

JAN 21 2010

FISCAL IMPACT ANALYSIS

Teva Pharmaceuticals -
Eureka Distribution Facilities

WARRINGTON TOWNSHIP
and
CENTRAL BUCKS SCHOOL DISTRICT
BUCKS COUNTY, PENNSYLVANIA

Prepared For:

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Summary

Teva Pharmaceuticals proposes to construct a new distribution facility between Limekiln Pike and Lower State Road, near the Eureka Quarry.

Included in the report is an examination of the fiscal impacts to Warrington Township and the Central Bucks School District.

The following fiscal analysis demonstrates that the proposed development when complete will produce an anticipated net annual surplus of:

\$ 67,791	to Warrington Township, and
\$ 1,080,540	to the Central Bucks School District

One time revenues such as permit, license, and utility connection fees have not been included in this study. Additionally, the one time real estate transfer tax revenue from the initial purchase of the property has not been included.

All interior roadways, sidewalks, landscaping, and stormwater management facilities will be privately owned and maintained, and will therefore produce no ongoing maintenance costs for Warrington Township.

Fiscal Analysis

This analysis is based upon methodologies contained in the 1988 edition of The Fiscal Impact Handbook, by Robert W. Burchell and David Listokin, published by Rutgers University.

The Proportional Valuation Method was employed to forecast the fiscal impact of the proposed development. This method first determines the portion of municipal costs which are presently allocated to existing nonresidential uses and then apportions these costs to the proposed development.

Exhibit A

Fiscal Impact Analysis: Summary of Procedures

Step Number

Analysis/Actions

- 1 Contact the office of the Warrington Township Tax Collector, Business Manager of the Central Bucks School District and Bucks County Board of Assessment Appeals to obtain township and school district budgets and latest estimates of township/school district real property, earned income and occupation assessments. (Exhibits B and C).
- 2 Assign a share of total annual township costs to existing nonresidential facilities based on the proportion of their assessed value to total local real property assessed value. Subtract this share from the total annual municipal costs. (Exhibit D).
- 3 Project future annual nonresidential costs induced by the proposed development by using proportional valuation and refinement coefficients applied toward total existing township costs. (Exhibit E).
- 4 Assign annual nonresidential service costs into municipal service categories. (Exhibit F).
- 5 Project total annual public revenues for the proposed development. (Exhibit G and H).
- 6 Calculate the cost-revenue surplus or deficit by comparing total costs incurred and total revenues generated. (Exhibit I).

Exhibit B

Background Data and Information

Warrington Township Tax Assessment Data (1)

A.	Total local assessed real property value (taxable)	\$ 322,215,370
B.	Nonresidential assessed real property value	\$ 50,870,020
C.	Total number of taxable land parcels	8,167
D.	Total number of taxable nonresidential land parcels	225
E.	Average assessed real property value per parcel	\$ 39,453
F.	Average assessed real property value per nonresidential parcel	\$ 226,089

Proposed Development (2)

G.	Distribution Facility	1,509,600 sq. ft.
H.	Projected Number of Employees	279

FOOTNOTES:

(1) Assessment Data taken from Bucks County Board of Assessment Report dated January 13, 2009.

(2) Information concerning proposed development has been supplied by Teva Pharmaceuticals USA. Number of employees indicated is for initial occupancy. The number of employees anticipated at final build-out is 464; however, in order to provide a conservative estimate of annual revenue, only the initial number of employees (279) has been used throughout this report.

Exhibit C

Township and School District Expenditures

Warrington Township, Bucks County, Pennsylvania
Central Bucks School District, Bucks County, Pennsylvania

TOWNSHIP (2010)

General Fund	\$ 8,169,010
Park & Recreation Fund	976,523
Fire Protection	486,200
Ambulance	253,702
Debt Service	<u>1,322,419</u>
Total	\$10,954,152

SCHOOL DISTRICT (2009-2010)

General Fund	\$276,557,448
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SOURCES: Warrington Township 2010 General Fund Budget
Central Bucks School District, 2009-2010 Budget.

Exhibit D

Total Township Expenditures Attributable to Nonresidential Uses

A.	<u>Total Nonresidential Assessed Value</u>	<u>\$ 50,870,020</u>	=	
	Total Assessed Value	\$322,215,370		0.16
B.	<u>Average Nonresidential Assessed Value</u>	<u>\$ 226,089</u>	=	
	Average Assessed Value	\$ 39,453		5.73
C.	Coefficient to refine B., above (1):			1.03
D.	Total Township Expenditures Attributable to Nonresidential Uses:			
	Total Township Expenditures (from Exhibit C)	\$10,954,152		
	multiplied by A., above	x	0.16	
	multiplied by C., above	x	1.03	
				\$ 1,805,244

FOOTNOTE:

- (1) Since the costs are allocated based on the proportion of nonresidential to total assessed value, and this relationship is nonlinear, it must be scaled to reflect this deviation through the application of a refinement coefficient. The source of the coefficient is from p. 124 of The Fiscal Impact Handbook.

Exhibit E

Total Township Expenditures Induced by the Proposed Development

A.	<u>Assessed Value of Proposed Development (1)</u>	=	\$ 9,313,500	=	.18
	Nonresidential Assessed Value		\$ 50,870,020		
B.	<u>Assessed Value of Proposed Development (1)</u>	=	\$ 9,313,500	=	41.19
	Average Nonresidential Assessed Value		\$ 226,089		
C.	Coefficient to refine B., above (2)				0.21
D.	Costs Attributable to Nonresidential Use:				
	Total Township Expenditures		\$1,805,244		
	Attributable to Nonresidential Uses				
	multiplied by a., above	x	0.18		
	multiplied by c., above	x	0.21		
			\$ 68,238		

FOOTNOTES:

- (1) In order to estimate the assessed value for the proposed distribution center, the estimated construction cost was obtained from Teva Pharmaceuticals, and multiplied by the common level ratio for Bucks County (.097). For consistency, this result was then compared with assessments for other similar sized buildings in Bucks County. Using this procedure, the facility will have an assessed value of approximately \$9,313,500.
- (2) When a nonresidential facility is valued at 41.19 times the average value of local nonresidential properties, the simple proportion overstates the actual municipal costs. The source of the coefficient is from Exhibit 6-3, p. 124 of The Fiscal Impact Handbook.

Exhibit F

Impact of the Proposed Development on Warrington Township by Service Category

Distribution of Total Costs

<u>Service Category</u>	<u>Percentage(1)</u>	<u>Dollars</u>
General Government	6	\$ 4,094
Public Safety	75	51,178
Public Works	15	10,236
Health and Welfare	2	1,365
Recreation and Culture	<u>2</u>	<u>1,365</u>
	100	\$68,238

FOOTNOTE:

- (1) Percentage distribution of Commercial Uses taken from Exhibit 6-4, p. 127 of The Fiscal Impact Handbook. Based on case studies conducted by the Rutgers University Center for Urban Policy Research, Spring 1977.

Exhibit G

Projected Total Annual Township Revenues Assignable to the Proposed Development

OWN SOURCE REVENUE

A.	<u>Taxes</u>	
	Real Property (1)	\$107,571
	Earned Income (2)	11,350
	Business Privilege Tax (3)	2,600
	Local Services Tax (4)	<u>14,508</u>
	TOTAL TAXES	\$136,029
	TOTAL OWN SOURCE REVENUE	\$136,029

INTERGOVERNMENTAL TRANSFERS

A.	<u>County</u>	\$ 0
B.	<u>State</u>	\$ 0
C.	<u>Federal</u>	<u>\$ 0</u>
	TOTAL INTERGOVERNMENTAL TRANSFERS	\$ 0
	TOTAL TOWNSHIP REVENUE	\$136,029

FOOTNOTES:

- (1) In order to estimate the assessed value for the proposed distribution center, the estimated construction cost was obtained from Teva Pharmaceuticals, and multiplied by the common level ratio for Bucks County (.097). For consistency, this result was then compared with assessments for other similar sized buildings in Bucks County. Using this procedure, the facility will have an assessed value of approximately \$9,313,500. Warrington Township real property tax for 2010 is 11.55 mills.

$$\$9,313,500 \times .01155 = \$107,571$$

- (2) Earned Income Tax. Based on corporate projections, initial employee count is expected to be 279 persons with a gross annual payroll of approximately \$11,350,181. Total earned income tax revenue is expected to be \$56,750. In our experience, approximately 20% of this earned income tax revenue will be collected by Warrington Township with the remaining 80% going to the employees' home municipalities.

$$\$11,350,181 \times .005 \times .20 = \$11,350$$

- (3) Warrington Township has enacted a Business Privilege Tax in the amount of \$2,600 per year.
- (4) Local Services Tax (LST). Warrington Township has adopted an LST in the amount of \$52 per year for every employee who earns a minimum of \$12,000 per calendar year. With 279 projected employees, the development will produce \$14,508 in revenue annually from the LST.

$$\$52 \times 279 = \$14,508$$

Exhibit H

Projected Total Annual School District Revenues Assignable to the Development

OWN SOURCE REVENUE

A.	<u>Taxes</u>	
	Real Property (1)	\$1,069,190
	Earned Income (2)	<u>11,350</u>
	TOTAL TAXES	\$1,080,540
	TOTAL OWN SOURCE REVENUE	\$1,080,540

INTERGOVERNMENTAL TRANSFERS

A.	<u>County</u>	\$ 0
B.	<u>State</u>	\$ 0
C.	<u>Federal</u>	<u>\$ 0</u>
	TOTAL INTERGOVERNMENTAL TRANSFERS	\$ 0
	TOTAL SCHOOL DISTRICT REVENUE	\$1,080,540

FOOTNOTES:

- (1) In order to estimate the assessed value for the proposed distribution center, the estimated construction cost was obtained from Teva Pharmaceuticals, and multiplied by the common level ratio for Bucks County (.097). For consistency, this result was then compared with assessments for other similar sized buildings in Bucks County. Using this procedure, the facility will have an assessed value of approximately \$9,313,500. Central Bucks School District real property tax for 2009-2010 is 114.8 mills.

$$\$9,313,500 \times .1148 = \$1,069,190$$

- (2) Earned Income Tax. Based on corporate projections, initial employee count is expected to be 279 persons with a gross annual payroll of approximately \$11,350,181. Total earned income tax revenue is expected to be \$56,750. In our experience, approximately 20% of this earned income tax revenue will be collected by Central Bucks with the remaining 80% going to the employees' home school districts.

$$\$11,350,181 \times .005 \times .20 = \$11,350$$

Exhibit I

Cost-Revenue Surplus or Deficit for Proposed Development

	Total Annual Public Cost	Total Annual Public Revenue	Total Annual Net Fiscal Impact
TOWNSHIP	\$ 68,238	\$ 136,029	\$ 67,791
SCHOOL DISTRICT	<u>-0-</u>	<u>1,080,540</u>	<u>1,080,540</u>
	\$ 68,238	\$1,216,569	\$1,148,331

Exhibit J

Bibliography

Burchell, Robert W. and Listoken, David. The Fiscal Impact Handbook. New Brunswick, NJ: Rutgers University Center for Urban Policy Research, 1978.

Burchell, Robert W., Listoken, David, and Dolphin, William R. The New Practitioner's Guide to Fiscal Impact Analysis. New Brunswick, NJ: Rutgers University Center for Urban Policy Research, 1985.

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