

memo

Company name

To: City Council
From: Alex Pettis
CC: Town Manager
Date: November 6, 2022
Re: College Town Budget Simulation

Continuing from the college town budget is a simulation of what could happen if we select certain key factors.

First, we would like to look at scenarios associated with 0% and 1% property tax rate changes under both options of slow and accelerated apartment construction to determine the minimum utility rate change needed to ensure 2022 EOY Debt Owed remains under \$10 million with a 95% probability. Using the dashboard with 0% property tax rate and slow apartment construction, we will want the utility rate change to be 3.0% as shown in Figure 1 (below).

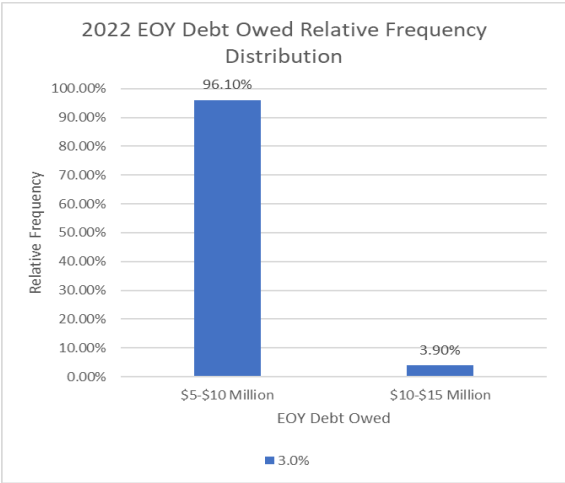


Figure 1. Chart with 0% property tax rate, slow apartment construction, and utility rate of 3%.

Now if we only change the apartment construction to accelerated, we can see that also have the utility rate change be 3% as seen in Figure 2 (below).

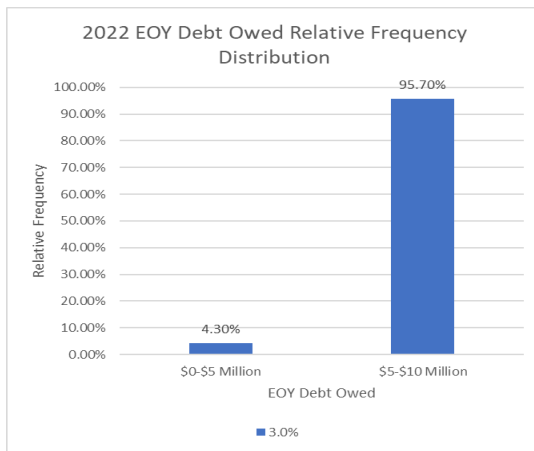


Figure 2. Chart with 0% property tax rate, accelerated apartment construction, and utility rate of 3%.

Once again if we look at 1% property tax rate and slow apartment construction, we will want that 3% utility rate as shown in Table 1 (below).

Relative Frequency EOY Debt Owed	UTILITY RATE INCREASE 3.0%
\$5-\$10 Million	98.00%
\$10-\$15 Million	2.00%

Table 1. Table showing 1% property tax rate, slow apartment construction, and 3% utility rate.

Lastly, if the apartment construction is changed to accelerated, the 3% utility rate is what we will want as seen in Table 2.

Relative Frequency EOY Debt Owed	UTILITY RATE INCREASE 2.5%
\$0-\$5 Million	4.60%
\$5-\$10 Million	95.40%

Table 2. Table showing 1% property tax rate, accelerated apartment construction, and 3% utility rate.

Now if we look at a different scenario where the probability is reduced to 75%, we will want 2.5% utility rate when property tax rate is 0% and slow apartment construction. Then if we only change to accelerated apartment growth, we see that 1% utility rate is what will meet the expectations. Next, we will want a utility rate of 2.5% if we have 1% property tax rate and slow apartment growth. Lastly, changing only apartment growth to accelerated we will see that 0.5% utility rate is what we want.

After reviewing all the possible scenarios using property tax rate, accelerated apartment permit issuance, and utility rate, we will want to go with a scenario of 1% property tax rate and 3% utility rate if we only care about end of year (EOY) debt. The reason why the town council should go with this scenario is that it has the highest probability of having EOY debt be anywhere from \$0-\$5 Million as shown in Figure 3 (below).

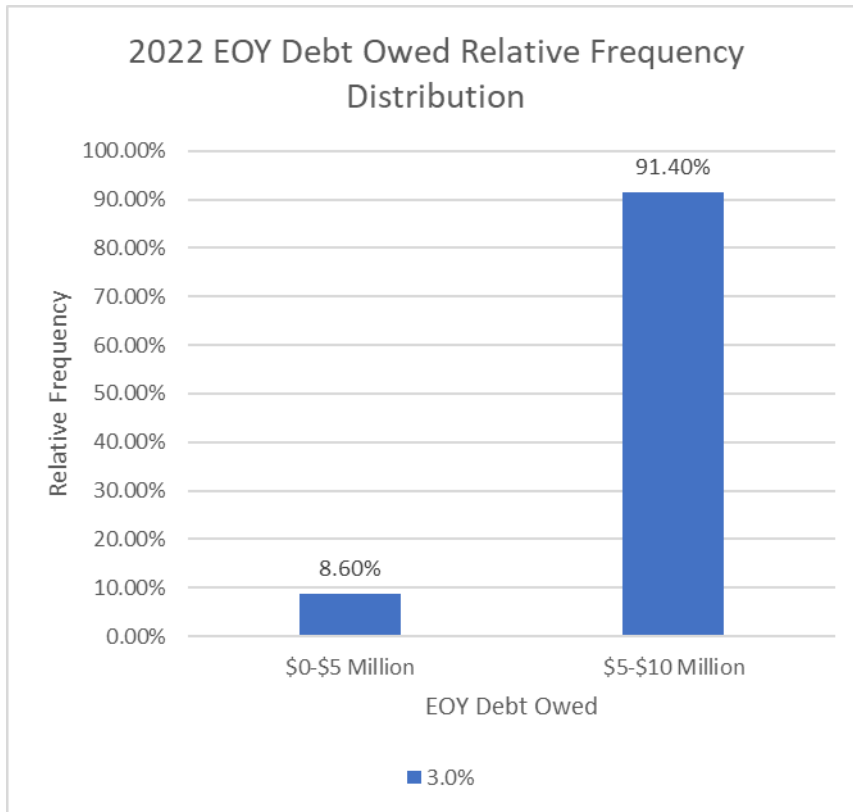


Figure 3. Chart with 1% property tax rate, accelerated apartment construction, and utility rate of 3% to help illustrate the scenario that the town council should select.