



NEWS RELEASE

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City Council approves FY20 Budget with first Property Tax Hike in 20 years

\$186.2 million Fiscal Year 2019-20 Budget includes 14 new Public Safety positions

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MURFREESBORO, Tenn. – The Murfreesboro City Council Thursday (June 13) approved the City's \$186.2 million proposed FY20 General Fund Budget on second reading following special Budget Reviews in April, May and June. The balanced budget includes a property tax rate of \$1.2894 per \$100 of assessed valuation property tax hike. While this is an increase in the tax rate, the City's first in over 20 years, the City's property tax remains more than 30 percent less than it was in 1998.

With the new rate, an owner of a home of the average value in Rutherford County, \$233,000, will pay about \$16.50 more monthly effective July 1, 2019. That's roughly \$0.54 cents a day.

The FY20 budget increases the Solid Waste Fee by \$2.50 per month, per container to \$7.50 for residential customers and increases the fee to \$30.00 per month for non-residential (commercial) customers. The newly imposed fee levels, however, do not yet support full-cost recovery of waste collection as a self-sustaining utility, which will require further recommended increases in the future, especially after Middle Point Landfill closes.

While population growth provides jobs and expanding lifestyle amenities, it also requires additional government resources to provide needed infrastructure such as roadways, utilities and schools that have in the past decade required use of the City's unrestricted Fund Balance to balance expenses and revenues. One of the goals of the FY20 budgeting process has been reducing dependence upon the use of the General Fund.

In 2018, Council approved 10 percent budget reductions totaling \$2.59 million of continuing costs for FY19, and imposed slight fee increases in parks and building permit fees to reduce reliance on reserve funds. More recently, the FY20 budgeting process, with expenses again exceeding revenues, City leadership requested that department heads make supplemental budget requests based solely on infrastructure and service needs. Of the more than \$5-million in new needs, \$1.2 million was deferred until FY21 and beyond. The remaining requests were prioritized based on Council priorities.

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Staff identified approximately \$3.9 million in carefully prioritized supplemental expenditure needs, including hiring an additional 14 new police positions, returning part-time Parks employees staffing to FY18 levels, economic development services, and other expenditures critical to customer service and addressing the needs of a growing community.

In addition to budget reductions in FY19 and limiting budget supplements to absolute needs in FY20, two major CIP projects—Blackman Park and the Cherry Lane extension, have been delayed to help reduce reliance on the fund balance so borrowing could be reduced to a maximum \$58 million in FY19 and \$25 million in FY20.

PROPERTY TAX

The FY20 budget includes the first property tax increase in over two decades. During this time, the City provided services and infrastructure based on sales tax revenue growth and land sales. Sales taxes growth has, however, flattened and the City has sold much of its land. While continued growth in sales tax is expected, it is insufficient to address the increase demands of a growing population. Additionally, avoidance of an over-reliance on sales tax, which varies when economic conditions change, is prudent long-term fiscal management.

During the last 20 years, the property tax rate was adjusted downward five times such that the current tax rate is 50 percent of what it was in 1999. When inflation is considered, the tax rate is 75 percent lower than it was in 1999 in real dollars. The FY19 Budget, for example, reflected more than a 21 percent reduction in property tax rate. The proposed FY20 property tax rate of 1.2894 cents per \$100 dollars of assessed valuation, remains 32 percent lower than the rate two decades ago in 1999.

CONSTRUCTION COSTS

Notwithstanding the decreasing property tax rate during the last two decades, the cost of construction to build schools, roads and public safety facilities has increased in recent years. Capital improvements are costly, requiring construction services and materials that are in high demand. Over the last 10 years, according to the Building Cost Index, non-residential construction costs have risen approximately 40 percent nationally. In Middle Tennessee, the demand for materials and services adds about another 20% to that cost.

While the City's sales and property tax revenues have increased due to growth and increased property valuation over the past decade, revenues have not kept pace with population growth on a per capita basis.

"If we look at it on a per capita basis, property tax has actually decreased 8 percent on a per capita basis," said City Manager Craig Tindall. "As a result, General Fund revenues on a per capita basis have actually decreased 4 percent in the last ten years."

On the expense side, the City has worked diligently to manage costs at all levels of the organization. Nevertheless, inflation during the last 10 years is 20 percent cumulatively and has an effect. In fact, the cost of providing municipal services measured nationally has risen by almost 70 percent.

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Wages for local government employees, the City's primary expense, are up more than 23 percent in the Nashville area. With unemployment in Rutherford County at a historic low, 2.4 percent versus 9.9 percent just ten years ago, the cost of compensating good employees has risen dramatically. Still, the City has managed this cost well. For example, while the City's population has grown 31 percent in the last ten years, the number of City employees on a per capita basis has increased only 10 percent. In other words, City government is providing more services with less manpower per capita. Measured on that basis, the City's productivity has increased 21%, much more than the per capita increase in expenses of only 3%.

Municipal construction costs, which is another major expense for the City, are up 31 percent over the last 10 years. The City has aggressively managed its construction activity over the last year, saving more than \$7 million on two construction projects alone.

The City continues to remain conscientious with its spending at all levels of the organization. However, as basic costs continue to rise, revenues must increase to keep pace with those increases.

SCHOOL FUNDING

In FY20, the budget provides \$1.3 million or a 19.74 percent increase in additional funding for the City Schools operating funds and increases in student population across the district as the new \$34 million Salem Elementary School opens in August 2019. City Schools operating expenses and debt service equates to approximately 24 percent of projected property tax revenues.

Staying competitive with other communities in providing services of a growing populace requires expenditures that meet the essential demands of education and public safety. In the last ten years, the City of Murfreesboro has sought to keep pace with growth in service demands. This includes providing adequate schools to the growing community. It has also been necessary to increase the City's public safety staff in Police and Fire & Rescue and to build additional Fire stations to service the increased population.

TRANSPORTATION FUNDING

Meeting the demands of a growing City also requires new and expanding roadways to manage traffic congestion. Over the next five years, \$441 million, approximately 61% of the Capital Improvement Projects (CIP), is dedicated to the construction and maintenance of roadways.

In accordance with the City Charter, City Manager Craig Tindall submitted the City's Proposed \$186.2 million Fiscal Year 2019-20 (FY 20) Budget by May 15 for review by the City Council. The budget prioritizes spending on the Council's four primary goals: 1) Safe and Livable Neighborhoods, 2) Strong and Sustainable Financial and Economic Health, 3) Excellent Services with a Focus on Customer Service and 4) Engaging Our Community.

Public Safety remains the highest priority of the City and is reflected in the budget with the Police Department composing the largest portion of the operating budget. Enhanced Fire & Rescue emergency response continues to require funding for new fire stations and emergency communications enhancements.

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The **Safe and Livable Neighborhood** category, the City's top priority, calls for twelve (12) new patrol officer positions and two detectives. Other **Priority 1** projects include:

- Opening of the new Salem Elementary School in Aug. 2019 to accommodate the expanding K-6 student population.
- Enhancing and increasing communications and dispatch staffing in the 9-1-1 Communications Center through implementation of emergency communications protocol software.
- Construction of a new Fire Station Eleven breaking ground in Fall 2019 to be occupied by Summer 2020 at Blaze Drive and Fortress Boulevard, neighboring Blackman High School. MFRD opened the relocated Fire Station Four on Medical Center Parkway in Spring 2019.
- Expanding the Murfreesboro Police Department Special Investigations Division with a focus on investigating opioid-related overdoses and implementing technology for comparing ballistic evidence in violent crimes using firearms.
- Continue installation of security cameras, the Park Smart Campaign, and other measures to focus on a safe and enjoyable park experience.

Public Safety is the major budget expenditure with 31 percent, excluding debt service, dedicated to public safety departments.

Priority 2, Strong and Sustainable Financial and Economic Health.

Despite difficulty reducing dependence on the Fund Balance and relying on these funds over the years without a property tax increase, the City's financial condition remains solid with strong reserves and liquidity levels. The Debt Rating is unchanged at the second-highest possible Aa1 (upgraded in 2016) for Moody's Investor Service and AA for Standard and Poor's.

The City's debt is high quality with very low credit risk and strong capacity to meet financial commitments. The City is regularly cited as well-managed with ample reserves supported by strong budgetary controls. The Council maintains a fund balance within the adopted Financial Policy of 15-30 percent of total General Fund revenues, maintaining the higher end of that range during rapid population growth and infrastructure demands within a low tax rate environment.

Last year, for example, Council sought to reduce reliance on the Fund Balance and achieve a balanced budget. Over the past 10 years, the City's budget had been balanced by using \$2 to \$5.3 million annually from the Fund Balance. Through sales tax growth and City-owned land sales, the fund balance was used only three times and is expected to be used again in FY19. This dependence is a byproduct of existing City tax structure (which includes a lower property tax), expanding capital projects and service demands in a fast-growing City.

The City routinely wins Distinguished Budget Presentation Awards from the Government Finance Officers Association (GFOA), a companion to the award the City has earned for 18 years for its Comprehensive Annual Financial Report (CAFR) also known as the annual audit.

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Priority 2 initiatives include:

- Develop in-house Economic Development resources to actively pursue revenue-producing projects in the City.
- Select developer for redevelopment of the former First Methodist Church/Franklin Synergy property site.
- Implementation of Historic Bottoms and North Highland Avenue land use studies to attract downtown redevelopment.
- Pursue new opportunities for tourism, tournaments, and special events that produce positive economic impacts.
- Groundbreaking for a new \$4.5 million Municipal Airport Terminal in Spring/Summer 2019.
- Continue to work on options for disposal of solid waste due to the expected closure of Middle Point Landfill, including a fully-recovered solid waste user fee for a utility model.

ECONOMIC DEVELOPMENT/JOB RECRUITMENT

The creation of an Economic Development division within the City's Administration's department has been an important first step to addressing development within the City. The FY20 budget provides \$150,000 for targeted in-house economic development. These funds are anticipated to be used to hire consultants that will assist the marketing efforts for various initiatives, including corporate relocation and bringing high-paying, white collar jobs to the City. The City will continue to work with the Rutherford County Chamber for corporate recruitment efforts.

The City Council recognizes the need to attract higher-paying jobs to provide adequate property tax funding. Higher paid employees generally purchase higher valued property with their income which in turn contributes to increased property tax revenue.

DEBT SERVICE

The City operates with two budgeted expenses, operating expenses and capital expenses. Operating expenses are funded by taxes and fees, which were addressed in the current Council decisions. Capital expenses are generally funded by debt. These two budgeted expenses are joined by debt payments, which are paid by the operating budget, and economic development in capital items, which creates additional revenues for the operating budget.

With respect to the capital expenses, current and planned debt remains below the City's conservative debt ratios. General Fund Debt Service requires an additional \$2.6 million (FY20), a 6.6 percent increase, to fund existing debt and an anticipated additional \$25 million debt issuance in FY20. The City Manager recommended borrowing funds be held to a maximum of \$25 million in the 2020 CIP to help control the use of reserves in the operating budget.

Tindall emphasized that debt to fund capital expenses is less an issue than the need for sustainable operating revenue. The City has managed its debt soundly by prioritizing projects that will have the most impact on the community and by amortizing debt over 15 years versus 20 or 30 years, thus realizing tremendous interest expense savings.

Structural sustainability calls for greater reliance on the more stable property tax and converting the City's solid waste collection to a utility service model.

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SOLID WASTE FEE

The budget includes a \$7.50 per container per month fee for Solid Waste collection, which is an increase of \$2.50. The budget also includes a \$30 per month per container fee for non-residential service. The Solid Waste Fee is collected through the City's Water Resources Department and the Consolidated Utility District (CUD) customer billing systems. The newly imposed \$7.50 monthly residential fee per cart and \$30.00 non-residential fee per cart will increase the revenue from \$1.38 million to an estimated \$4.65 million in the fiscal year beginning July 1, 2019.

Although the new Solid Waste fees will not fully recoup the expenses of operating City Solid Waste services, it continues the process of separating waste collection out of the general fund toward becoming a "self-supporting" utility operating service model. A Pro Forma chart of the total expense and projected revenue with the monthly fee required for full cost recovery is provided below.

SOLID WASTE FULL RECOVERY PRO FORMA (FY20-FY24)



In the future, with the closing of Middle Point Landfill, the added cost of a tipping fee, transfer stations, and recycling could be included in the full cost of Solid Waste collection.

Priority 3, Excellent Services with a Focus on Customer Service, includes the following:

An area of intensive focus is roadway construction and maintenance. Over \$33 million in roadway projects are scheduled for FY20 with 30 percent of the CIP budget projected to address infrastructure needs. FY20 roadway construction, which is completed through CIP funding, requires close coordination with TDOT because many corridors of traffic congestion are state highways.

- Implement priorities with federal and state transportation partners in the City's Major Transportation Plan, including planning, development and construction of transportation system priorities: Northfield Blvd. Extension, Jones Boulevard, Thompson Lane, Rucker Lane and John Rice Boulevard.
- Construction on the Rutherford Boulevard Adaptive Signal Control Technology System.

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- Upgrade intersection signal technology in partnership with TDOT I-24 SMART Corridor project.
- Expansion of Richard Siegel Soccer Complex into a premier regional tournament facility under an agreement with TSSA. A new Jordan Farm Practice Soccer Complex opened in 2018.
- Extension of the Greenway (Phase IV) at Barfield with completion anticipated in September 2019. The full Greenway will total 16 miles.
- Location and Design development of Blackman Park on the West side of Murfreesboro.

ROVER EXPANSION

Rover continues to report over a quarter million bus rides per year. To support the growth in ridership and provide an enhanced level of service, Rover continues design work on a central Transit Center. The FY20 budget seeks to expand Transit Service with a “Pilot” program that provides Rover service on Saturdays, including a route to the Joe B. Jackson Parkway industrial area.

The City engages with citizens in many ways with an award-winning Parks and Recreation Department and a nationally-recognized television service. Through CityTV, user surveys, public hearings, the City’s website, social media, news releases, and Citizen Police and Fire academies, the City constantly works to engage the community. The City’s social media platforms, including Facebook and YouTube, engaged members of the community 1.8 million times last year and has been recognized nationally. Council Workshop meetings, ‘Coffee with a Cop,’ and neighborhood Open Houses seek informal ways to listen to the public voice and engage citizens in the community.

Priority 4, Engaging Our Community, includes the following:

- Continue holding neighborhood meetings on roadway projects, planning issues, annexations, rezoning and planned development.
- Rebranding the Parks & Recreation Department’s parks, facilities, and programs with an effective marketing campaign utilizing contemporary communication media. Public engagement in implementation of the Parks and Recreation Department Master Plan.
- Partner with the Rutherford County Convention and Visitors Bureau in usage of social media, including Facebook Live, to promote Parks and Recreation athletic and culturally significant facilities by engaging citizens with Tourism events.
- Continue to engage citizens with the growing arts community through performances, events and exhibits as an integral part of promoting cultural arts and its economic benefits.
- Work with City Schools to enhance the use of school grounds to serve the entire community. Expand other community partnerships and increase internal programming opportunities to grow the Better Boro Project.
- Increase the City presence through CityTV, social media, and the City website.

EMPLOYEE PAY

The City of Murfreesboro is a service provider with more than 1,000 employees that take care of the community’s needs from trash collection and water service to public safety. In an environment of exceedingly low unemployment, hiring is a highly competitive activity with costs of salaries and benefits increasing at a rate faster than inflation.

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The budget provides increases for public safety employees, Water Resources Department employees, and General Fund Step employees. The budget also includes a 2.0 percent across-the-board pay increase for all full-time employees outside the step programs. The total cost for the pay increases is budgeted at an approximate cost of \$2.3 million. In 2018, the City conducted an internal compensation study of pay and benefits to correct market deficiencies, with Council funding \$2 million to make pay adjustments in hourly wages and salaries to be competitive with the region.

NEW POSITIONS

- The proposed FY 20 budget includes 12 new police officers and 2 detectives in the Murfreesboro Police Department; additional emergency telecommunications staff for coordinating dispatch with the County; a Groundskeeper for the Greenway; a Facility Coordinator for youth programs at Paterson Park; and a staff attorney.
- The proposed budget includes a total of 985 full-time employees (a net increase of 41) to be added to the current 944 full-time personnel (excluding the Water Resources Department).

TAX & BUDGET FACTS

- The proposed **General Fund expenditures** increase 6.56 percent while revenues increase 11 percent from FY 2018-19 budgeted amounts.
- The proposed budget includes the first property tax increase in 20 years and adopts a new **Projected Certified Tax Rate** of \$1.2894 from the previous rate of \$0.9494 following the reappraisal process.
- The tax rate prior to 2018 was set at \$1.2066. FY20 **Property Tax Revenues** are projected to be \$60 million, an increase of 42 percent, compared to \$42.3 million in FY19 and \$41.4 million in FY18.
- **Construction costs** have increased 40 percent nationally and 48 percent in Middle Tennessee over the last 10 years.
- The City of Murfreesboro **Population** has increased by an estimated 115 percent in the past 20 years and 30 percent in the last 10 years. At the same time, the number of full-time **City employees** has increased by 68 percent in the last 20 years and 17 percent in the last 10 years.
- While **City revenues** have increased 34% over the past 10 years, revenues per capita have decreased 5 percent. While **City expenses** have increased 44 percent during the same period, expenses per capita have increased just 2 percent.

A Budget Review Session on the FY20 budget was held May 23rd. The Public Hearing and First Reading of the budget ordinance was June 12th and Second reading was considered on June 13th. Other details of the proposed FY20 Budget are provided below:

General Fund Revenue Projection Increases, \$18.6 million increase, +11 percent:

- Property Tax, \$17.8 million increase, +42 percent.32.26% of budget
- State Shared Sales Tax, \$166,000 increase, +1.54 percent5.7% of budget
- Solid Waste Fee, (\$4.27 million increase) +237 percent3.0% of budget

General Fund Revenue Projection Decreases

- State Hall Income Tax, -\$218,475 decrease—this tax is being phased out completely by 2022.

The full proposed FY20 Budget is available for review at <http://www.murfreesborotn.gov/DocumentCenter/View/9490/FY-2020-Proposed-Budget>

A playlist of soundbites on FY20 budget discussions is available for listening on YouTube at https://www.youtube.com/playlist?list=PLXjPQW-GeBG6Jftp9ZtgDULmM9_4d2y1B.

For City News online, visit www.Murfreesborotn.gov.

Logo and Budget Cover attached:

1. *City Logo.jpg*.
2. *FY2019-2020 Budget Cover.jpg*.