute sufficient revenue to offset the expense of providing them with services, and which land use are “subsidized”, i.e., contribute less revenue than it costs to provide them with services.

METHODOLOGY

The methodology used for this cost of community services study (COCS) was developed by the American Farmland Trust. The American Farmland Trust is a not-for-profit organization created in 1980 for the purpose of protecting agricultural resources in the United States. The financial information for this analysis came from the Town of Gorham 2003 fiscal year budgets and the Marcus Whitman Central School District 2002-2003 fiscal year budget.

Town Water Fund and Sewer Fund budgets were excluded from the study in accord with the American Farmland Trust methodology. The reason is that water and sewer service is provided to a very limited number of properties all within special districts and each customer pays fees according to the level of service utilized. Such utility funds are self-sustaining. The Ambulance Funds were also excluded from this study as the Town of Gorham made no contributions to Ambulance District No. 1 in 2003 and the ambulance squad serving Ambulance District No. 2 had recently implemented third-party billing which was anticipated to eliminate the need for future Town contributions. Three separate fire departments provide fire service to different parts of the Town as well as to areas outside the Town of Gorham. Only revenues and expenses associated with the fire protection provided within the Town of Gorham were used in this analysis.

This analysis involved examining each budget line item revenue and expense and allocating all or a portion of each line item amount to one or more types of land uses. The allocation (apportionment) was determined based on the relationship between the budget line item and the various land uses. Although all Town budget revenues (taxes and fees) and expenses (costs) were examined and apportioned, only the school taxes collected and expended by the Marcus Whitman School District were examined and apportioned. This is in accord with the American Farmland Trust methodology. Other forms of school revenue are considered independent of land uses and, therefore, not relevant to a COCS study.

Land Use Categories

The initial step in the analysis involved identifying the land use categories to be used for apportioning budget revenues and expenses. The following four categories of land use were used for this COCS analysis:

1. Farmland containing no buildings and vacant land
2. Farmland containing farm buildings, but no farm residences
3. Residential properties (including both farm residences and non-farm residences)
4. Commercial, industrial and community service properties

(Community service properties include properties used for: governmental purposes, e.g., the Town Hall and the highway garage) as well as schools, fire halls, churches, cemeteries, and public utilities.)

Farmland containing no buildings and vacant land were combined into a single land use category. This was done due to the similarity in the types and level of municipal service provided for each.

COCS studies performed for more developed municipalities typically utilize separate categories for commercial, industrial and community service land uses. These categories were combined into a single category for the Gorham COCS analysis. It was determined that separate categories would not provide useful information due to the small number of parcels involved and that combining them into a single category would not diminished the accuracy of the analysis nor alter the results

Farm residences were combined with non-farm residences including manufactured home parks into a single land residential land use category. All are residential uses regardless of whether the residence is located on a farm, on a non-agricultural parcel of land or in a commercial manufactured home park. Farmland containing non-residential farm structures or other non-residential improvements were treated as a separate land use category.

Allocation Ratios

After the land use categories for the study had been determined, the next step involved calculating the allocation ratios to be used to apportion municipal revenues and expenses among the land use categories. The American Farmland Trust methodology provides for the use of the following three standard ratios (proportions):

1. Property Ratio
2. Population Ratio
3. Revenue Neutral Ratio

The selection of the appropriate allocation ratio to use to apportion each budgetary revenue or expense is based on the relationship between the land uses and the revenue or expense. The criteria for selecting the appropriate ratio to apply and the method for calculating the standard ratios are described below.

Property Ratio - The property ratio is to be utilized when a relationship exists between the NUMBER of parcels in each land use category and a revenue or expense. For example, the property ratio is appropriate to use to apportion New York State assessment aid. NYS provides a flat amount of aid per parcel to local governments to help pay for the cost of assessing properties and maintaining assessment records regardless of the size or value of the parcel and irrespective of how the parcel is being used. Use of the property ratio is also appropriate for apportioning expenses for the Assessor's office as the Assessor must periodically assess every parcel within the Town and maintain assessment records for each. The number of parcels, not the size of the parcels, values of the properties or the uses determine the number of assessments the Assessor must make and assessment records that must be maintained.

The property ratio is calculated based on the proportion of the NUMBER of parcels within each land use category. For example, if there are 1,000 parcels within a municipality, and 50 are used for commercial purposes, 800 for residential purposes, and 150 for agricultural purposes, then 5% $[(50/1,000) \times 100 = 5\%]$ of the revenue or expense would be apportioned to the commercial use category, 80% $[(800/1,000) \times 100 = 80\%]$ to the residential use category, and 15% $[(150/1,000) \times 100 = 15\%]$ to the agriculture category.

Population Ratio - The population ratio is utilized when there is a relationship between the size of the population and a revenue or expense. When the population ratio is applied, 100% of the line item is allocated to the residential land use category as population is directly linked to residential land use. The population ratio is used, for example, to allocate per capita State aid. The amount of per capita State aid New York State provides a municipality is based on the size of the municipality's population. An increase in population results in an increase of per capita State aid. Conversely, a decrease in population results in a decrease of per capita State aid. Another example is the allocation of costs for disposing refuse deposited at the Town of Gorham's transfer station. The larger the population, the greater the amount of refuse that would be generated and the greater the disposal cost for the Town. School Districts costs provide another example of expenses that are apportioned using the population ratio as all school expenses are directly or indirectly determined by the size of the population served.

Revenue Neutral Ratio - The revenue neutral ratio is used when there is a relationship between the ASSESSED VALUE of the land and a budgetary revenue or expense. Property tax revenues represent an example of a revenue apportioned using the revenue ratio. The amount of property tax each property owner pays is determined by multiplying the tax rate by the assessed value of his or her property(ies). Sales tax revenue provides another example of a Town of Gorham revenue apportioned using the revenue neutral ratio. Ontario County shares the local sales tax revenue it collects with all townships within the County. Although the local sales tax revenue is generated by retail transactions which occur anywhere within Ontario County, the formula used to divvy up the sales tax revenue is based on the proportion of the assessed value of real property contained in each of the towns. There is a direct relationship

between the amount of sale tax revenue Gorham receives and the assessed value of property within the Town of Gorham.

The revenue neutral ratio is also used when the property and population ratios are not appropriate AND no other rationale can be identified for calculating and using a special allocation ratio or formula. The revenue neutral ratio, as its name implies, is considered to be a neutral means of apportionment. The underlying assumption is that each type of land use contributes the same amount of property tax revenue as it costs to provide it with municipal services. Accordingly, the revenue neutral ratio may be used without skewing the results. For example, the revenue neutral ratio is an appropriate way to apportion overhead expenses as neither the property ratio nor the population ratio are appropriate nor is there any other appropriate rationale for apportioning overhead costs.

The revenue neutral ratio is determined by calculating the proportion of the total ASSESSED VALUE of all parcels within each land use category. For example, if the value of all parcels in a municipality totals \$10,000,000 and assessed value of land used for commercial purposes is \$5,000,000, for residential purposes \$2,000,000 and for agricultural purposes \$3,000,000, then 50% [$(\$5 \text{ million} / \$10 \text{ million}) \times 100 = 50\%$] of the revenue or expense would be allocated to the commercial land use category, 20% [$(\$2 \text{ million} / \$10 \text{ million}) \times 100 = 20\%$] to the residential category and 30% [$(\$3 \text{ million} / \$10 \text{ million}) \times 100 = 30\%$] to the agriculture category.

Special Allocations - The American Farmland Trust methodology allows for the use of special allocations ratios when none of the forgoing ratios are applicable AND when another rationale can be identified that would result a more accurate apportionment than could be achieved using the revenue neutral ratio. Special allocations are sometimes be used to allocate expenses based on the levels of activities performed and the relationship of those activities to the various land uses. The allocation of zoning expenses provides an example. Zoning expenses were allocated based on activity level, i.e., the number of zoning and building permits issued and building inspections conducted for each of the land use categories. Special allocations were also used to allocate fire department expenses based on the levels and types of activities.

Other Considerations for Apportioning Revenues and Expenses

Part of the Town of Gorham is within the Village of Rushville. This situation complicated apportioning revenue and expenses. The Town has two separate budgets, one for municipal services provided town-wide and another for municipal services provided only in the portion of the Town outside the Village of Rushville. In addition, three fire departments provide fire protection to different portions of the Town including the Village of Rushville.

Separating the value of farm residences from the value of farmland containing non-residential farm buildings also proved to be a challenge due to the way assessment data is recorded and maintained in New York State. A single assessed value for all structures (“improvements” in assessment terminology) is established by the Assessor. No distinction is made between farm residences and other farm buildings. Fortunately, the assessment software used in New York State has a feature that can be used to calculate a replacement cost less net depreciation (RCLND) for a farm residence separate from an RCLND for the non-residential farm buildings. RCLND figures are calculated using the size, type of construction, and age of each structure.

Such information for farm residences and non-residential farm buildings is maintained separately in the assessment data base.

The sum of the RCLND for a residence and the RCLND for the other farm buildings usually does not equal the assessed value of the “improvements” (residence and farm buildings combined) established by the assessor. RCLND figures are based on the cost to replace the structures while the assessed value is based on the current market value of the structures. The RCLND figures, however, do provide a rationale for allocating a portion of the assessed value of the “improvements” to the residence and the remaining portion to the farm buildings using the ratio of the two RCLND figures to each other. This methodology was used for the Gorham COCS analysis. The following hypothetical example serves to clarify this methodology.

Assume the assessed the value of all improvements (residence and farm buildings) on a agricultural parcel is \$500,000. Assume further that the assessment software calculates the farm residence RCLND be \$150,000 and the non-residential farm building(s) RCLND to be \$450,000. The sum of the RCLND figures total \$600,000 compared to the \$500,000 assessed value. The RCLND for the farm residence represents 25% of the total RCLND [$(\$150,000/\$600,000) \times 100 = 25\%$] and the RCLND for non-residential farm buildings represent 75% of the total RCLND [$(\$450,000/\$600,000 \times 100 = 75\%)$]. If the RCLND percentages are applied to the assessed value of all the improvements, the approximate assessed value of the farm residence would be \$125,000 [$\$500,000 \times 25\% = \$125,000$] and the approximate assessed value of the non-residential farm buildings would be \$375,000 [$\$500,000 \times 75\% = \$375,000$].

Property tax exemptions provided further complications in calculating the standard allocation ratios. Not all property tax exemptions are applicable across the board. Although farmland within Ontario County Agricultural Districts receives agricultural exemptions for Town General Fund and Highway Fund taxes and for Marcus Whitman School District tax levies, the agricultural exemptions do not apply to tax levies for fire protection. STAR exemptions which apply only to School District tax levies, but not to Town tax levies provided further complications. Another complication was due to the fact that although virtually all of the Town of Gorham is within the Marcus Whitman Central School District, the School District encompasses portions of five other municipalities.

Due to the foregoing complications, several property ratios and revenue neutral ratios as well as two population ratios had to be calculated. The appropriate allocation ratio had to be carefully selected and applied depending on which particular budget revenue or expense was being apportioned and in which budget the revenue or expense appeared. The differences in the property ratios were attributable to the difference in the number of parcels town-wide versus the number of parcels in the Town outside the Village of Rushville. Differences in the revenue neutral ratios were attributable to the assessed value of properties town-wide versus the assessed value of only properties outside the Village as well as to the applicability of the various property tax exemptions. Only the portion of the Marcus Whitman Central School District budget that was applicable and attributable to the properties located within the Town of Gorham and the students who resided in the Town of Gorham were incorporated into the analysis which necessitated additional calculations. Calculating the revenue neutral ratios for

agricultural properties required many steps due to the way in which assessment data for agricultural properties is recorded as previously described.

An additional analytical step was undertaken to illustrate the extent to which the residential properties along Canandaigua Lake fiscally impact the Town of Gorham and skew the results of the analysis. The skewing is attributable to the high assessed values of the lakeshore residences which averaged \$354,135 at the time this study was conducted. To compensate, the assessed values of the lakefront residential properties were discounted to \$80,206 which represented the average assessed value of residential properties in the Town of Gorham not located along Canandaigua Lake.

Selecting and Applying the Appropriate Allocation Ratio

Selecting the appropriate allocation ratio to use to apportion many of the revenues and expenses budget lines was readily apparent. The selection of the appropriate allocation ratios to use to apportion many other revenues and expenses, however, was not readily apparent and required research to identify the factors affecting or influencing those particular revenues and expenses. This research involved talking with and interviewing various knowledgeable State, County, Town, School District, and Fire Department officials. The persons interviewed included the following:

Town of Gorham

- Richard Calabrese, Town Supervisor
- Gordon Fieda, Town Code and Zoning Enforcement Officer
- Dirk Davey, Town Assessor

Ontario County

- Alan Bubb, Deputy County Treasurer
- Robin Johnson, Real Property Tax Services

Marcus Whitman Central School District

- Cathy Milliman, Business Administrator
- Karen Webster, Attendance Clerk
- David Adam (title unknown)

New York State

- Tom Shelton, NYS Real Property Services Regional Office
- Dave Pennella, NYS Department of Transportation, Region 4 office
- Steve Ainspan, NYS Department of Transportation, Albany office

Fire Departments and Ambulance Squads

- Fire Chief Grzeskowiak and Jeff Arith , Gorham Fire Department

- Former Fire Chief Don Barns, Crystal Beach Fire Department
- Fire Chief Art Rilands, Rushville Fire Department

RESULTS OF THE ANALYSIS

After each budget revenue and expense had been apportioned, the revenues allocated to each land use category were added to come up with a total revenue figure for each land use. Similarly, the expenses allocated were also summed to come up with a total expense for each land use. The revenues contributed by each land use were then compared to the expenses (costs) of providing municipal and educational services for the corresponding land use. The results are summarized in Tables A through F. A separate table is provided for each of the Town budgets (Tables A through D) and the Town budgets were combined (Table E). A separate table is also provided for the real property tax revenue and expenditures for the Marcus Whitman Central School District (Table F).

The tables show not only the amount of revenue each type of land use contributed, but also the proportion of the total revenue each provided. Like information is provided with regard to expenses (costs). The figures in bottom row of each table represent the differences between the revenues and expenses. If the figure in the bottom row is positive, the corresponding land use contributed revenue in excess of the amount expended to provide municipal and educational services for that particular land use. If the figure in the bottom row is negative, represented by figures in parentheses, then more was expended to provide municipal or educational services than that land use contributed in revenue.

The information contained in Tables E and F is also presented in bar charts to assist in the interpretation of the study results. Separate bar charts are provided for each land use category. The information contained in Table E is depicted in Charts 1 through 4. The information contained in Table F is depicted in Charts 5 through 8. Charts 4A and 8A illustrates the results when the assessed value of lakefront residential properties was discounted.

Table E and Charts 1 through 4 reveal that all land uses except residential land use contributed more revenue to the Town than it cost to provide each with Town services. Agricultural and vacant land contributed an excess \$26,064, land containing farm buildings contributed an excess of \$16,359, and properties used for commercial, industrial and community services contributed an excess of \$85,945. Residential properties were the exception. The Town expended \$128,000 more to provide Town services for residential properties than residential properties contributed in revenue to the Town. In other words, residential properties did not pay their own way and the other types of land uses subsidized the cost of providing Town services for residential properties.

Town of Gorham Cost of Community Services Study Comparison of Revenues and Expenditures

**Table A
Town-Wide General Fund**

| | Ag w/o Bldgs & Vacant | % | Farm Bldgs. | % | Farm Res & Non-Farm Res | % | Com/Pub/Serv | % | Total | % |
|-----------------------------------|-----------------------|-------|-----------------|-------|-------------------------|--------|-----------------|-------|-------------|---------|
| Revenues | \$87,589 | 7.38% | \$20,645 | 1.74% | \$1,000,833 | 84.36% | \$77,300 | 6.52% | \$1,186,367 | 100.00% |
| Expenses | \$85,413 | 7.20% | \$10,217 | 0.86% | \$1,040,488 | 87.70% | \$50,249 | 4.24% | \$1,186,367 | 100.00% |
| Net Contribution (Deficit) | \$2,176 | | \$10,428 | | (\$39,655) | | \$27,051 | | | |

**Table B
Town Outside Rushville General Fund**

| | Ag w/o Bldgs & Vacant | % | Farm Bldgs. | % | Farm Res & Non-Farm Res | % | Com/Pub/Serv | % | Total | % |
|-----------------------------------|-----------------------|-------|------------------|-------|-------------------------|--------|----------------|-------|-----------|---------|
| Revenues | \$7,967 | 7.08% | \$3,688 | 3.28% | \$92,639 | 82.34% | \$8,216 | 7.30% | \$112,510 | 100.00% |
| Expenses | \$2,557 | 2.27% | \$8,607 | 7.65% | \$96,909 | 86.13% | \$4,437 | 3.94% | \$112,510 | 100.00% |
| Net Contribution (Deficit) | \$5,410 | | (\$4,919) | | (\$4,270) | | \$3,779 | | | |

**Table C
Town Highway Department**

| | Ag w/o Bldgs & Vacant | % | Farm Bldgs. | % | Farm Res & Non-Farm Res | % | Com/Pub/Serv | % | Total | % |
|-----------------------------------|-----------------------|-------|----------------|-------|-------------------------|--------|-----------------|-------|-----------|---------|
| Revenues | \$69,717 | 7.91% | \$17,817 | 2.02% | \$728,801 | 82.67% | \$65,277 | 7.40% | \$881,612 | 100.00% |
| Expenses | \$62,242 | 7.06% | \$10,227 | 1.16% | \$792,569 | 89.90% | \$16,574 | 1.88% | \$881,612 | 100.00% |
| Net Contribution (Deficit) | \$7,475 | | \$7,590 | | (\$63,768) | | \$48,703 | | | |

**Table D
Fire Districts 1 and 2**

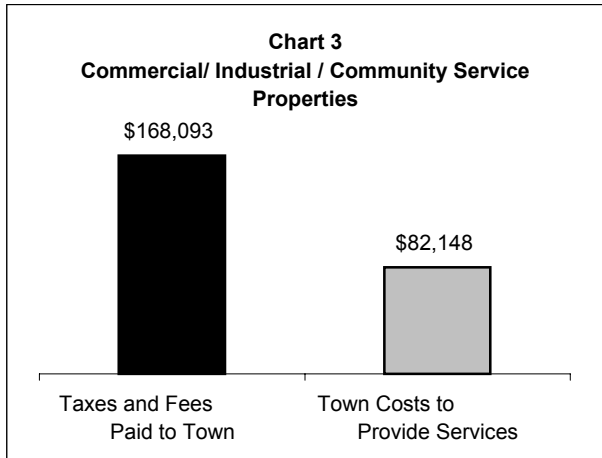
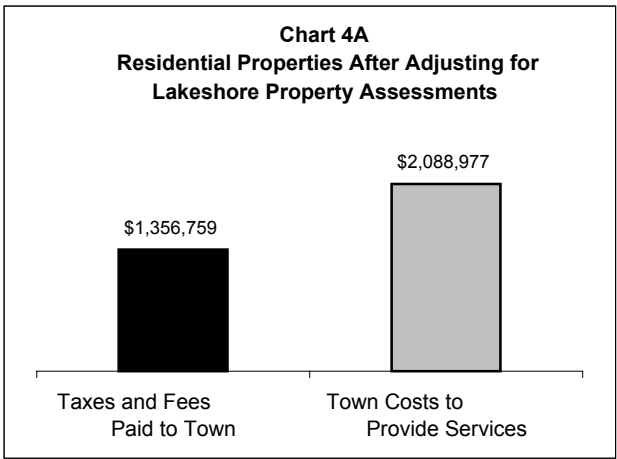
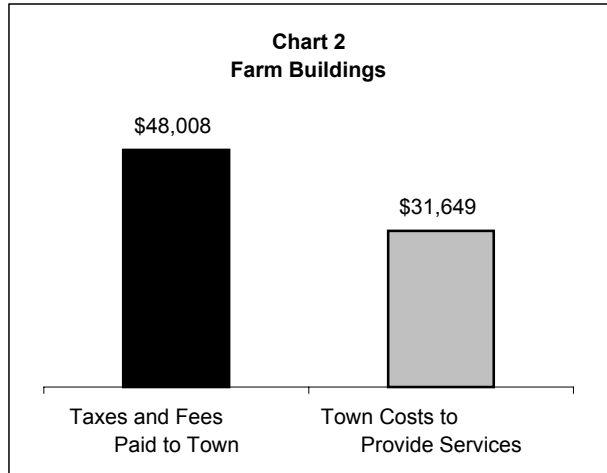
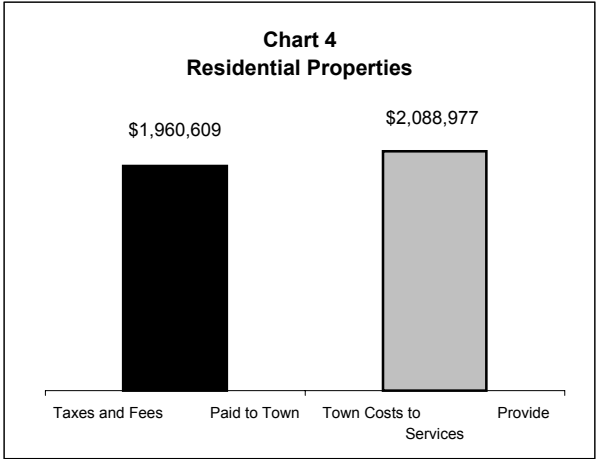
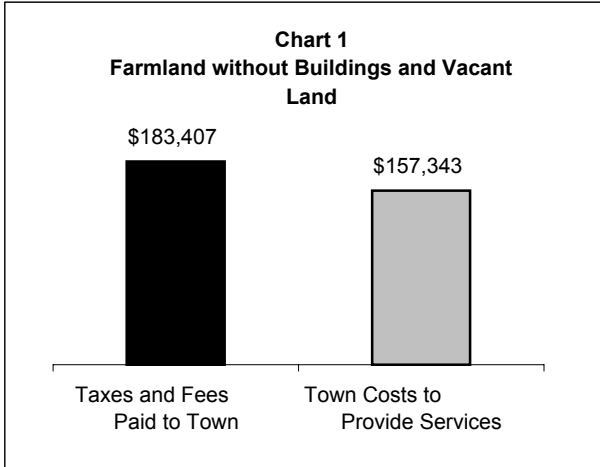
| | Ag w/o Bldgs & Vacant | % | Farm Bldgs. | % | Farm Res & Non-Farm Res | % | Com/Pub/Serv | % | Total | % |
|-----------------------------------|-----------------------|--------|----------------|-------|-------------------------|--------|----------------|-------|-----------|---------|
| Revenues | \$18,134 | 10.10% | \$5,858 | 3.26% | \$138,336 | 77.01% | \$17,300 | 9.63% | \$179,628 | 100.00% |
| Expenses | \$7,131 | 3.97% | \$2,598 | 1.45% | \$159,011 | 88.52% | \$10,888 | 6.06% | \$179,628 | 100.00% |
| Net Contribution (Deficit) | \$11,003 | | \$3,260 | | (\$20,675) | | \$6,412 | | | |

**Table E
Town Budgets Combined**

| | Ag w/o Bldgs & Vacant | % | Farm Bldgs. | % | Farm Res & Non-Farm Res | % | Com/Pub/Serv | % | Total | % |
|-----------------------------------|-----------------------|-------|-----------------|-------|-------------------------|--------|-----------------|-------|-------------|---------|
| Revenues | \$183,407 | 7.77% | \$48,008 | 2.03% | \$1,960,609 | 83.07% | \$168,093 | 7.12% | \$2,360,117 | 100.00% |
| Expenses | \$157,343 | 6.67% | \$31,649 | 1.34% | \$2,088,977 | 88.51% | \$82,148 | 3.48% | \$2,360,117 | 100.00% |
| Net Contribution (Deficit) | \$26,064 | | \$16,359 | | (\$128,368) | | \$85,945 | | | |

**Table F
Marcus Whitman School District Budget (Real Property Tax Only)**

| | Ag w/o Bldgs & Vacant | % | Farm Bldgs. | % | Farm Res & Non-Farm Res | % | Com/Pub/Com Serv | % | Total | % |
|-----------------------------------|-----------------------|-------|-----------------|-------|-------------------------|---------|------------------|-------|-------------|---------|
| Revenues | \$379,471 | 7.91% | \$62,366 | 1.30% | \$4,243,738 | 88.46% | \$111,778 | 2.33% | \$4,797,353 | 100.00% |
| Expenses | \$0 | 0.00% | \$0 | 0.00% | \$2,523,217 | 100.00% | \$0 | 0.00% | \$2,523,217 | 100.00% |
| Net Contribution (Deficit) | \$379,471 | | \$62,366 | | \$1,720,521 | | \$111,778 | | | |



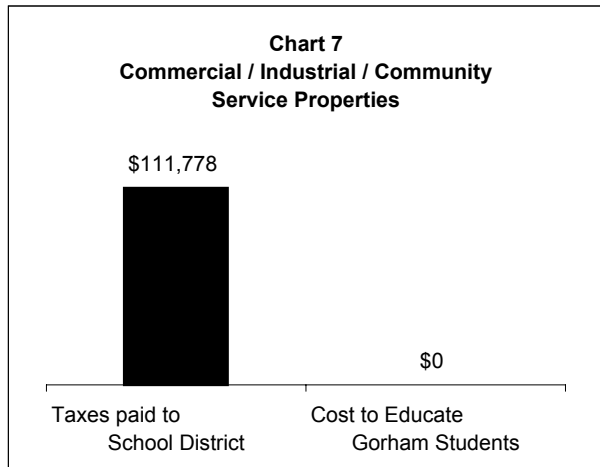
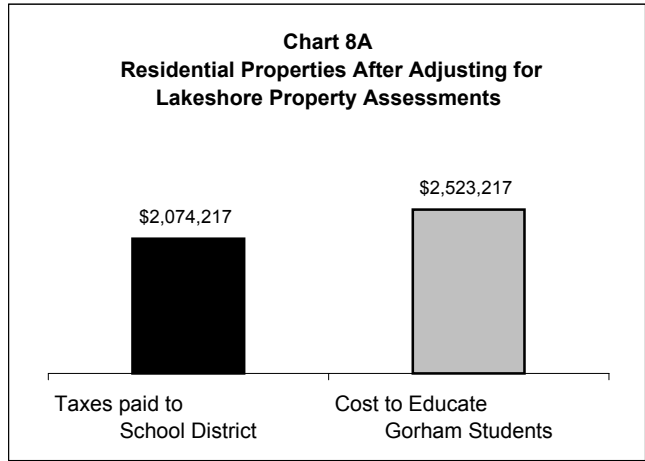
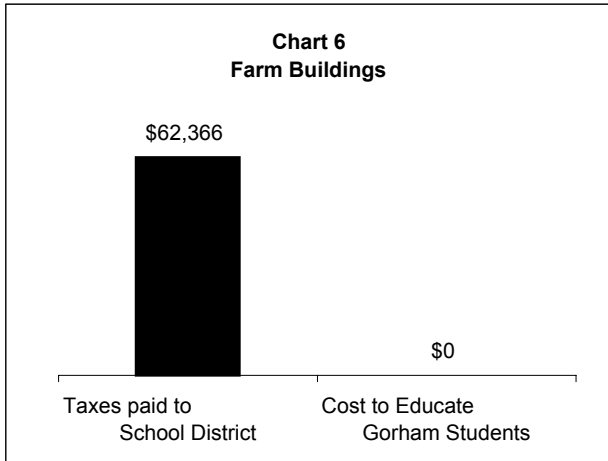
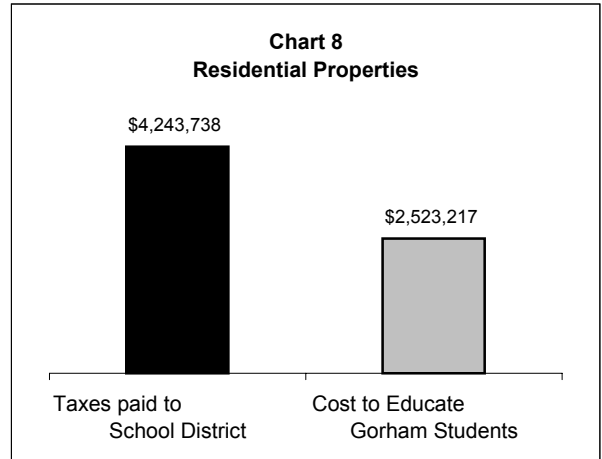
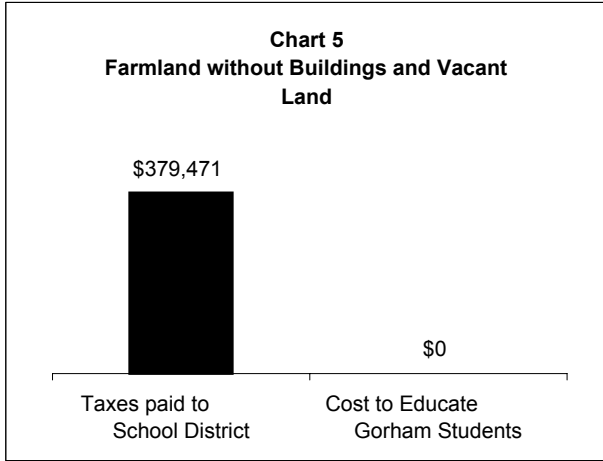


Chart 4A illustrates what the relationship between Town revenues and expenses would have been for residential properties had the values of residential properties along the lakeshore been equal to the average assessed value of the residential properties located elsewhere in the Town. A comparison of Chart 4 to 4A reveals the extent to which the high value of lakefront residential properties skew the results of the analysis. If there was no lakefront property in Gorham, all other things being equal, the disparity between the revenue provided by the residential properties versus the cost of providing residential properties with municipal services would have been much greater. The Town would have expended \$732,218 more to provide residential properties with Town services than the residential properties would have contributed in revenue.

Table F and Charts 5 through 8 illustrate that although all land use categories contributed property taxes to the Marcus Whitman Central School District, educational services are provided exclusively for residential properties. As Table F and Chart 8 reveal, residential properties actually contributed \$1,720,521 [$\$4,243,738 - \$2,523,217 = \$1,720,521$] more in school taxes than the school expended to provide educational services to students who resided in the Town of Gorham. This result is atypical. Typically, schools spend much more school tax than residential properties contribute. A comparison of Chart 8 to Chart 8A reveals that the reason for this unusual situation can be attributed to the high value of the lakefront residential properties. Chart 8A illustrates the amount of school taxes residential properties would have contributed to the Marcus Whitman School District had the average assessed value of the residential properties along the lakeshore been equal to the average assessed value of the residential properties located elsewhere in the Town. The School District would have expended \$449,000 more school taxes to educate students residing in Gorham than residential properties in Gorham would have contributed in school tax revenue [$\$2,525,217 - \$2,074,217 = \$449,000$].

The analysis of the Marcus Whitman School District tax revenues and tax expenditures revealed another interesting fact. While only 30.94% of the Marcus Whitman students resided in the Town of Gorham, Gorham property owners contributed 58.83% of the school tax revenue the School District received. In other words, Gorham property owners had actually subsidized the cost of educating Marcus Whitman students who resided outside the Town of Gorham.

WHAT DOES IT ALL MEAN?

This COCS analysis demonstrates that unique circumstances exist in the Town of Gorham which sets the Town apart from most other rural, sparsely populated communities with little development. These unique circumstances which provide significant fiscal benefits to the Town include the following:

1. The high value of the residential properties along Canandaigua Lake.
2. The amount of local sales tax revenue collected by Ontario County and the formula used for sharing the local sales tax revenue with townships within the County.

It is the interrelationship of these two unique circumstances, that sets the Town of Gorham apart.

A large portion of the Town of Gorham's revenue comes from the sales tax revenue Ontario County shares with Gorham and the other townships in the Ontario County. Each township's share of the local sales tax is based on the proportion of full assessed value of real property within each township. As the lakefront residential properties have high assessed values, the Town of Gorham receives a much larger portion of the sales tax revenue than it would otherwise receive.

Another reason Gorham receives such large amounts of sales tax revenue is because Ontario County collects large amounts of local sales tax. Although Ontario County is predominantly rural, East View Mall, a large regional shopping center is located at the western periphery of the County. East View Mall and the surrounding commercial developments generate a lot of sales tax revenue for Ontario County. The commercial centers of the Cities and Towns of Canandaigua and Geneva also generate appreciable amounts of local sales tax revenue. Consequently, Ontario County collects much more sales tax revenue than do typical rural counties. This situation represents a financial boon to the Town of Gorham and other towns in Ontario County.

Due to the sparse development and sparse population in the Town of Gorham, the demand for municipal services is relatively low. Town expenditures are correspondingly low. Yet the Town receives substantial amounts of local sales tax revenue. In 2003, the Town's General Fund, Highway Fund and Fire District budgets combined totaled \$2,360,117. In the same year, the Town of Gorham received \$1,441,273 in sales tax revenue.

Although the Marcus Whitman School District does not receive any of the sales tax, the high assessed values of the lakeshore properties provide substantial school tax revenue. Yet most of the lakefront residential properties are used only during the summer months as seasonal residences. Seasonal residences contribute financially to the operation of the School District, without contributing to the demand for educational services. The expensive seasonal dwellings are also a financial boon to the Marcus Whitman School District.

As long as the Town of Gorham does not experience a significant amount of residential growth, the financial situation of the Town and School District can be anticipated to remain stable. If significant residential development occurs in Gorham, however, such development has the potential to adversely impact the financial stability and viability of the Town of Gorham and the Marcus Whitman School District. The two variables that will determine the magnitude of the impact are: (1) the amount of the residential development and (2) the value of the residences constructed.

Large amounts of residential development and the attending influx of people into the Town would result in appreciable increases in the demand for Town services. The resulting influx of school-age children would also place increased demands on the School District. The cost of providing municipal and educational services would increase appreciably.

Although any new residential development would contribute revenue to both the Town and School District, the additional revenue may not be sufficient to cover the increases in costs for providing municipal and educational services. As this COCS study revealed, the Town already spends more to provide municipal services for residential properties than residential properties currently contribute in revenue. Although, the School District currently receives more school

taxes from Gorham residential properties than are expended on students who reside in Gorham, this situation could change if residential development occurs in Gorham.

If the assessed values of new residences are not sufficiently high to generate enough revenue to offset the increases in Town and School District costs, then the shortfalls will have to be made up by the owners of non-residential properties. Calculations were made to determine what the assessed value of a new residence would have to be so that the amount of revenue it contributes would cover the increases in costs associated with providing Town and School District service to the new residence. This is referred to as the breakeven point. Separate breakeven points were calculated for the Town of Gorham and the Marcus Whitman School District. All other variables were held constant including average household size and average number of school age children per household.

A new residence constructed in the Town of Gorham would have to have an assessed value of \$233,000 in order for the incremental increase in revenue to offset the incremental increase in costs for providing municipal services. Any new residences with an assessed value less than \$223,000 will not pay for the Town services it receives. A new residence would have to have an assessed value of approximately \$440,277 in order for the incremental increase in revenue the School District receives to equal the incremental cost for providing educational services. Any residence constructed with an assessed value less than \$440,227 would contribute less property tax revenue than the School District would spend to educate the students residing in the new household.

A note of caution is appropriate. Although revenues from new residential construction will increase in a relatively linear manner, expenses may and probably will not increase linearly. That is to say, if ten or twenty new homes are constructed in the Town of Gorham, although the Town and School District will gain incremental additional revenue from each house constructed, the Town and School District may have the ability to meet the increased demand without incurring increased costs due to the fact that most municipalities and school districts usually have some excess unused capacity. The Town will probably not have to purchase additional equipment or increase employees simply due to the construction of ten or twenty new homes. Similarly, the School District will probably not have to construct additional classrooms, purchase additional buses and employ more teachers and bus drivers in response to the increase in student enrollment that would result from the construction of ten or twenty new houses.

Expenses tend to increase in step progressions. Although the Town and School District may be able to absorb incremental increase in demand without corresponding increases in expenses as residential development occurs, at some stage the Town and School District would no longer be able to absorb additional incremental increases in demand. When this point is reached, it will trigger the need for a substantial increase in expenses. Usually such expenses involve capital construction projects and equipment purchases, e.g., the purchase of additional dump trucks and the expansion of the highway garage or the purchase of additional buses and the construction of additional classrooms. Step increases in costs also often involve the hiring of additional employees, e.g., more truck drivers, bus drivers, and teachers.

The Town of Gorham is not currently experiencing development pressure and the development that has occurred during the past decade has been incremental and scattered throughout the

Town. This may change in the foreseeable future due to the reconstruction and widening of Route 332 between the NYS Thruway and the City of Canandaigua. The new highway has appreciably reduced the commuting time between the Canandaigua area and the greater Rochester area. This improves access to Gorham and opens up the Town for residential development. If suburban residential development trends continue, it is quite possible that the Town of Gorham will begin to experience development pressures. The adverse fiscal impacts attendant to such development will occur if the Town does not take appropriate measures to limit future development. Such measures include the following:

- Enacting zoning regulations that prevent high-density residential development within the Town.
- Limiting the construction of municipal watermains and sanitary sewers as such services tend to encourage residential development.
- Preserving farmland and open space through the purchase of development rights, conservation easements, subdivision regulations, etc.

To ensure that whatever residential development occurs in Gorham in the future does not have an adverse financial impact on the Town and School District, it would be prudent for the Town to take the foregoing measures before development pressure arises.