

THE TOWN OF NOLENSVILLE



STRATEGIC OPERATIONS STUDY

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INTRODUCTION

Nolensville was incorporated as a Town in 1996 to plan for and respond to the anticipated growth in northeast Williamson County. Today, the Town borders fast growing areas in Davidson County, Rutherford County, and Williamson County and is conveniently located midway between regional office/employment centers in Cool Springs/Brentwood and the Smyrna/LaVergne areas. The Town is currently 9.5 square miles in size but has the potential to be as large as 18 square miles if all of the land within the Urban Growth Boundary is annexed into the corporate limits.

Since the extension of public sewer by Metro Nashville Water Services into the area in the early 2000’s, the Town has experienced steady, sustainable residential growth and to a lesser degree, retail development. Many new subdivisions have been built and families are moving into the community to enjoy the favorable quality of life in a safe, attractive setting and to attend the excellent Williamson County schools. The anticipated opening in the fall of 2016 of a new high school on 93 acres located on York Road in the south side of the Town will make Nolensville an even more desirable place to live and raise a family.

Maintaining the Town’s competitive position among cities in Middle Tennessee is a high priority of the Board of Mayor and Alderman (BOMA). With the significant growth and development anticipated both in and around Nolensville, the Board determined that the Town needed to “look ahead” now and proactively anticipate and plan for the service and capital requirements of the Town between now and the year 2025. The Town contracted with Table Rock Resources LLC to analyze those needs and the options for financing those costs.

The goal of the study is to provide a realistic “road map” for the Board to use when evaluating and making decisions on the type and level of services to provide, and capital needs of the community. The recommendations in this report take into account the projected population and housing growth, the anticipated operational and capital needs of a growing community, the external environment impacting the Town, the associated cost of funding basic (minimum) and desired service levels and capital needs, and the revenue and income that will be needed to carry out programs in a fiscally responsible way.

This report provides a framework or checklist for BOMA and others to use when evaluating proposals and making future budget decisions. However, the recommendations should not be considered “etched in stone.” It should always be considered a “work-in-progress,” subject to annual staff review and revisions in the future based on new information, changing economic conditions, and opportunities and challenges that are unknown or unanticipated today.

When preparing a long-range strategic plan for the next 12 years, a word of caution is in order. The detailed expenditures presented in the report, including recommended staffing configurations, projected capital, equipment, and extraordinary maintenance needs, etc., may or may not be required within the specific year in the report. Many services provided by the Town are tied directly to the population and number of households. Expenditures may need to be delayed if projected growth slows down significantly for reasons outside the control of the Town. There may be smaller expenditure items that were overlooked in the report but at the same time, there may be items included that may be unneeded to the extent identified herein. Revenue collections may not trend exactly for each major account on an annual basis. Some collections may come in higher one year, some lower.

The key point is this report provides a “big picture” framework for what the Town will likely face and need in the next 12 years. Realistic assumptions were used based on professional experience from a growing community and an understanding of the limitations placed on cities and towns under Tennessee law. In the end, while it is easy to get into the “weeds” quickly when reviewing a long-range plan, it is highly likely that the projected total budget requirements for the Town by the year 2025 will be very close to the projections provided in this report.

POPULATION AND HOUSING PROJECTIONS

External factors such as individuals from other communities driving through the community or coming into the Town to eat or shop create service demands for the Town; however, for the most part, a community's population and the number of households drive the demand or need for municipal services.

The last official population and housing count for the Town of Nolensville is available from the 2010 U.S. Census. The Town's population in 2010 was 5,861 with 1,831 households. This translates to 3.2 persons per household. This household number reflects a community with a significant number of families with children.

Based on information provided by the Planning Department, the new housing starts from 2005 through 2012 averaged 182 per year. The number ranged from a high of 348 in "boom" year of 2006 to 107 at the height of the economic recession in 2009. In calendar year 2012, the new housing starts in the Town totaled 201. Ironically, Nolensville annual housing starts are comparable to Brentwood, even though the Town has only 1/6 the population of its neighboring city.

Nolensville will continue to have steady residential growth in the future. There are a significant number of large tracts within the existing Town limits and the designated urban growth area that could be developed into new subdivisions in the next 12 years (see **Attachment "A"**). Information provided by the Planning Department indicates the availability of 841 single family building lots today plus 470 lots in preliminary approved development projects that have not been constructed yet. In addition, from discussions with landowners and developers, there will likely be new residential projects coming forward in the next 5-10 years generating at least 457 additional lots. Therefore, at least 1,845 identified or potential lots are known and will likely be developed with new homes during the next 12 years. With the new high school coming to Town, there are likely other vacant tracts that will come before the Town for development as well. Accordingly, it is reasonable and appropriate to assume from a future service delivery standpoint that 2,364 new homes will be constructed from 2013-2025 (13 years), or an average of 182 new housing starts annually during the next 12 years.

Attachment "A" also shows the projected population growth for Nolensville annually to the year 2025 assuming 182 housing starts annually with 3.2 residents per household. **Nolensville is projected to have a population of 14,376 by the year 2025.** The current population is estimated at 7,387, up almost 1,500 residents since 2010. The Nolensville population will essentially double in the next 12 years.

GENERAL FUND SERVICES/EXPENDITURES

With an increase in residential population from 5,861 in 2010 to 14,376 in 2025, there is no question the Town will face additional service demands and greater expectations to protect the health, safety and welfare of individuals in the community. Day to day operations will become more complex and require an increasing level of public resource to deliver the services effectively.

In determining service and expenditure requirements, the focus has been on identifying the essential, basic needs of the Town. By necessity, the recommendations in this section meet the needs of the community but are still conservative because there will not be a revenue “windfall” available to the Town in the next 12 years. There is no “Cool Springs” in Nolensville’s future. The plan was developed with the assumption that services will be carried out in a cost effective manner while keeping property taxes as low as possible.

Accordingly, it makes little sense at this point to focus energy on identifying a “desired” or expanded level of services. Doing so now will only create an expectation among citizens that the Town will undertake the expanded programs at some point, which will not be sustainable without a significant increase in the property tax rate. However, if Nolensville does achieve a significant but as yet unknown revenue stream in the future over and beyond the scope of revenues identified in this report, the Board would be in a better position to consider service enhancements based on a reassessment of the Town’s long-term financial position at that time.

On the other hand, essential, basic services have to be provided to 15,000 residents at a level that maintains the quality of life so that Nolensville remains an attractive place to live, purchase a home, and resale a home if necessary. Accordingly, the initial focus of this report will be on the service delivery requirements, then address revenue projections and funding needs.

There are a variety of ways that cities and towns set priorities and deliver/fund services in Tennessee. **Attachment “B”** provides survey information from seven (7) other Tennessee cities of similar size and growth patterns, located in the major metropolitan areas across the State. From a service standpoint, some provide residential garbage pickup, fire protection and town operated parks and libraries while others do not provide police or fire protection. From a funding standpoint, some rely heavily on the property tax while others operate mostly from local sales tax collections with no property tax. What the data shows is that every community is unique and there is no common pattern on what services are provided by towns in Tennessee and how those services are funded.

What the comparison data in Attachment “B” shows clearly is that the Town of Nolensville has, by far and away, the lowest property tax rate of all the cities at 15 cents per \$100 of assessed value of property and is among the lowest in total full-time equivalent employees per 1,000 population at 2.82.

Numerous financial spreadsheets have been prepared and analyzed, including three possible scenarios, in formulating the recommendations in this report. Note the timing for the recommended annual expenditures are not “etched in stone” and should be reviewed annually by staff and the Board before moving forward. For example, there may be a need to change the staffing configuration or delay implementation due to economic challenges unknown today. There will likely be ways to reduce or control the cost of delivering the services better through the normal management review and oversight of the budget.

There may be ways to “contract” for the provision of some of the services from other governmental entities and/or the private sector. While there could be operational benefits (and potential cost savings) to the Town by contracting out services, it will require an investment in “contract management” by staff to be successful. Since the Town will lose direct control in the direction and timing of service delivery, the transfer to a third party must be evaluated closely with performance accountability systems in place before moving forward.

Overview

The General Fund budget is projected to increase from \$1,571,430 in FY 2014 to between \$4.95 million and \$5.28 million by FY 2025. The larger expenditure amount in FY 2025 is the result of the Town issuing \$4 million in General Obligation bonds (20 year, fixed rate) in FY 2019 for non-road related capital improvements projects. The additional expenditure is associated with the annual debt service payment. Issuance of the bonds is also tied to the availability of additional local sales tax revenue generated from expanded retail development (i.e. – a 150,000+ square-foot shopping center) constructed on the northern border of the Town.

Total full-time equivalent (FTE’s) employment in the Town is projected to increase from 16.75 positions in FY 2014 to 41.75 by FY 2025. The 25 additional positions would be concentrated mostly in the Police Department (14) and Public Works (8). (See **Attachment “C”**)

The projected budget allows the Town to carry out essential services in a quality manner. It provides competitive pay to attract and retain employees, the provision of equipment and technology to carry out the work efficiently and effectively, and funding for extraordinary repairs and upkeep of the Town’s existing infrastructure. Additional information on the recommended service delivery arrangement and associated expenditures follows in this section.

Personnel Cost

The total cost of “people” plus the associated benefits (FICA, TCRS retirement, and health insurance) will be the most significant item in the budget in the years ahead and is expected to exceed \$3 million or 60% of the total budget by FY 2025. For future personnel cost projections, the following assumptions were used:

- Future salary adjustments will average 2.5% annually.
- An average annual increase of 7.5% for health insurance.
- An increase in the TCRS retirement contribution from 4.4% to 5% of payroll effective FY 2017.
- Employee benefits would not be provided to part-time employees working less than 30 hours a week.
- The FICA contribution for all employees would remain at 7.65% of payroll.

Salaries alone will exceed \$2.2 million by 2025 (see **Attachment “D”**). Unless there are dramatic changes in the way medical services are provided and funded in United States, the health insurance cost will likely become an increasing significant portion of the total Town budget and could reach \$690,000 or 14% of the budget by 2025.

While the current compensation and benefits package to existing employees is competitive in attracting and retaining employees, personnel management would benefit from having a more structured arrangement with a formal pay plan with a minimum and maximum pay range for the various levels of positions in the organization. This will become more critical in the future as the total number of employees increases. The Town must be in a position to systematically defend why it pays individual employees different amounts for the type of work performed.

Recommendations

1. MTAS assistance should be solicited as soon as possible in the review and update of the existing Personnel Rules and Regulations that were adopted by BOMA in 1997.
2. Technical assistance should be obtained from MTAS or a third party in the next two years to undertake a position classification review of employee duties and responsibilities, preparation of job descriptions, and adoption of a formal pay plan for the Town.

General Government & Administration

In the current budget, a significant number of diverse activities and expenditures are grouped together in one account activity titled “General Government & Administration.” While this arrangement was okay in the early days of the Town,

today this arrangement makes it difficult to determine quickly the actual cost of the various functions including the Board of Mayor and Alderman (BOMA), Administration/Finance, City Court, Legal Services, Information Technology, and City Hall. The combined total budget for FY 2014 is \$451,905 and is projected to grow to \$947,828 by FY 2025. Total staffing would increase from 4.06 FTE's in FY 2014 to 6.25 FTE's (roughly 2 FTE's) in FY 2025. Recommended positions include:

- A new *Town Administrator* position is already approved by BOMA in the FY 2014 budget with the anticipated filling of the position in January 2014. The position will be critical in overseeing the growth and effective delivery of municipal services in the coming years.
- An *Administrative Assistant* position will be needed by the end of this decade (FY 2019) to handle the growing verbal, written, and electronic inquiries to City Hall, records-keeping, and general clerical services for the administrative staff and BOMA.
- A part-time *Human Resources Specialist* position will be needed by FY 2016 to oversee the proper hiring, discipline, and termination (as needed) of personnel by departments, benefits management, maintaining personnel records, overseeing the pay plan, workers comp, supervisory training, etc.
- Lastly, a more significant investment in information technology (IT) will be needed for efficient and effective communication with residents, data management, etc. It is expected that IT services will be procured from a third party due to the complexity and difficulty of hiring competent personnel within a municipal government pay structure.

Recommendations

3. Prior to the recruitment of a Town Administrator (TA), BOMA should formalize by ordinance the duties and responsibilities of the new position relative to reporting to the Mayor and Board, supervisory oversight of Town functions and employees including hiring, discipline, and termination actions (as needed), and other performance expectations of the new TA position.
4. For better tracking of costs, the General Government activity in the budget should be reconfigured as soon as possible into smaller activities including BOMA, City Court, City Hall, Administration/Finance, Information Technology, and Legal Services.

Development Services

For purposes of this report, the existing budget activities of Planning, Engineering, and Codes Departments have been consolidated into one activity titled

“Development Services.” The Town has made land use and development oversight a high priority for many years and committed resources to this effort. Each function has done a good job overseeing development activity (plans review and approvals, subdivision construction, building inspection, etc.). A relatively consistent and similar workload level is expected to occur annually for the development services through the year 2025. The overall budget for development services is expected to increase from \$368,855 in FY 2014 to \$529,358 in FY 2025. The combined services today have 3.33 FTE’s plus one contract person doing building inspections. It is expected that 4 FTE’s will be needed by FY 2019 plus continuation of contract service for building inspections. If this contract arrangement does not continue, the Town will need to hire an in-house building inspector.

Police Department

A high priority in this growing community between now and 2025 will be maintaining the safe and efficient movement of traffic and a low crime environment where residents feel safe to live and interact. Resources alone cannot make this happen. Like the military, there is no limit to how much money can be spent on delivery of law enforcement services, staffing, technology, equipment, etc. Therefore, it will be essential that the Town and the Police Department understand the financial limits and provide essential services through the most effective use of the available resources.

Within this parameter, the Police Department is still projected to receive the biggest increase in resources and staffing between now and FY 2025. The current year budget of \$486,811 is expected to increase to over \$2.1 million by 2025. The overall staffing levels are projected to grow from 7 FTE’s to 21 FTE’s. This arrangement will allow for 3 uniform officers to be able to patrol the Nolensville streets at all times (15 total), plus 3 officers for criminal investigation and support activities, a Captain, Chief, and Administrative Assistant for clerical and records keeping. This staffing increase would be phased-in over the next 12 years. Sufficient money is also included in future budgets for new and replacement vehicles, standard equipment and technology for the officers and vehicles, etc.

With the projected growth in the department, the existing office space at City Hall will be inadequate for police personnel operations plus there will not be sufficient parking space for police vehicles and other uses of City Hall. If the existing building/parking lot cannot be expanded on the property, it will be necessary to relocate the department elsewhere before the year 2020.

Fire Services

The Nolensville Volunteer Fire Department provides fire service in the community. The Town currently provides an annual contribution to the department of \$130,000 annually. The community’s ISO fire rating is 4, which is excellent for a Town with a

volunteer department and is the same rating as in Brentwood. Fire protection is enhanced by the code requirement that all new residential dwellings built in the Town since 2005 are required to have automatic sprinkler systems. This is the most cost effective approach for providing fire protection, particularly in a community where there are only a handful of structural fires each year.

The current approach to fire protection makes sense and should be continued and supported financially by the Town in the future. It would be very costly to create a municipal fire department. Manning a single fire station would easily add \$1 million to \$1.2 million, maybe more, of additional funding to the annual budget plus the occasional but significant cost for new fire apparatus, etc. A significant property tax increase would be needed to fund a municipal department. Creation of a Town department for the limited number of fires each year would not improve the Town's ISO rating or reduce the cost of fire insurance premiums.

Looking ahead, it is projected that the contribution to the Volunteer Department could increase to as much as \$372,000 annually by the year 2025. The actual amount of the annual contribution is subject to negotiation and could end up being a lesser amount. This level of funding should only be provided with strings attached. For example, as a condition for funding, the Town could require that: 1) minimum state training standards be completed by new firefighters, 2) equipment be maintained properly, 3) fire safety inspections be conducted annually on high risk property, and 4) public education programs be conducted at schools and community events.

Recommendation

5. A program is being formulated by Williamson County in cooperation with the larger professional fire departments in the County to provide training for new volunteer firefighters so they meet minimum state standards. Town funding to the Nolensville Volunteer Fire Department should be minimally tied to all personnel meeting minimum expectations plus other criteria that serves the needs of the community.

Public Works

Maintaining the community's infrastructure assets in good condition will become increasingly important as the Town grows in size and the assets age. To save money, many communities defer maintenance and repair of street failures, curbs and gutters, drainage ditches, traffic signs, cleaning out and replacing pipes, etc., because it is easy to ignore the problems in the short term. Unfortunately, this shortsighted approach only makes it more costly to address the deferred maintenance problems later.

As a community grows in population, there is also a higher expectation of residents and businesses that the Town maintain an attractive and safe road network. This includes minor repairs of pot-holes, regular right-of-way mowing and sweeping of the main streets, prompt removal of street debris such as dead animals and trees, regular street striping and marking, brush removal, and even snow removal in critical areas.

The purchase of equipment and the construction of a covered shelter for the proper storage of the rolling stock will be needed very soon for the department. The shelter should be designed to allow for expansion in the future. In addition, a small climate controlled building will be needed to provide a place for crews to meet and organize the work, plus bathrooms and office space. Construction of the building at a location other than City Hall will be needed before the year 2020.

The current Public Works budget is \$133,000 but is expected to increase to \$970,000 by FY 2025. Staffing levels are projected to increase from 2.36 FTE's to 10.5 FTE's by the year 2025. Many of the recommended positions will be seasonal in nature and not incur the benefit cost associated with full-time employees.

Note that the cost for street resurfacing and new road improvements is not included in this budget but will be addressed in later sections (see State Street Aid Fund, Adequate Facilities Tax Fund, and the Road Impact Fee Fund). The department is also responsible for maintaining the new City Hall with the major operational cost for the facility currently expensed in the General Government and Administration activity.

Public Works is a service area where there are opportunities to contract out a significant portion of the service. This is already being done to a small degree with the arrangement with Williamson County to reimburse the Road Department for the cost for repairs of smaller street failures. Under this arrangement, the Town would still need to have some staff and equipment available to meet the immediate, unscheduled needs. If this approach to service delivery is considered, the focus should be more than just saving dollars. It should also target the most effective and responsive delivery of essential services within the available resources.

City Hall

As noted earlier, the existing City Hall is not adequately sized today (building and parking spaces) to serve the projected future needs of the Police and Public Works Department by the year 2020. While additional evaluation will be needed, the most cost effective approach may be to relocate the two departments elsewhere, thereby freeing up existing office space and parking at City Hall for the future needs of the remaining Town departments, projected personnel, and public meetings. Fortunately, the Town has time in the next few years to plan for this facility need in a cost effective way before it becomes a critical problem.

GENERAL FUND REVENUE PROJECTIONS

Just like in private business, a diversity of revenue or income sources is important. The goal of any town should be a “balanced” revenue structure that is not heavily dependent on any single source. This allows a town to weather better the economic cycles that will negatively affect certain revenue sources during recessions.

The Town of Nolensville is fortunate today that: 1) it has a low dependency on the property tax, and 2) there are opportunities to significantly increase local sales tax collections with a limited amount of new development.

Tennessee law limits the sources of revenues that are available and can be collected by local governments. The primary revenue sources available to the Town are summarized below:

Property Taxes – Nolensville has a very low tax rate today at \$.15 per \$100 of assessed value. For example, this rate compares to the Brentwood tax rate of \$.44. In FY 2014, each one-cent on the tax rate generates \$19,355 in revenue for the Town. According to the Williamson County Property Assessor, the “average” home in Nolensville is valued on the tax rolls at \$286,700. The owner pays \$107.51 in Town property taxes annually or less than \$9 per month via an escrow account. The average value of a newly constructed home is \$417,000 with an annual tax payment of \$156.38 or \$13 per month. It is a bargain when you compare this amount to what the typical family pays monthly for water and sewer service, cell phone service, cable or satellite television service, and Internet connection.

Local Sales Taxes – This is a significant revenue sources for most cities in Tennessee. In Nolensville, the 2.25% county sales tax collected within the town is split 50% to the town and 50% to the schools districts in the County based on average daily attendance. Unfortunately, Nolensville’s limited commercial base today means the Town will only collect \$230,000 in local sales tax in FY 2014 or 14.5% of the total revenue. This compares to 35% for the Brentwood General Fund and almost 60% for the City of Franklin. Because of the small dollar amount collected today, future growth from a percentage standpoint will likely be in the 10% range annually.

The new commercial development already in place immediately north of the town limits in Davidson County and the limited amount of land available for commercial development along Nolensville Road due to floodplain constraints will make it more challenging for the Town to secure significant new retail development. However, there is a 17+ acre commercially zoned tract located on the northern border that could be developed with a 150,000 square-foot shopping center. When completed, the center would generate the Town at least \$600,000 in new (net) local sales tax

revenue, even after the 25% allocation of collections is made to the City of Brentwood per the 2005 Interlocal agreement.

Recommendation

6. A high priority of the new Town administrator should be efforts to encourage and facilitate expanded commercial development on the larger, commercially zoned tracts in the Town.

State Shared Revenue – a small portion of several Tennessee state revenue sources are distributed back to cities and towns based on per capita population. The FY 2014 MTAS per capita distribution estimate for the Town is \$83.55 (General Fund) and \$25.91 (State Street Aid Fund) – total \$109.46. This is the largest revenue source for the Town today (33% of the total General Fund revenue) and will continue to grow in the future at a projected rate of 2.5% annually. However, the Town has the opportunity to periodically increase the amount significantly when the Town’s certified population used by the State for per capita distribution of revenue increases.

Recommendation

7. The Town should undertake a special census count in FY 2015 to determine the population as of January 1, 2015. With the projected population growth since 2010, the Town should generate \$220,000 in additional State Shared Revenue annually beginning in FY 2016. The Town will incur a one-time expense estimated at \$20,000 in FY 2015 to accurately count and document the population from approximately 2,500 households. Accurate data must be presented to the Tennessee Department of Economic and Community Development for review and certification.

Development Permits – The existing permit income is a significant amount for the Town today (\$400,000+ annually or over 25% of the annual General Fund revenues). The amount is not expected to grow significantly in future years and will therefore become a smaller percentage of the total revenues (less than 10%) by FY 2025. This will actually be beneficial to the Town as it reduces its dependence on one-time development activity to finance General Fund operations.

Miscellaneous Other Revenues – the remaining revenue sources are important but are relatively small amounts which means they can only pick up a limited amount of the cost for new service delivery. The Town is maximizing its potential collections from these sources to the greatest extent possible under State law and should continue to do so in the future if other sources become available. The most recent example is the referendum that approved the establishment of liquor stores in Nolensville.

ANALYSIS OF REVENUE/EXPENDITURE SCENARIOS

Future revenue collections were conservatively estimated in the report and applied to a framework using three potential scenarios that may face the Town in the years ahead. All scenarios assume the basic service levels will be provided with the only difference being assumptions related to: 1) expanded local sales tax collections resulting from new, larger scale commercial development taking place by FY 2018 (i.e. – a 150,000+ square foot shopping center with a “big box” anchor); and 2) debt service obligations (starting in FY 2020) associated with the possible issuance of \$4 million in General Obligation Bonds in FY 2019 for new, undesignated non-road related improvements. Potential improvements could include an office/equipment storage facility for Public Works, expanded office space and parking for the Police Department, expansion of the bikeway system, and perhaps another shared funding project with the County such as an expanded recreation facilities or a library facility.

All projection scenarios also assumed the Town would conduct a special census in 2015 and 2024 that along with the 2020 U.S. Census count would periodically generate to the Town additional State Shared Revenues that are distributed on a population (per capita) basis.

Variations of these scenarios are possible but the intent is to provide a framework for leaders to analyze various options and make future decisions on Town operations and services in a fiscally responsible way. The three scenarios are summarized below with detail supporting material provided in **Attachments “E”, “F”, & “G”**:

- **Scenario One** – Detailed in **Attachment “E”**, assumes no large-scale, shopping center development will occur during the next 12 years and, subsequently, no issuance of the \$4 million in G.O. Bonds. This scenario would require an increase in the property tax rate from \$.15 to \$.30 in FY 2016 and from \$.30 to \$.40 cents in FY 2021. The property tax for the “average” valued home would increase in 8 years from \$107.51 to \$286.70 or less than \$24 per month and \$417 annually or less than \$35 per month for the typical, newer constructed home. By the end of FY 2025, the Town would have a healthy fund balance (rainy day reserve) of \$2,000,000, an amount equivalent to 40% of the total annual expenditures in the General Fund. Maintaining a minimum fund balance of 40% is recognized as a healthy level for AAA rated cities.

- **Scenario Two** – Detailed in **Attachment “F”**, assumes the larger size shopping center development would be open on the northern tract by June 2017, generating at least \$600,000 in new sales tax annually for the Town beginning in FY 2018. The \$4 million bond issue in FY 2019 would require an annual debt service payment of \$320,000 for 20 years beginning in FY 2020. The funding plan would require a property tax increase from \$.15 to \$.30 in FY 2020. The property tax for the “average” Nolensville home would increase from \$107.51 to \$215.02 annually or less than \$18 per month and to \$312.75 or about \$26 per month for a newer constructed home. By the end of FY 2025, the Town would have a healthy fund balance of \$2,092,000, an amount equivalent to 40% of the annual expenditures in the General Fund. More importantly, local sales taxes would fund 26.1% of the annual budget in FY 2025, up from 14.5% today.
- **Scenario Three** – Detailed in **Attachment “G”**, also assumes the large-scale commercial development will occur by FY 2018 but no General Fund financed bonds are issued between now and FY 2025. This funding plan would require an increase in the property tax from \$.15 to \$.25 in FY 2023. Ten years from now, the property tax for the “average” home would increase from \$107.51 to \$179.19 annually or less than \$15 per month and from \$156.38 to \$260.63 or less than \$22 per month for a newer constructed home. By the end of FY 2025, the Town would have a healthy fund balance of \$2,076,000, an amount equivalent to 42% of the annual General Fund expenditures.

No one desires to institute or pay increased property taxes; however, it will be very difficult to avoid a small increase at some point in the next 12 years if the Town operates in a fiscally responsible manner and provides the basic level of services outlined earlier for its residential and corporate citizens. The amount of the property tax increase would vary depending on the level of expanded retail development and desire to fund some basic (non-road related) capital improvements. Even in the worst-case scenario above, a projected property tax rate at \$.40 in FY 2025 would be less than the tax rate in most cities in Williamson County today.

STATE STREET AID FUND

The State Street Aid Fund represents the Town's share of a portion of the State gasoline taxes that are distributed back to municipalities based on per capita population. State law requires the receipts be kept in a separate fund and used for the construction and maintenance of Town streets and certain related expenditures.

As the gasoline tax is generated from gallons sold, there has been little or no natural growth in the revenue source in recent years due to the trend toward more efficient vehicles on the road, the growth in hybrid/electric vehicles, and fewer miles driven overall. This trend is expected to stay the same in the near future given the unwillingness of the General assembly at this point to increase the tax that was established in 1989 on each gallon of gas or diesel fuel purchased in the State.

The only way for Nolensville to increase its annual gas tax revenue is through an increase in the certified population taken each decade via the U.S. Census and by conducting a special census. For example, the special census already recommended in FY 2015 is expected to increase the annual amount received from the gas tax from \$154,000 to \$221,500 or by \$67,500, beginning in FY 2016. As the population continues to grow between 2015 and 2025, the Town should receive additional revenue again in FY 2022 (after the results of the 2020 U.S. Census are finalized) and again in FY 2025 (assuming another special census is taken in FY 2024).

From an expenditure side, the Town is fortunate that most of the streets are relatively new and constructed to high structural standards. However, in the future, the Town will be required to devote larger amounts for street resurfacing beginning in the decade of 2020. In a perfect world, streets should be resurfaced (on average) once every 20 years so the Town should target sufficient funds to resurface about 5% of the City maintained lane miles annually starting in FY 2025. Currently there are 76 lane miles of streets maintained by the Town plus 12 additional lane miles in the works (not yet accepted for perpetual maintenance by the Town or constructed).

The State Street Aid budget (see **Attachment "H"**) for the next 12 years provides funding to structurally repair, then resurface 3 miles of streets annually from FY 2015 -2020), 4 miles annually from FY 2021-2024, and 5 miles annually beginning in FY 2025. Note that this target does not preclude the Town from delaying street resurfacing projects one year and carrying out, for example, 6 miles of work in the next year.

Recommendations

8. To simplify accounting and focus attention to the highest priority ahead, it is recommended that the State Street Aid Fund be used exclusively in the future for major street repairs and resurfacing. Funding of smaller, eligible items like street lighting, signs, materials, etc., are recommended for direct funding within the Public Works Department in the General Fund.
9. The Town should explore the use of cooperative bid agreements with Franklin, Brentwood, and Williamson County that would allow the Town to procure better unit prices for major street repairs and resurfacing projects from the private contractors doing work in the larger communities.

ADEQUATE FACILITIES TAX FUND

The Town of Nolensville is fortunate to have a tax that is imposed on new development, payable at the time of issuance of a building permit, to ensure that new development pays its fair share of the cost of public facilities needed to serve residential and corporate citizens. The amount of the fee is \$1.00 per square feet of heated floor area in a residential dwelling and \$2.00 per square foot for commercial development. During the next 12 years, revenue collections from the tax are conservatively estimated at \$562,000 annually based on 182 new homes having an average of 3,088 square feet. As an added level of conservatism in projections, the additional fees that will be collected from commercial development are not included in the projections.

The Town already has two facilities (City Hall and the Town's share of the cost for the new County operated Recreation center) that required long-term debt financing to pay for construction of the facilities. The annual debt service for City Hall was financed through a variable rate loan from the TML Bond Fund and is currently projected to cost \$283,400 annually through the year 2036. It is estimated that the cost for reimbursing the County for \$2 million in additional 20 year fixed rate bonds issued on its behalf for new Recreation Center will be \$115,000 annually through the year 2033. Accordingly, proceeds from annual collections of the Adequate Facilities Tax will be required to pay a projected \$398,400 in annual debt service well into the 2030's decade.

While this annual debt obligation should be serviceable within the projected annually fee collections through FY 2025, there are no assurances that the Town will continue to develop and collect the one-time tax at the same pace beyond 2025. Accordingly, the financial model for the fund (see **Attachment "I"**) assumed the worst-case scenario with no new development and associated tax collections after 2025. Under this scenario, the Town would still have enough money available in the fund balance to meet the remaining debt obligations for City Hall and Recreation Center. Any additional tax generated after 2025 could be used to fund the cost of future capital facilities.

Given the current debt obligation in place and use of variable rate funding, the Town should exercise caution in the next few years and not finance additional capital projects from this fund. This is important since the variable rate debt could be subject to much higher interest rates in the future given anticipated changes in Federal Reserve policies and investor concerns over low returns for municipal bonds. It would be prudent for the Town to establish a separate Debt Service Fund to allow for the accumulation of excess, budgeted funds appropriated during low interest rate years so that extra funds will be available to help cover increased interest cost in the future.

Recommendations

10. A separate Debt Service Fund should be established as soon as possible with funding provided through the annual transfer of income from the various Funds that are obligated for payment of the debt service. Payment of the interest and principal payments would occur from the new Fund, plus would allow for the accumulation of reserves to help offset potential higher interest cost in the future with the existing variable rate debt.
11. With the existing debt obligation in the Adequate Facilities Tax Fund associated with the construction of City Hall and the Town's share for construction the Williamson County Recreation Center, the Town should minimize new debt commitments from this fund until there is greater certainty about tax collections after FY 2025.

ROAD IMPACT FEE FUND

Without question, the biggest capital project need facing the Town in the next 12 years will be road improvements necessitated by: 1) the continued growth and development in the community, 2) “cut through” traffic traveling to and from Smyrna and Antioch to Cool Spring and Brentwood, and 3) the peak AM and PM traffic generated by the new high school. Local money will likely be needed to leverage TDOT to move important State road projects forward to a higher priority. The Town should be proactive and ahead of the curve so traffic will continue to move efficiently and safely through the community.

BOMA is currently reviewing recommendations from a report prepared by Duncan Associates to increase the current road impact fees that are assessed to new development prior to the issuance of a building permit. While the fee increases will vary based on the type of development, the majority of collections will be derived from new residential development. The proposal is to increase the current fee from \$2,912 to \$3,796 for each new single-family detached dwelling. The fee increase will generate to the Town about \$691,000 annually versus \$530,000 under the existing fee schedule.

The challenge with funding significant road projects from the proceeds in this fund is that it will take many years to accumulate sufficient cash to move forward with larger road construction projects. Accordingly, it would be appropriate to consider the issuance of 10-year bonds or capital outlay notes that would allow the work to move forward sooner with the proceeds from the Road Impact Fee Fund used to pay the interest and principal on the debt.

Taking into account the goal in the Adequate Facilities Tax Fund of having the debt potentially retired from the fee proceeds collected between now and FY 2025 and assuming conservatively no additional development and associated fee collections after FY 2025, the Town will be able to issue up to **\$9 million** in road improvements bonds or capital outlay notes between now and FY 2020. This amount is contingent on the approval of the fee increases recommended in the Duncan Associates study. Ten (10) year bonds or notes are programmed for issuance in the following amounts: \$5 million in FY 2016 and \$4 million in FY 2019. See **Attachment “J”** for the detail financial projections.

No specific road improvement projects have been identified yet for funding and the timing of the bond issuance could be shifted some based on current need and the actual timing of projects. BOMA would need to prioritize the use of the \$9 million in local funds and hopefully be in a position to use some of those funds to leverage additional state and federal funds for needed road improvements of regional importance. Those projects could include the construction of the Nolensville Road by-pass and/or upgrades to existing Town roadway sections such as Sunset Road. In

addition, supplemental improvements will be likely needed to minimize congestion from the new high school, as the County's commitment to road upgrades will likely not be adequate enough to address traffic impacts created further away from the school property.

If the fee increases recommended in the Duncan study are not approved, the Town will be limited to the issuance of \$7.5 million in bonds/notes from this Fund in the following manner: \$4 million in FY 2016 and \$3.5 million in FY 2019. See **Attachment "K"**. The issuance of additional bonds beyond this amount would have to be funded through a new revenue source in the General Fund, most likely requiring an additional property tax increase.

Recommendations

12. The Town should initiate efforts with the MPO and TDOT to secure a higher priority for future improvements to Nolensville Road in the MPO Long range Plan and to expedite construction as soon as possible.
13. The Town should proactively expedite the timing for future road improvement projects through the issuance of short-term bonds or capital outlay notes with the principal and interest to be paid from the proceeds on the Road Impact Fee Fund.
14. A desirable skill set for the new Town Administrator would be an understanding of how to work effectively with TDOT and the requirements associated with the design, right-of-way acquisition, and successful completion of larger road construction projects.

SUMMARY AND RECOMMENDATIONS

The Board of Mayor and Alderman for the Town of Nolensville should be commended for proactively undertaking a Strategic Operations Study that will allow the Board and others to understand better the basic service requirements for a growing community and the associated funding needed between now and the year 2025.

The good news from this review is that there is no “iceberg” on the horizon that will potentially shipwreck the Town in the years ahead. At the same time, there will be no “treasure chest of gold” available to Nolensville.

The Town has conservatively managed the operations and finances in the past and will need to continue making annual budget and capital improvement decisions that way in the future to keep the property tax rate at the lowest level possible. However, when a community doubles its population in the next 12 years, basic services will have to be expanded with additional staff and equipment, and roads improved to meet the traffic demands.

The Strategic Operations Study and the associated basic services and financial plan, provides a mechanism for the Board to make those important decisions in a systematic, responsible manner. However, the recommendations should not be considered “etched in stone.” It should always be considered a “work-in-progress” subject to annual staff review and revisions in the future based on new information, changing economic conditions, and opportunities and challenges that are unknown or anticipated today.

In summary, the General Fund budget is projected to increase from \$1.57 million in FY 2014 to between \$4.95 million and \$5.28 million by FY 2025. Total full-time equivalent (FTE’s) employment in the Town is projected to increase from 16.75 positions in FY 2014 to 41.75 by FY 2025. The 25 additional positions would be concentrated mostly in the Police Department (14) and Public Works (8).

The projected budget allows the Town to carry out essential services in a quality manner. It provides competitive pay to attract and retain employees, equipment, materials, and technology to carry out the work efficiently and effectively, and funding for road improvements and extraordinary repairs. More importantly, it keeps the Town as a desirable place to live and raise a family.

It will be very difficult to avoid a small property tax increase at some point in the next 12 years if the Town operates in a fiscally responsible manner and provides the essential level of services outlined in the report. Adequate reserves must be maintained in the Fund Balance of the General Fund for cash flow and emergencies. The amount of the property tax increase could vary depending on the level of expanded retail development in the community and the need to address some basic

(non-road related) capital improvements. Even in the worst-case scenario, the projected property tax rate in FY 2025 at \$.40 would be less than the tax rates in most cities in Williamson County today.

In addition to the budgetary recommendations in this report, the following additional recommendations from various sections of this report are listed below:

Recommendations

1. MTAS assistance should be solicited as soon as possible in the review and update of the existing Personnel Rules and Regulations that were adopted by BOMA in 1997.
2. Technical assistance should be obtained from MTAS or a third party in the next two years to undertake a position classification review of employee duties and responsibilities, preparation of job descriptions, and adoption of a formal pay plan for the Town.
3. Prior to the recruitment of a Town Administrator (TA), BOMA should formalize by ordinance the duties and responsibilities of the new position relative to reporting to the Mayor and Board, supervisory oversight of Town functions and employees including hiring, discipline, and termination actions (as needed), and other performance expectations of the new TA position.
4. For better understand of costs, the General Government activity in the budget should be reconfigured as soon as possible into smaller activities including BOMA, City Court, City Hall, Administration/Finance, Information Technology, and Legal Services.
5. A program is being formulated by Williamson County in cooperation with the larger professional fire departments in the County to provide training for new volunteer firefighters so they meet minimum state standards. Town funding to the Nolensville Volunteer Fire Department should be minimally tied to all personnel meeting minimum expectations plus other criteria that serves the needs of the community.
6. A high priority of the new Town administrator should be efforts to encourage and facilitate expanded commercial development on the larger, commercially zoned tracts in the Town.
7. The Town should undertake a special census count in FY 2015 to determine the population as of January 1, 2015. With the projected population growth since 2010, the Town should generate \$220,000 in additional State Shared Revenue annually beginning in FY 2016. The Town will incur a one-time expense estimated at \$20,000 in FY 2015 to accurately count and document

the population from approximately 2,500 households. Accurate data must be presented to the Tennessee Department of Economic and Community Development for review and certification.

8. To simplify accounting and focus attention to the highest priority ahead, it is recommended that the State Street Aid Fund be used exclusively in the future for major street repairs and resurfacing. Funding of smaller, eligible items like street lighting, signs, materials, etc., are recommended for direct funding within the Public Works Department in the General Fund.
9. The Town should explore the use of cooperative bid agreements with Franklin, Brentwood, and Williamson County that would allow the Town to procure better unit prices for major street repairs and resurfacing projects from the private contractors doing work in the larger communities.
10. A separate Debt Service Fund should be established as soon as possible with funding provided through the annual transfer of income from the various Funds that are obligated for payment of the debt service. Payment of the interest and principal payments would occur from the new Fund, plus would allow for the accumulation of reserves to help offset potential higher interest cost in the future with the existing variable rate debt.
11. With the existing debt obligation in the Adequate Facilities Tax Fund associated with the construction of City Hall and the Town's share for construction the Williamson County Recreation Center, the Town should minimize new debt commitments from this fund until there is greater certainty about tax collections after FY 2025.
12. The Town should initiate efforts with the MPO and TDOT to secure a higher priority for future improvements to Nolensville Road in the MPO Long range Plan and to expedite construction as soon as possible.
13. The Town should proactively expedite the timing for future road improvement projects through the issuance of short-term bonds or capital outlay notes with the principal and interest to be paid from the proceeds on the Road Impact Fee Fund.
14. A desirable skill set for the new Town Administrator would be an understanding of how to work effectively with TDOT and the requirements associated with the design, right-of-way acquisition, and successful completion of larger road construction projects.

ATTACHMENTS