

Rutherford County Comprehensive Plan

Some fiscal impacts of the business as usual scenario

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Rutherford County Comprehensive Plan

- Three options are under consideration by the Rutherford County Planning Task Force, as constructed by Parsons Brinkerhoff:
 - *Business as usual* – no change in planning policy; future growth patterns will mimic past patterns.
 - *Urban Infill* – growth allocated mostly to existing urban areas.
 - *Suburban Belt* – highest density growth allocated to an area adjacent to existing corporate limits.

Analysis

- This analysis focuses on the fiscal impact of the *business as usual* scenario.
- The *business as usual* scenario, as do the other scenarios, shows much higher population growth in rural areas compared with the past pattern of growth.
- Fiscal impacts for the other two scenarios will be very similar to *business as usual*, since population growth totals and the urban / rural shares of growth are assumed to be the same regardless of scenario.
- Thus, primary fiscal impact will be between the past and the future, with little difference apparent among future scenarios.

Focus of analysis

- Focus on areas of revenue and expenditures that have impacts *relevant to the scenarios*.
- Revenues
 - Local option sales tax (primary government)
 - Property tax
- Expenditures
 - Solid waste
 - Highways

Focus of analysis

- Expenditures that could change due to the distribution of growth are not large:
 - 8% of primary government expenditures
 - 3% of total expenditures (primary government plus schools)

Static Budget Categories

- Much of the budget impact will be the same across scenarios since many expenditures and revenues are county-wide:
 - Expenditures
 - Law enforcement
 - Schools (mostly)
 - Social services
 - Revenues
 - Sales tax for schools
 - Property tax
 - Wheel tax

Potential Budget Impacts

- A few items in the budget, revenue and expenditures, will change in the Business as Usual Scenario (BAU) compared with the past.
- These include:
 - Local option sales tax for primary government – collected in the unincorporated areas (rural).
 - Solid waste – an issue in areas excepting Murfreesboro.
 - Highway and street maintenance – large shift in population to rural areas will increase wear and tear on roads and streets.



Estimating revenues

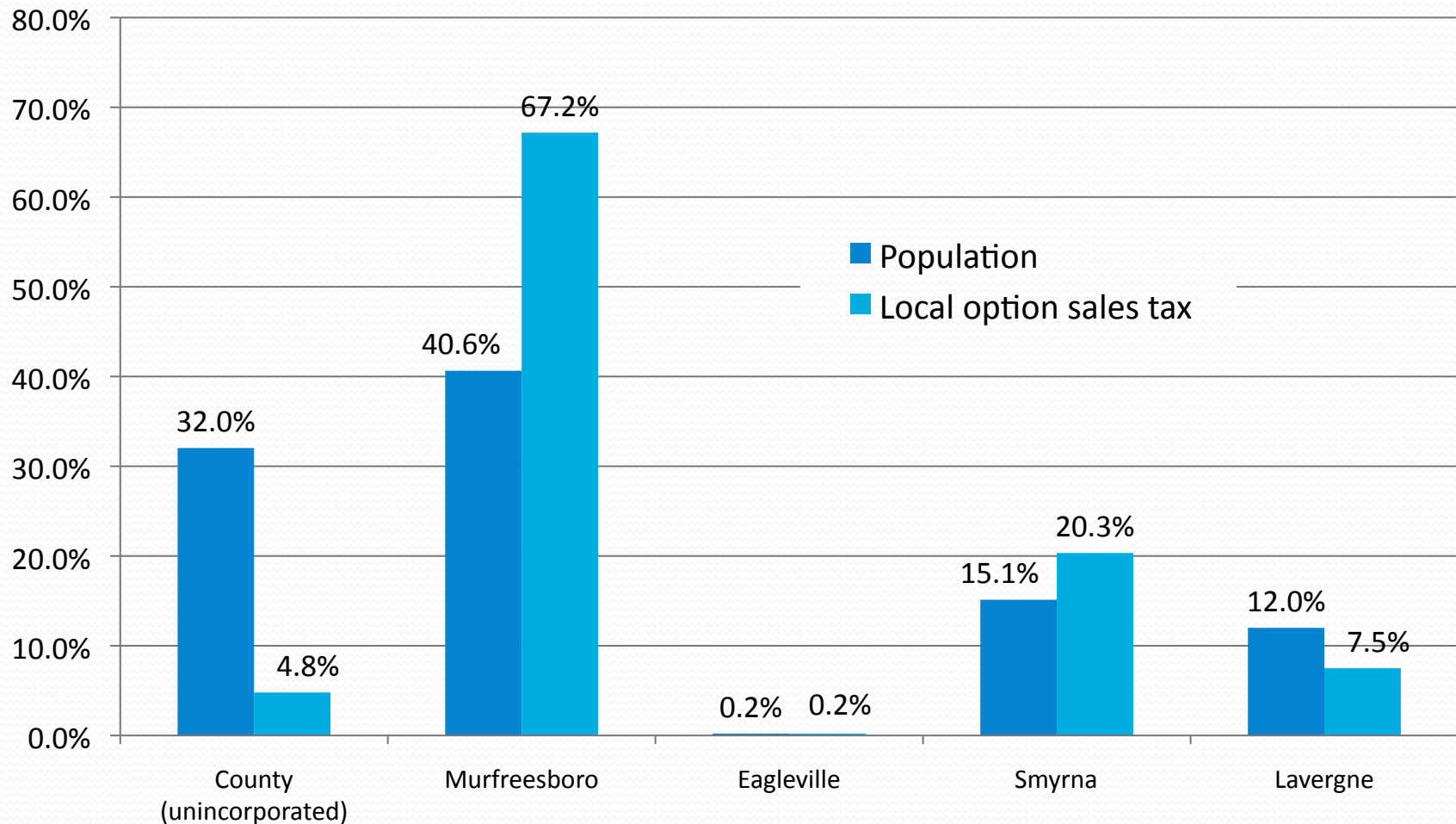
- Local option sales tax (solid waste, highways, debt service, general fund)
- Property tax (highways, schools, debt service, among others)



Local option sales tax (primary government)

- Collections \$4.762 million FYo8.
- Partially funds solid waste, debt service, highways, general fund.
- Small revenue source: 6% of total tax revenue for primary government.

Distribution of population and local option sales tax collections



Estimating local option sales tax (primary government)

- Estimate based on growth of retail square footage in the unincorporated areas (from PB).
- Assumptions:
 - Municipal boundaries do not change over time.
 - Prices of taxable goods and services are constant.
 - No articles sell for more than \$1,600.
- Formula: growth in square feet*sales per square foot*local option tax rate.

Estimating local option sales tax

- Growth of retail square feet from PB:
 - 2015: 67,106
 - 2025: 297,304
 - 2035: 655,660
- Estimated sales per square foot for a stylized replicate: fast food, convenience store, close-out store.
- Assume low end \$180 sf, tax rate 2.75%.

Estimating local option sales tax (primary government)

- Growth of local option sales tax (thousands):
 - 2015: \$ 322
 - 2025: \$1,472
 - 2035: \$3,245

Estimating property tax growth

- Office, retail, industrial:
 - growth of square feet*price per square foot improvement*assessment rate*tax rate.
- Residential:
 - growth of housing units*average square feet*price per square foot improvement*assessment rate*tax rate. Separate estimates for single-family and multi-family units.
- Assumptions:
 - No increase in property values,
 - No change in tax rate.

Estimating property tax growth

- Increase in property tax revenue due to *growth* (thousands):
 - 2015: \$21,370
 - 2025: \$30,803
 - 2035: \$30,482



Solid Waste

- Only Murfreesboro has municipal curbside collection.
- Convenience centers used heavily in some parts of the county.
- Funded by part of local option sales tax, Middle Point revenue, tipping fees for county landfill, revenue from state.

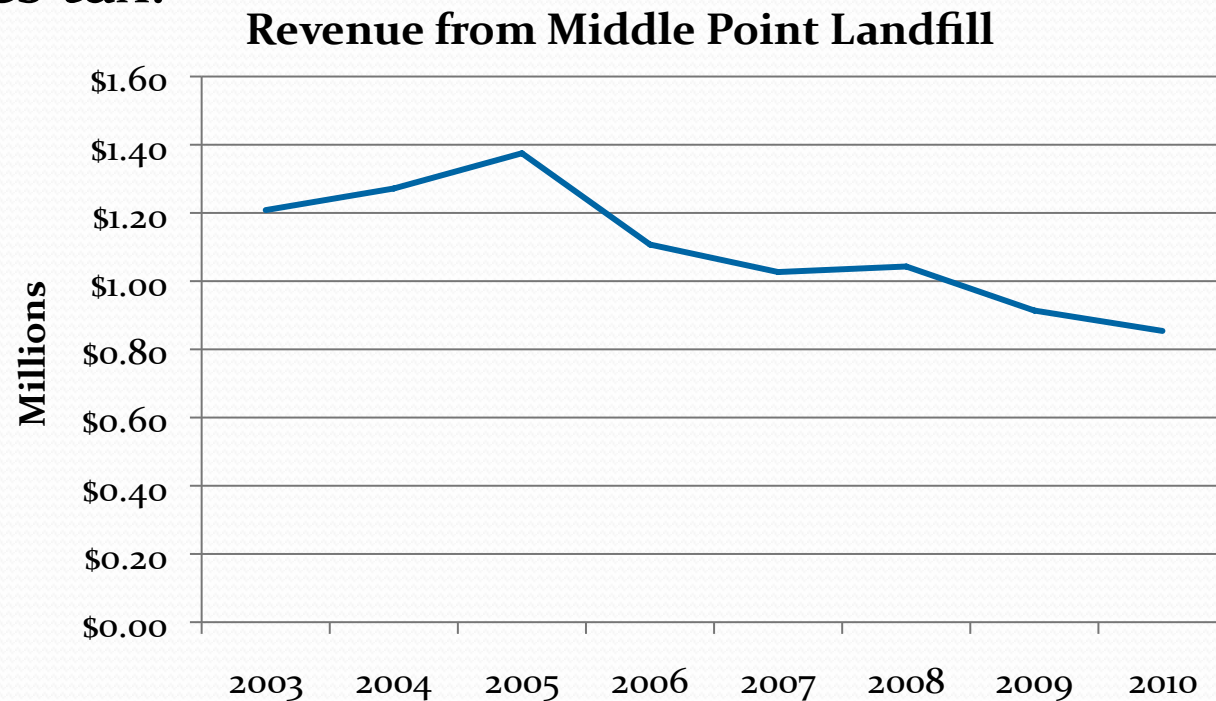


Solid Waste

- Middle Point landfill (Allied Waste) will reach capacity near end of planning period.
- Middle Point offers zero tipping fee for county (and Murfreesboro) *and* pays a fee to the county.
- When Middle Point ends, cost will rise and revenue will decline.
- Middle Point lost two customers (Franklin County and Putnam County) to competition.

Solid Waste

- Middle Point fee declining; assume no growth.
- Assume solid waste receives constant share of local option sales tax.



Source: Lisa Nolen, Rutherford County Finance Dept

Solid Waste: growth of revenues and demand (thousand \$)

	2015	2025	2035
Revenues	214	888	1,001
Demand	226	890	934

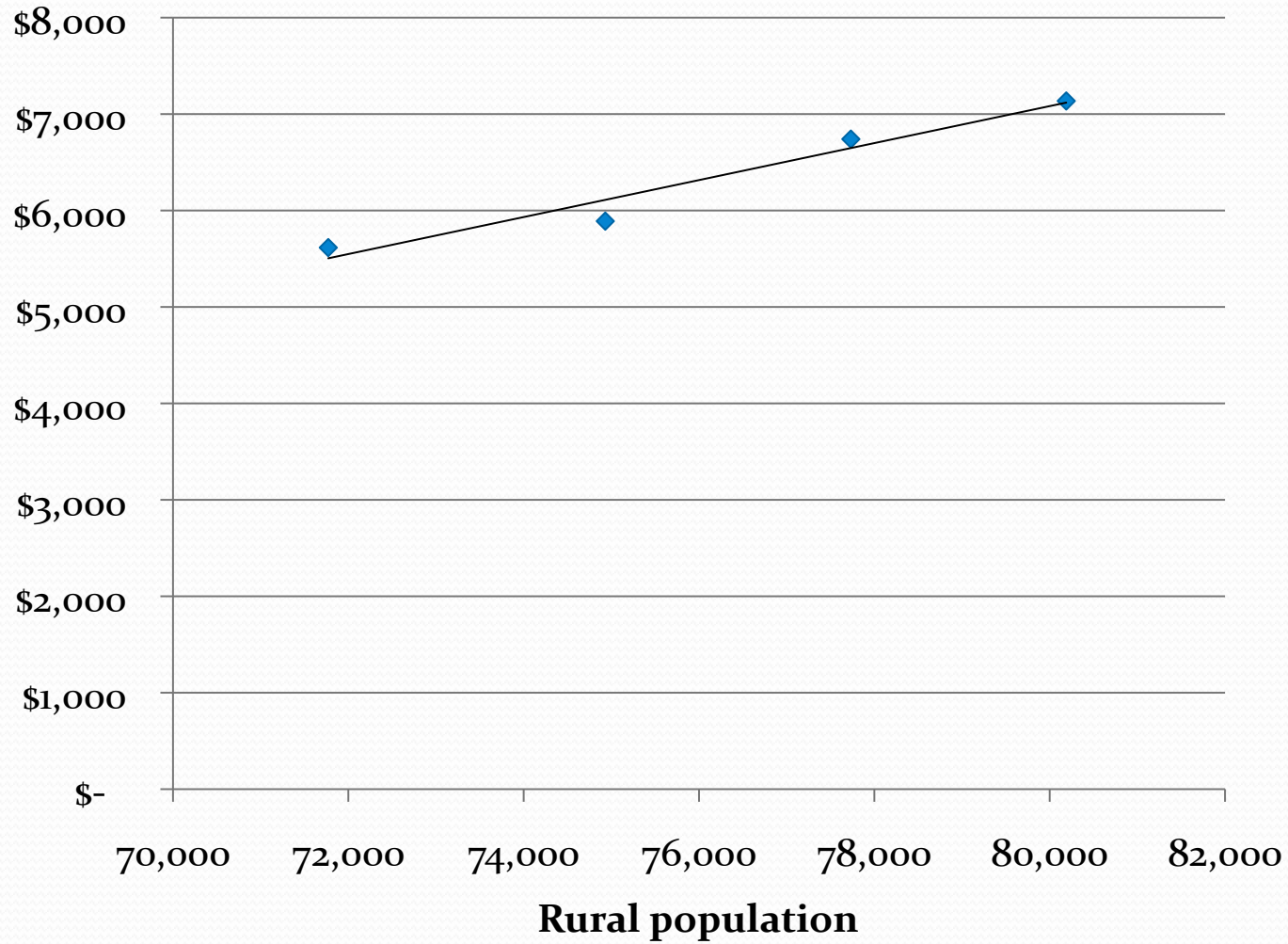
- Demand rises proportionally to county population less Murfreesboro.
- Revenue catches up with demand growth, but not until 2025.
- Outlook changes greatly when Middle Point reaches capacity.



Roads, highways, bridges

- Infrastructure added to county inventory in past 15 years (1995-2009): \$33.2 million roads and bridges from developers.
- More roads increase the demand for maintenance.
- Rapidly rising rural population will increase traffic, also increasing demand for maintenance.
- Previous spending closely related to county population growth.

Non-capital spending for roads



Roads, highways, bridges

- Revenues
 - Wheel tax
 - Local option sales tax
 - Property taxes
 - State revenues (gasoline tax)
- Expenditures (estimated demand)
 - Rise with increasing traffic (population growth)

Roads: growth of revenue and maintenance demand (thousand \$)

	2015	2025	2035
Revenues	1,440	2,321	2,480
Demand	1,745	3,625	4,142

- Demand rises quickly with rural population growth.
- Revenue does not keep up, as it depends on county-wide growth.
- Assumes per capita maintenance demand at 2008 level. Does not include capital expenditures.

Schools

- Growth could add 19 new schools (elementary, middle, and high schools) by 2035.
- Same impact across scenarios.
- ADA grows slightly less rapidly than population (effect of shifting age distribution).
- Would add \$23 million debt service by 2025, \$26 million by 2035.
- Current debt service requirements drop substantially after 2015.



Current debt service

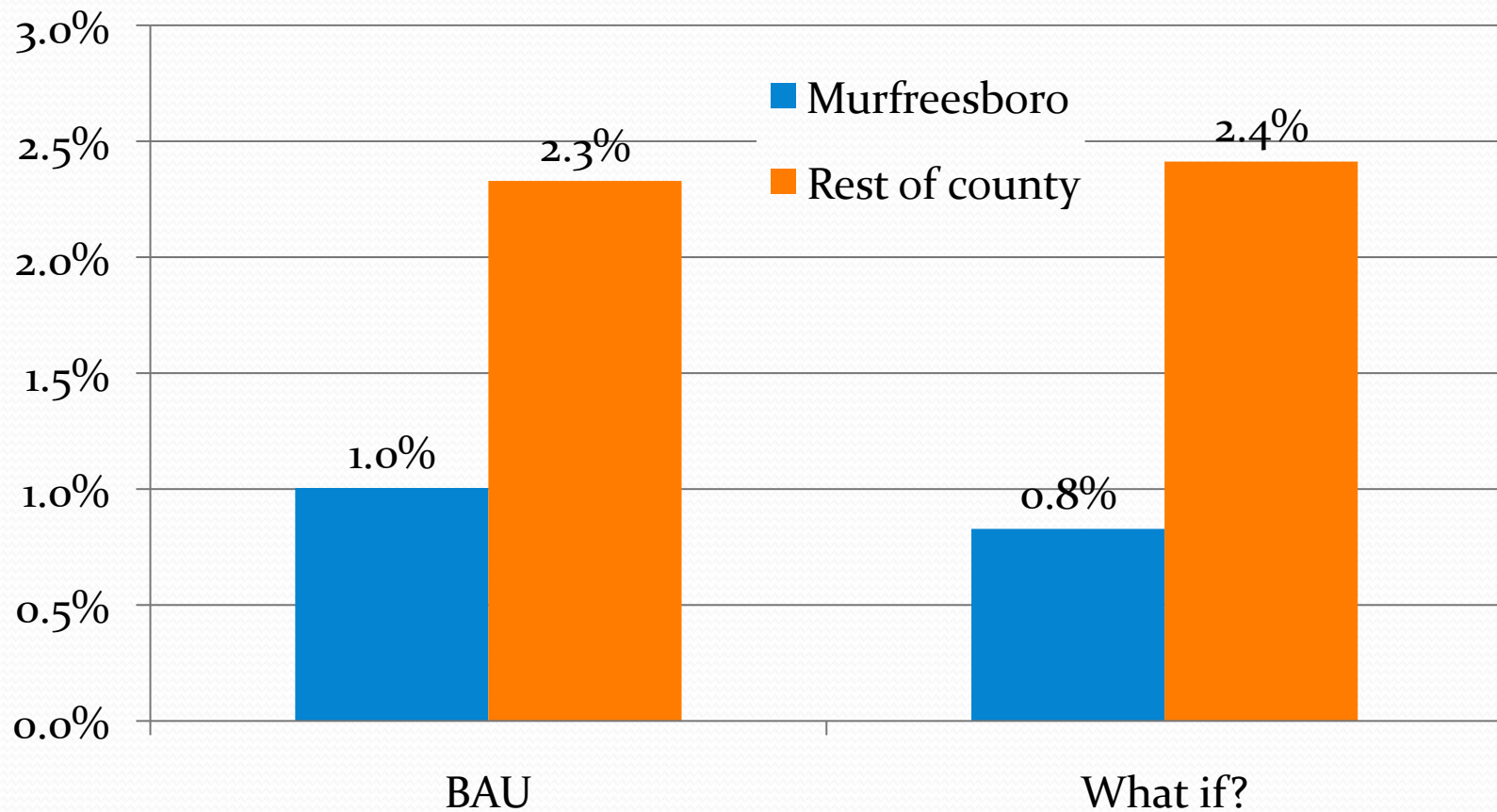
- 2010: \$39.8 million
- 2015: \$38.2 million
- 2020: \$26.7 million
- 2025: \$14.8 million
- 2030: \$3.6 million

Source: Comprehensive Annual Financial Report, Rutherford County, FY2009, Exhibit L-2, p. 179.

What if?

- Analysis assumes the same rural / urban distribution across scenarios.
- What is the sensitivity of this assumption?
- What if the county-less-Murfreesboro receives 1.5% more population each decade?
- Impacts on:
 - K-6 enrollment shift
 - Solid waste demand

Average annual population growth 2008-2035, Business as Usual and What if?



What if?

- What if? scenario adds K-6 enrollment for four additional schools (above BAU).
- Debt service rises \$3.4 million in 2025 and again in 2035 (above BAU scenario).
- Small increase in demand for solid waste.