



City of Memphis, TN Strategic Footprint Review Task Force

Deannexation Decision-making Framework

October 13, 2016



Public Financial Management, Inc.

Project Overview and Approach

- Review the literature and examples of deannexation in other jurisdictions to identify best or promising practices.
- Development of a data driven framework designed to support deannexation decision-making.
- Three hypothetical scenarios illustrating how the framework would be utilized to review proposed deannexations.
- Presentation of findings and recommendations to the City, the Task Force, and other stakeholders.

Deliverables

- White Paper
 - Discussion of deannexation best practices.
 - Parameters of the framework including reasoning behind the data components.
 - User’s Guide to provide clear directions and applications of the framework.
 - Three example applications of the framework using real data when possible.
 - Illustrations of how decision-makers might weigh data.
- Deannexation Framework
 - User-friendly model that measures the impact of deannexation.
 - Includes key indicators that we believe are necessary to weigh fiscal impact, efficiency, and equity.
 - Ready-to-use and populate with area-specific data.
 - Will not provide a “score” to make deannexation decisions.

Types of Deannexation

- To incorporate as a new municipality.
 - A portion of Calabash, NC incorporated as the town of Carolina Shores, NC. Both municipalities now share fire and emergency services.
 - The Atlanta metro area includes many such municipalities, including: Sandy Springs, Milton, Brookhaven, Dunwoody, Chattahooche Hills, and Johns Creek.
- To be annexed into a neighboring municipality.
 - San Diego de-annexed territory to be annexed by Chula Vista, CA.
 - Glendale de-annexed territory to be annexed by Litchfield Park, AZ.
- To remain an unincorporated area within the county.
 - Gray residents de-annexed from Johnson City, TN.

Early Insights: Best Practices

Preliminary findings from the literature review have found:

- Few examples of deannexations in cases where the area reverts to unincorporated county.
- No established best practices regarding deannexation procedures or decision-making.
- Some States require that deannexation decision-makers consider specific criteria or data points, such as:
 - Household income relative to the city (NC)
 - Potential for future growth and need for local gov regulation (AK)
 - Distribution of assets & liabilities (AZ, AR, OH)
 - Potential acceleration of bond repayment or violation of grant conditions (SC)

Early Insights: Best Practices

An example of Evaluation Criteria applied to Deannexation

Mississippi's 12 Indicia of Reasonableness:

- The municipality's need for expansion/contraction.
- Whether the area is reasonably within the city's path of the growth.
- The potential health hazards from sewage and waste disposal.
- The municipality's financial ability to make improvements and provide promised services.
- The need for zoning and overall planning in the area.
- The need for municipal services in the area.
- Whether there are natural barriers between the city and area.
- Past performance in service provision to present residents.
- Impact on residents or property owners in the area.
- Impact on voting strength of protected minority groups.
- Whether residents benefit from municipal services without paying their fair share of taxes.

Strategic Decision-Making on Deannexation

Examples of Goals

Possible goals for deannexation decision-making in Memphis/Shelby County:

1. Deannexation will allow for the provision of services that residents want and need in the most efficient way possible.
2. Deannexation will not unreasonably destabilize the City's or the County's finances.
3. The change in jurisdictional boundaries will not undermine the overall economic competitiveness of either the City or the County.

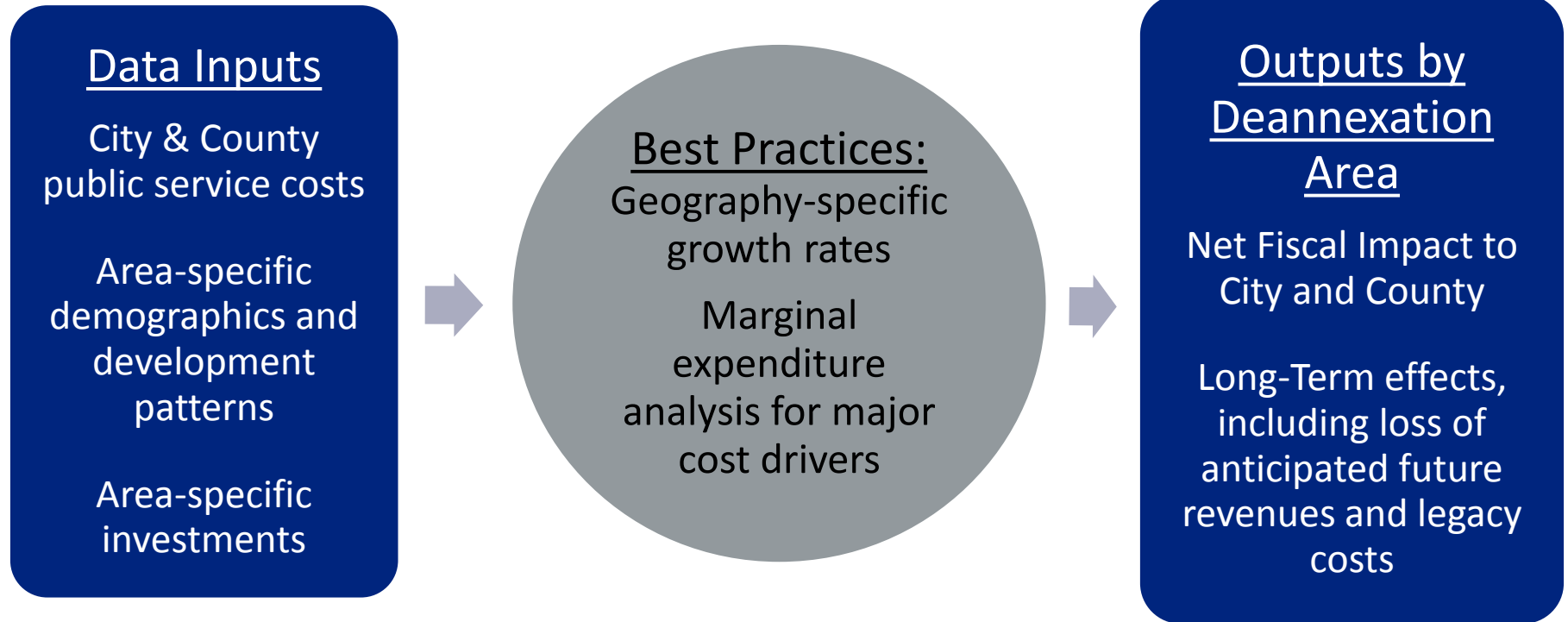
Strategic Decision-Making on Deannexation

Examples of Data Points to Consider

Possible criteria for Memphis/Shelby County decision-makers to consider:

1. Net fiscal impact to the City and County
2. Evaluation of relative service quality.
3. Overall efficiency in service provision.
4. Legacy costs.
5. Long-term fiscal impact.

Framework to support data driven decision-making



If all actual data is not available in time for the November presentation, the team will generate hypothetical scenarios to demonstrate how to use the framework in deannexation decision-making.

Framework to support data driven decision-making

Data Inputs

City & County public service costs

Area-specific demographics and development patterns

Area-specific investments

Examples of Data Inputs

- Census data on population, median income, poverty levels
- Assessor data on parcels by zone, use, property value, and development potential
- Actual City revenues (sales tax, property tax, franchise fees, etc)
- PILOT revenues
- Public Safety FTEs added upon annexation
- CIP investments since annexation
- Actual costs to maintain City facilities in the deannexation area.
- Etc.

Obstacles and Thorny Questions

- Appropriate and fair determination of legacy costs.
- Access to reasonably current, area-specific data.
- Valuation and ownership of public assets.
- PILOTs, including future revenues upon the expiration of current agreements.
- Impacts of specific deannexations vs. cumulative impacts of multiple deannexations.
- How to anticipate effects on the metro area's long-term economic vitality.

Project Timeline

- August 2016
 - Kickoff call and document review.
- September 2016
 - On the ground interviews with key City staff and other stakeholders.
 - Best practice research and state criteria review.
- October 2016
 - Presentation of findings-to-date to Task Force.
 - Data collection for framework.
- November 2016
 - Presentation of findings and framework to Task Force.
 - Three hypothetical examples of the framework illustrating the model and how it can be used.
- December 2016
 - Final white paper and recommendations.

Questions?



Public Financial Management, Inc.