

KILLEEN/KISD GROWTH ANALYSIS

KILLEEN, TEXAS

Presented By:

RKG
ASSOCIATES INC

Russell Archambault, Vice President & Principal

RKG Associates, Inc.

December 2, 2019



Welcome To
Killeen



MEETING AGENDA

I. Overview of Major Findings

- Regional, Local and Submarket Demographic Trends
- KISD Growth Projections
- Fiscal Impact Findings

II. Clarification & Questions

III. Discussion of Policy Implications

DEMOGRAPHIC TRENDS



Welcome To
Killeen

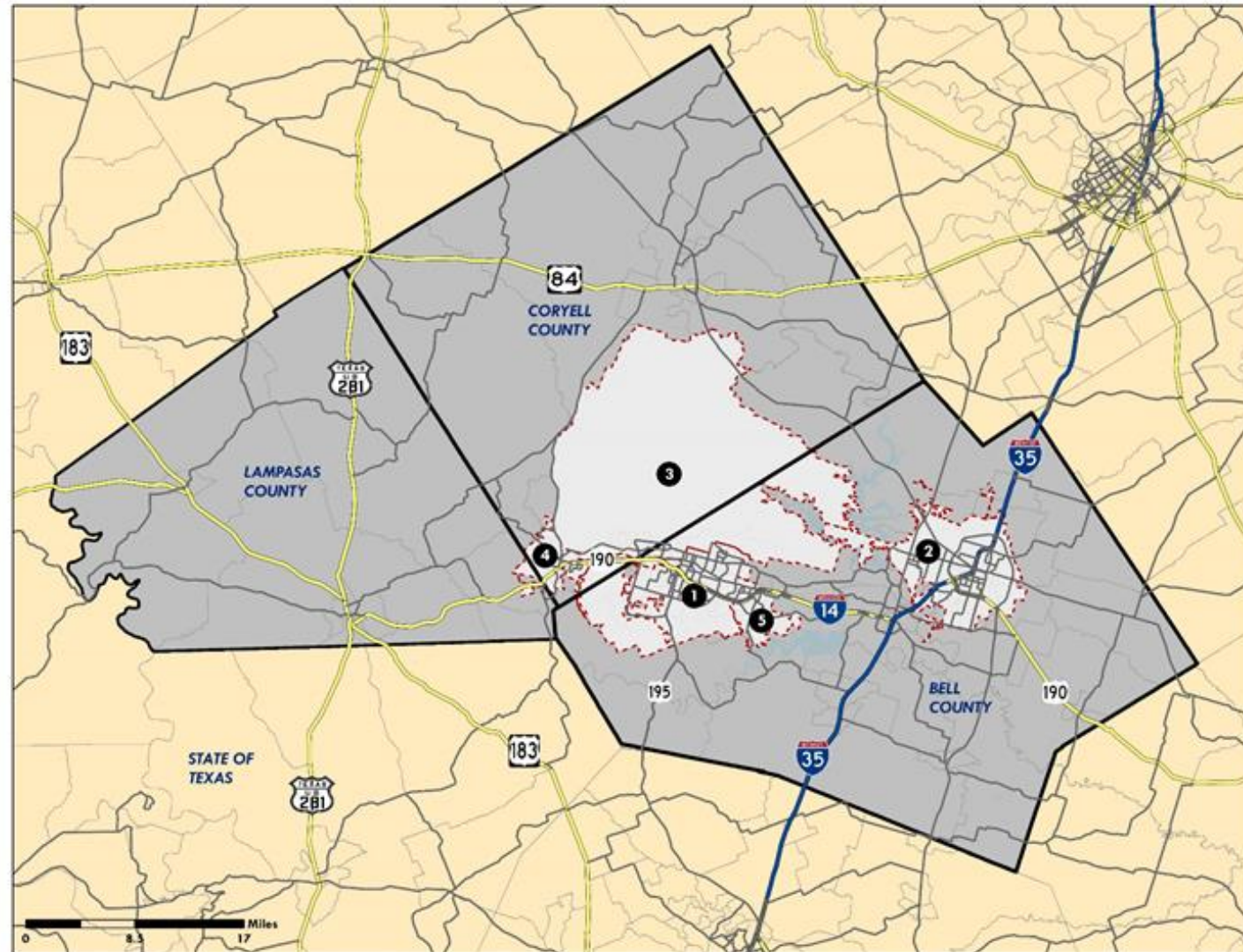
A large, arched stone sign with a stylized 'K' and a star above it. The sign is set against a blue sky background.



REGIONAL DEMOGRAPHIC TRENDS (1970–2017)

Region

- Bell County
- Coryell County
- Lampasas County
- Killeen-Fort Hood MSA



KILLEEN-TEMPLE-
FORT HOOD
METROPOLITAN
STATISTICAL
AREA (MSA)

(2018)

SURROUNDING COMMUNITIES

1. CITY OF KILLEEN
2. TEMPLE
3. FORT HOOD
4. COPPERAS COVE
5. HARKER HEIGHTS

LEGEND

- HIGHWAY/INTERSTATE
- MAJOR ROADS
- LOCAL ROADS
- - - SURROUNDING COMMUNITIES
- STATE OF TEXAS

Source: Bell & Coryell County Appraisal Office
Date: November 8, 2018



REGIONAL POPULATION GROWTH TRENDS

- Bell County has grown its population share while Coryell and Lampasas Counties have declined
- Population growth rates have declined sharply from 2000-2010 levels

	1970	1980	1990	2000	2010	2017
Bell County	125,097	158,966	191,654	239,890	312,985	344,450
Coryell County	35,624	56,906	64,341	75,199	75,589	75,465
Lampasas County	9,433	11,988	13,520	17,900	19,756	20,987
Killeen-Temple-Fort Hood, TX MSA	170,154	227,860	269,515	332,989	408,330	440,902
Percent Distribution of MSA						
Bell County	73.5%	69.8%	71.1%	72.0%	76.7%	78.1%
Coryell County	20.9%	25.0%	23.9%	22.6%	18.5%	17.1%
Lampasas County	5.5%	5.3%	5.0%	5.4%	4.8%	4.8%
Killeen-Temple-Fort Hood, TX MSA	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Woods & Poole Economics, Inc. and RKG Associates, Inc., 2018

NATURAL CHANGE AND NET MIGRATION

	2011	2012	2013	2014	2015	2016	2017	Change '11-'17	
								Count	% Chge.
BELL COUNTY									
Total Population	315,809	324,989	327,150	330,248	336,094	341,203	347,833	32,024	1.7%
Births	6,055	5,930	6,244	6,211	6,301	6,308	6,314	43,363	--
Deaths	(1,817)	(1,867)	(1,904)	(1,983)	(2,007)	(2,230)	(2,183)	(13,991)	--
Net Natural Change	4,238	4,063	4,340	4,228	4,294	4,078	4,131	29,372	--
Births/Deaths Ratio	3.3	3.2	3.3	3.1	3.1	2.8	2.9	3.1	
Net Migration	(1,928)	3,058	(1,149)	(1,733)	1,067	1,296	2,492	3,103	--
International	610	2,514	1,541	1,221	1,642	957	940	9,425	--
Domestic	(2,538)	544	(2,690)	(2,954)	(575)	339	1,552	(6,322)	--

- Natural births have accounted for a significant share of Bell County's population change since 2011
- This high birth rate is reflective of Bell County and the KISD's younger age demographic
- Texas Birth/Death Ratio was 2.1 births for every death.

POPULATION SHIFT BY RACE (1990–2017)

- The share of White population in each jurisdiction has declined since 1990 but numbers have increased
- Bell County has seen its White population share drop from 65% in 1990 to 48% in 2017, despite a 40,000 increase in the White population
- The loss of White population has been offset by an increase in African American and Hispanic population

	1990		2017		Trend
	Population	Share	Population	Share	
Bell County					
White	125,157	65%	164,291	48%	↓
Black/African American	35,254	18%	79,539	23%	↑
Other	6,019	3%	16,122	5%	↑
Hispanic Origin	25,224	13%	84,498	25%	↑
Coryell County					
White	42,832	67%	45,725	61%	↓
Black/African American	13,342	21%	13,159	17%	↓
Other	1,899	3%	2,988	4%	↑
Hispanic Origin	6,268	10%	13,593	18%	↑
Lampasas County					
White	11,358	84%	15,500	74%	↓
Black/African American	237	2%	864	4%	↑
Other	193	1%	532	3%	↑
Hispanic Origin	1,732	13%	4,091	19%	↑
Killeen-Temple, TX MSA					
White	179,347	67%	225,516	51%	↓
Black/African American	48,833	18%	93,562	21%	↑
Other	8,111	3%	19,642	4%	↑
Hispanic Origin	33,224	12%	102,182	23%	↑

Source: Woods & Poole Economics, Inc., 2018

CHANGES IN HISPANIC POPULATION SHARE

- Bell County's share of Hispanic population has increased from 9.5% (11,826 pop) in 1970 to 24.5% (84,498 pop) in 2017
- Bell County's Hispanic population has increased by 613.6% since 1970

Year	Bell County		Coryell County		Lampasas County		Killeen-Temple, TX MSA	
	Population	Share	Population	Share	Population	Share	Population	Share
1970	11,826	9.5%	2,472	6.9%	839	8.9%	15,137	8.9%
1980	17,692	11.1%	4,918	8.6%	1,303	10.9%	23,913	10.5%
1990	25,224	13.2%	6,268	9.7%	1,732	12.8%	33,224	12.3%
2000	40,416	16.8%	9,479	12.6%	2,716	15.2%	52,611	15.8%
2010	68,228	21.8%	12,127	16.0%	3,481	17.6%	83,836	20.5%
2017	84,498	24.5%	13,593	18.0%	4,091	19.5%	102,182	23.2%

Source: Woods & Poole Economics, Inc., 2018

Growth Rate
(‘70-’17)

613.6%

449.9%

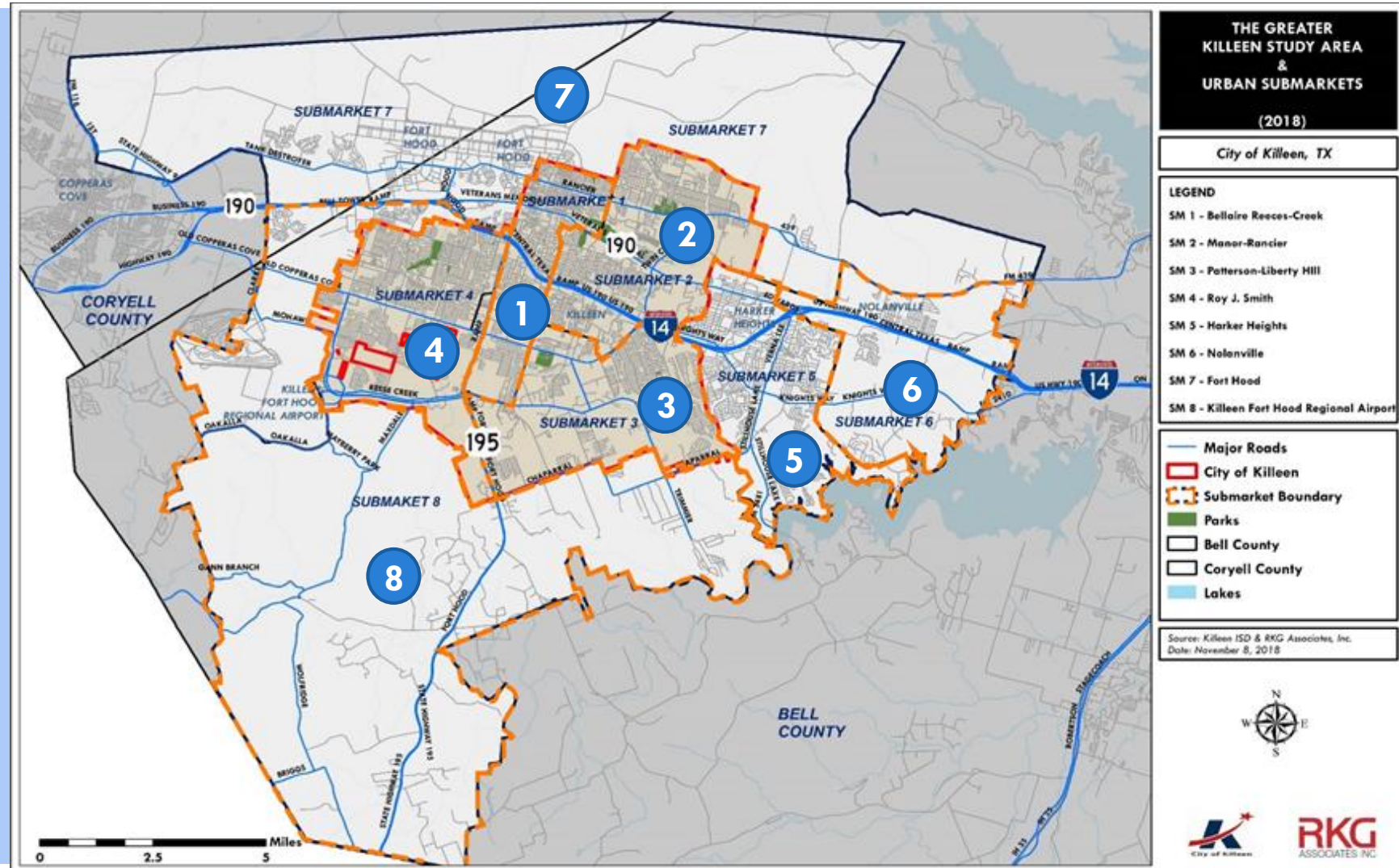
387.6%

575.6%

KISD STUDY AREA SUBMARKETS

KISD Submarket Areas

- SM 1 Bellaire-Reeces Creek
- SM 2 Manor-Rancier
- SM 3 Patterson-Liberty Hill
- SM 4 Roy J Smith
- SM 5 Harker Heights
- SM 6 Nolanville
- SM 7 Fort Hood
- SM 8 Killeen-Fort Hood Regional Airport

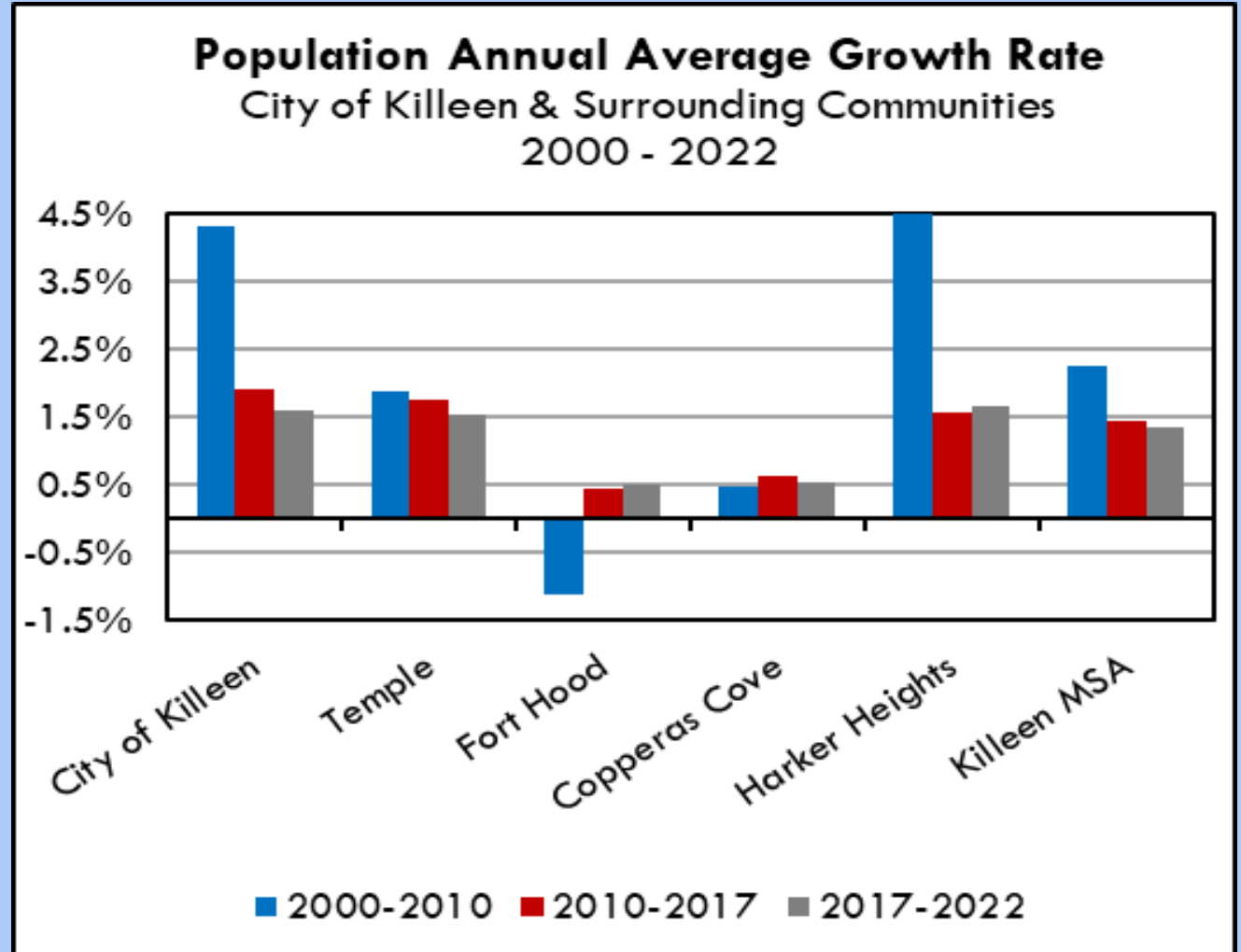


LOCAL POPULATION TRENDS (2000–2017)

Jurisdiction	2000	2010	2017	2022
City of Killeen	89,279	127,921	145,246	156,817
Temple	55,691	66,284	74,401	80,173
Fort Hood	33,312	29,589	30,554	31,351
Copperas Cove	30,543	32,031	33,463	34,369
Harker Heights	18,412	26,700	29,676	32,155
Killeen-Temple-Fort Hood MSA	330,714	405,300	446,693	477,103

Source: ESRI and RKG Associates, Inc., 2018

- The Cities of Killeen, Temple and Harker Heights have driven MSA population growth since 2000
- Growth rates have slowed to under 1.5% since the boom of 2000-2010
- Over the next decade, RKG projects 1.4% annual population growth

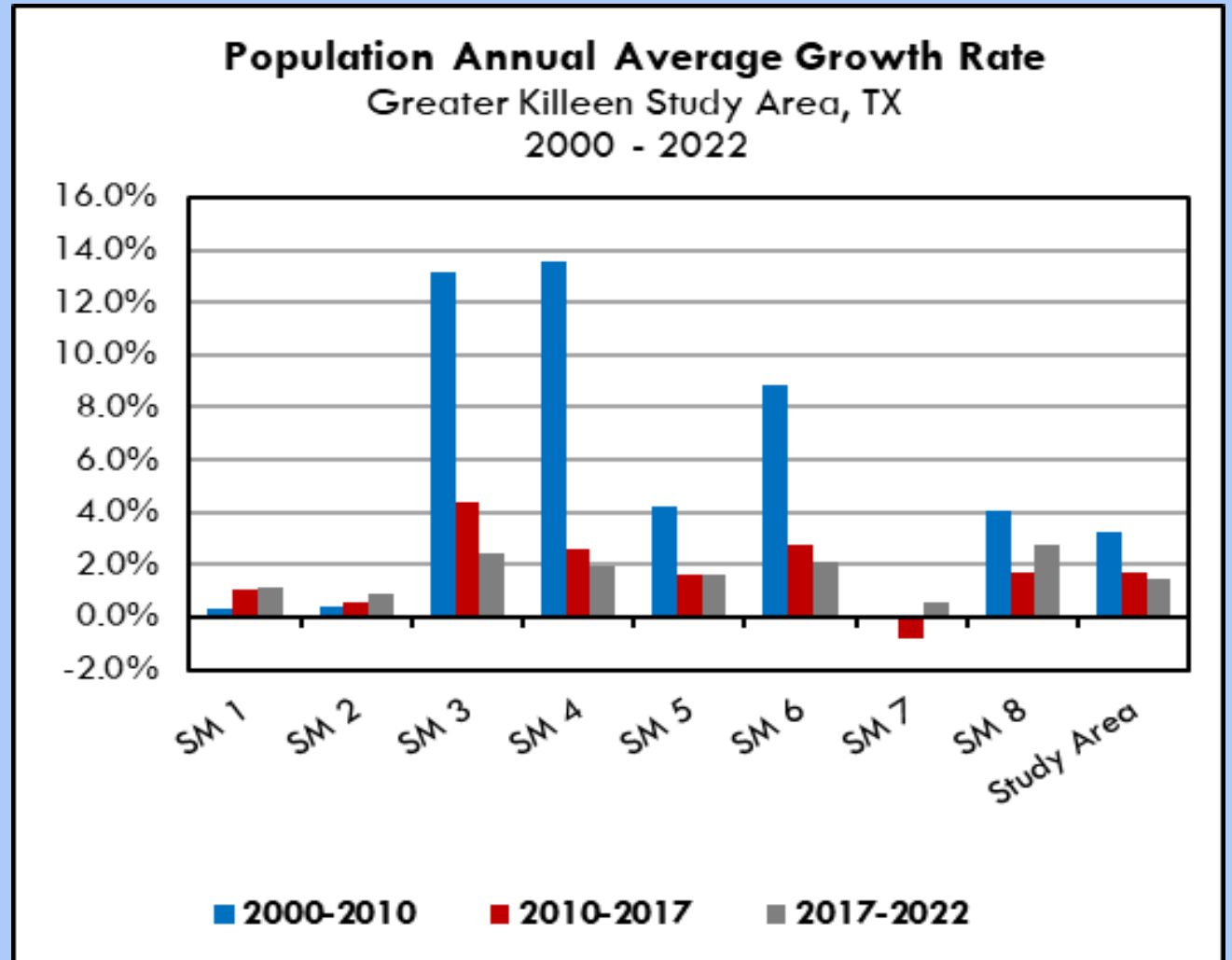


KISD SUBMARKET POPULATION TRENDS (2000–2017)

Submarkets	2000	2010	2017	2022
SM 1 - Bellaire-Reeces Creek	25,501	26,349	28,272	29,898
SM 2 - Manor-Rancier	36,201	37,631	39,155	40,925
SM 3 - Patterson-Liberty Hill	10,059	23,306	30,389	34,127
SM 4 - Roy J Smith	17,556	41,401	48,810	53,473
SM 5 - Harker Heights	17,440	24,743	27,492	29,736
SM 6 - Nolanville	3,353	6,311	7,520	8,319
SM 7 - Fort Hood	34,312	34,436	32,522	33,385
SM 8 - Regional Airport	3,045	4,285	4,800	5,454
Total	147,467	195,462	218,960	235,318

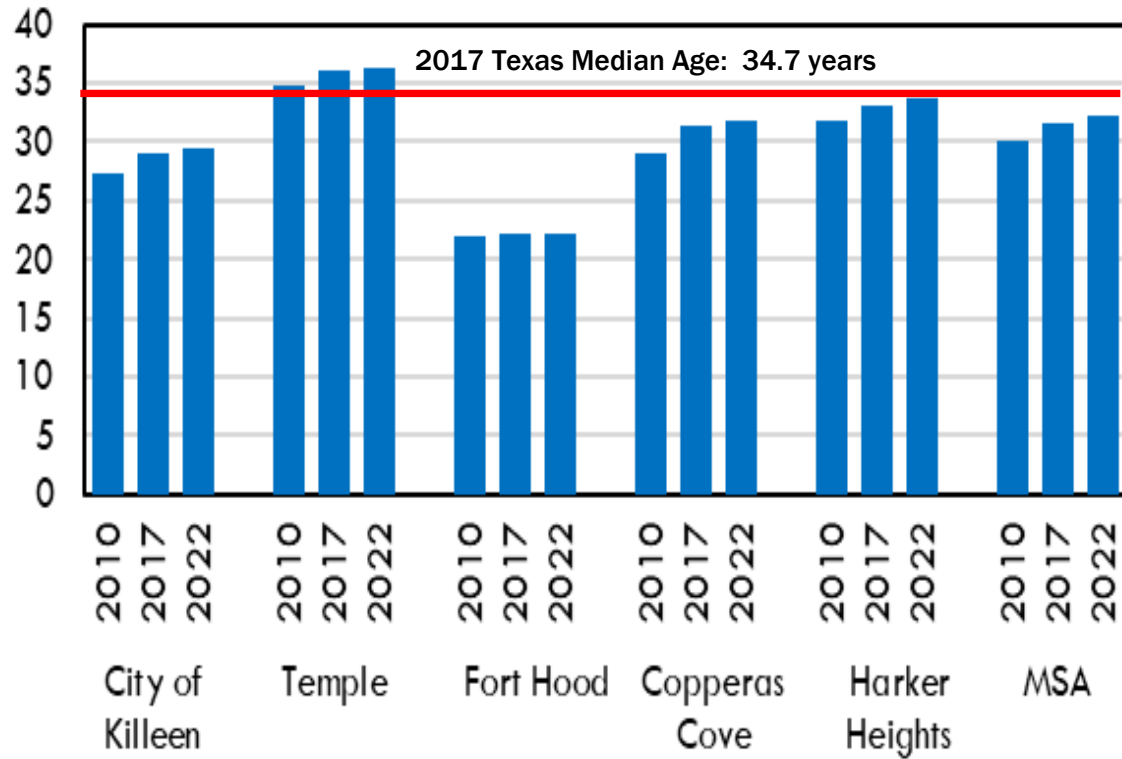
Source: ESRI and RKG Associates, Inc., 2018

- Patterson-Liberty Hill, Roy J. Smith and Harker Heights have captured the greatest share of population gains in the KISD
- Nolanville is growing quickly

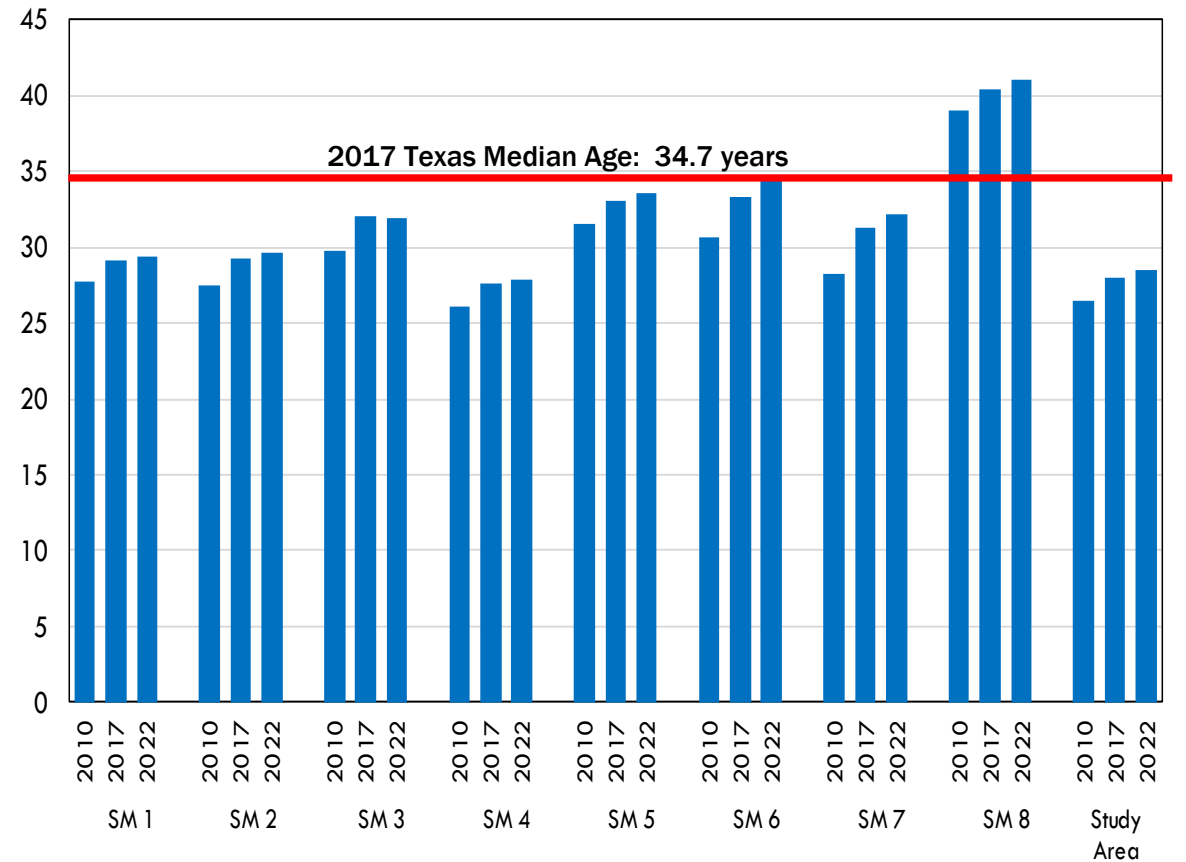


KISD SUBMARKET POPULATION MEDIAN AGE

City of Killeen & Surrounding Communities
2010-2022



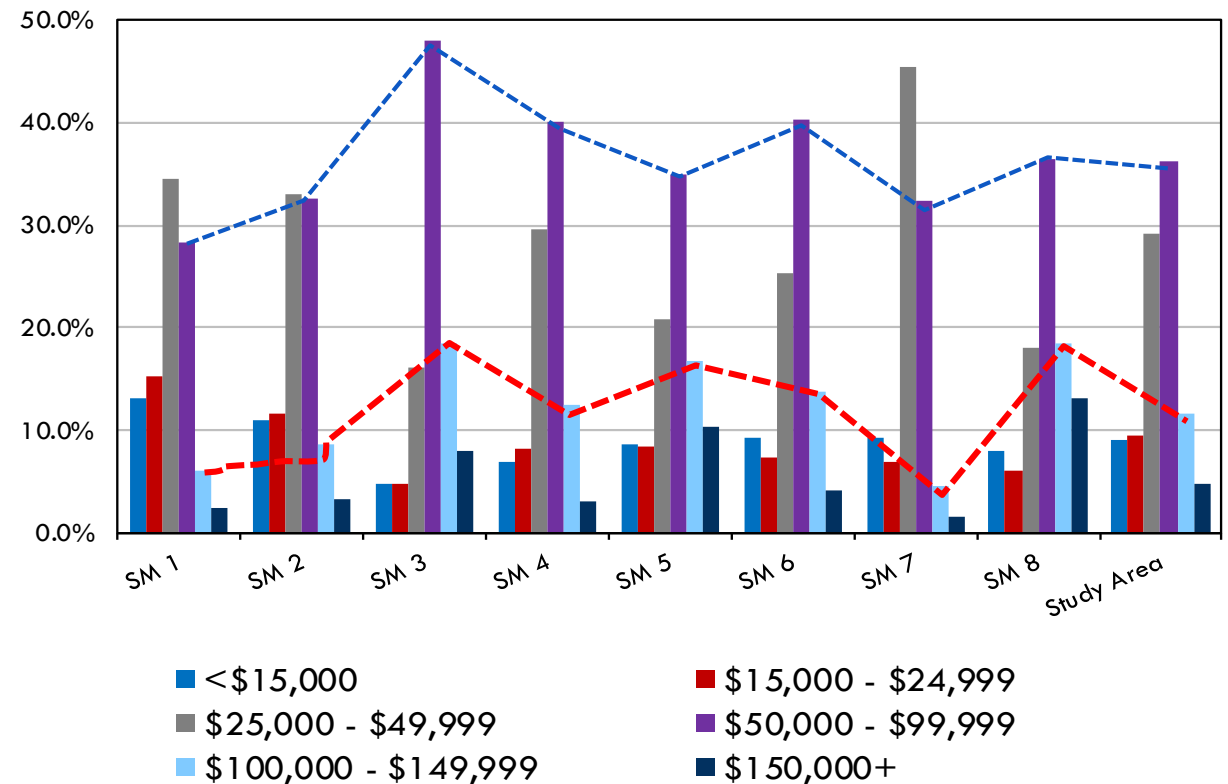
Greater Killeen Study Area
2010-2022



KISD HOUSEHOLD INCOME (2017)

- Households with income between \$50,000-\$99,999 and \$100,000- \$149,000 per year are clustered in Patterson-Liberty Hill (SM 3), Harker Heights (SM 5) and Killeen-Fort Hood Regional Airport (SM 8)

Household Income Distribution
Greater Killeen Study Area
2017



SO . . . WHAT'S DRIVING KISD'S POPULATION GROWTH?

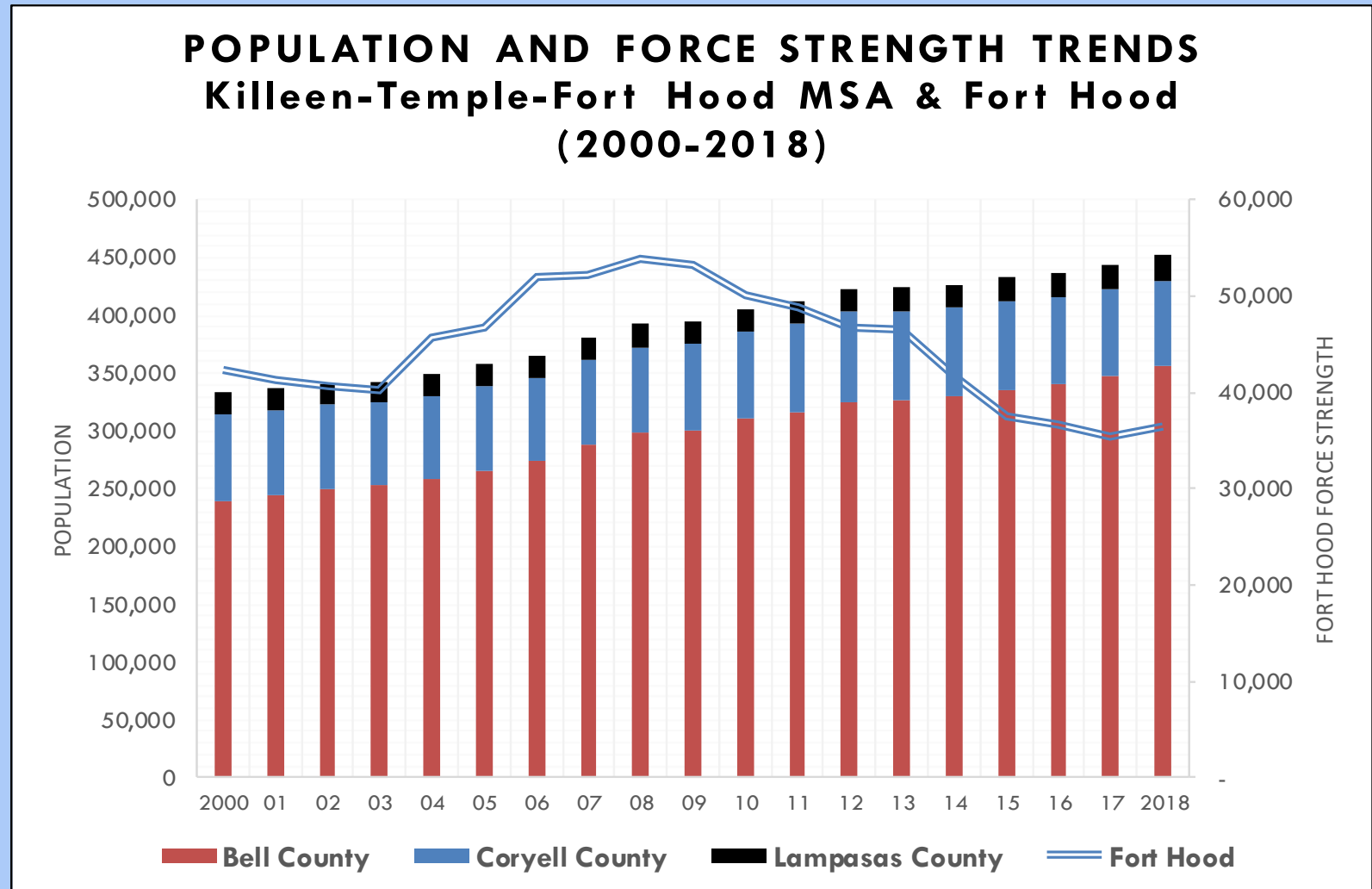
- A **very high natural birth/death ratio** in Bell County. 50% higher than the Texas
- A **rising Hispanic and African-American population** in Killeen and the region
- The **attraction and retention of extended military family members** during the 2000-2008 deployment period
- The annual **retention of between 25% to 30% of separating and retired military from Fort Hood** over the past decade
- The **supportive environment, veterans' benefits and tax exemptions afforded to military veterans** from other parts of the county
- The **attraction of economic migrants from other U.S. locations** in search of employment, affordable housing and enhanced quality of life
- Killeen/Central Texas' **growing recognition as an affordable retirement location**
- Texas has become a **desirable location for nearly 300,000 Californians annually**, who are seeking relief from higher housing and living costs in cities like Los Angeles, San Francisco and San Diego

GROWTH PROJECTIONS (2018–2035)



REGIONAL POPULATION TRENDS COMPARED TO FORT HOOD FORCE STRENGTH LEVELS (2000-2018)

- Counter to historical population trends, as Fort Hood started downsizing its force strength in 2008, regional population levels continued to rise
- RKG is projecting a stabilized population at Fort Hood based on the Post Commander's estimates
- If force strength changes then the analysis results would also change

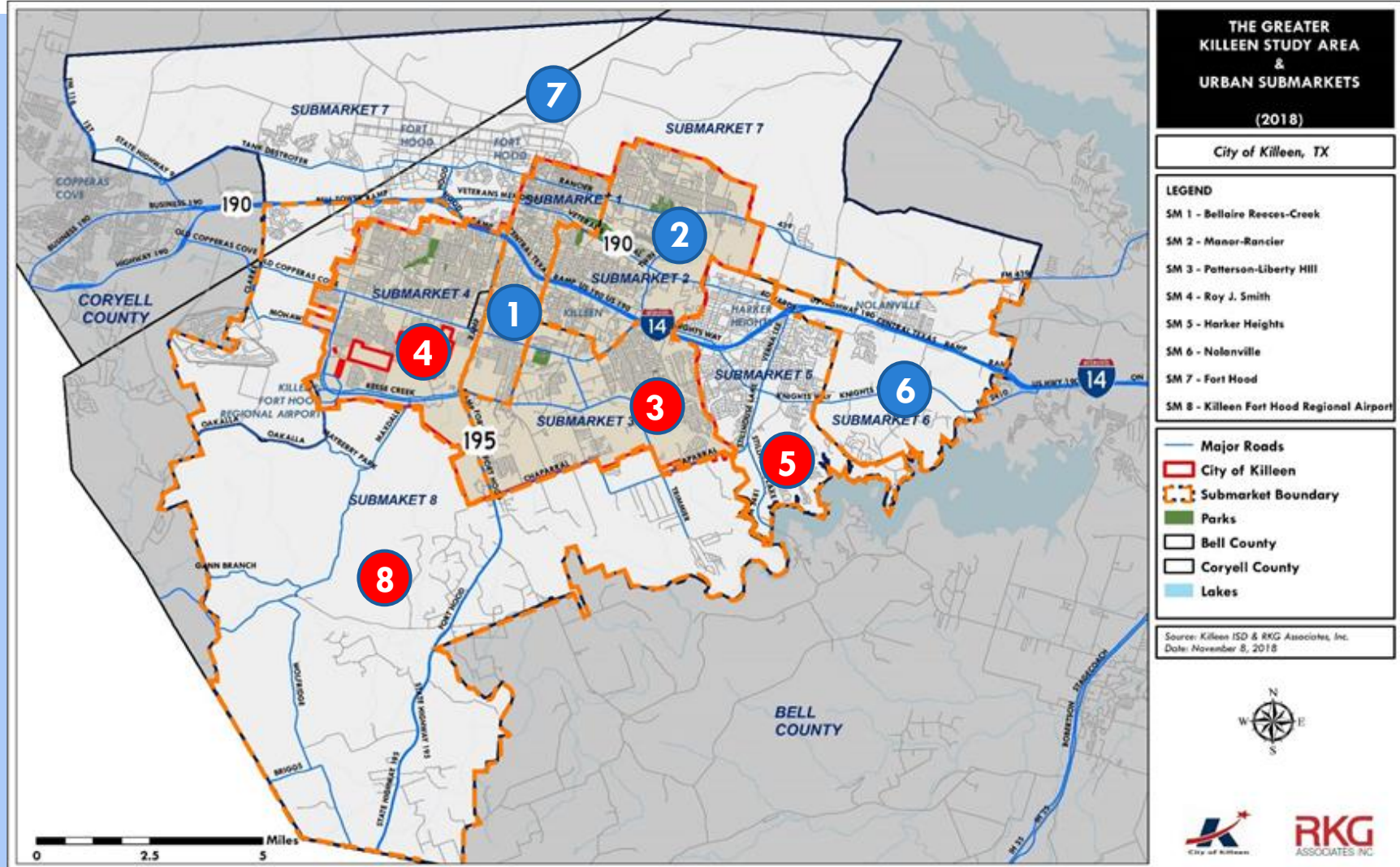


KISD STUDY AREA SUBMARKETS

KISD Submarket Areas

- SM 1 Bellaire-Reeces Creek
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- SM 6 Nolanville
- SM 7 Fort Hood
- SM 8 Killeen-Fort Hood Regional Airport

 Prime Growth Areas



POPULATION GROWTH PROJECTIONS (2018–2035)

Population Projections by Submarket KISD Study Area (2018 - 2035)

Submarkets	2018	2020	2025	2030	2035	Change '18 - '35		
						Actual Chg	% of Tot. Chge	Ann % Chge
Greater Killeen Study Area/KISD	223,745	230,712	247,154	262,792	277,565	53,820	100.0%	1.4%
SM 1 - Bellaire-Reeces Creek	28,998	29,764	31,442	32,767	33,909	4,911	9.1%	1.0%
SM 2 - Manor-Rancier	39,886	40,661	42,140	42,878	43,253	3,367	6.3%	0.5%
SM 3 - Patterson-Liberty Hill	31,299	32,890	37,010	41,583	46,279	14,980	27.8%	2.8%
SM 4 - Roy J Smith	49,353	51,224	55,612	59,848	63,971	14,618	27.2%	1.7%
SM 5 - Harker Heights	28,826	29,888	32,423	34,879	37,267	8,441	15.7%	1.7%
SM 6 - Nolanville	7,793	8,141	9,012	9,949	10,895	3,102	5.8%	2.3%
SM 7 - Fort Hood	32,601	32,877	33,254	33,056	32,484	-117	-0.2%	0.0%
SM 8 - Killeen-Fort Hood Regional Airport	4,989	5,267	6,261	7,830	9,508	4,519	8.4%	5.3%

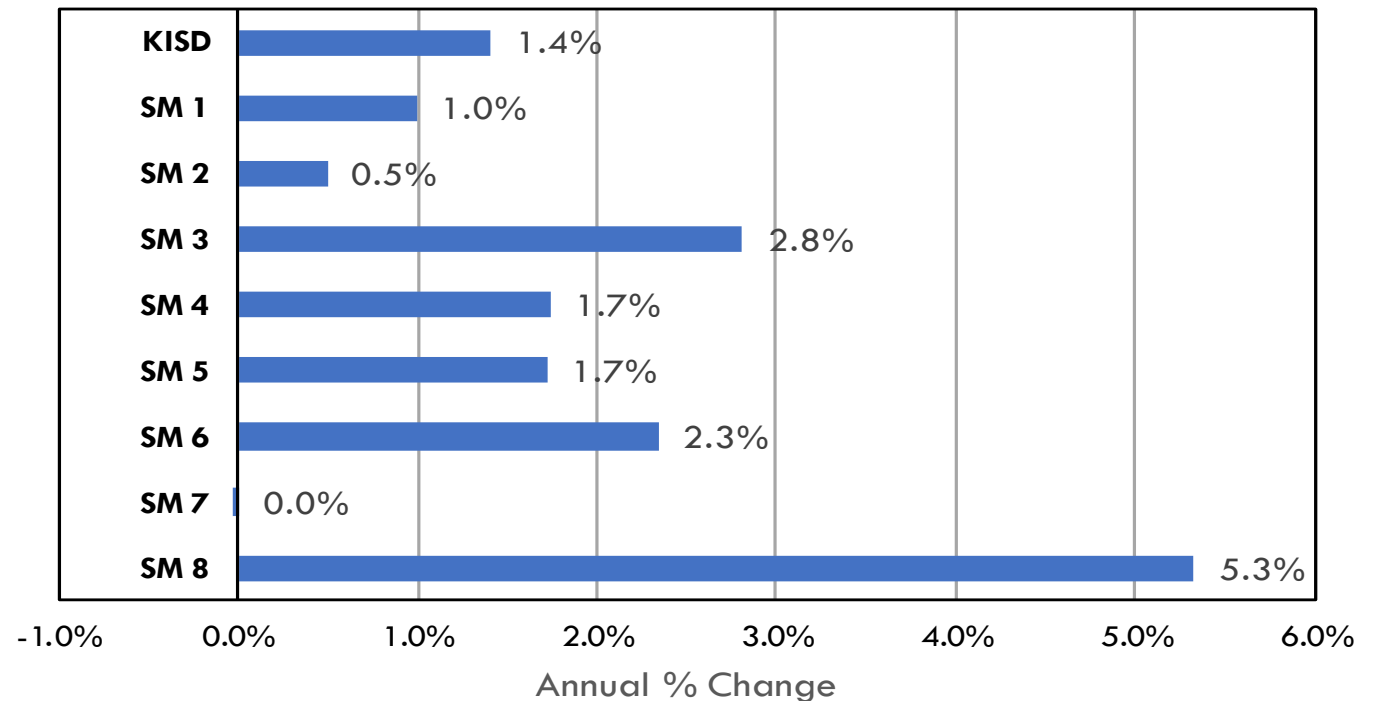
Source: Woods & Poole Economics, Inc., ESRI and RKG Associates, Inc., 2018

POPULATION ANNUAL GROWTH RATES (2018–2035)

- Average annual population growth rates have dropped since 2010 and are projected to slow over the next 17 years to 1.4% annually
- Faster population growth is projected in Patterson-Liberty Hill (2.8%), Nolanville (2.3%) and Killeen-Fort Hood Regional Airport (5.3%)

Population Projections Average Annual % Change

KISD Submarkets
(2018-2035)



EMPLOYMENT PROJECTIONS BY SUBMARKET (2018–2035)

Submarket	Employment Projections					Employment Growth	
	2018	2020	2025	2030	2035	Actual Chge	% of Total
SM 1 - Bellaire-Reeces Creek	10,707	10,856	11,241	11,643	12,063	1,356	17.3%
SM 2 - Manor-Rancier	13,241	13,427	13,908	14,411	14,936	1,695	21.7%
SM 3 - Patterson-Liberty Hill	4,657	4,831	5,279	5,748	6,239	1,582	20.2%
SM 4 - Roy J Smith	5,311	5,429	5,732	6,049	6,381	1,070	13.7%
SM 5 - Harker Heights	7,597	7,698	7,958	8,231	8,516	919	11.7%
SM 6 - Nolanville	849	896	1,016	1,142	1,274	425	5.4%
SM 7 - Fort Hood	4,718	4,738	4,788	4,841	4,896	178	2.3%
SM 8 - Killeen-Fort Hood Regional Airport	473	539	709	886	1,072	599	7.7%
Total	47,553	48,413	50,631	52,951	55,377	7,824	100.0%

Source: ESRI Business Analyst and RKG Associates, Inc., 2019

- The greatest employment growth opportunities are projected to occur in Manor-Rancier, Patterson-Liberty Hill and Bellaire-Reeces Creek

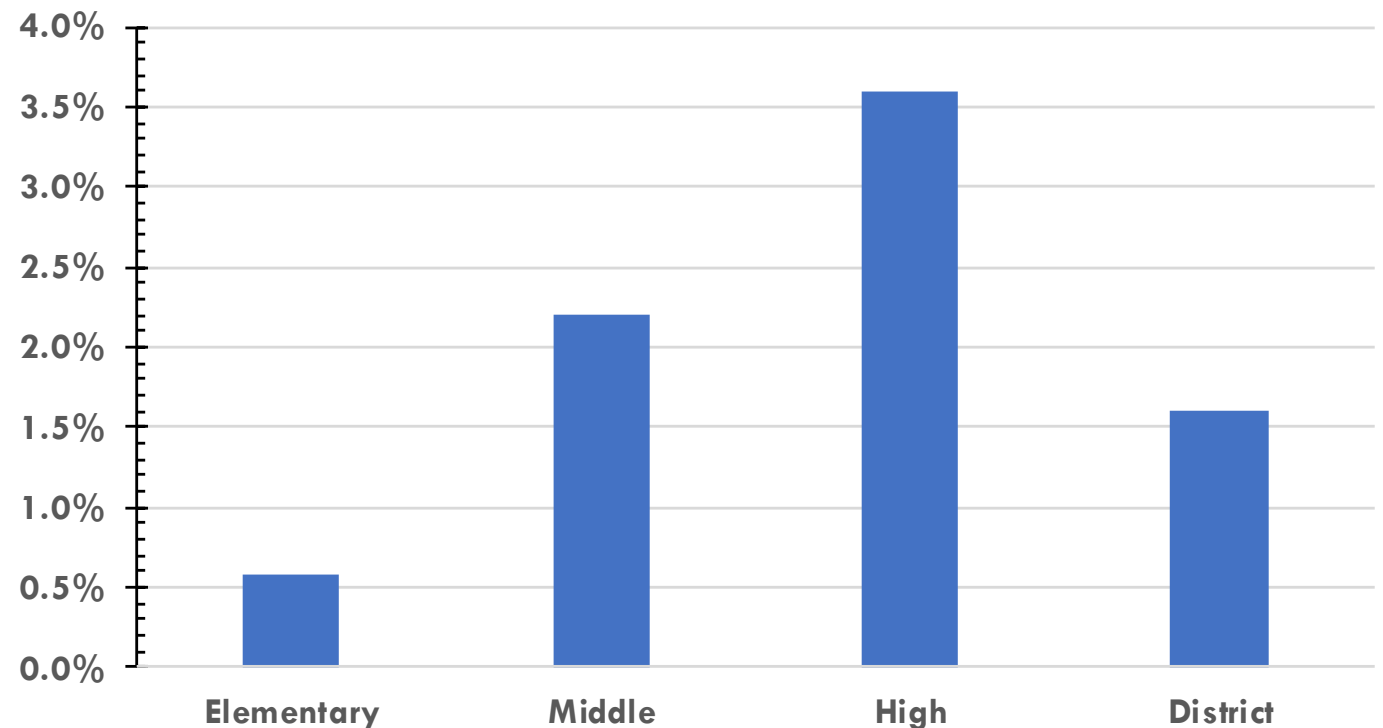
FISCAL IMPACTS (2018–2035)



AVERAGE ANNUAL ENROLLMENT CHANGE BY GRADE (2014–2019)

- The KISD has experienced enrollment growth in excess of 1.5% annually over the past five years
- Enrollment growth at the high school and middle school level are much higher than the district average and higher than the rate of population growth

Average Annual Percent Change
KISD Peak Enrollment by Grade
(2014-2019)



SCHOOL ENROLLMENT MULTIPLIER BY GRADE AND SUBMARKET

Composite Household Student Multipliers by Submarket Killeen Independent School District (2019)

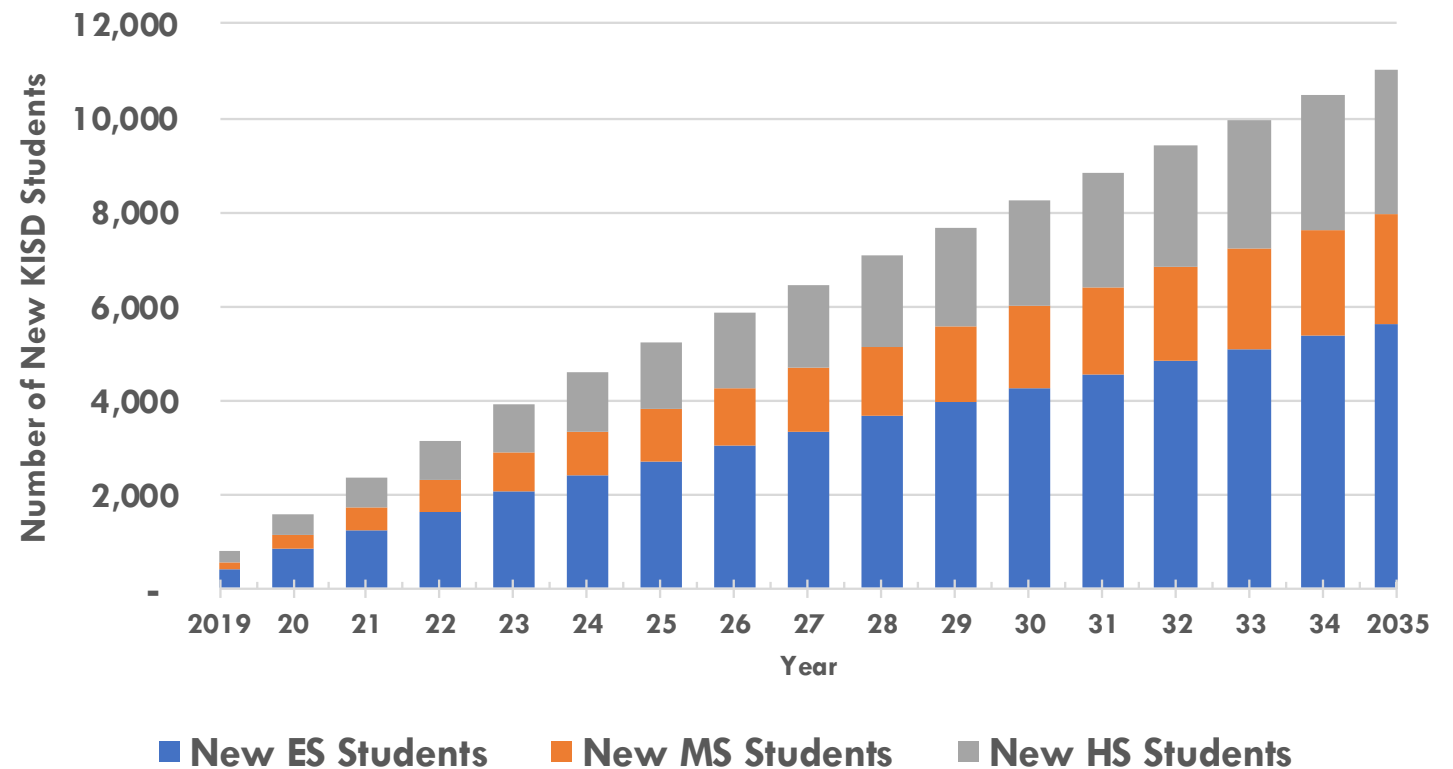
Submarkets	# HUs	HU Student Multipliers by Grade				Number of School-age Children			
		ES/unit	MS/unit	HS/unit	Total/unit	ES	MS	HS	Total
SM 1 - Bellaire-Reece's Creek	11,078	0.32	0.11	0.13	0.56	3,536	1,250	1,449	6,235
SM 2 - Manor Rancier	12,702	0.30	0.10	0.13	0.53	3,798	1,242	1,649	6,689
SM 3 - Patterson-Liberty Hill	8,766	0.36	0.17	0.22	0.75	3,123	1,497	1,919	6,539
SM 4 - Roy J. Smith	15,723	0.39	0.14	0.18	0.71	6,084	2,245	2,771	11,100
SM 5 - Harker Heights	10,739	0.30	0.13	0.19	0.62	3,213	1,447	2,004	6,664
SM 6 - Nolanville	1,940	0.36	0.13	0.15	0.64	699	247	300	1,246
SM 7 - Fort Hood	6,265	0.57	0.13	0.11	0.80	3,544	800	665	5,009
SM 8 - Killeen/Fort Hood Airport	701	0.36	0.19	0.29	0.84	255	131	205	591
Total - KISD Study Area	67,914	0.36	0.13	0.16	0.65	24,252	8,859	10,962	44,073

Source: KISD School Attendance Zone data and RKG Associates, Inc.

ENROLLMENT PROJECTIONS BY GRADE (2018–2035)

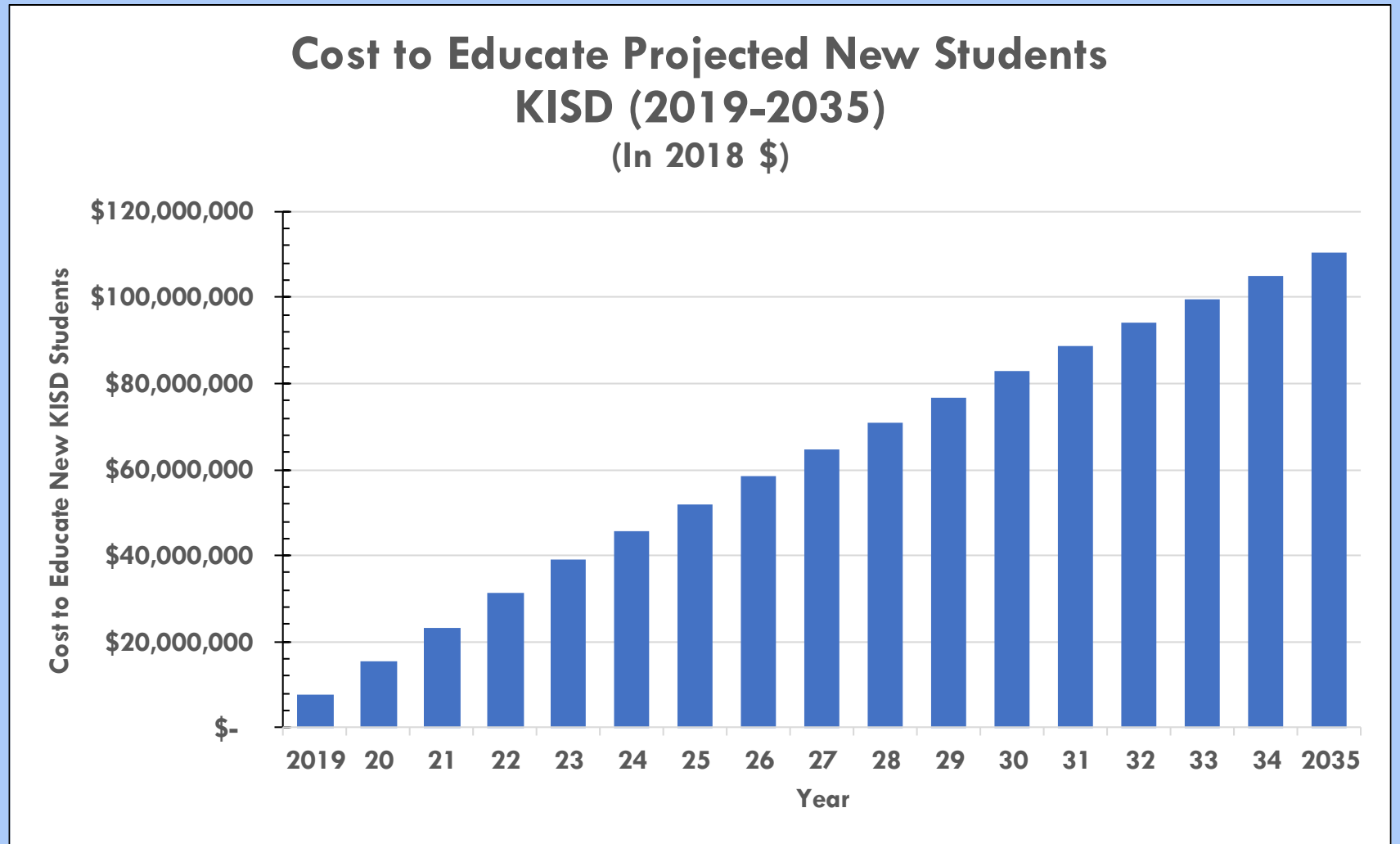
- RKG projects a student enrollment increase of 11,109 during the 2018-2035 period
 - Elementary 5,631
 - Middle 2,336
 - High 2,982
- RKG projections are driven by population and household growth, utilizing KISD student multipliers by submarket

**Cumulative New Student Projections by Grade
KISD (2018-2035)**



PROJECTED COST TO EDUCATE NEW STUDENTS (2019–2035)

- The instruction-related cost to educate 11,109 new students during the projection period could exceed \$110 million (in 2018 \$) and result in the hiring of 782 new teachers based on current student:teacher ratios



ELEMENTARY ENROLLMENT PROJECTIONS BY SUBMARKET (2018–2035)

ELEMENTARY SCHOOLS	Planning Capacity (Core)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
		Annual School Capacity Estimates																
Submarkets																		
SM 1 - Bellaire-Reece's Creek	1,579	220	177	134	91	49	6	(18)	(40)	(62)	(82)	(101)	(119)	(135)	(150)	(164)	(176)	(187)
SM 2 - Manor Rancier	4,517	456	410	364	317	271	225	207	192	179	167	157	148	143	139	137	137	139
SM 3 - Patterson-Liberty Hill	3,894	282	190	102	15	(73)	(161)	(263)	(365)	(468)	(571)	(676)	(780)	(884)	(988)	(1,092)	(1,195)	(1,299)
SM 4 - Roy J. Smith	4,272	1,671	1,539	1,419	1,300	1,180	1,061	961	863	766	669	573	479	386	295	206	118	32
SM 5 - Harker Heights	2,713	134	80	27	(27)	(80)	(134)	(169)	(203)	(237)	(270)	(302)	(333)	(364)	(393)	(422)	(449)	(476)
SM 6 - Nolanville	1,550	386	366	345	325	304	284	264	244	225	205	185	166	146	127	108	89	70
SM 7 - Fort Hood	7,762	1,007	984	961	938	915	892	892	894	897	903	909	918	929	942	957	973	991
SM 8 - Killeen/Fort Hood Airport	0	4,156	3,745	3,352	2,959	2,566	2,172	1,874	1,584	1,301	1,020	745	479	222	(29)	(270)	(503)	(731)
Total - KISD Study Area	26,287	8,312	7,491	6,704	5,918	5,131	4,345	3,748	3,169	2,601	2,041	1,490	958	444	(58)	(539)	(1,006)	(1,461)

■ Cost of Construction of 2 new elementary schools: **\$54.4 million**

MIDDLE SCHOOL ENROLLMENT PROJECTIONS BY SUBMARKET (2018–2035)

MIDDLE SCHOOLS	2019 Planning Capacity	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	(Core)																	
Nolan	825	109	100	91	81	72	63	58	53	48	44	40	36	33	30	27	24	22
Rancier	850	206	194	182	169	157	145	138	130	124	117	110	104	99	93	88	84	79
Manor	750	107	98	89	80	72	63	59	55	52	49	46	44	42	41	39	39	38
Eastern Hills	800	126	114	102	91	79	67	59	51	43	35	27	20	12	5	(2)	(8)	(15)
Palo Alto	850	193	180	166	153	139	126	115	104	94	83	72	62	52	42	32	23	14
Liberty Hill	850	111	88	64	41	18	(6)	(33)	(61)	(89)	(117)	(145)	(173)	(201)	(229)	(257)	(285)	(313)
Live Oak Ridge	850	229	217	204	192	179	167	157	147	137	127	117	108	99	89	80	72	63
Union Grove	875	162	145	128	112	95	78	67	55	44	33	22	12	2	(8)	(18)	(28)	(37)
Audie Murphy	875	111	106	101	96	91	86	86	87	87	89	90	92	94	97	100	104	107
C. Patterson	975	172	145	118	92	65	38	8	(21)	(51)	(81)	(111)	(140)	(170)	(199)	(228)	(257)	(286)
Roy J. Smith	1,250	19	(5)	(29)	(52)	(76)	(100)	(123)	(146)	(169)	(193)	(216)	(238)	(261)	(283)	(305)	(327)	(349)
Total - KISD Study Area	9,750	1545	1382	1218	1055	891	728	589	454	320	187	55	(74)	(199)	(323)	(443)	(561)	(677)

■ Cost of Construction of 1 new middle school: \$32 million

HIGH SCHOOL ENROLLMENT PROJECTIONS BY SUBMARKET (2018–2035)

HIGH SCHOOLS	2019 Planning Capacity	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	(Core)																	
Killeen High School Zone	2,275	316	285	254	224	193	162	148	134	122	111	100	91	83	76	71	66	63
Ellison High School Zone	2,179	332	278	224	170	116	63	15	(33)	(79)	(126)	(172)	(218)	(262)	(306)	(349)	(391)	(433)
Harker Height High School Zone	2,011	354	316	278	241	203	165	139	114	89	64	39	15	(8)	(30)	(52)	(73)	(94)
Robert Shoemaker High School Zone	2,011	165	122	79	37	(6)	(49)	(83)	(117)	(150)	(183)	(216)	(247)	(278)	(309)	(338)	(367)	(396)
High School No. 5	2,500	1,351	1,306	1,262	1,217	1,173	1,128	1,064	999	934	867	801	734	667	599	532	464	396
Total - KISD Study Area	10,976	2,518	2,308	2,099	1,889	1,679	1,469	1,282	1,097	915	733	552	375	202	30	(137)	(301)	(464)
Total - KISD Study Area	47,013	12,375	11,181	10,021	8,861	7,702	6,542	5,619	4,720	3,836	2,960	2,097	1,259	446	(350)	(1,120)	(1,868)	(2,602)

■ Cost of Construction of 1 new high school: \$171 million

CLUSTERING OF KISD MILITARY VETERAN POPULATION

Submarket	Veteran Population			Age Distribution of Veteran Population				
	Civilian Pop. 18+	Veterans 18+	% Vets. Age 18+	Age 18- 34	Age 35- 54	Age 55- 64	Age 65- 74	Age 75+
SM 1 - Bellaire-Reece's Creek	12,540	3,023	24.1%	938	1,053	414	353	265
SM 2 - Manor Rancier	23,701	5,707	24.1%	1,464	1,928	1,418	627	270
SM 3 - Patterson-Liberty Hill	20,463	6,920	33.8%	1,681	3,384	1,403	229	223
SM 4 - Roy J. Smith	31,524	9,986	31.7%	3,803	4,464	1,003	450	266
SM 5 - Harker Heights	16,194	3,805	23.5%	618	1,573	770	632	212
SM 6 - Nolanville	5,349	1,163	21.7%	212	442	330	95	84
SM 7 - Fort Hood	11,562	2,967	25.7%	1,778	645	245	236	63
SM 8 - Killeen/Fort Hood Airport	6,543	2,022	30.9%	206	980	500	276	60
Total - KISD Study Area	127,876	35,593	27.8%	10,700	14,469	6,083	2,898	1,443

Source: American Community Survey (2012-2016) Five Year Estimates and RKG Associates, Inc., 2019

- Roughly 71% of the local veteran populations are between the ages of 18 and 54 and are likely to have children living in the household.
- If military population remains stable in the future, military dependent student population will eventually drop below 35% of the total student population, which will affect Federal Impact Aid formula

ASSESSED VALUE PROJECTIONS (2018–2035)

Total Net Residential Assessed Value and Estimated Tax Exemptions

2018-2035 Submarket Areas	Total Real Property Assessed Value (Adjusted for Exemptions)					
	Residential Assessed Value	Value of Res. Exemptions	Net Residential Assessed Value	% Value of Exemptions	Non-Residential Assessed Value	Total Assessed Value
SM 1 - Bellaire-Reeces Creek	\$ 136,314,198	\$ (15,846,703)	\$ 120,467,495	-11.6%	\$ 29,359,350	\$ 149,826,845
SM 2 - Manor-Rancier	\$ 121,127,619	\$ (13,940,390)	\$ 107,187,229	-11.5%	\$ 45,374,109	\$ 152,561,338
SM 3 - Patterson-Liberty Hill	\$ 500,036,393	\$ (67,511,698)	\$ 432,524,695	-13.5%	\$ 75,349,792	\$ 507,874,487
SM 4 - Roy J Smith	\$ 376,843,983	\$ (50,689,570)	\$ 326,154,413	-13.5%	\$ 21,325,412	\$ 347,479,825
SM 5 - Harker Heights	\$ 257,309,408	\$ (33,419,805)	\$ 223,889,603	-13.0%	\$ 21,752,008	\$ 245,641,611
SM 6 - Nolanville	\$ 127,259,037	\$ (13,375,620)	\$ 113,883,417	-10.5%	\$ 7,865,451	\$ 121,748,868
SM 7 - Fort Hood	\$ (855,675)	\$ 111,850	\$ (743,824)	-13.1%	\$ 3,287,297	\$ 2,543,473
SM 8 - Killeen-Fort Hood Regional Airport	\$ 190,450,441	\$ (29,527,814)	\$ 160,922,627	-15.5%	\$ 7,637,462	\$ 168,560,089
Total	\$ 1,708,485,405	\$ (224,199,749)	\$ 1,484,285,655	-13.1%	\$ 211,950,882	\$ 1,696,236,537

PROPERTY TAX EXEMPTION SOURCES

- Disabled Veterans exemptions accounted for 52.5% of all exempt property value in 2017 and are increasing rapidly each year
- The disability status and number of disabled veterans are driving these numbers
- Retention of separated and retired military has been 25% to 30%+
- Central Texas is considered an attractive location for retired military from other parts of the county

City of Killeen Exempt Property Value (2017)

Type of Exemption	Exempt Prop. Val	% of Total
Disabled Veterans	\$ 582,976,715	52.5%
Public Properties & Religious	\$ 446,370,578	40.2%
Over 65	\$ 72,435,754	6.5%
Charitable Organizations	\$ 4,444,476	0.4%
Armed Serv. Surviving Spouse	\$ 4,163,601	0.4%
Pollution Control	\$ 277,436	0.0%
Total	\$ 1,110,668,560	100.0%

Source: Tax Appraisal District of Bell County, July 17, 2017 Certified Tax Roll

LOCATION OF SEPARATING AND RETIRING MILITARY PERSONNEL (2009–2018)

- Since 2009, the number of separating or retiring military personnel in the region has increased by 68.3% (11,629 personnel)
- The most significant increases have occurred in the City of Killeen, which has seen its veteran population increase from 8,120 to 14,179 during that period, for a 74.6% (6,059 personnel) increase
- In 2017, the Texas legislature allocated \$3.25M for FY18 and \$3.25M for FY19 for \$6.5M total.
- In 2019, the legislature allocated \$8.5M for FY20 and \$11.5M for FY21 for \$20M total.

**Location of Separating & Retiring Military Personnel
Change in Military Veterans (2009-2018)**

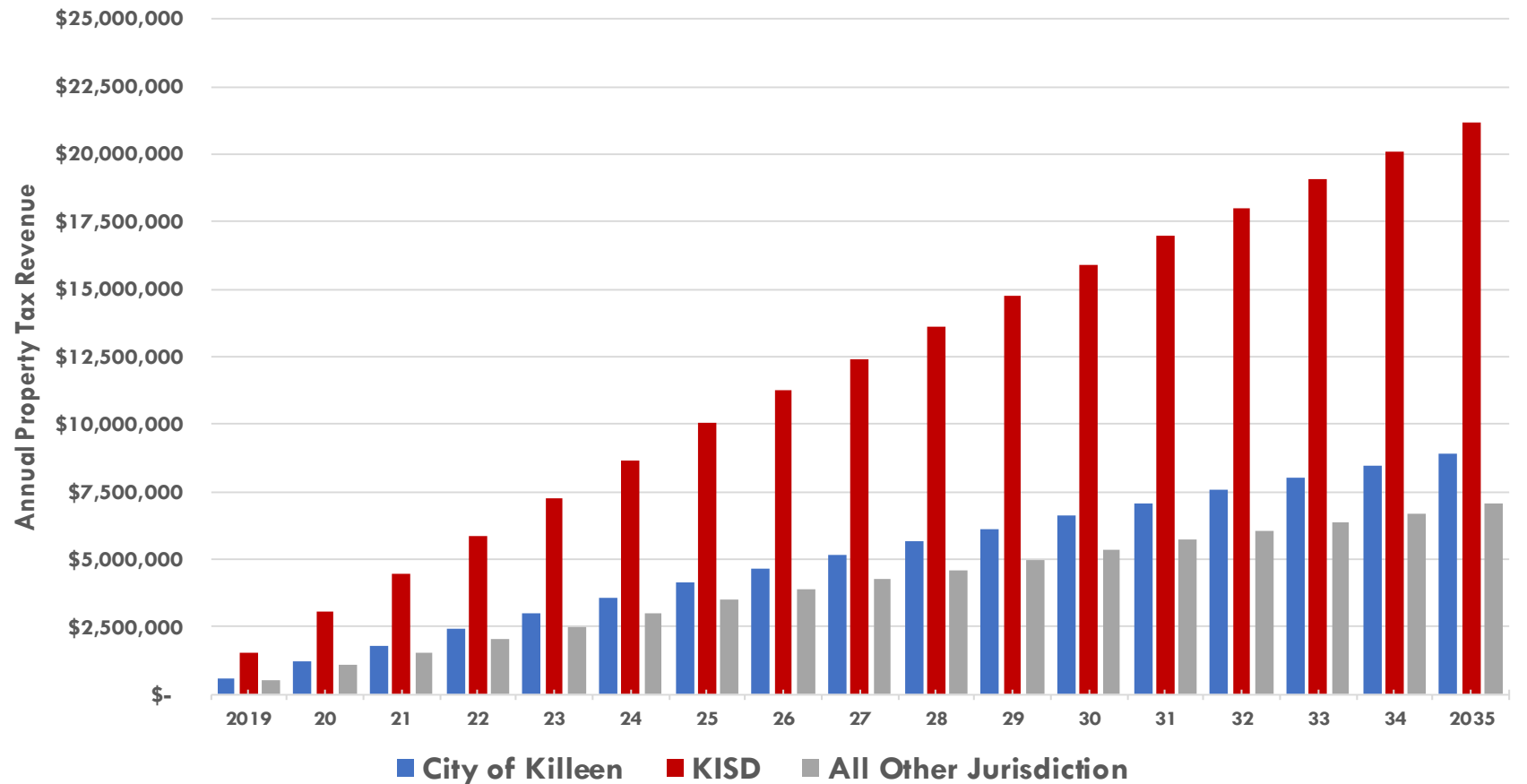
Jurisdiction	Number of Veterans		% Chge.
	Jun-09	Dec-18	
Killeen	8,120	14,179	74.6%
Copperas Cove	3,028	4,397	45.2%
Harker Heights	1,843	3,350	81.8%
Temple	1,150	2,044	77.7%
Kempner	884	1,283	45.1%
Belton	826	1,482	79.4%
Lampasas	356	504	41.6%
Gatesville	350	556	58.9%
Nolanville	266	508	91.0%
Salado	206	355	72.3%
MSA	17,029	28,658	68.3%

Source: Fort Hood Region Veterans Inventory Initiative Qtrly Report
(July-Sept 2018), Heart of Texas Defense Alliance

ANNUAL PROPERTY TAX REVENUES (2018–2035)

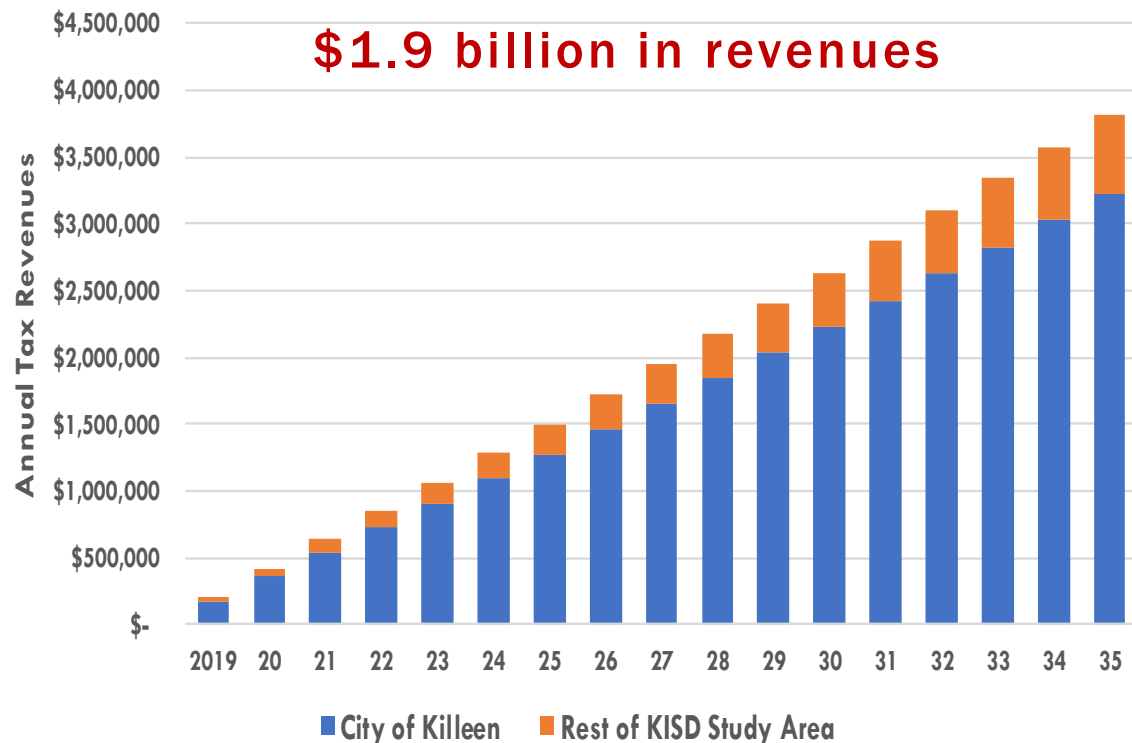
■ KISD	\$204 mil
■ Killeen	\$85 mil
■ <u>Other</u>	<u>\$69 mil</u>
Total:	\$358 mil

Annual Property Tax Revenue Projections (in 2018 Dollars)
KISD Study Area (2018-2035)

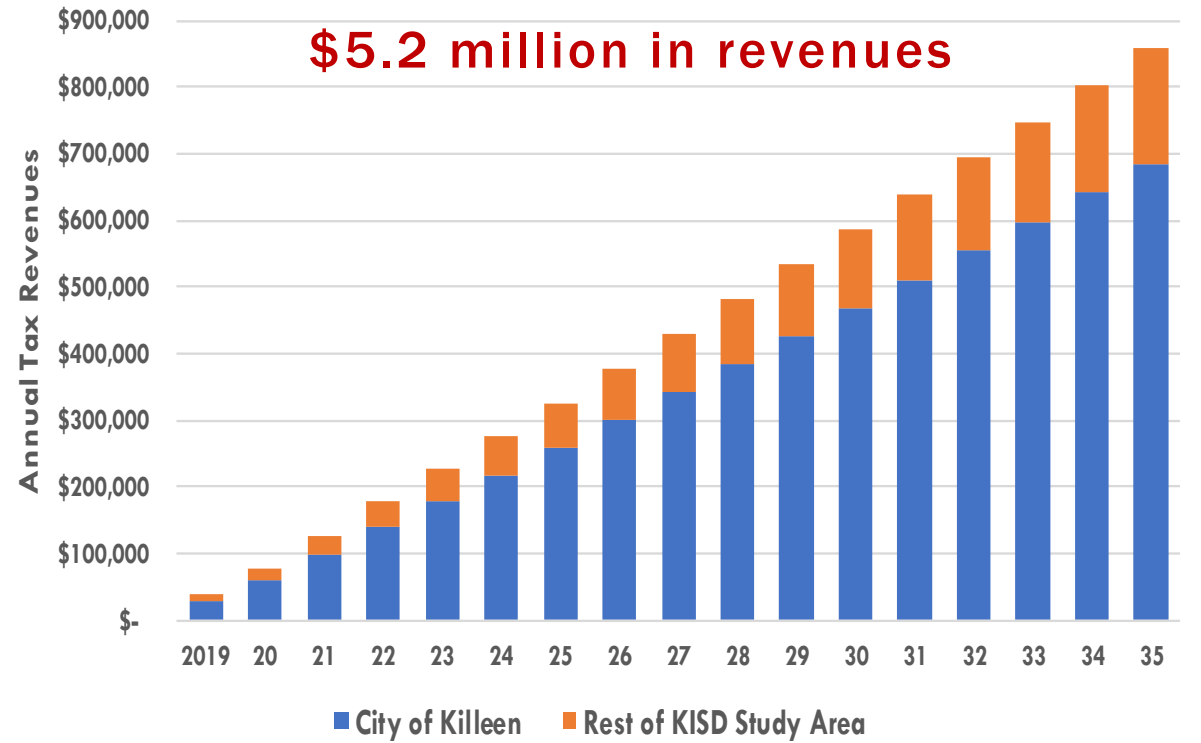


SALES & USE AND HOTEL OCCUPANCY TAX REVENUE PROJECTIONS (2018-2035)

Sales and Use Tax Revenue Projections
City of Killeen, TX
(2019-2035)



Hotel Occupancy Tax Revenue Projections
Rest of KISD Study Area
(2019-2035)



SHARE OF MUNICIPAL EXPENDITURE BY SUBMARKET

Share of Municipal Expenditures by Tax Base and Submarket City of Killeen (2018)

Submarket	Residential	Non-Residential	Other
SM 1 - Bellaire-Reece's Creek	15.7%	41.2%	19.4%
SM 2 - Manor Rancier	24.5%	34.8%	26.7%
SM 3 - Patterson-Liberty Hill	28.1%	19.3%	20.9%
SM 4 - Roy J. Smith	31.8%	4.7%	33.0%
Total - City of Killeen	100.0%	100.0%	100.0%
Share of City's Tax Base	62.0%	2.8%	35.2%

Source: Bell County Appraisal District and RKG Associates, Inc., 2019

MUNICIPAL EXPENDITURE PROJECTIONS BASED ON NEW GROWTH (IN 2018 \$)

Total Expenditure Growth by Submarket	SM 1	SM 2	SM 3	SM 4	City Total
Total Proportional Share of Expenditures (2018)	\$ 12,658,171	\$ 18,276,152	\$ 18,129,806	\$ 22,523,101	\$ 71,587,231
Total Incremental Expenditure Costs (2018)	\$ 1,584,909	\$ 2,302,809	\$ 9,046,591	\$ 10,389,923	\$ 23,324,232
Total Incremental Expenditure Costs (2035)	\$ 1,792,588	\$ 2,463,487	\$ 11,396,701	\$ 12,120,587	\$ 27,773,363
Difference Between 2018 & 2035 Expenditures	\$ 207,679	\$ 160,678	\$ 2,350,109	\$ 1,730,664	\$ 4,449,131
% Change from 2018 Growth Expenditures	13.1%	7.0%	26.0%	16.7%	19.1%

- The municipal service demands in faster growing submarkets will continue to increase municipal expenditure costs

IMPLICATIONS OF THE GROWTH ANALYSIS

- KISD **growth is projected to decline** over the next 17-years to levels that are well below 2000 to 2010 levels, but still strong.
- Future growth in select **submarkets (Patterson-Liberty Hill, Roy J. Smith and Killeen-Fort Hood Regional Airport and Nolanville)** will continue to experience above average growth
- Based on these projections, the **growth pattern will continue move south of I-14** and the demand for municipal infrastructure and services will increase, but equally across all submarkets
- The demand for new schools will require new construction **starting in the next 10 to 12 years**
- The City of Killeen must **focus revitalization efforts in Bellaire-Reeces Creek and Manor-Rancier, including Downtown**, to protect the existing neighborhoods and to grow the tax commercial base
- In higher growth areas, **better cost sharing is required** between municipalities and developers to ensure fiscal stability and the provision of services to those areas
- **Recent increases in property tax exemptions are unsustainable.** They are compromising the City's revenue base and its ability to provide basic services
- The City's **economic development potential is currently unrealized** and all efforts should be made to expand the non-residential tax base

POLICY IMPLICATIONS

- **Increased Emphasis on Economic Development Investments in Needed**
 - Need to diversify the tax base to generate higher tax rates from non-residential development. Killeen's commercial tax base is proportionally very small in terms of taxable value
 - A substitution effect is occurring due to Fort Hood's large population that is not part of the civilian labor force and captures retail sales on base that would be captured by off-post businesses
- **Managed Growth Practices**
 - Municipal Utility Districts (MUD) – Creates a mechanism for funding certain trunk infrastructure investments but may promote inefficient 'leap frog' growth patterns. This can strain service delivery
 - Street Maintenance Fee – Important mechanism for closing the gap on deferred maintenance of street network
 - Development Impact Fees – Passes a portion of the added cost of services and infrastructure on to new development. One-time fee at time of permitting/construction. School and public road construction funding is a common impact fee initiative throughout the country.

POLICY IMPLICATIONS

- **Real Estate Tax Exemptions are Eroding Municipal Tax Revenues Each Year and They're on an Unsustainable Path**
 - Disabled Veterans Exemptions are the fastest growing and most difficult to project
 - Need to have a greater statewide commitment to cover these revenue gaps, particularly in military communities with a disproportionately-sized military population
 - Not a cost that should be born by local communities alone
 - Consider adopting a Texas Constitutional Amendment that limit the rate of exemption increase proportionate to growth in the local tax base or state funding levels
- **Revitalization Efforts are Needed in Killeen to Stabilize and Reposition Areas that are in Decline**
 - City of Killeen needs to direct municipal investment in areas that are in decline and need to attract new private investment
 - Areas in decline will experience greater crime rates; erosion of property values and revenues
 - The redevelopment of urban neighborhoods focuses local investments in areas already served by past infrastructure investments (e.g. schools, roads, water, sewer, etc.)

POLICY IMPLICATIONS

■ **New School Construction and Operating Expenses**

- Federal Impact Aid is tied to the number of federally-connected children attending KISD schools and this percentage is close to dropping below the threshold level of 35%. If population trends continue, the KISD could lose \$20 million in impact aid. This could result in staffing reductions, cuts in services and changes in student/teacher ratios
- Slower population growth rates should reduce the demand for new school construction
- RKG Associates projects that new school construction may be needed at the end of the next decade (not including school renovations or maintenance)
- Overlapping 20-year bond issuances will likely be required every 10 years. Lower municipal borrowing rates help keep borrowing costs lower, but interest rates can rise in the future

Q & A

THANK YOU FOR YOUR ATTENTION

RKG
ASSOCIATES INC