



# **GOVERNMENT ADMINISTRATIVE REVIEW**

TOWN OF STANTON, TN

OCTOBER 3, 2023

## **PROJECT SCOPE AND REVIEW**

The Town of Stanton (Stanton) is a small community in southwest Tennessee near Interstate 40. The community has remained primarily rural and small over the last several decades with a high population mark of 615 in the 2000 Census and a current population of 417.

With a very small staff, Stanton provides some basic services and/or facilities to residents including street maintenance, solid waste disposal, water and sewer service, a small library, a small health clinic, and a recently improved space for both community use and for small business incubation (The Cannery). Town leaders have also adopted Planning and Zoning Ordinances to guide development within the community. As a small community, efficiencies in the provision of services can be difficult to achieve as sources of revenue and requisite expenses are often not well matched. While revenue growth is limited, income and expenses have been stable and manageable for the community from year to year. However, the town has not been able to set aside funding to maintain a robust fund balance or direct funds to any special projects or planning efforts.

With the announcement in late 2021 of a Ford/ SK electric vehicle facility (BlueOval City) to be sited on a large industrial tract approximately five miles south of Stanton, substantial changes are expected for the area, with up to 5,000 new jobs generated at the site. The impacts on the surrounding communities and Stanton are being studied earnestly as part of a Tennessee Department for Economic and Community Development (TNECD) planning and engineering services contract with Gresham Smith, called West TN Planning Services. This support included initial listening and discussion sessions within each county that involved numerous community stakeholders. Information generated from these sessions helped TNECD focus assistance on both regional and local priorities.

For Stanton the potential for growth and resulting service demands could be substantial and not something easily accommodated with current resources. It will be important to project, plan for, and track demographic and population changes in the area to the extent feasible. There have been few previous industrial facility locations of this magnitude to model from, and even larger urban communities would find it difficult to plan for and accommodate this much change within such a short timeframe.

As a measure to document community challenges in places such as Stanton, TNECD has made additional resources available to perform a more detailed evaluation of the opportunities and challenges facing the community and its capacity to manage them. This document will focus on the issues facing Stanton as a municipal administrative body and examine potential strategies and resources available to address the challenges facing the community. The analysis was completed over a three-month timeframe as the Town of Stanton was identified as a significant impact community in the West TN Planning regional assessment. The following pages will touch on varying topics and end with critical and general priority recommendations that will be instrumental for the Town of Stanton to handle expected growth. The West TN Planning team can further advise on available resources as town leadership works to approve and prioritize the recommendations in this report.

## CURRENT CONDITIONS

As a community of less than 500 persons, Stanton like many small towns, lacks the administrative resources to perform many municipal functions internally. The availability of additional staff is limited by revenue constraints and the limited local labor pool. This lack of resources restricts the community's ability to finance and manage multiple government functions and enterprise services.

Stanton relies on local property taxes, local sales taxes, operating and capital grants, and shared revenue from the State of Tennessee to fund its general government operations. The health clinic building is owned by Stanton and leased to the health center operations with rent based on the cost to maintain the building. The library and business incubator buildings are also owned by the town, but operations are funded through grants. Its enterprise functions (water, sewer, solid waste collection) are primarily funded through user fees.

A cursory review of similar sized communities in Tennessee indicates that local sales tax revenue plays a larger role for other communities. However, currently the small number of commercial enterprises in Stanton reduces opportunities for sales tax generation. Stanton's geographic location likely plays a role in this, as it is within a few miles of more robust commercial districts and its boundaries do not extend to nearby Interstate 40 where it would be more visible to traffic. Further, a percentage of sales taxes are allocated for other purposes by statute. Important to note that while annexation would increase the potential for more property tax and local sales tax, annexation needs to occur within the existing urban growth boundary, or that 2011 urban growth boundary would need to be updated. In addition, towns can annex property only with the written consent of the landowner or by voter referendum; except in the case of agricultural land, which can only be annexed with written consent of the landowner.

In addition to having a small population, the community is also disadvantaged by high poverty levels compared to the state and nation (44% for Stanton, 16% for Tennessee, and 14% for the US as a whole, as measured in the 2018 ACS 5-yr estimate). This would indicate Stanton has a much more economically vulnerable population. Due to this, Stanton's citizens are at a disadvantage in being able to respond to increases in costs of services. Affordability must be a prime consideration when considering new services, spending, and charges. For example, water and sewer infrastructure must be adequate to meet the needs of the community and support the area's economy yet remain affordable for users. While Stanton has managed to keep rates reasonable to-date, potential costs related to new growth could strain the affordability of resident services as well as the town's finances in general.

### Current Administrative Resources

- full-time Mayor
- part-time Town Recorder
- part-time Librarian
- part-time public works employee
- contracted service providers:
  - Brownsville Energy Authority for water/sewer operations and monitoring,
  - Solid waste vendor
  - Southwest Tennessee Development District (SWTDD) for planning, zoning and grant writing,
  - legal and engineering professional services.

## **SUMMARY FINDINGS**

### **Community Facilities**

Stanton conveys a keen sense of community spirit and identity. The community demonstrates devotion to the welfare of its residents in several ways. Examples include the Town's efforts in hosting a local health clinic, library, community orchard and play area, and business incubator that also offers other community services. These facilities and their associated stewards provide a shared resource that enhances the community as a whole and the prospects for its residents individually. Alternately, the community does not have other common facilities that help communities preserve important cultural, historic, or environmental areas such as parks, community spaces, or a heritage center that can have positive impacts on property values and residential attraction. Stanton's many local churches and religious facilities may help fill these voids but are not substitutes for publicly available facilities.

Continued support of the existing community facilities will be important going forward. Additional community priorities should be re-evaluated annually to determine if funding can be allocated to facilities such as a park or community space. Programs at both the state and federal level may be available to assist in development from a financial and planning standpoint. As with most needs of this type, efforts to preserve and promote community spaces like parks may rank lower on the necessity scale but can help communities build upon cultural interests and fortify partnerships and collaborations, as well as bring outside investment into the community. As financing for these public facilities can be difficult in the short-term, encouragement of open space and recreational spaces within new residential developments in Stanton should be included in development plans and permits. Additionally, some state and federal grant resources may be available for the capital of buildings; however, they often don't include funds for property acquisition or operations and may require matching funds. It may be critical to develop other community partnerships that can manage these facilities and programs once developed.

The expected rapid growth may also necessitate the assessment of other essential services across the County such as educational facilities and childcare, which should be taken into consideration during planning activities. Currently Stanton children attend schools near Brownsville, which can be a 45-minute bus ride. They are also limited on childcare options nearby, which can be a barrier to attracting families to the community. Retail and restaurant options may quickly become strained as more residents will need access to essential goods and services.

### **Utilities**

Stanton owns and provides public water and sewer service to nearly all of its residents (277 water and 247 sewer customers). The water and sewer systems are managed through a contract with neighboring Brownsville Energy Authority. These vital services are often not provided locally in communities this small, as the customer base is at the minimum threshold of being able to support these services with user fee revenue. It appears Stanton has done a satisfactory job of maintaining the systems and providing these services without a negative impact to the fiscal resources of the community as a whole. Recent audits indicate the system is financially stable in its present condition, and available capacity in these systems appears sufficient for average growth without undue stress. However, with the projected

population growth expected from the BlueOval project, additional capacity will likely be required in the coming decade. Demand for water and sewer service and the associated infrastructure will begin outstripping the capacity of the existing distribution and collection systems as well as treatment facilities within the coming decade. The previous stability in demand and revenue has allowed the community to make investments as needed. However, the potential dimensions of change in system demand will likely require improvements on a scale not experienced previously.

Planning improvements aligned with user and revenue growth is paramount for small systems, as the small number of users makes it difficult to spread costs widely across the limited user base, especially if system growth is primarily supported through new developments outside the current system footprint. Extension of services outside the Town can be a risky investment since recovery is only through user fees, and the costs of providing the service per customer is generally higher in comparison to users connecting to the existing system within the Town. Extensions to customers outside the town may also require those customers/ developments to directly bear the cost for those lines without adding fees to the existing customer base. An additional consideration may be that existing distribution and collection lines will need to be expanded or improved at a faster pace than anticipated. Upgrades to these existing lines do not generally include new revenues.

Additional master planning assistance and water and sewer modeling is needed to determine the optimal level of infrastructure to service planned growth and the financial requirements of that necessary infrastructure. Water and sewer facilities are often some of the largest capital expenses communities can face and must be planned years in advance to accommodate regulatory and financing hurdles. They require a huge upfront investment that is recovered over decades through user fees. These infrastructure costs can quickly exceed what is reasonable for a small system to recover through general rates under existing regulations.

Debt service supporting collection and/or distribution system extensions may also constrain other financing for needed capacity upgrades, existing system renewal projects, or regulatory improvements for existing customers. While Stanton may be able to access Federal and state grants and subsidized loans to help address these funding needs, outside funding will not reduce the system's asset depreciation costs or required debt service coverage ratios, which may continue to be a financial challenge as growth occurs. Another consideration is that future management costs and contracts are an unknown as additional development occurs and customers are added. With new services and territory added, it is unknown if the current management contractor would be inclined to examine additional costs for providing the service or desire a change in the contractual structure. Stanton should continue discussions with the current utility management provider on these topics as new information becomes available in the coming months.

Stanton's long-term viability as an affordable community utility provider may be challenged in the face of future development costs associated with infrastructure deployed towards BlueOval City and the adjacent Interstate 40 interchanges. While potential new customers to the system may be financially beneficial, additional operations and maintenance costs and additional depreciation costs from new infrastructure

will need to be considered. Higher density land usage can help this situation but may come at a cost to other infrastructure assets (i.e., transportation). The Town should investigate the feasibility of a joint utility district or the development of a regional water and sewer authority, as much of the surrounding area outside Stanton will be encountering some level of the same demand surge. Regional treatment options can achieve cost efficiencies and reduce the rate of increase in capacity changes that might be difficult to achieve for smaller utilities. Additionally, they can level the playing field for communities in attracting new residents and businesses with more uniform rates and charges. Potential downsides to Stanton joining a local district or regional authority may be the loss of autonomy to use utility services as a tool to manage community growth. Currently, water and sewer service are one of the few services the Town offers that can be used to promote annexation and, accordingly, increase the Town's tax base.

Note: Haywood, Tipton, and Fayette Counties are currently exploring a tri-county regional water and sewer authority; however, the timing and viability of that effort is still being assessed. Further, it is expected that development will occur prior to the creation and implementation of that regional authority, leaving a short- to mid-term gap in a feasible solution for Stanton.

## Housing

Housing has been stable in the community with minimal population change in the last few decades and an older housing stock. There are approximately 236 total housing units, down slightly from 248 in 2010 (US Census). Vacancy rates have increased slightly to about 20%. With the expected population growth in the area, pressure for additional housing and housing choice will increase substantially. With many among Stanton's current population on the lower end of the economic spectrum, housing affordability may become a barrier for existing residents. There may be increasing pressure for current residents to sell property that may be redeveloped at a significantly higher price point. Housing has traditionally been driven by supply and demand, which means that significantly increased residential demand may price some current residents out of their own community. Renter affordability will also likely face increasing pressure as new units are developed and demand increases. There are State and Federal homeowner rehabilitation programs (e.g., THDA, HOME, CDBG, PRO) that offer a resource for lower income homeowners to repair their homes and continue to live in them. Streamlining and clarifying land use and zoning codes and developer review processes may encourage developers to invest in the area, increasing the availability of housing overall, which reduces competition.

## Public Right-of-Way

Stanton provides street maintenance in a minimal fashion, as is typical for a small town. Revenues dedicated for streets and sidewalks are insufficient to tackle any significant project needs in a given year. Most street and sidewalk projects are limited to routine patching and maintenance. Growth and development will include new connections and pedestrian access; however, Stanton may find it difficult to provide or maintain adequate connections to growth areas from the core of the town. Grant funding should be pursued to address the right-of-way needs in a more comprehensive manner.

## Law Enforcement

Communities big and small can find that the provision of law enforcement consumes a vast proportion of resources relative to the overall government budget. Stanton has historically been able to utilize other local law enforcement agencies in the County Sheriff's Office to cover its primary needs. As the community grows, this may need to be revisited with a more specific arrangement. Some Sheriff's agencies provide a dedicated officer or regular patrol with some financial contribution from the locality; however, this would need specific commitments for these services.

## Fire Department

Stanton has a small volunteer Fire Department, which may be more than some communities in the region. As a volunteer agency, it has limitations in providing ongoing service in a high growth environment. In light of the potential new residential and commercial developments, new facilities, equipment, volunteers, and training will likely be needed. Coordination with County services may be essential to accommodate future fire service. EMS and healthcare services should also be evaluated as growth occurs.

## Administrative Staffing

As previously discussed, staffing for a small town can be difficult due to revenue constraints and a limited local labor pool. In addition, as growth occurs understanding when additional staff can be supported is doing to be based upon revenue more than population. A full financial growth projection would help to assess when part-time additions should be made or when a part-time position should be made into a full-time position. Personnel costs are Stanton's single biggest general government expense at 42%, even with a limited number of employees. Typically, local governments average 38-45% on personnel, which include payroll taxes, benefits, etc. Additional staff support for the immediate future is recommended due to the large amount of change occurring in a short amount of time, however, the current financial resources will not allow for this within the current budget. This should be assessed in the future financial model for growth as well as discussed with regional and state partners for staff-sharing opportunities.

In addition to staffing, town hall facilities will also need to grow as the services of the town are expanded. Planning and grant funding should be pursued for this, with the potential to provide shared-use spaces to preserve the tradition of Stanton's community-focused values.

## Finances

Stanton has marginally been able to sustain most general government operations. The Town's enterprise fund (water/ sewer/ sanitation) is more stable financially due to the fees generated by the rate base. A recent concerning trend in the General Fund has been that expenses have been rising faster than revenues over the last four years. Based on the last 3 year-end audits, the Town is only able to maintain approximately 20% of annual expenses as a fund balance in the General Fund, however, they have not

incurred any debt. The Town should set a target for the General Fund balance based upon cycles of revenues and expenses to ensure the timing of revenue is aligned with the timing of expenses. Generally, this would equate to three months of General Fund expenses being available in the unrestricted General Fund balance.

The Enterprise fund (water/ sewer/ sanitation) has a much healthier fund balance; however, potential expenses can vary significantly for maintenance and replacement of critical assets. This bears monitoring and may mean reductions in spending will be necessary to balance the budget soon if trends persist. While the Town's overall net position is good (assets vs. liabilities); most of those assets are either used to generate revenue or are not available to meet General Fund obligations.

Grant funding is generally not available to support General Fund operating costs outside of some individual programs (e.g., firefighter assistance training, law enforcement equipment). General Fund programs are normally funded by general tax revenue (property and sales taxes). Options to increase these resources are limited, both by statute and by ability to support growth, however those should be assessed in a financial growth model. One resource to review for additional support would be fees for services (permitting, P&Z review, etc.) to ensure they are in line with the level of effort involved in providing that service.

"By far the largest portion of the Town of Stanton's net position (89%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Town of Stanton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Stanton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities."

– *Stanton audit report*

## **CRITICAL PRIORITIES RECOMMENDATIONS**

### Coordinate Regional Transportation Improvements and Land Use Planning

Stanton has expressed a strong interest in ensuring that local priorities are taken into account during state and regional transportation and land use planning, as Stanton has very limited transportation funding resources. Regional planning efforts are underway by both the West TN Planning team and other consultants that will provide an outline of needed improvements at the County level in 2024. These efforts will include consideration of impacts to local routes in Stanton, as development is likely to occur on the routes toward BlueOval City. Stanton's transportation infrastructure will experience the effects of increased local traffic and the Town must plan internal improvements to coordinate with these larger projects. **It is recommended that regional and state planning efforts continue to consider impacts and improvements in Stanton that would help the region meet overall transportation goals.**



## Formalize Process for New Development Proposals

Discussions with Stanton revealed that the process for new development approvals has traditionally been a one-on-one process, manageable with the slow growth the community has experienced. However, outside developers often wish to have identifiable and predictable procedures and permitting for new developments. Stanton has recently updated Subdivision Regulations which outline minimum standards and procedures for approval of new lot development. Stanton is also updating several ordinances to improve development processes. These are handled through the Stanton Planning Commission and its designated technical staff, the Southwest Tennessee Development District (SWTDD).

**It is recommended that Stanton create a document checklist and set of documents that outlines the Town's development approval process and major policies to allow administrative efficiencies and to encourage developers to invest in the area.** This should follow a review of existing policies and procedures to ensure they are conducive to the community's development preferences and goals. A more defined, easy to follow process will help Stanton attract developers with a serious interest and allow those that are merely speculative to move at their own pace without a lot of time-consuming interactions with local officials. The new documents would ideally contain an outline of the development plan approval process (schedule), where to obtain a copy of the Subdivision standards, a list of fees associated with reviews, major policies guiding approvals, blank certificates and disclosures, and sample development agreements. These policies should be posted to the new town website that will be developed in 2024 for easy reference.

## Update Utility Connection Fees

Town leaders have indicated a desire to review current utility connection fees to determine their adequacy for both in-town connections and out-of-town connections. Of particular concern is the out-of-town connections and how the current rates may or may not result in additional property annexation. **It is recommended that Stanton review tap fees and connection charges along with overall treatment / capacity costs to ensure existing users are not unduly burdened by new developments and new user costs, and that rates/ fees are aligned with regional charges for service.**

The State of Tennessee restricts the development fees and impact fees that localities may impose on new development. Aside from providing a more neutral development environment across the state, these State restrictions may encourage communities to be more selective in the kinds of developments they want to encourage. The Tennessee Board of Utility Regulation (TBUR) has been more generous in allowing tap fees or connection fees and rates for utilities providing service outside their normal district / or municipality. Jurisdictions often have a wide variance on in-town versus out-of-town rates. Generally, the cost of service for out-of-town customers is greater, and so the utility should recover those costs appropriately, as they may provide a substantial impact to existing capacity.

## Develop a Town Master Plan

With the amount of change occurring and various planning efforts moving forward due to time constraints, it's imperative that the town assess where it is today and how it wants to grow. This effort is

being initiated as part of the University of Memphis City and Regional Planning studio as they work with the community to develop a Vision and Community Character Plan. This process will align with County regulations and greatly inform the more technical physical infrastructure analysis and spatial assessment of the desired growth of Stanton, which is planned to be completed by the West TN Planning team. A master plan for growth will help protect existing residents and support the town's future financial model.

## **GENERAL RECOMMENDATIONS**

### **1. Continue to strengthen local and regional partnerships.**

This includes, but is not limited to, SWTDD, Haywood County, MTAS, TAUD, and neighboring jurisdictions to provide services or model policies.

- Service demands will likely outpace potential tax revenue growth, so keeping shared resources for staffing gaps in the short-term is essential.
- Services to focus on include law enforcement, fire and EMS, planning and zoning administration, shared personnel, building inspections, funding applications, local tourism, and utility management.

### **2. Evaluate usage rates of existing government services.**

Are current services still relevant, who uses them, and are there others that could provide those services in a more efficient way? If they are highly used and deemed essential, are there other partners that should be contributing to their operation? What are the future needs to continue serving the expanding population?

- This is relevant for the library / community space, health clinic, business incubator, and government service and utilities.

### **3. Establish a financial model for growth.**

This should include accounting analysis procedures for how to address town facilities and service and staffing demands as they increase. While General Fund revenues may see benefits from growth, especially from any higher density land usages, commercial developments can improve tax base from both property and sales tax which should be considered in any land use planning efforts. A capital improvement plan should be maintained for all town infrastructure and targets for a General Fund balance should be implemented to ensure financial stability during economic downturns.

### **4. Seek out assistance for water and sewer planning to establish a water and sewer model and growth management plan.**

Specifically, the following items should be explored in this analysis:

- Evaluation of costs and revenues of expansion of utility service outside of Town boundaries to unannexed areas vs annexed areas.
- Explore the pros and cons of options for alternative delivery, including selling the utility system, joining a combined utility district or regional utility provider.
- Continue discussing future plans with Brownsville Energy Authority for long-term planning.

**5. Seek out additional grant funding opportunities.**

A few examples of viable funding programs are the Drinking Water & Clean Water SRF (apply separately from Brownsville Energy Authority), CDBG for parks and community facilities, TDOT, USDA, DRA, and EDA. A funding resource guide is being developed by the West TN Planning team that will offer greater insight into available resources matched to project types.

**6. Utilize technology to minimize staff time in responding to numerous information requests.**

This could include the proposed new website to provide information about Stanton and important government process. Many new potential residents and developers can access information online without having to meet with local staff, reducing staff resource demands. Continued coordination with the university programs already underway may help with this effort.

## **CONCLUSION**

To summarize, this administrative review is meant to help the Town of Stanton identify short-, mid-, and long-term priorities to manage growth. The West TN Planning Team recently released population and employment projections, which will serve as a basis for some of the future efforts identified here. In addition, some of the short-term needs could be realized through the existing TNECD West TN Planning contract either directly or through other state partnerships. Once town leadership finalizes and prioritizes their recommendations, further discussion on the scope, schedule and available funding and resources is necessary in the near-term to help Stanton evaluate their options for meeting these needs.

### **Critical Priorities:**

1. Coordinate Regional Transportation Improvements and Land Use Planning.
2. Formalize Process for New Development Proposals.
3. Update Utility Connection Fees.
4. Develop a Town Master Plan.

### **General Recommendations:**

1. Continue to strengthen local and regional partnerships.
2. Evaluate usage rates of existing government services.
3. Establish a financial model for growth.
4. Seek out assistance for water and sewer planning to establish a water and sewer model and growth management plan.
5. Seek out additional grant funding opportunities.
6. Utilize technology to minimize staff time in responding to numerous information requests.