

# Chapter 14

## Financing

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### A. OVERVIEW

The methods available to West Virginia municipalities for developing funding strategies to implement improvements in their communities have long been viewed as an impediment to growth and development. In general, most municipal governments do not generate enough revenue to undertake more than just the day-to-day operations of the municipality. Receipts from Ad Valorem and Business and Occupation Taxes comprise the bulk of most municipal general fund revenue, with the balance coming from licenses, charges and fees collected in exchange for services being provided.

The focus of this chapter of the Comprehensive Plan will not be the analysis of the funding sources available to municipalities nor will this chapter address the inadequacies of the system. These issues were examined as part of the West Virginia Public Finance Program in a report prepared by the Bureau of Business and Economic Research at West Virginia University in August of 2003 and has been included as an Appendix to this chapter for reference.

The objective of this chapter is to provide financial strategies for the short and long-term recommendations of this Comprehensive Plan in respect to the responsibilities of the City as outlined in the accompanying chapters of this document. For our purposes here, only the recommendations that are capital improvements will be discussed. Responsibilities of the City of Fairmont in other areas such as the generation of information to the public to broaden their knowledge, the collaboration with partners to implement recommendations and the undertaking of additional studies and assessments is viewed as programmatic recommendations and not projected to impact the fiscal resources of the City of Fairmont. The examination of capital improvements will include those non-recurring expenditures or any expenditure for physical improvements, including costs for: acquisition of existing buildings, land, or interests in land; construction of new buildings or other structures, including additions and major alterations; construction of streets and highways or utility lines; acquisition of fixed equipment; or landscaping.

### B. GOALS AND ACTIONS

The goal and actions developed for this section of the Comprehensive Plan were developed recognizing that West Virginia municipalities are statutorily limited in their ability to generate revenue to implement capital improvements.

#### **Goal:**

Develop sound financial strategies for the implementation of capital improvements recommended in the Comprehensive Plan.

## Actions:

- Develop an annual capital improvements plan addressing recommendations in the Comprehensive Plan.
- Identify the current method by which capital improvements are funded.
- Analyze the existing financial strategy for implementing capital improvement projects.
- Examine alternative methods for funding capital improvement projects.
- Determine role of partners and the private sector in capital improvement projects.

## C. EXISTING CONDITIONS

Section 5.05 of the City of Fairmont Charter requires that the City Manager as part of the annual budget process, prepare a five-year Capital Improvement Plan for the City, which lists all capital improvements that are proposed for the five fiscal years ensuing. The Plan includes cost estimates for the improvements along with a method of finance and the recommended time schedule for each improvement as well as gives an annual cost for the operation and maintenance of any facilities that are to be constructed or acquired. The City of Fairmont currently funds all capital improvement expenditures through funds received from construction B&O Taxes. The philosophy of the City administration has been that this is one time money that the City is receiving and therefore should be utilized in manner that provides the greatest return to the City and its residents. This belief has become a cornerstone for the City's strategy of providing a continual investment in critical infrastructure so more opportunities are created for private investment, growth and development.

Providing this continual investment does not come easily even with an identified revenue stream. As with most programs discussed in this document, the need for capital improvements outweighs the current revenue being generated. An example of this is being seen in the FY '05-'06 Capital Improvement Plan. The requested capital improvement projects and needs for general fund departments of the City are approximately \$1.4 million in the first year of the plan, while the revenue from construction B&O in that time period is estimated to be only \$980,000. The shortfall forces decisions to be made to either cut some projects from the CIP or to move them to other years. While it may seem easy suggest eliminating certain projects or needs, it is important to point out that the plan is developed with City Department Head input from those who know the infrastructure and capital improvement needs of the City best. The improvements that they have requested are projects and items that they require to perform their jobs and make the community a better place for our residents, businesses and visitors. Their needs equate to their sustainability and each department's sustainability leads to the betterment of the community. Moving the project or need to another year in the CIP (prioritizing) in some cases merely prolongs the problem and creates negative effects for our residents. The perfect example of this is in the area of storm water management. Each time that the City is forced to eliminate or prioritize storm water management projects there is an area of the City of Fairmont that will continue to face hazardous conditions during wet weather events. This discussion is not meant to suggest that by funding and implementing all of the desired capital improvement projects that all of the needs of the City and its residents will be alleviated. It is clear however, that when forced to eliminate or delay capital improvement projects the City is only weakening its position of creating development and growth opportunities for the future.

## D. BASIC ISSUES

The City of Fairmont has made a commitment to the strategy of investing in infrastructure and capital elements in order to create development and growth within the corporate limits. This becomes increasingly difficult each year when the list of capital projects and needs increases at a larger rate than the revenue does. Additional or supplemental funding streams for the capital improvement plan elements need to be identified so that the strategy of the City can be implemented to its fullest potential.

One method recently explored by the City of Fairmont was the enactment of an excess levy that if approved by the voters of the City would have placed an additional levy rate on each class of property in the corporate limits and generated funding to be used for the implementation of capital improvement projects. The proposed measure appeared before the voters in the November 2004 election and received a 57% approval, but by state law require a 60% approval for passage. City officials could choose to run the excess levy again either during a special election or during the next election cycle, which would occur in 2006. While this measure was not successful for the City of Fairmont, other municipalities have been successful in passing excess levies for capital improvement projects in North Central West Virginia and the Eastern Panhandle of the state.

An alternative method being used by communities such as Huntington, Weirton and Charleston is the enactment of a City Service Fee. Under this proposal an Ordinance is passed by the governing body of the municipality that requires all persons working inside of the corporate limits of the municipality to pay a weekly service fee to the municipality. The fee is set by each implementing community and can then be used for operating expenses of the municipality or for capital improvement projects.

While impact fees are not an option for municipalities in West Virginia, the enactment of Volunteer Proffering is in option for some communities. Authorized under Chapter 8, Article 24 of the West Virginia Code, a proffer is a written offer by a landowner to the Planning Commission whereby the landowner offers to voluntarily undertake a capital improvement project from a list of predetermined projects presented to them by the Planning Commission. While the use of proffers is not contingent upon growth in a community, the City of Ranson is the only municipality in the state that has enacted this procedure as part of its Subdivision Ordinance.

Additionally, some municipalities are looking to the recently enacted Tax Increment Financing legislation as a means of having their capital improvement projects funded, when they coincide with a development project. Under the scenario of Tax Increment Financing, a community that has been plagued by an aging antiquated storm sewer line that is located within a Tax Increment Finance District where a development project is being undertaken would utilize the increment of tax dollars being realized by the project and replace the entire storm line not just the portion servicing the new development, so long as the entire line was still within the District.

While much has been said and written about the methods available to municipalities for financing capital improvement projects in West Virginia, it is clear that there currently are

options. Some may not be favorable or advantageous to all municipalities, but they do provide alternatives that should be explored. The City of Fairmont needs to explore all possible means of increasing funding availability for capital improvement projects and avoid the yearly decisions of determining which projects should be eliminated and which should be delayed. The successful implementation of capital improvement projects for Fairmont along with the programmatic recommendations outlined in this document are key to this community in achieving sustainability.

## **E. RECOMMENDATIONS**

### **1. Short Range (2005-2008)**

- A. Continue to develop a Capital Improvement Plan for the City of Fairmont on a five-year basis.
- B. Continue to fund the capital improvement expenditures of the City of Fairmont from the Construction B&O Taxes.
- C. Identify and implement an additional revenue stream for funding capital improvements in the City of Fairmont.
- D. Encourage capital improvements to be part of all development projects through future Subdivision and Land Development Ordinances.
- E. Create a program to provide incentives to developers who include capital improvement projects for the entire community's benefit in their development project.
- F. Establish the practice of Volunteer Proffering in future Subdivision and Land Development Ordinances.

### **2. Medium Range (2008-2011)**

- A. Continue to develop a Capital Improvement Plan for the City of Fairmont on a five-year basis.
- B. Continue to fund the capital improvement expenditures of the City of Fairmont from the Construction B&O Taxes.
- C. Continue supplemental revenue stream for funding capital improvements in the City of Fairmont.
- D. Continue support of capital improvement project requirements in the Subdivision and Land Development Ordinances.
- E. Continue the Developer's Capital Improvement Incentive Program.
- F. Evaluate the success of the Volunteer Proffering component of the Subdivision and Land Development Ordinance.

### **3. Long Range (2011-2015)**

- A. Continue to develop a Capital Improvement Plan for the City of Fairmont on a five-year basis.
- B. Continue to fund the capital improvement expenditures of the City of Fairmont from the Construction B&O Taxes.

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- C. Continue supplemental revenue stream for funding capital improvements in the City of Fairmont.
- D. Continue support of capital improvement project requirements in the Subdivision and Land Development Ordinances.
- E. Continue the Developer's Capital Improvement Incentive Program.
- F. Evaluate the success of the Volunteer Proffering component of the Subdivision and Land Development Ordinance.