
*NET FISCAL IMPACTS &
REVENUE NEEDS*



LAKE COUNTY SCHOOL BOARD, FLORIDA

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Prepared by



TISCHLER & ASSOCIATES, INC.

Fiscal, Economic, and Planning Consultants

LAKE COUNTY SCHOOLS, FLORIDA
NET FISCAL IMPACTS / REVENUE NEEDS

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**TISCHLER &
ASSOCIATES, INC.**

4701 Sangamore Rd
Suite N210
Bethesda, MD 20816

(301) 320-6900
Fax: (301) 320-4860

(800) 424-4318

www.tischlerassociates.com

EXECUTIVE SUMMARY

NATURE OF ASSIGNMENT

Tischler & Associates, Inc. (TA), is under contract with the Lake County School Board to conduct a Growth Study for use in future school facility planning. As part of this effort, TA conducted a "Cost of Land Use Analysis" for new residential and nonresidential development. A Cost of Land Use Analysis examines the fiscal impact of prototypical land uses anticipated to be developed in the County in the future. (See *Cost of Land Use Fiscal Analysis Report*, January 12, 2005, for further information.) A subtask of the fiscal analysis component of the study is an assessment of revenue needs due to new development as well as from existing development. Using results from the Cost of Land Use Analysis, future revenue needs can be analyzed. This report discusses the results of this subtask.

This report will address the following topics:

- Base case housing, student enrollment, and nonresidential development projections
- Revenue and cost assumptions
- Fiscal results and revenue needs for operating purposes
- Fiscal results and revenue needs for capital purposes
- Combined fiscal impact of new growth and existing development
- Overall revenue needs

GROWTH PROJECTIONS

Over the next 15 years, Lake County is projected to grow as follows:

- Population increase of approximately 140,000, from approximately 260,000 to 400,000 in 2019.
- Increase of around 68,000 housing units, from almost 127,000 total housing units to almost 195,000.
- Increase of 30 million square feet of nonresidential floor area.
- Increase of approximately 23,600 students, from approximately 35,000 to 58,000.

Fiscal Impact Analysis



Capital Improvements
Programs



Impact Fees



Growth Policy Planning



Economic and Market
Analysis

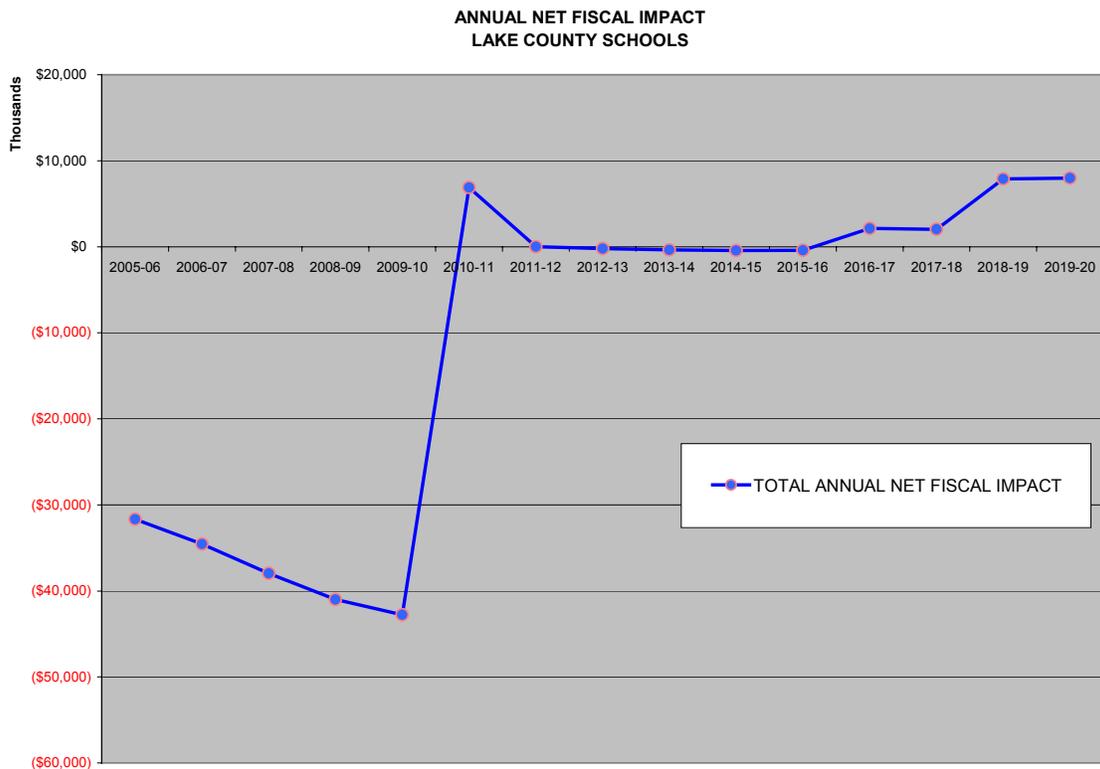


Fiscal and Economic
Software

ANNUAL NET FISCAL IMPACTS

This *growth* impacts revenues generated and expenditures incurred by Lake County Schools. Furthermore, the County has an estimated *backlog* of capital projects totaling an estimated \$250 million. Together, the overall *total* fiscal impact of this growth and the cost of addressing existing needs in Lake County generate significant net deficits over the initial phase of the 15-year projection period, fiscally neutral results in the middle phase, and net surpluses in the later phase. Annual net fiscal results are shown in Figure 1. Data points above the \$0 line represent annual net surpluses; points below the \$0 line represent annual net deficits. The net deficits in the initial years are due to the expenditures to address existing capacity deficiencies. The fiscally neutral results and net surpluses are due primarily to net surpluses on the capital side from 2 mill property tax and the dedicated sales tax for infrastructure needs. It should be noted that the overall net fiscal results combine all revenues and costs regardless of limitations on use. (For instance, yearly net surpluses of impact fee revenue in the early years due to debt financing of capital needs cannot be used to pay for capital improvements needed to correct existing deficiencies.) Furthermore, capital costs to serve new growth extend beyond the projection period due to debt assumptions and amortization of payments.

Figure 1. Annual Net Fiscal Results



CUMULATIVE REVENUE NEEDS

Over the 15-year projection period, a cumulative net deficit of \$162 million is generated for operations and capital needs to serve new growth *plus* capital improvements serving existing development. The cumulative net deficit is primarily due to operating deficits, which total \$209 million over 15 years. It should be noted that a portion of capital costs to serve new growth is assumed to be debt financed and costs will continue beyond the 15-year projection period, resulting in additional costs beyond the last projection year of \$303 million. Furthermore, revenues for capital purposes are restricted by law and/or current Board policy to serve either existing capacity needs or new development. Therefore, examining cumulative fiscal results should be done with caution because net revenues in one area may not be able to be shifted to another.

MAJOR REVENUE AND COST ASSUMPTIONS

Residential and nonresidential development characteristics and student enrollment projections are used to determine revenue and cost needs through 2019-20. Revenue and cost assumptions are based on the *Cost of Land Use Study* conducted by TA as part of the Growth Study conducted for Lake County Schools. A Cost of Land Use Analysis is an average cost fiscal impact analysis that examines the fiscal impact of prototypical land uses anticipated to be developed in the County. Limitations to this approach are the reliance on average costing, particularly for one-time capital costs. Thirteen prototype land uses were analyzed—ten residential and three nonresidential. The analysis is based on current levels of service as provided for in the Fiscal Year 2004-05 budget and includes all funds (i.e., General Fund and all special funds). The results are then used to project long-term fiscal impacts on the School District. It should be noted the fiscal impact analysis is based on the residential and nonresidential development projections described in this report, and any slowdown and/or change in development patterns, pace, mix, or values will affect the fiscal results.

REVENUES

Lake County Schools receives funding from local, State, and Federal sources. Major local revenues are from ad valorem property taxes, a portion of the one-cent retail sales tax,¹ and school impact fees paid by new residential development. The main source of State

¹ The current dedicated sales tax for infrastructure sunsets in 2017; however, based on the historical renewal of the voter-approved sales tax, it is assumed to be in effect through the analysis' projection period, which ends in 2019-20.

funding is for operations from the Florida Education Finance Program (FEFP) and is allocated on a per student basis. Federal revenues reflect entitlement programs (e.g., Title I) for operations and are also generated on a per student basis.

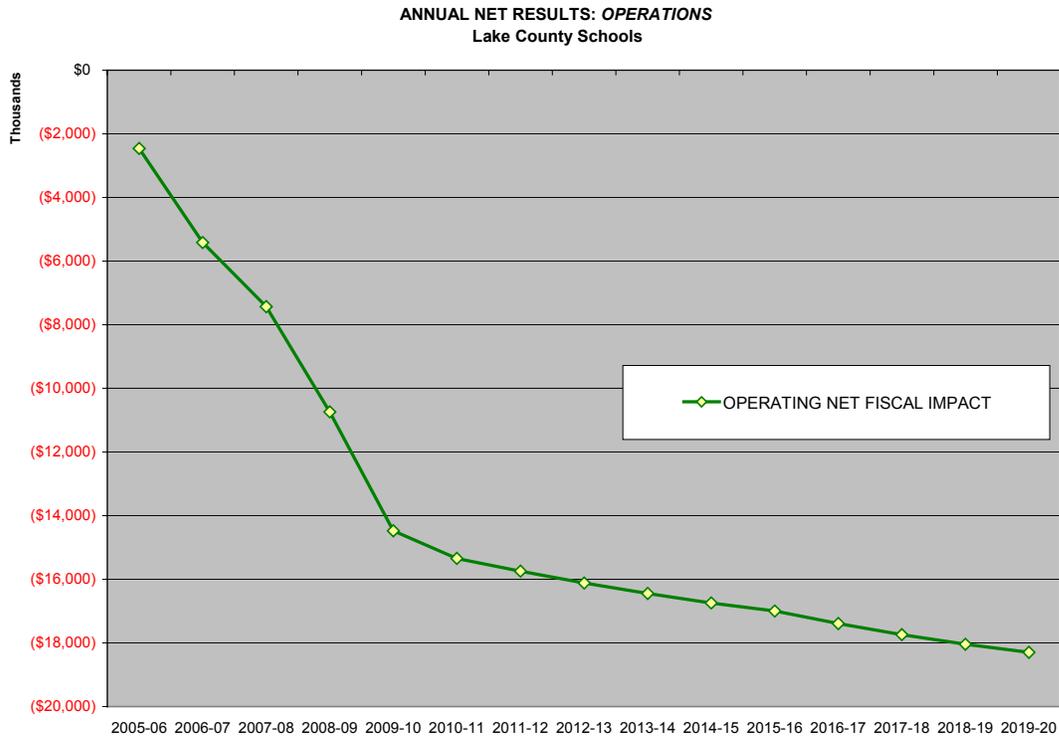
COSTS

Both operating and capital costs are reflected in this analysis and are projected based on per student factors. Most operating costs are generated on an average cost basis reflecting total enrollment. The exception is transportation operating costs, which are allocated based on the student population served by District transportation services and reflect usage by elementary, middle, and high school users. Capital costs reflect the assumptions used in the Impact Fee Study of July 2004 for new growth as well as reflect current backlog of capital needs to serve existing development.

NET FISCAL RESULTS FOR OPERATIONS

Annual net fiscal results for operations are shown in Figure 2. As shown in the figure below, net deficits for operations are generated annually over the 15-year projection period. The cumulative net deficit for operations over the 15-year projection period is projected at \$209 million. The Cost of Land Use analysis determined that only single-family detached units of high value (market value of \$288,000) generate net surpluses for operating purposes. None of the other non-age-restricted residential prototypes included in the analysis generate enough operating revenue to cover associated operating expenditures. Therefore, based on the mix of new residential and nonresidential development and market values assumed in the analysis, insufficient revenue is generated to cover operating expenditures. This is exacerbated over the years as student enrollment increases without additional sources of operating revenue.

Figure 2. Net Fiscal Results for Operations



NET FISCAL RESULTS FOR CAPITAL

Fiscal impacts for capital purposes were projected using the same basic approach as operations. However, the District currently has a significant backlog of capacity projects that are needed to provide for *existing* development. To adequately capture all required capital costs, both new and existing needs and revenue sources were considered and factored into the analysis.

CAPITAL FISCAL RESULTS: NEW DEVELOPMENT

The fiscal results for capital to serve new growth reflect an average cost approach in that they are generated on a *per student* basis rather than in a lump sum fashion when a new facility is built. A portion of the cost to build a student station is assumed to be debt financed with the other portion assumed to be paid in cash, according to the assumptions set forth in the Impact Fee study. Because of this, yearly costs reflect cumulative annual debt service payments for the debt-financed portion of student stations built to serve new enrollment. Therefore, as shown in Figure 3, the first 7 years show a net fiscal surplus

because impact fees are one-time revenues providing upfront payment for necessary capacity at time of building permit while the majority of the actual costs are spread out over 20 years due to debt financing. Net fiscal results range from a net surplus of approximately \$20 million to a net deficit of \$7 million by 2019-20.

After year 15, there will still be outstanding debt and interest costs in the amount of \$303 million for which the Schools will have to pay—however, impact fees will have already been collected from the development for which the capital facilities are serving. Based on the debt financing assumptions and average cost approach used in this analysis, approximately half of the total costs to serve the projected growth over 15 years are assumed to be expended; in other words, \$316.5 million of the \$619.7 million in total costs are incurred as shown in Figure 4. Furthermore, as shown in Figure 4, overall net deficit to serve new growth totals \$240.7 million (i.e., impact fee revenues minus principal, interest, and one-time capital costs).

Figure 3. Net Fiscal Results for Capital: New Development

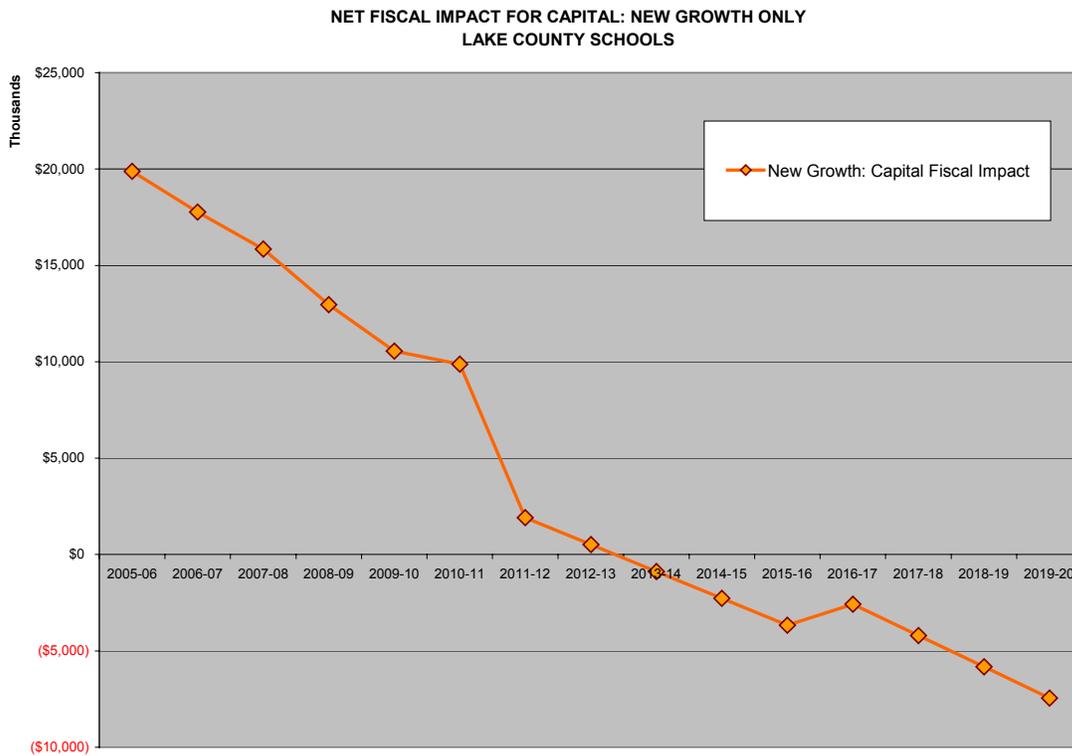


Figure 4. Total Capital Costs To Serve New Growth

Projected Total Capital Costs to Serve New Growth (\$000s)*	\$619,740	<i>Share of Total</i>
Projected Expenditures by 2019-20 (\$000s)	\$316,540	51%
Remaining Expenditures Beyond 2019-20 (\$000s)	\$303,200	49%
Projected Total Capital Revenues to Serve New Growth (\$000s)**	\$379,014	
Total Net Deficit to Serve New Growth (\$000s)	(\$240,726)	

* Includes costs for construction and land for student capacity, ancillary facilities, buses, and financing costs.

** Impact fees collected from new residential development

CAPITAL FISCAL RESULTS: EXISTING DEVELOPMENT

Revenues from the District Local Capital Improvement Tax (2 mill property tax) on residential and nonresidential development as well as the dedicated retail sales tax (one-third of one percent County sales tax rate) are directed toward correcting the existing backlog of capacity projects. New development will generate revenues from these sources that will in turn support improvements to address existing deficiencies. To fully reflect revenues available to serve capacity needs of existing development, revenues from the 2 mill property tax plus the retail sales tax in the *current fiscal year* (approximately \$33 million) are added to the revenue generated from these sources from *new* development.

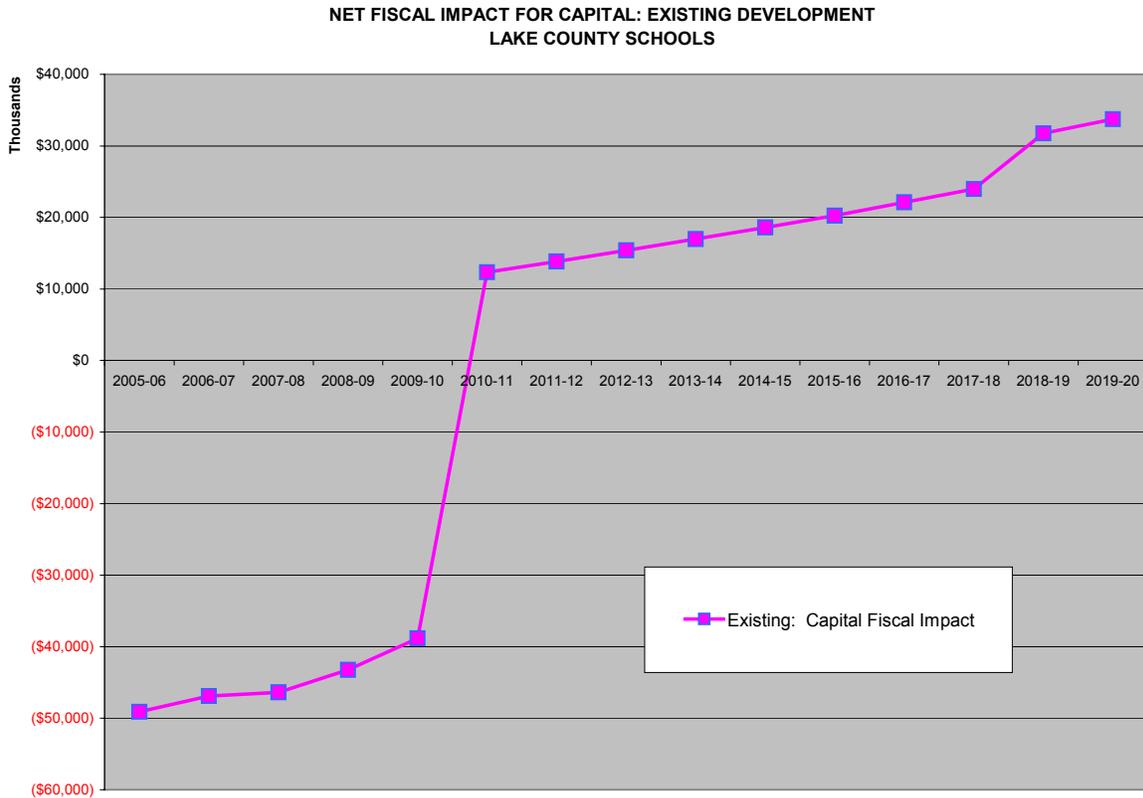
As noted above, Lake County Schools currently has a backlog of capacity projects to serve existing development totaling approximately \$250 million.² Additional capital costs attributed to existing development are: annual debt service payments for debt issued for capacity improvements serving existing development and ongoing maintenance and rehabilitation costs.

Net capital fiscal results for existing development are shown below in Figure 5. The results are based on the cost of backlog capacity projects spread over the next five years (assumed to be pay-go) plus existing debt service and ongoing maintenance costs, and revenues generated from new and existing development dedicated to correct existing capital deficiencies. After a significant net deficit in the first five years of between \$40 and \$50 million, a net surplus is generated beginning in year 2010-11 due to the elimination of the capital facility backlog to serve existing development. A cumulative net deficit of

² Impact Fee Report, July 2004; Lake County Schools.

approximately \$15.5 million for capital improvements serving existing development is generated over the 15-year projection period. After the 15-year projection period, an additional \$100 million will be outstanding in debt service payments from debt issued to provide capacity for existing development.

Figure 5. Net Fiscal Results for Capital: Existing Development



PROJECTIONS

To determine long-term revenue needs, projections of revenues and costs first need to be developed. The School District's main sources of revenue are from ad valorem property taxes and per student allocations from the State and Federal governments. Operating and capital expenditures are projected based on an average cost per student, from the results of the Cost of Land Use study. Therefore to project these revenues and costs, projections of residential and nonresidential development and student enrollments are necessary.

HOUSING PROJECTIONS

TA obtained population projections for unincorporated and incorporated Lake County from the Lake County Department of Growth Management. Using these population projections, and assuming the percentage of population in group quarters remains at the 2000 U.S. Census level of 1.8 percent, TA calculated population in households. From there, total annual households were projected based on the average household size of 2.34 from the 2000 U.S. Census. As shown in Figure 6, total population in the County is projected to grow from 269,932 in 2005 to 398,397 in 2019. Based on group quarter population assumptions and household size, households are projected to grow from 113,360 in 2005 to 167,310 in 2019. Beginning in year 5, five-year increments are shown in the figure below.

Figure 6. Population and Household Projections

	Estimates (as of July 1)*		Projected (as of April 1)** ==>								
	2003	Base 2004	1 2005**	2 2006	3 2007	4 2008	5 2009	10 2014	15 2019		
Unincorporated Population	144,831	145,456	151,436	158,412	165,388	172,365	179,341	203,639	227,303		
Incorporated Population	100,230	113,816	118,496	122,310	126,125	129,939	133,754	151,106	171,094		
TOTAL POPULATION	245,061	259,272	269,932	280,723	291,513	302,304	313,094	354,745	398,397		
Population in Group Quarters		4,404	4,659	5,044	5,238	5,432	5,626	6,374	7,159		
Estimated Population in Households		240,657	265,082	275,678	286,275	296,872	307,468	348,371	391,238		
TOTAL HOUSEHOLDS		2.34	102,915	108,883	113,360	117,892	122,423	126,955	131,487	148,978	167,310

* Lake County Growth Management Department

** Projections from Lake County for 2005, 2010, 2015, 2020 (for unincorporated and incorporated); interim years from TA

Sources: U.S. Census; Lake County Growth Management; TA.

Using these population and household projections, TA projected housing unit growth in the County through 2019. As shown in Figure 7, households are converted into housing units assuming the Census 2000 year-round vacancy rate of 14.02 percent. TA then projected housing units by type using the allocation from building permit data provided by the County from 2000-2004. From 2000 through 2004, single-family detached units comprised 79 percent of total units permitted; multifamily units comprised 11 percent; and mobile homes accounted for 10 percent. New units projected in the County from 2005 to 2019 are allocated based on these percentages. Total housing units are projected to increase from around 127,000 to almost 200,000 units in 2019. The majority of the units are assumed to be single-family detached units at 131,444. Beginning in year 5, five-year increments are shown in the figure below.

Figure 7. Housing Unit Projections

	Estimates (as of July 1)*		Projected (as of April 1) ==>								
	2003	Base 2004	1 2005	2 2006	3 2007	4 2008	5 2009	10 2014	15 2019		
TOTAL HOUSEHOLDS (Year Round)	102,915	108,883	113,360	117,892	122,423	126,955	131,487	148,978	167,310		
2000 U.S. Census Vacancy Rate (Year Round)	14.02%	14.02%	14.02%	14.02%	14.02%	14.02%	14.02%	14.02%	14.02%		
TOTAL HOUSING UNITS	119,697	126,638	131,845	137,116	142,386	147,657	152,927	173,271	194,592 67,954		
			<i>Hsg Unit Mix ('00-04)</i>								
Single Family Detached		79%	72,120	77,618	81,742	85,917	90,092	94,267	98,441	114,556	131,444
MF/Other		11%	15,116	15,864	16,424	16,992	17,560	18,128	18,695	20,886	23,183
Mobile Homes		10%	32,461	33,157	33,679	34,207	34,735	35,263	35,791	37,829	39,965
TOTAL HOUSING UNITS			119,697	126,638	131,845	137,116	142,386	147,657	152,927	173,271	194,592

Sources: U.S. Census; Lake County Growth Management; TA.

STUDENT ENROLLMENT PROJECTIONS

Short-term student enrollments were projected based on cohort survivorship, immigration, new housing development, and population projections. Long-term student enrollment projections are based on student generation rates used in the Impact Fee Study (and repeated below) and new housing growth as described above. It is assumed that 12 percent of new single-family detached units will be age-restricted and therefore will not produce school-age children.³ The term “student generation rate” refers to the number of public school students per housing unit in Lake County. Figure 8 shows student generation rates by type of unit and school level.

Figure 8. Lake County Student Generation Rates

	<i>Elementary</i>	<i>Middle</i>	<i>High</i>	<i>All Grades</i>
Single Family Detached	0.186	0.100	0.124	0.410
Multi-Family	0.131	0.057	0.066	0.254
Mobile Homes	0.065	0.036	0.044	0.145

Source: Impact Fees for Educational Facilities in Lake County, Florida, (Henderson Young & Company, July 16, 2004)

Student enrollment projections are as follows in Figure 9. Projections for years 1-5 represent short-term projections; year 6 and beyond represent long-term projections. Beginning in year 5, five-year increments are shown in the figure below.

Figure 9. Student Enrollment Projections

	BASE	1	2	3	4	5	10	15
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2014-15	2019-20
Elementary	16,527	17,461	18,355	19,206	20,140	21,032	24,089	27,293
Middle	8,148	8,549	8,996	9,554	10,119	10,658	12,274	13,968
High	9,921	10,494	11,152	11,616	12,172	12,860	14,853	16,941
Total	34,596	36,504	38,503	40,376	42,431	44,550	51,216	58,203

(Five-year increments shown)

³ “Impact Fees for Educational Facilities in Lake County, Florida,” Henderson, Young & Company, July 2004.

NONRESIDENTIAL DEVELOPMENT PROJECTIONS

Nonresidential development was also projected to determine potential revenues derived from nonresidential development. TA obtained employment data for 2002-2004 from the Florida Agency for Workforce Innovation, Labor Market Statistics, Quarterly Census of Employment and Wages Program. TA recommends projecting nonresidential development based on past trends. Over the last six years, employment in the County has grown at rate between 4 to 8 percent, with the average rate being 5 percent.⁴ Based on this trend, future employment is projected at a 5 percent growth rate.

Figure 10. Past Employment Trends

	1998	1999	2000	2001	2002	2003	2004
	Jobs*	Jobs*	Jobs*	Jobs*	Jobs**	Jobs**	Jobs**
Commercial/Retail							
Retail Trade	9,755	10,154	10,716	11,146	10,540	11,135	11,590
Personal Services	2,741	2,895	2,972	3,230	1,936	2,185	2,254
Entertainment/Hospitality/Food Services	5,123	5,382	5,279	5,764	6,369	6,587	7,501
Subtotal	17,619	18,431	18,967	20,140	18,845	19,907	21,345
Office							
Finance/Ins./Real Estate	2,568	2,656	2,912	3,211	2,520	2,863	2,922
Information Services	987	1,111	1,366	1,298	1,326	1,336	1,404
Services	6,304	6,889	7,345	6,427	6,226	6,391	6,651
Health Care	8,392	9,277	10,053	9,898	9,191	10,084	10,809
Government	na	na	na	na	10,090	10,600	11,635
Subtotal	18,251	19,933	21,676	20,834	29,353	31,274	33,421
Industrial/Flex							
Agriculture/Forestry/Mining	392	485	508	601	2,445	2,314	2,459
Construction	4,291	5,612	6,203	5,591	8,019	9,212	10,207
Manufacturing	3,589	3,434	3,539	3,398	3,930	3,812	4,035
Wholesale Trade/Transp/Util	3,405	3,644	3,420	2,955	4,011	4,106	4,233
Subtotal	11,677	13,175	13,670	12,545	18,405	19,444	20,934
Other/Unclassified	149	137	171	734	65	32	101
TOTAL	47,696	51,676	54,484	54,253	66,668	70,657	75,801

* Source: U.S. Census Bureau, County Business Patterns; government employment data not available

** Source: Agency for Workforce Innovation, Labor Market Statistics, Quarterly Census of Employment and Wages Program (ES-202); 2004 data from First Quarter.

⁴ The growth rate is calculated for all employment categories except the Government sector due to unavailability of data for years 1998-2001.

Employment is then converted into nonresidential floor area according to average square feet per employee multipliers. The multipliers shown in Figure 11 are derived from national data published by the Institute of Transportation Engineers (ITE) and the Urban Land Institute (ULI). Shaded rows are prototypical nonresidential development for Lake County within each category. The square feet per employee multipliers shown in the last column on the right of Figure 11 are used to convert employment projections into thousands of square feet (KSF) of nonresidential floor area.

Figure 11. Employee and Building Area Ratios

ITE Code	Land Use / Size	Demand Unit	Wkdy Trip Ends Per Dmd Unit*	Wkdy Trip Ends Per Employee*	Emp Per Dmd Unit**	Sq Ft Per Emp
Commercial / Shopping Center						
820	25K gross leasable area	1,000 Sq Ft	110.32	na	3.33	300
820	50K gross leasable area	1,000 Sq Ft	86.56	na	2.86	350
820	100K gross leasable area	1,000 Sq Ft	67.91	na	2.50	400
820	200K gross leasable area	1,000 Sq Ft	53.28	na	2.22	450
820	400K gross leasable area	1,000 Sq Ft	41.80	na	2.00	500
General Office						
710	10K gross floor area	1,000 Sq Ft	22.66	5.06	4.48	223
710	25K gross floor area	1,000 Sq Ft	18.35	4.43	4.15	241
710	50K gross floor area	1,000 Sq Ft	15.65	4.00	3.91	256
710	100K gross floor area	1,000 Sq Ft	13.34	3.61	3.69	271
Industrial						
770	Business Park***	1,000 Sq Ft	12.76	4.04	3.16	317
151	Mini-Warehouse	1,000 Sq Ft	2.50	56.28	0.04	22,512
150	Warehousing	1,000 Sq Ft	4.96	3.89	1.28	784
140	Manufacturing	1,000 Sq Ft	3.82	2.13	1.79	558
110	Light Industrial	1,000 Sq Ft	6.97	3.02	2.31	433
Other Nonresidential						
720	Medical-Dental Office	1,000 Sq Ft	36.13	8.91	4.05	247
620	Nursing Home	bed	2.37	6.55	0.36	na
610	Hospital	1,000 Sq Ft	17.57	5.20	3.38	296
565	Day Care	student	4.48	28.13	0.16	na
320	Lodging	room	9.11	12.81	0.71	na

* *Trip Generation*, Institute of Transportation Engineers, 2003.

** *Employees per demand unit calculated from trip rates, except for Shopping Center data, which are derived from Development Handbook and Dollars and Cents of Shopping Centers, published by the Urban Land Institute.*

*** *According to ITE, a Business Park is a group of flex-type buildings served by a common roadway system. The tenant space includes a variety of uses with an average mix of 20-30% office/commercial and 70-80% industrial/warehousing.*

The following figure (Figure 12) shows employment and nonresidential floor area projections to 2019 assuming the following:

- An annual growth rate in employment of 5 percent based on past growth trends (as described above).
- The allocation of jobs into three general categories of nonresidential development remains constant through the projection period.
- Average square feet per employee factors are held constant over the projection period.

Figure 12. Nonresidential Projections

		Actual	Projected ==>							
			(Five-year increments shown)							
		2004*	1	2	3	4	5	10	11	15
		2004*	2005	2006	2007	2008	2009	2014	2015	2019
Employment By Type at Nonres Locations										
Commercial/Retail	28%	21,345	22,415	23,536	24,712	25,948	27,245	34,773	36,511	44,380
Office/Institutional	44%	33,421	35,074	36,828	38,669	40,603	42,633	54,412	57,132	69,445
Industrial/Flex	28%	20,934	21,923	23,019	24,170	25,378	26,647	34,009	35,710	43,405
TOTAL		75,700	79,485	83,459	87,632	92,014	96,615	123,307	129,473	157,375
Nonres Floor Area (1,000's):										
	SF/Employee									
Commercial/Retail KSF	400	8,538	8,966	9,414	9,885	10,379	10,898	13,909	14,605	17,752
Office/Institutional KSF	241	8,054	8,453	8,876	9,319	9,785	10,275	13,113	13,769	16,736
Industrial/Flex KSF	558	11,681	12,233	12,845	13,487	14,161	14,869	18,977	19,926	24,220
TOTAL		28,274	29,652	31,134	32,691	34,326	36,042	46,000	48,300	58,708

REVENUE AND COST ASSUMPTIONS

The projections above are used to determine revenue and cost needs through 2019-2020. Revenue and cost assumptions are based on the *Cost of Land Use Study* conducted by TA as part of the Growth Study conducted for Lake County Schools. A Cost of Land Use Analysis examines the fiscal impact of prototypical land uses anticipated to be developed in the County in the future. In this type of analysis, a “snapshot” approach is used that determines the costs and revenues for various land use prototypes at one point in time to understand the fiscal effect each land use has independently on the Lake County School Board’s budget. The results of this average cost approach are then used to determine long-term fiscal impacts on the District and discussed in this report.

The analysis is based on current levels of service as provided for in the Fiscal Year 2004-05 budget and cost and revenue projections are given in current dollars with no assumed inflation. Other key assumptions from the study are summarized below in this section of the report. (See *Cost of Land Use Fiscal Analysis Report, January 12, 2005*, for further detail.)

PROTOTYPE DEVELOPMENT

TA evaluated a total of thirteen land use categories, ten residential and three nonresidential. The ten residential prototypes reflect types of housing units and average price points recently developed in the County. The analysis included ten residential prototype units and three nonresidential prototypes. Key characteristics of the residential prototypes are shown in Figure 13. Average taxable value is used to calculate property tax revenues, which is a key revenue source for the schools. The figure below illustrates the relationship between market values and taxable values, on which School property taxes are based. The figure also shows average number of public school students per housing type in the last column, which is the main generator for variable costs and revenues in this analysis.

Figure 13. Residential Prototypes

<i>Prototype</i>	<i>Avg. (rounded) Market Value (1)</i>	<i>Avg. (rounded) Assessed Value (2)</i>	<i>Homestead Exemption (3)</i>	<i>Average Taxable Value (4)</i>	<i>Public School Students per Unit (5)</i>
<i>Residential Prototypes (Per Unit)</i>					
Single Family Detached: High Value	\$288,000	\$245,000	(\$25,000)	\$220,000	0.410
Single Family Detached: Medium-High Value	\$229,000	\$195,000	(\$25,000)	\$170,000	0.410
Single Family Detached: Medium Value	\$171,000	\$145,000	(\$25,000)	\$120,000	0.410
Single Family Detached: Low Value	\$135,000	\$115,000	(\$25,000)	\$90,000	0.410
Single Family Detached: Age-Restricted	\$171,000	\$145,000	(\$25,000)	\$120,000	0
Townhouse: High Value	\$160,000	\$136,000	(\$25,000)	\$111,000	0.254
Townhouse: Medium Value	\$130,000	\$110,500	(\$25,000)	\$85,500	0.254
Townhouse: Age-Restricted	\$130,000	\$110,500	(\$25,000)	\$85,500	0
Multi-Family Apartment	\$50,000	\$42,500	\$0	\$42,500	0.254
Mobile Home	\$40,000	\$34,000	(\$25,000)	\$9,000	0.145

(1) Market value estimated based on the assumption that assessed values (column 2) are 85% of market value (per Lake Co. Property Appraiser Office)

(2) Source: TA analysis of Lake County Property Appraiser data provided by Lake County Dept. of Planning

(3) Assumes owner-occupied residential property eligible for \$25,000 Florida Homestead Exemption per Lake County Property Appraiser Office

(4) Assessed value minus Homestead Exemption

(5) Total for all school levels; Henderson, Young & Co., "Impact Fees for Educational Facilities in Lake County, Florida," July 16, 2004

Given the residential projections and prototypes discussed above, a final step is needed to project revenues from residential growth—namely an assumption regarding the annual absorption of different market levels of housing. Based on an analysis of recent real estate sales trends, the distribution of single-family residential units used in this analysis is shown in Figure 14. Furthermore, single-family age-restricted housing units are assumed to be 12 percent of total single-family age-restricted unit development and multifamily units are allocated between townhouses (88 percent) and apartments (12 percent).

Figure 14. Distribution of Single Family Detached Housing Types

Increase in Non-Age Restricted SFD Units	% of SFD
Single Family Detached High Value	7%
Single Family Detached Med-High Value	24%
Single Family Detached Medium Value	35%
Single Family Detached Low Value	33%

Average taxable values for nonresidential prototypes used in this analysis are shown below in Figure 15. TA worked with Lake County Economic Development and the Lake County Property Appraiser’s Office to obtain data on recently developed retail, office, and industrial properties. Results of this analysis are shown in Figure 15.

Figure 15. Nonresidential Prototypes

<i>Prototype</i>	<i>Average Taxable Value (per SF)</i>
<i>Nonresidential Prototypes (Per SF)</i>	
Retail	\$78
Office	\$95
Industrial	\$31

Source: Lake County Economic Development; Lake County Property Appraiser; TA.

FISCAL RESULTS: OPERATING

OPERATING RESULTS

OPERATING REVENUES

Operating revenues are projected in this analysis based on the results of the Cost of Land Use Fiscal Analysis. The Cost of Land Use study calculated operating revenues by type of development shown in Figure 16 based on the current County Schools' revenue structure and tax rates, as defined by the FY 2005 budget. There are two major types of operating revenue sources for Lake County Schools—programmatic revenues from the State (and to a lesser extent Federal) governments and are allocated on a per student basis; and local revenues generated by type of residential and nonresidential development from property taxes.

Figure 16. Operating Revenues

Operating Revenues-Per Unit	
Single Family Detached High Value	\$3,119
Single Family Detached Med-High Value	\$2,835
Single Family Detached Medium Value	\$2,550
Single Family Detached Low Value	\$2,380
Single Family Detached Age-Restricted	\$683
MF-Townhouse	\$1,642
MF-Apartments	\$1,397
Mobile Homes	\$721
Operating Revenues-Per 1,000 SF Nonres	
Retail	\$444
Office	\$541
Industrial	\$176

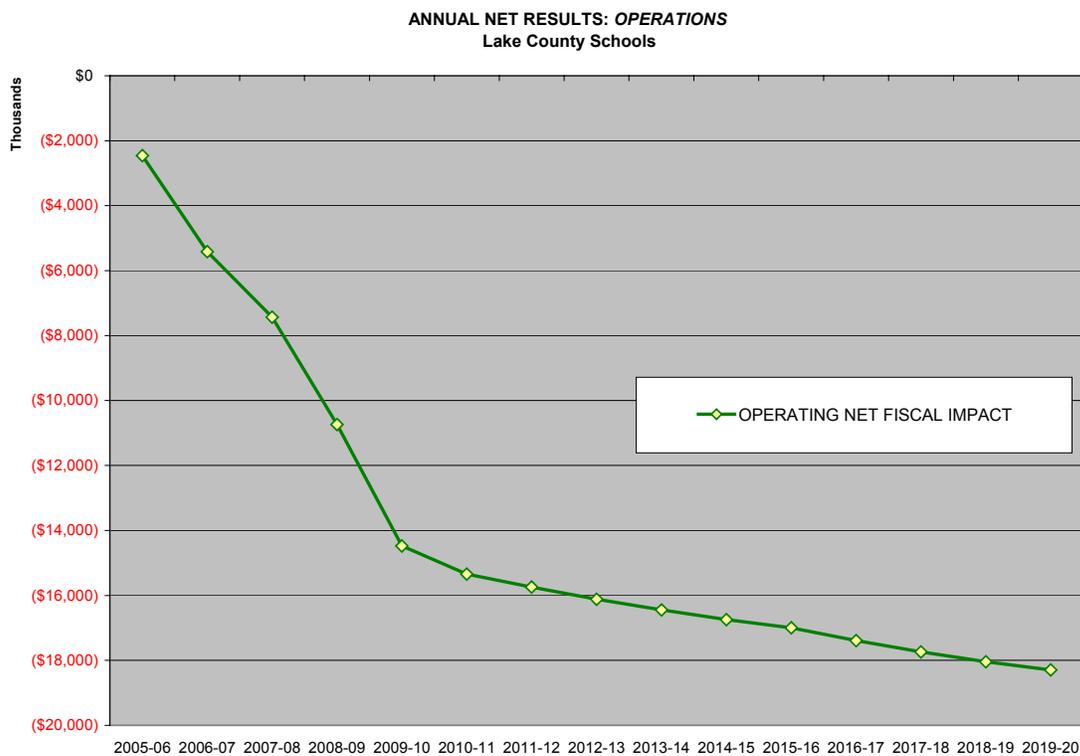
OPERATING EXPENDITURES

Operating expenditures are based on the per student cost of \$7,248 derived from the Cost of Land Use analysis. Expenditures are projected from new growth only and are based on the cost per student and enrollment projections described above.

NET FISCAL RESULTS FOR OPERATIONS

The net fiscal results for operations through year 2020 are shown in Figure 17. The figure shows annual net fiscal results—operating revenues minus operating expenditures as described above. Data points above the \$0 line represent annual net surpluses; points below the \$0 line represent annual net deficits.

Figure 17. Net Fiscal Results for Operations

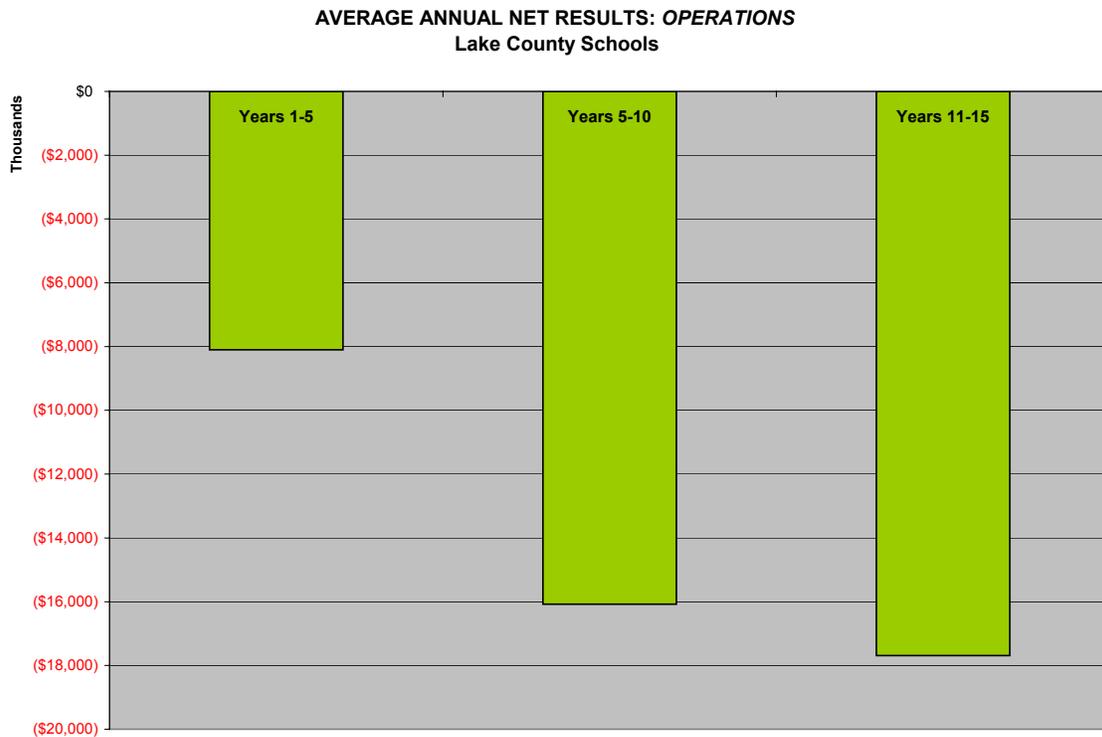


The Cost of Land Use analysis determined that only single-family detached units of high value (market value of \$288,000) generate net surpluses for operating purposes. None of the other non-age-restricted residential prototypes included in the analysis generate enough operating revenue to cover the associated operating expenditures. Therefore, based on the mix of new residential and nonresidential development and market values assumed in the analysis, insufficient revenue is generated to cover operating expenditures. This is exacerbated over the years as student enrollment increases without additional sources of operating revenue. As shown, the net deficit for operations in year 1

is approximately \$2.5 million. As new growth occurs in the short-term, the annual net deficit for operations grows significantly before smoothing out at a net deficit between \$16 and \$18 million in later projection years. This is due to a projected slowing of growth starting in year 7, which effectively slows the growth, or deepening, of the net deficit. To illustrate further, average annual net deficits by time period for operations are shown in Figure 18.

As depicted in the figure below, net operating deficits for Years 1-5 is projected at \$2.9 million; for Years 6-10, \$16 million; and for Years 11-15, almost \$18 million. Looking at results in this manner reveals that the *change* in operating net deficits between years 5-10 and years 11-15 is smaller than that between years 1-5 and years 5-10. This is due to the expanded tax base of residential and nonresidential development in the later projection years.

Figure 18. Average Annual Net Fiscal Results for Operations



FISCAL RESULTS: CAPITAL

Fiscal impacts for capital purposes were projected using the same basic approach. However, the District currently has a significant backlog of capacity projects that are needed to provide for *existing* development. To adequately capture all required capital costs, both new and existing needs were considered separately for the analysis. Capital needs to serve new development are discussed first followed by those required for existing development. As discussed in the Cost of Land Use Study, this analysis represents a *snapshot in time*. That is, capacity needed today to serve existing development is considered *existing deficiencies*; capacity needs for all projected growth from 2005-06 and beyond is considered new development's capital needs. In reality, this year's unbuilt capacity for new development becomes next year's existing deficiencies.

It should be noted that only locally-generated capital revenues are included in this analysis. While the District receives some state funding for capital projects from programs such as Public Education Capital Outlay (PECO), Classrooms for Kids/Class Size Reduction funds, Capital Outlay Bond Issue funds (COBI), and Capital Outlay and Debt Service (CO & DS), they are not assumed as ongoing funding sources. Because amounts vary from year to year with no certainty of availability, they are not included in the analysis. For comparison purposes, in Fiscal Year 2004-05, Lake County received no funding for new construction under PECO, approximately \$200,000 from CO& DS, and \$4 million from COBI.

CAPITAL FISCAL RESULTS: NEW DEVELOPMENT

CAPITAL REVENUES SERVING NEW DEVELOPMENT

New development generates revenues for school capital improvements from impact fees, 2 mill ad valorem property tax, and the retail sales tax. However, as discussed in the Cost of Land Use Study, only impact fee revenues are dedicated to new development's capital needs, with the other capital revenues from new development being dedicated to pay for capacity to serve *existing* development. (See the following section on allocation of revenues to serve existing development.) Because the impact fees were adopted at a lower level than the maximum supportable amount, fee revenue generated over time will not fully cover new growth's capacity expansion costs. Adopted impact fee amounts are shown in Figure 19.

Figure 19. Adopted Impact Fees

<i>Prototype: New Development</i>	<i>Impact Fee Per Unit*</i>
<i>Residential Prototypes (Per Unit)</i>	
Single Family Detached: High Value	\$7,055
Single Family Detached: Medium-High Value	\$7,055
Single Family Detached: Medium Value	\$7,055
Single Family Detached: Low Value	\$7,055
Single Family Detached: Age-Restricted	\$0
Townhouse: High Value	\$4,260
Townhouse: Medium Value	\$4,260
Townhouse: Age-Restricted	\$0
Multi-Family Apartment	\$4,260
Mobile Home	\$2,497

* Adopted by Lake County Commissioners December 2004.

CAPITAL COSTS TO SERVE NEW DEVELOPMENT

Capital costs to serve new growth are based on the assumptions set forth in the report, "Impact Fees for Educational Facilities in Lake County, Florida," including the portion to be debt financed and associated financing costs.⁵ Total financing costs per student over 20 years are included in the average cost per student figures shown in Figure 20. However, to better reflect cash flow, this analysis reflects yearly debt service payments for the portion of the student station cost assumed to be debt financed *plus* additional one-time costs representing the portion paid in cash. Further detail on debt financing and pay-go assumptions is provided in Figure 21. Capital costs include construction, land, buses, and space for ancillary facilities such as administrative, specialty education, and maintenance.

Figure 20. Total Capital Costs Per Student

	<i>Total Capital Cost Per Student*</i>
Elementary	\$21,104
Middle School	\$25,333
High School	\$34,716

* Includes cumulative financing costs over 20-year life of the debt.

Source: "Impact Fees for Educational Facilities in Lake County, FL," July 2004.

⁵ Henderson, Young & Company, July 16, 2004.

Figure 21. Debt Finance and One-Time Cost Assumptions

	<i>Capital Cost Component</i>	<i>Elementary</i>	<i>Middle</i>	<i>High</i>
1	State Cost per Student Station*	\$13,515	\$15,496	\$20,506
2	Land Cost Per Student*	\$244	\$421	\$318
3	Ancillary Facility Cost per Student*	\$540	\$540	\$540
4	Transportation Cost per Student*	\$164	\$322	\$248
5	Total Capital Cost Per Student	\$14,463	\$16,779	\$21,612
6	Percent Student Station Cost to be Debt Financed*	73.42%	82.48%	95.48%
7	Debt Financed Amount per Station*	\$9,923	\$12,781	\$19,579
8	Debt Service per Student (20-year annual cost)**	\$830	\$1,070	\$1,638
9	Remainder of Student Station Cost per Student (one-time)***	\$3,592	\$2,715	\$927
10	One-Time Land Cost per Student	\$244	\$421	\$318
11	One-Time Ancillary Facility Cost per Student	\$540	\$540	\$540
12	One-Time Transportation Cost per Student	\$164	\$322	\$248
13	Total Cost per Student****	\$5,371	\$5,067	\$3,671

* Impact Fee Study, July 16, 2004

** Debt assumptions from Impact Fee Study: 20 year term at 5.5% interest

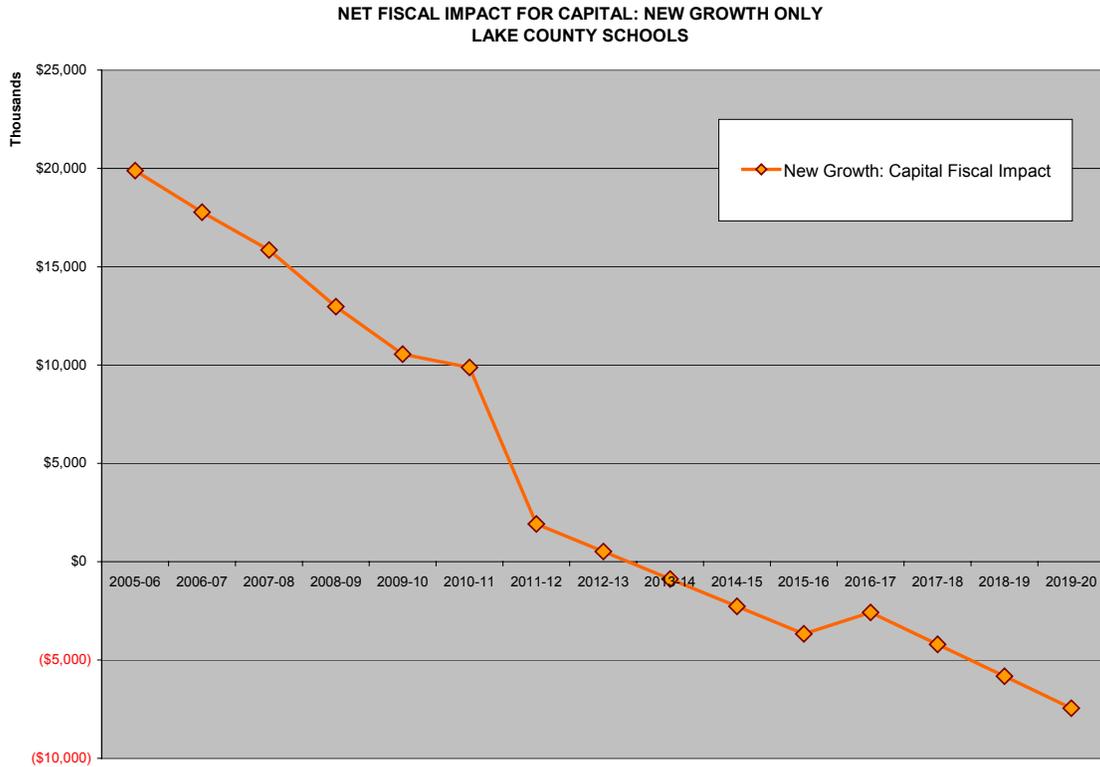
*** Line 6 minus Line 1

**** Total of shaded lines (Lines 7, 8, 9, and 10); debt service portion reflects recurring annual cost for 20 years.

NET FISCAL RESULTS FOR CAPITAL NEEDS SERVING NEW DEVELOPMENT

The fiscal results for capital to serve new growth reflect an average cost approach in that they are generated on a *per student* basis rather than in a lump sum fashion when a new facility is built when a certain threshold is reached. A portion of the cost to build a student station is assumed to be debt financed with the other portion assumed to be paid in cash, according to the assumptions set forth in the Impact Fee study (and summarized in Figure 21). Because of this, yearly costs reflect cumulative annual debt service payments for the debt-financed portion of student stations built to serve new enrollment. Therefore, as shown in Figure 22, the first 7 years show a net fiscal surplus because impact fees are one-time revenues paid upfront at time of building permit while costs are amortized over 20 years. For example, in 2005-06, revenues from impact fees are projected at almost \$30 million (based on residential development projections discussed in a previous section). In the same year, capital costs are approximately \$9 million (given the financing assumptions for student stations as outlined in Figure 21). The following year, one-time impact fee revenue is at the same level as in 2005-06, \$30 million, but costs increase to \$11 million to account for capital costs for that year's enrollment increase *plus* debt service from the previous year. This continues through the projection period, which explains the decreasing net surpluses and appearance of net deficits in later years.

Figure 22. Net Fiscal Results for Capital: New Development



Net fiscal results range from a net surplus of approximately \$20 million to a net deficit of \$7 million. The graph shows annual results with net deficits and surpluses not carried forward from year to year. At the end of the 15-year projection period, a cumulative net surplus is generated in the amount of approximately \$62 million. However, after year 15, there still will be outstanding debt for which the Schools will have to pay—but impact fees will have already been collected from the development that the capital facilities are serving. By year 15, based on the debt financing assumptions and average cost approach used in this analysis, approximately half of the total costs to serve growth over 15 years are projected to be expended; in other words, \$316.5 million of the \$619.7 million in total costs is shown in the 15-year time frame. The remaining outstanding costs—principal and interest—after year 15 are shown in Figure 23 and total \$303 million. Furthermore, as shown in Figure 23, overall net deficit to serve new growth totals \$240.7 million (i.e., impact fee revenues minus principal, interest, and one-time capital costs).

Figure 23. Total Capital Costs To Serve New Growth

Projected Total Capital Costs to Serve New Growth (\$000s)*	\$619,740	<i>Share of Total</i>
Projected Expenditures by 2019-20 (\$000s)	\$316,540	51%
Remaining Expenditures Beyond 2019-20 (\$000s)	\$303,200	49%
Projected Total Capital Revenues to Serve New Growth (\$000s)**	\$379,014	
Total Net Deficit to Serve New Growth (\$000s)	(\$240,726)	

* Includes costs for construction and land for student capacity, ancillary facilities, buses, and financing costs.

** Impact fees collected from new residential development

CAPITAL FISCAL RESULTS: EXISTING DEVELOPMENT

CAPITAL REVENUES SERVING EXISTING DEVELOPMENT

As a matter of Board policy, revenues from the District Local Capital Improvement Tax (2 mill property tax) on residential and nonresidential development as well as the dedicated retail sales tax (one-third of one percent County sales tax rate)⁶ are directed toward correcting existing deficiencies. As discussed in the Cost of Land Use Study, new development will generate revenues from these sources that will in turn support improvements to address existing deficiencies. Revenue factors are shown below in Figure 24.

⁶ The current dedicated sales tax for infrastructure sunsets in 2017; however, based on the historical renewal of the voter-approved sales tax, it is assumed to be in effect through the analysis' projection period, which ends in 2019-20.

Figure 24. Capital Revenues from New Development Serving Existing Development

Capital Revenues for Existing Deficiencies-Per Unit	
Single Family Detached High Value	\$418
Single Family Detached Med-High Value	\$323
Single Family Detached Medium Value	\$228
Single Family Detached Low Value	\$171
Single Family Detached Age-Restricted	\$228
MF-Townhouse	\$162
MF-Apartments	\$81
Mobile Homes	\$17
Capital Revenues for Existing Deficiencies-Per 1,000 SF Nonres	
Retail	\$1,048
Office	\$181
Industrial	\$59

To fully reflect revenues available to serve capacity needs of existing development, revenues from the 2 mill property tax plus the retail sales tax in the *current fiscal year* (called “base amount”) are added to the revenue generated from these sources from *new* development. In fiscal year 2004-05, revenues from these sources from existing development total approximately \$33 million. Therefore, in each projection year, the base amount of \$33 million is carried forward and added to projected yearly amounts from new growth.

CAPITAL COSTS TO SERVE EXISTING DEVELOPMENT

Lake County Schools currently has a backlog of capacity projects to serve existing development of approximately \$250 million.⁷ Additional costs attributed to existing development are: annual debt service payments for debt issued for capacity serving existing development and ongoing maintenance and rehabilitation costs.

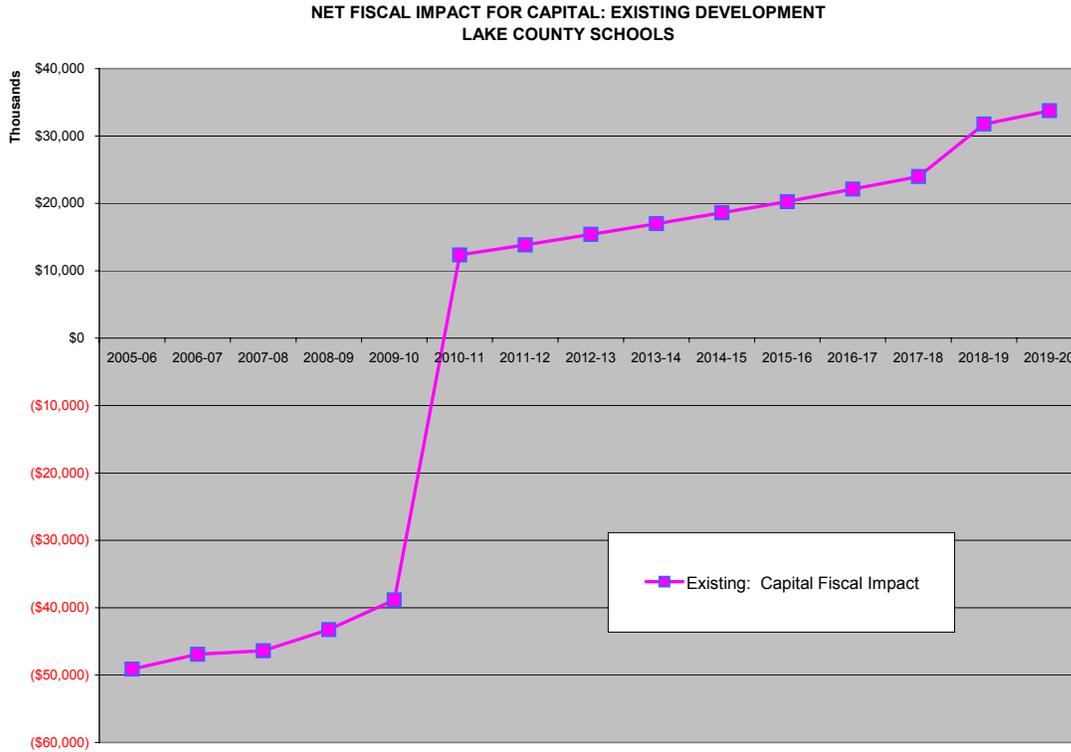
NET FISCAL RESULTS FOR CAPITAL NEEDS SERVING EXISTING DEVELOPMENT

Net capital fiscal results for existing development are shown below in Figure 25. The results are based on the assumptions set forth above, namely the cost of backlog capacity projects spread over the next five years (assumed to be pay-go) plus existing debt service and ongoing maintenance costs, and revenues generated from new and existing

⁷ Impact Fee Report, July 2004; Lake County Schools.

development dedicated to correct existing capital deficiencies. Data points above the \$0 line represent annual net surpluses; points below the \$0 line represent annual net deficits.

Figure 25. Net Fiscal Results for Capital: Existing Development



After a significant net deficit in the first five years of between \$40 and \$50 million, a net surplus is generated beginning in year 2010-11 due to the elimination of the capital facility backlog to serve existing development. The figure shows annual results with net deficits and surpluses not carried forward from year to year. A cumulative net deficit of approximately \$15.5 million for capital improvements serving existing development is generated over the 15-year projection period. After the 15-year projection period, an additional \$100 million (with varying pay-off dates) will be outstanding in debt service payments from debt issued to provide capacity for existing development.

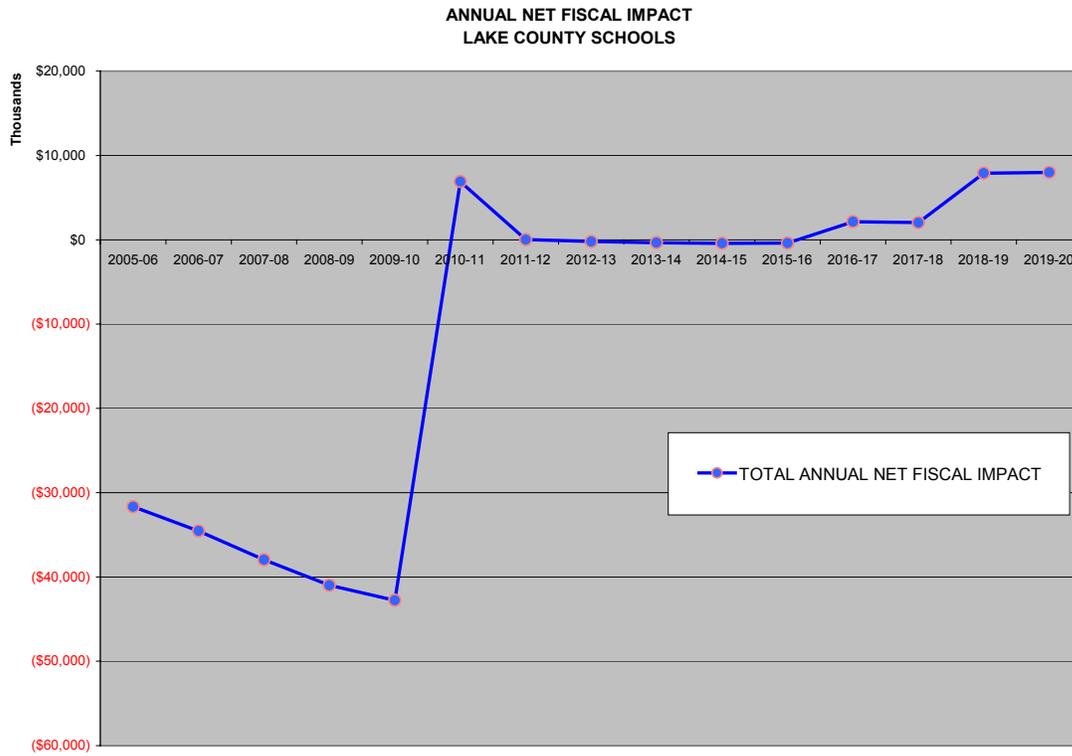
COMBINED FISCAL IMPACTS/REVENUE NEEDS

ANNUAL NET FISCAL RESULTS

Given the assumptions described above, the fiscal impact of new growth—combined with the fiscal impact of addressing existing deficiencies—generates significant net deficits over the initial phase of the 15-year projection period, fiscally neutral results in the middle phase, and net surpluses in the later phase. Annual net fiscal results are shown in Figure 26. Data points above the \$0 line represent annual net surpluses; points below the \$0 line represent annual net deficits.

The net deficits in the initial years are due to the expenditures to address existing capacity deficiencies. The fiscally neutral results and net surpluses are due primarily to net surpluses on the capital side from 2 mill property tax and dedicated sales tax for infrastructure improvements. It should be noted that the overall net fiscal results combine all revenues and costs regardless of limitations on use. (For instance, yearly net surpluses of impact fee revenue in the early years due to debt financing of capital needs cannot be used to pay for capital improvements needed to correct existing deficiencies.) Furthermore, capital costs to serve new growth extend beyond the projection period due to debt assumptions and amortization of payments.

Figure 26. Annual Net Fiscal Results



CUMULATIVE REVENUE NEEDS

Cumulative revenues and expenditures over the 15-year projection period are shown in Figure 27 for operations and capital purposes. As shown, the cumulative net deficit of \$162 million is primarily due to operating deficits. It should be reiterated here, however, that a portion of the capital cost to serve new growth is assumed to be debt financed and costs will continue beyond the projection period. Outstanding expenditures for new-growth capital needs beyond the last projection year total an additional \$303 million.

Figure 27. Cumulative Results (\$000s) over 15-Year Projection Period

		<i>Cumulative Amounts (\$000s)</i>
		<i>2005/06--2019/20</i>
OPERATIONS		
(A)	Operating Revenues-Residential	\$1,189,762
(B)	Operating Revenues-Nonresidential	\$77,978
(C)=(A)+(B)	Total Operating Revenues	\$1,267,740
(D)	Operating Expenditures	\$1,477,106
(E)=(C)-(D)	Net Fiscal Impact: Operating	(\$209,366)
CAPITAL		
(1)	Capital Revenues: New Development*	\$379,014
(2)	Capital Expenditures: New Development	\$316,540
(3)=(1)-(2)	Net Fiscal Impact: Capital for New Development	\$62,474
(4)	Capital Revenues Residential-Earmarked for Existing Development**	\$115,466
(5)	Capital Revenues Nonresidential-Earmarked for Existing Development***	\$84,894
(6)=(4)+(5)	Total Capital Revenues from New Development -Earmarked for Existing Development	\$200,360
(7)	Capital Revenues from Existing Development (Base Revenues)****	\$493,130
(8)=(6)+(7)	Total Capital Revenues with Base Revenues	\$693,489
(9)	Capital Expenditures: Existing Deficiencies	\$708,967
(10)=(8)-(9)	Net Fiscal Impact: Capital for Existing Development	(\$15,477)
NET FISCAL IMPACTS		
(E)	OPERATING NET FISCAL IMPACT	(\$209,366)
(3)	Net Fiscal Impact: Capital for New Development	\$62,474
(10)	Net Fiscal Impact: Capital for Existing Development	(\$15,477)
(11)=(3)+(10)	CAPITAL NET FISCAL IMPACT	\$46,997
(E)+(11)	TOTAL NET FISCAL IMPACT (\$000s)	(\$162,369)

* Cumulative revenue from impact fees

** Cumulative revenue from 2 mills ad valorem property tax on new development (FY 2005/06-2019/20)

*** Cumulative revenue from 2 mills ad valorem property tax and sales tax (retail only) (FY 2005/06-2019/20)

**** Cumulative tax revenue generated from FY 2004-05 assessable base

AVERAGE ANNUAL RESULTS

For further discussion, results are shown as average annual results in five-year increments. As shown in Figure 28, average annual net deficits for operations increase in later years of the projection period. Capital net results for existing development generate sizeable average annual net surpluses in years 6-10 and 11-15; however, as shown above in the cumulative results discussion, the surpluses within the 15-year projection period are insufficient to offset the significant deficits created from addressing existing deficiencies. Net results for capital serving new development show average annual net *surpluses* in years 1-5 and years 6-10 followed by average annual net deficits in the last five years of the projection period. The early surpluses reflect one-time revenues from impact fees and amortized expenditures in the form of debt service payments that extend beyond the 15-year projection period.

Figure 28. Average Annual Net Fiscal Results

