

Appendix B – Financial Considerations

There are various factors that will determine what financial course of action is necessary to implement the open space tax. Among these are program demand, state of the economy, ratable base and renewal option for the open space tax.

Program demand will be determined by the amount of participation in the various components of the program such as farmland preservation, parks property acquisitions and historic preservation. Property values, which fluctuate with the economy, will be a driving force for the farmland and parks property programs.

Economic conditions, more than likely, will also have an impact. Consideration needs to be given the fact that if the economy takes a serious downturn, it might be prudent to implement something less than the full three cent tax. This would affect the amount of funding available for the various programs.

The present ratable base for the County continues to increase. Assuming a 2% ratable increase each year, the first five years of the open space tax at the maximum rate (three cents) would generate approximately \$19 million.

After a period of five years, the open space tax needs to be renewed by popular vote. Eco-

nomie conditions as well as the goals and objectives of the Board of Chosen Freeholders in the year 2004 will have an impact. Public opinion concerning open space will also weigh on the renewal.

As can be seen, all of these factors overlap with one another to a certain degree. It will be extremely important to have ongoing goals and objectives and to evaluate accomplishments as well as continually update planning for future years. Planning should be an ongoing process in order to provide an accurate representation of the program.

There are many financial options available to the Board of Chosen Freeholders. Consideration needs to be given to each option and a decision made as to what best suits the current and future needs. Some of the options available are:

1. Bond a large sum of money up front. Assuming a three cent tax for 10 years and a 2% annual ratable increase, it would be possible to support an initial bond of \$20 million with an additional \$4 million bonded in the fourth year at a bond interest rate of 5%.
2. Bond every year or two depending on need.
3. Use a pay as you go approach.

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4. A combination of annual bonding and pay as you go.

One item to note is that if the open space tax were not renewed for the second five years, any debt service for bonds would need to be assumed by the County's operating budget.

A three cent tax in the first year (2000) will enable the fund to be established and allow the programs to move forward. However, it should be noted that the tax will not be collected until the August and November tax payments because the first half year is based on the previous year's tax.

Overall, it is the Freeholders' responsibility to determine the funding to be allocated to ensure that the best values are obtained for the funds utilized.

Farmland

It appears that the amount of farmland preserved will probably escalate annually for the first few years of this program. The preservation process takes approximately two years to closing.

Presently there is approximately \$1.8 million needed for the balance of the 1998 and 1999 round farms. This could take place during the year 2000. There is funding available for \$1 million of this in the 1999 Bond Ordinance.

The 2000 A & B round farms would require \$2.5 million of County share funding. It is not likely that much of this funding will be required in the year 2000.

An estimate prepared by the CADB shows a goal of preserving 32 farms per year for the next 10 years at an annual cost of \$4 million. The assumption was made that 10 of these farms would be an installment purchase. This is a process that the County has not yet been involved with. How many of the projected 32 farms come to fruition each year would determine the level of funding required. The average cost per acre in the CADB estimate is \$8,000 per acre with the County share being approximately \$1,450 (including surveys and appraisals).

The County has appropriated an average of \$1.5 million per year for the last three years for the farmland preservation program. The Freeholders would need to decide whether or not to continue this level of funding as a supplement to the farmland program or whether the entire program would become part of the open space tax funding.

Parkland

The Parks Master Plan projects acquisition of 12,300 acres over the next 20 years. Based on the Master plan's average acquisition cost of \$7,000 per acre the total cost over 20 years would be

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\$86.1 million. This translates into an annual cost of \$4,431,000. Fifty percent of this would be funded through Green Acres Grants leaving a net County cost of \$2,215,500 per year.

The County has appropriated and spent an average of approximately \$2.5 million per year for the last three years on the acquisition of parkland. The Freeholders would need to decide what amount of funding they desire to provide for parkland purchases and the source of the funding. It could be all, part or none from the open space tax. Any amount not funded by the open space tax would require bonded debt on the part of the County.

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