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 FY08.
- 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

- County (unincorporated): 32.0% Population, 4.8% Local option sales tax
- Murfreesboro: 40.6% Population, 67.2% Local option sales tax
- Eagleville: 0.2% Population, 0.2% Local option sales tax
- Smyrna: 15.1% Population, 20.3% Local option sales tax
- Lavergne: 12.0% Population, 7.5% Local option sales tax
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.

Revenue from Middle Point Landfill

Source: Lisa Nolen, Rutherford County Finance Dept
Solid Waste: growth of revenues and demand (thousand $)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2025</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>214</td>
<td>888</td>
<td>1,001</td>
</tr>
<tr>
<td>Demand</td>
<td>226</td>
<td>890</td>
<td>934</td>
</tr>
</tbody>
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- 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 $)

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<th>2025</th>
<th>2035</th>
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<tbody>
<tr>
<td>Revenues</td>
<td>1,440</td>
<td>2,321</td>
<td>2,480</td>
</tr>
<tr>
<td>Demand</td>
<td>1,745</td>
<td>3,625</td>
<td>4,142</td>
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- 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

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?

<table>
<thead>
<tr>
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<th>BAU</th>
<th>What if?</th>
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<tbody>
<tr>
<td>Murfreesboro</td>
<td>1.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Rest of county</td>
<td>2.3%</td>
<td>2.4%</td>
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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.