

Fiscal Impact Analysis of the Haywood County Growth Scenarios on the City of Brownsville

Prepared for:
City of Brownsville, Tennessee

March 21, 2024



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March 2024

EXECUTIVE SUMMARY

TischlerBise, as a subcontractor to LRK, prepared this fiscal impact analysis of impacts of proposed Haywood County growth scenarios developed by LRK on the City of Brownsville. This report provides findings and detail on the Fiscal Impact Analysis. In general, a fiscal impact analysis determines whether revenues generated by development are sufficient to cover the resulting costs from that development for service and facility demands under current levels of service. It is intended to be used to help guide policy decisions regarding levels of service and revenue enhancements. It should not be viewed as a budget-forecasting document or a definitive roadmap depicting a future course of action. A fiscal analysis essentially looks at revenues and expenditures separately. It does not project expenditures based on revenues available—unlike the annual budget process where a budget is balanced with the resources available.

TischlerBise evaluated four different land use scenarios for their net fiscal impact on the City's General, Solid Waste, State Street Aid, and Capital Funds. The quantitative assumptions of these scenarios are shown in Figure 1 below. These scenarios were developed in conjunction with LRK and are based on existing conditions in Brownsville, as well as recent and projected trends. Each of the four scenarios has unique characteristics, allowing the City to understand the fiscal impacts and implications of various development-related variables over time.

Growth Scenarios

As shown in Figure 1, TischlerBise evaluated four alternative land use scenarios, which are discussed in this section. An obvious development scenario is the base case, or current characteristics of growth continuing. Therefore, a *Business as Usual* scenario was developed using current distribution trends – with a majority of new growth occurring in unincorporated parts of the County, of less cost or benefit to Brownsville.

The *Minimally Guided Dispersed Development* scenario models a more even distribution of growth between incorporated and unincorporated areas, reflecting increases in municipal share of population, nonresidential square feet, and jobs, along with corresponding decreases in unincorporated parts of the county. Brownsville's proportion of increased municipal share of growth is shown in Figure 1.

The *Community Focused and Clustered Countryside* scenario reflects a further increased share of residential and nonresidential growth within current municipal borders, including Brownsville, as well as more concentrated, or clustered, residential development in unincorporated areas.

The scenario differing the most from *Business As Usual* is the *Community Concentration and Countryside Conservation* scenario. This scenario assumes most residential and nonresidential growth will occur within current borders of Brownsville and other municipalities. As far as the City may have priorities of service and infrastructure efficiency or maintaining revenues, this scenario simulates addressing them most aggressively.

Figure 1. Summary of Growth Scenarios for Brownsville

	BUSINESS AS USUAL	MINIMALLY GUIDED DISPERSED DEVELOPMENT	COMMUNITY FOCUSED AND CLUSTERED COUNTRYSIDE	COMMUNITY CONCENTRATION AND COUNTRYSIDE CONSERVATION
RESIDENTIAL DEVELOPMENT	[20-Year Net New Growth]	[20-Year Net New Growth]	[20-Year Net New Growth]	[20-Year Net New Growth]
HOUSING UNITS	1,853	2,162	2,779	3,706
POPULATION	4,162	4,856	6,242	8,323
NONRESIDENTIAL DEVELOPMENT				
CITY OFFICE/RETAIL SF	328,950	383,775	493,425	657,900
CITY INDUSTRIAL SF	0	0	0	0
TOTAL SF	328,950	383,775	493,425	657,900
JOBS	822	959	1,234	1,645

Source: LRK

Employment converted to square footage using ITE employment multipliers

Assumptions and Methodology

A fiscal impact analysis determines whether revenues generated by new growth are sufficient to cover the resulting costs for service and facility demands placed on the City. It is based on cost and revenue assumptions that reflect a community’s current level of service. TischlerBise analyzed the fiscal impacts of four alternative development scenarios based on current citywide levels of service and any additional known infrastructure or service needs. A projection timeline of 20 years is used to show long-term trends.

The fiscal impact analysis conducted by TischlerBise incorporates a marginal cost approach. The assumptions outlined below are utilized along with the development projections to determine the potential fiscal impact to the City over the 20-year projection period. Calculations are performed using a customized fiscal impact model designed specifically for this assignment.

For this analysis, only costs to serve new growth are included. Both operating and capital costs are modeled. Some costs are not expected to be impacted by demographic changes and may be fixed in this analysis. For example, this is true for some functions included under the City Council budget. Other general items to note in the analysis:

- Operating costs are generally projected on a marginal basis where possible with demand factors specific to the service being modeled. Personnel costs are modeled to reflect the fact that some types of positions (e.g., directors) are fixed and would not increase regardless of growth.
- Capital costs are based on level of service standards and interviews with department personnel.
- Major capital expenditures are assumed to be pay-go; reflecting the true costs to serve growth, regardless of whether the resources are available to cover the costs.

LEVELS OF SERVICE

Cost projections are based on the “snapshot approach” in which it is assumed the current level of service, as funded in the City’s FY2023 budget, will continue through the projection period. Current demand base data was used to calculate unit costs and service level thresholds. Examples of demand base data include population, dwelling units, employment by industry type, and jobs. In summary, the “snapshot” approach does not attempt to speculate about how levels of service, costs, revenues, and other factors will change over 20 years. Instead, it evaluates the fiscal impact to the City as it currently conducts business under the present budget.

Revenues are projected assuming that the current revenue structure and tax rates, as defined by the FY23 budget, will not change during the analysis period. Of particular note are the following:

- City property tax is modeled based on the cumulative assessed (taxable) value of projected residential growth.
- Sales tax is projected based on an analysis of retail demand that apportions a share of retail demand on households versus “brick and mortar” retail space.

INFLATION RATE

The rate of inflation is assumed to be zero throughout the projection period, and cost and revenue projections are in constant 2023 dollars. This assumption is in accord with current budget data and avoids the difficulty of forecasting as well as interpreting results expressed in inflated dollars. In general, including inflation is complicated and unpredictable. This is particularly the case given that some costs, such as salaries, increase at different rates than other operating and capital costs such as contractual and building construction costs. These costs, in turn, almost always increase in variation to the appreciation of real estate. Using constant 2023 dollars reinforces the snapshot approach and avoids these problems.

Summary of Fiscal Impact Results

COMBINED FUNDS

This discussion presents the combined results for the General Fund, the Solid Waste Fund, the State Street Aid Fund, and the General Capital Projects Fund. The analysis factors in all variable revenues generated by future growth/development. All operating and capital costs attributable to future development are included in the analysis.

Figure 2. Cumulative Net Fiscal Impact Results: Combined Funds

Cumulative Fiscal Results--Scenario Comparisons
City of Brownsville Fiscal Impact Analysis

Category	SCENARIO			
	BUSINESS AS USUAL	MINIMALLY GUIDED DISPERSED DEVELOPMENT	COMMUNITY FOCUSED AND CLUSTERED COUNTRYSIDE	COMMUNITY CONCENTRATION AND COUNTRYSIDE CONSERVATION
<i>General Fund</i>				
Revenues	\$39,487	\$46,074	\$59,124	\$78,976
Expenditures	\$28,874	\$33,644	\$43,148	\$57,540
GENERAL FUND NET FISCAL IMPACT	\$10,613	\$12,430	\$15,976	\$21,436
<i>Solid Waste Fund</i>				
Revenue	\$9,009	\$10,513	\$13,514	\$18,019
Expenditures	\$7,379	\$8,618	\$11,070	\$14,774
SOLID WASTE FUND NET FISCAL IMPACT	\$1,631	\$1,895	\$2,444	\$3,245
<i>State Street Aid Fund</i>				
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$2,036	\$2,376	\$3,042	\$4,073
STATE STREET AID FUND NET FISCAL IMPACT	(\$2,036)	(\$2,376)	(\$3,042)	(\$4,073)
<i>Capital Fund</i>				
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$3,906	\$4,489	\$5,753	\$7,502
STATE STREET AID FUND NET FISCAL IMPACT	(\$3,906)	(\$4,489)	(\$5,753)	(\$7,502)
GRAND TOTAL				
TOTAL REVENUE	\$48,496	\$56,586	\$72,638	\$96,995
TOTAL EXPENDITURES	\$42,195	\$49,126	\$63,014	\$83,889
GRAND TOTAL NET FISCAL IMPACT	\$6,301	\$7,461	\$9,624	\$13,106

With regard to all four of these funds combined, all proposed growth scenarios are fiscally Positive to the City. In each scenario, comparing available resources to projected costs reveals sufficient revenues to cover the projected expenditures for the City’s General and Solid Waste funds and insufficient revenues to cover costs of State Street Aid and Capital funds. The following bullet points highlight the fiscal results for each scenario.

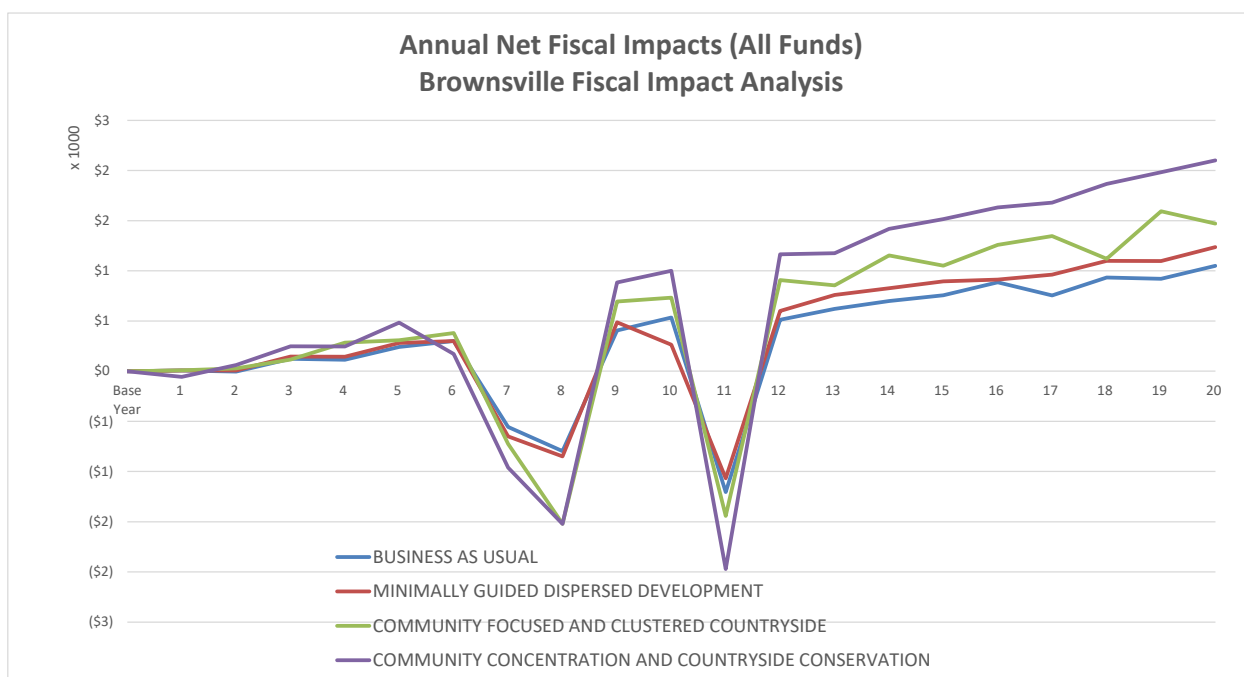
- The 20-year cumulative net fiscal impact on the Business As Usual scenario is a \$6,301 cumulative surplus.
- The cumulative net fiscal impact on the Minimally Guided Dispersed Development scenario is a \$7,461 cumulative surplus.

- The cumulative net fiscal impact on the Community Focused and Clustered Countryside scenario is a \$9,624 cumulative surplus.
- The cumulative net fiscal impact on the Community Concentration and Countryside Conservation scenario is a \$13,106 cumulative surplus.

Figure 3 below show the annual net fiscal results to the City for the four scenarios over the 20-year development period. By showing annual results, the magnitude, rate of change, and timeline of deficits and revenues can be observed over time. The “bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred.

Net fiscal results are **revenues minus costs in each year**, including operating and capital costs. Data points above the \$0 line represent annual surpluses; points below the \$0 line represent annual deficits. Surpluses in any one year are not carried forward to the next year.

Figure 3: Annual Net Fiscal Impact Results (x\$1,000): Combined Funds



Summary of Results

The following bullet points highlight the key findings from our fiscal impact analysis of the Haywood County growth scenarios on the City of Brownsville.

- All four scenarios generate overall positive fiscal results when all Funds are considered.
- Similar to Haywood County, the Community Focused/Clustered Countryside and Community Concentration/Countryside Conservation scenarios generate the best fiscal results.
 - These two scenarios assume the greatest amount of residential (sale tax/property tax) and nonresidential development (e.g., property tax) in the cities.
- All four scenarios generate positive fiscal results to the General Fund and Solid Waste Fund.
- Net deficits are generated in the State Street Aid Fund.
 - Gas tax from the State is a revenue source that is relatively flat and non-growth related.
- It is possible that new residents will expect/demand higher levels of service than are currently provided, which will increase city costs.
- A fiscal impact analysis is not the same as local governmental budgeting.
 - Regardless of the findings of the fiscal impact analysis, the Town will continue to develop a service plan, budget for those services, and identify necessary capital improvements based on the revenues available
- Fiscal issues are just one area for a locality to consider when making land use decisions or setting policy.

- Environmental, economic, transportation, affordable housing and equity benefits must also be considerations.