
MEETING MINUTES
BUDGET & FINANCE COMMITTEE
CITY OF FRANKLIN, TENNESSEE
CITY HALL BOARDROOM
THURSDAY, APRIL 16, 2009, 5:00 PM

Committee Members

Alderman Ken Moore, Chair P
Alderman Ann Petersen, Vice Chair P
Alderman Beverly Burger **A**
Alderman Michael Skinner P

Other Attendees

Eric Stuckey, City Administrator P
Russell Truell, ACA Finance & Administration P
Vernon Gerth, ACA Community & Economic Development P
Eric Gardner, Engineering Director P
Gary Luffman, Interim Planning Director P
Tom Marsh, Interim Codes Director P
Steve Sims, Assistant City Recorder P
Joe York, Streets Director P
Steve Grubb, Assistant Direct Streets P
Mike Lowe, Comptroller P
Mayor John Schroer P
Alderman Clyde Barnhill P
Lanaï Benne, Assistant City Recorder P
Linda Fulwider, Board Recording Secretary P

1. Call to Order

Alderman Moore called the meeting to order at 5:00 p.m. in the Boardroom.

2. Approval of the Minutes

Alderman Petersen moved to approve the March 19, 2009 meeting minutes as presented. Seconded by Alderman Skinner. Motion carried unanimously 3-0.

3. Consideration of Sole-Source Purchase from G&C Supply Company, Inc. of Atwood, TN in the Amount of \$54,000 for Self Contained Breathing Apparatus for Use by the City of Franklin Fire Department (\$100,000 Budgeted in 130-89530-42200-0804)

Rocky Garzarek, Fire Chief

Alderman Skinner moved to accept the bid. Seconded by Alderman Petersen. Motion carried unanimously 3-0.

4. Discussion of Polices with Financial Advisor PFM (Public Financial Management)

Lisa Daniel, Public Financial Management

• **Reserve Policy (Draft 3)**

Lisa Daniel recapped what has transpired regarding Fund Balance Policy. Once established, the purpose of the policy is to provide a framework for decision making especially when making decisions during the budget process. It is to put the City in a stable fiscal position to weather any downturns or emergencies by providing sufficient reserves. Factors for maintaining sufficient Fund Balance include the ability to maintain covenants of third party agreements, provide funds for

enacted Ordinances and Resolutions, to mitigate any unexpected State or Federal actions, any liability settlements, any downturns, any disaster or emergency costs, any timing discrepancies, or any non-recurring expenses identified.

Comments received to date are incorporated in this draft. After this draft was sent, GFOA published recommendations very similar to these. They describe five different funds:

- | | |
|-----------------------------|---|
| 1] Non-spendable Fund | PFM collapsed #1 and #2 into one, calling it The Reserve Fund. |
| 2] Restricted Fund Balances | |
| 3] Committed Fund Balance | Items #3 and #4 were combined for The Designated Fund. |
| 4] Assigned Fund Balance | |
| 5] Unassigned Fund Balance | Number 5 is the Undesignated or Unreserved Fund and is broken out into two – The Financial Stabilization Account and The Surplus Account. |

There was some discussion on fluctuation of numbers shown last month and those reflected this month. The breakout is different as a result of comments from last month and discussions with Administration. It was explained there is a difference between the minimum threshold and the actual Fund Balance. The Fund Balance should be kept above the minimum threshold of 33%.

At the end of FY 2008 General Fund Expenditures were \$48,947,618 (excluding interfund transfers), Current Fund Balance \$30,763,781 - 63% of expenditures. Financial Stabilization Account \$16,152,714 - 33% of expenditures. Money available for the Additional Reserve Account \$14,611,067 - 30% of expenditures. These figures are from last year with Debt Service removed. Mr. Truell indicated \$16,000,000 would go into the floor account and \$14,000,000 into additional reserve.

Different scenarios were discussed as well as floor and reserve amounts. The process to adopt a Fund Balance Policy includes, BOMA adopt policy by resolution, review every four years (preferably during a non-election year and six months following the budget process), and policy monitored by the Finance Department, Finance Director will present recommendations for any amendments, deletions, additions, improvements or clarifications.

The Reserve Policy will be addressed at the April 28 BOMA Work Session.

- Debt Management Policy (First Draft)

Alderman Moore had several comments and questions regarding the policy and these were addressed by Ms. Daniel, Ms. Lowe and Mr. Truell.

Comments, suggestions, questions should be submitted by April 30 to allow time for incorporation into the Policy prior to the next meeting. Alderman Moore requested the May 21 meeting begin one hour earlier at 4:00 p.m.

5. Report from Pension Oversight Committee

Russ Truell, ACA Finance & Administration

The Pension Committee held a special meeting last week to review actuarial assumptions that affect the contribution level. Initial projections show the City will have to increase its annual contribution from \$4.5 million to \$6.4 million based on numbers generated as of January 1, 2009. This is for two reasons 1] an increase in 49 employees who are now eligible for coverage, and 2] the dramatically decreased earnings of the plan due to the stress in the financial markets.

There are two options for next year's budget: 1] adopt new actuarial assumption that lowers the contribution or 2] pay the projected amount.

The City's actuary will report modified actuarial assumptions for a decision at the May meeting. The numbers will be based on a lower percentage. The expected payroll increase percentage will be adjusted as well. In addition to the actuarial component, there is concern the pension fund will be unable to keep up without substantial contributions. Over 10% of the entire budget will go into pension. Substantial changes in 2003 and 2004 increased unfunded liability with no money appropriated to fund. An option would be to take a portion of the excess fund balance.

The Pension Committee will meet the Monday before the budget hearings begin and will have recommendations at that time.

6. Budget Interviews

A. Planning Department

Gary Luffman related this budget is 22½% under the previous budget year. The operations area is 65% less as there are no studies budgeted for the next fiscal year. An increase is seen in salaries because three Engineering employees were transferred to Planning. Most other line items stay the same or are reduced. The Household Survey could be eliminated; however, it is due because it was last done four years ago. Having it online does reduce costs. Workload is steady. Contractual services much lower with more internal participation.

B. Engineering Department

Eric Gardner said the transfer of Engineering positions to Planning, and the transfer of David Parker to Administration, along with a couple of other positions, reduced personnel costs. Contractual services are down significantly. Excluding personnel and contractual services, the budget is reduced by roughly 30%. They are looking at one unfilled position and one proposed position for doing work that is now contracted out. The Project Manager position could be filled within the City. There will still be some contracted services because of TDOT requirements. Engineering staff stays busy with ongoing projects, those just starting construction, and water and sewer projects.

Vernon Gerth related the use of software for project management will help coordinate projects and save on costs.

C. Stormwater

The Stormwater Budget is shared by the Engineering and Streets Departments. Mr. York said there are no significant changes from Streets. Mr. Gardner related their portion is mostly equipment for sampling and monitoring to meet TDEC permit requirements. An intern is again requested.

Stormwater projects planned to do in-house are included. Inspectors moved to the Engineering budget last year are back in the Stormwater/Streets budget this year. The Transportation Committee identified regional ponds for dredging. Jackson Lake is in the budget. Stormwater Fund accumulated fees pay for these large projects. Money does not come from the General Fund.

D. Streets Department

Mr. York referred to #82400, utilities, and noted this is the first year to budget maintenance fees for City street lights, an \$800,000 increase. Repair and maintenance increased somewhat. The City Arborist discovered numerous trees in rights-of-way that need to come down. Smaller trees can be removed by staff; however, huge trees with power line involvement will require outside services. Item 82600, sidewalks, curbs and gutters, includes \$25,000 to upgrade sidewalks and bricks on Main Street as there have been incidents of people tripping. They were asked to add \$100,000 from Street Aid for in-house repair and maintenance projects. The turn lane on Fulton Greer can be done in-house with storm drain pipe costs from Stormwater and minimal cost for stone and paving. Several thousand dollars can be saved. Item 89200 budgeted last year was cut. A maintenance building is requested again this year in case revenues come up. Equipment includes one pickup truck (two were taken out of service this year). Machinery and equipment includes two leaf vacuums. Overall budget decrease from last year.

New projects include installing LED streetlights. Personnel request: one new position, department secretary, and the Landscape Supervisor requests four seasonal workers instead of two part time persons.

E. Codes Department

Tom Marsh said regretfully, his budget increased by \$3,000. There is an increase in employee benefits of about \$40,000. Salaries and wages down by \$14,000 by cutting overtime estimates. The operations budget dropped about 11½% overall. Professional accreditations and standards increased due to stricter guidelines for certifications. Cellular phone service cost is up. The new radio system works for internal communication with inspectors in the field. Inspectors must use cell phones for customer communication. Operating supplies increased \$2,000 for uniforms-specialized. Mr. Marsh explained there are new safety standards coming out for electrical inspectors. They may need more heavy-duty safety uniforms for some inspections. Unsure of the costs at this time, but it could be as much as \$1,500 per inspector. Workload dropped in some areas and some transitioned with people doing different work. Some positions may be reorganized this year. They have 2½ vacancies. Lost an inspector to the housing coordinator position. The number of inspections dropped because of fewer single family dwellings, but increased in the hotel and multi-family units as one permit can mean multiple inspections.

F. Assistant Recorder's Office

Steve Sims reported a net reduction of 7% in the budget. He reviewed the documents submitted for review. Workload increased with additional responsibilities. In-house billing will save the City money (Enterprise Fund).

G. Court

Significant increase in citations partially due to increase in population. Tools and processes to streamline are being pursued. In accordance with state law, a collection agency is used for outstanding receivables.

H. Budget Schedule

Budget hearings scheduled mid-May. Schedules distributed previously.

7. Approval of Local Match for Transit Vehicles

Russ Truell, ACA Finance & Administration

Mr. Truell first thought the Transit Authority wanted to buy vehicles. He has since learned they want the budget addressed first. Budget information provided.

8. Report on Fuel Hedging Project

Russ Truell, ACA Finance and Administration

Per Mr. Truell's memo, the legislation passed and was forwarded to the governor for signature. The group's financial advisor recommends a two year contract beginning with the July futures contract. Under the current proposal, the City will hedge between 50-60% of its monthly gasoline and diesel usage.

ADJOURN

Alderman Skinner moved to adjourn. Meeting adjourned 7:28 p.m.

Ken Moore, Chair

Minutes prepared by Linda Fulwider, Board Recording Secretary, City Administrator's Office – 4/23/2009 10:53 AM