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**MEETING MINUTES**  
**BUDGET & FINANCE COMMITTEE**  
**CITY OF FRANKLIN, TENNESSEE**  
**CITY HALL BOARDROOM**  
**MONDAY, MAY 17, 2010 @ 4:00 P.M.**

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**Committee Members**

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

**Other Attendees**

Eric Stuckey, City Administrator P  
Russell Truell, ACA Finance & Administration P  
Vernon Gerth, ACA Community/Economic Dev P  
Jackie Moore, Police Chief P  
Rocky Garzarek, Fire Chief P  
Becky Caldwell, Solid Waste Director P  
Fred Banner, MIT Director P  
Lisa Clayton, Parks Director P  
Joe York, Streets Director P  
Mayor John Schroer P  
Alderman Pearl Bransford P  
Alderman Clyde Barnhill P  
Alderman Margaret Martin P  
Lanaii Benne, Assistant City Recorder P  
Linda Fulwider, Board Recording Secretary P

**1. Call to Order**

Alderman Petersen called the meeting to order at 4:00 p.m., Monday, May 17, 2010, in the Boardroom.

Alderman Petersen reconvened the meeting at 4:00 p.m. on Tuesday, May 18, 2010, in the Boardroom.

**2. Approval of the Minutes**

*Approval of April 26, 2010 minutes deferred to the next meeting.*

**3. Consideration of Award to Fifth Third Bank of Nashville, TN, for Custodial Services for Non-Pension Investments for the Year Beginning July 1, 2010, Plus Up to Three (3) One-Year Options to Extend, for the Finance Department, and Authorize Staff to Negotiate Final Terms (Purchasing Office Procurement Solicitation No. 2010-031; \$25,000.000 Budgeted in 110-85520-41500 for FY2010; FY2011 Budget Not Yet Approved)**

**Russ Truell, ACA Finance & Administration**

This consideration is for custodial services for non-pension investments, as recommended by the GFOA and our investment policy. Of two bids received, this bid is best. To be effective July 1, 2010.

*Alderman Moore moved to approve the bid and forward to BOMA for approval. Seconded by Alderman Skinner. Motion carried unanimously 3-0 (Alderman Burger was not present)*

4. **Budget Introduction**

**Eric Stuckey, City Administrator**

Mr. Stuckey presented an overview of the recommended 2010-11 Operating Budget for General Fund. Capital, Water and Sewer are not included.

**THE FOCUS**

<b>Management</b>	<b>Economic Development</b>	<b>Financial Management</b>
<ul style="list-style-type: none"> <li>• Policy development and implementation</li> <li>• Budget process</li> <li>• High quality service levels</li> <li>• Department level key performance measurers</li> <li>• Benchmarking program</li> <li>• Capital Investment project oversight and delivery</li> <li>• Telling "Franklin's story" locally and beyond</li> </ul>	<ul style="list-style-type: none"> <li>• Desired location</li> <li>• High Development Standards</li> <li>• Educated workforce</li> <li>• Sites ready for development</li> <li>• Aggressive State incentives</li> <li>• Work with partners at State and Williamson County</li> <li>• Play "offense"</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term financial planning (revenue diversification)</li> <li>• Capital Investment plan process</li> <li>• Multi-year financial planning</li> <li>• Healthy reserve levels</li> <li>• Triple-A Bond rating from both Moody's and S &amp; P</li> <li>• Support changing service needs</li> </ul>

**OVERVIEW**

- Total Operating Budget of \$69.8 million, a decrease of 2% from 2009-10
- General Fund Budget of \$50.03 million, a decrease of 6.9%
- Three budget reductions in two years resulting in an overall general fund reduction of 15%
- Budget is structurally balanced
- Essential service levels maintained

**Total Budgeted Expenditures, All Funds; % of Total, All Operating Funds; and, Change in Budget Amounts**  
charts and graphs reviewed

**General Fund Highlights**

- In compliance with BOMA's debt and reserve policies
- No layoffs of full time existing staff
- A general salary increase of 2% proposed for January 1, 2011 (First increase in 30 months if approved)
- Property Tax remains at .434 per \$100 assessed valuation
- Use of \$669,550 of reserves targeted for capital expenditures
- Performance measures and sustainability initiatives for each department

➤ Alderman Burger joined the meeting at 4:10 p.m. on Monday, May 17.

**Opportunities**

- Maintain high quality services
- Invest in our future
- Enhance our community's competitive position
- Focus on possibilities, not just current challenges
- Maintain Franklin's unique character

**Where does the money come from? (General Fund)**

- Sales Tax 45%
- Property Tax 13%
- State Shared Taxes 17%
- Other 25%

**Where does the money go by function? (General Fund)**

- Personnel 72%
- Operations 21%
- Capital 3%
- Transfers 4%

**Where does the money go by department? (General Fund)**

- Police 27%
- Fire 25%
- Streets 10%
- Parks 5%
- Solid Waste 3%
- Transit 1%
- Appropriations 1%
- Other 16%
- Economic and Community Development 12%

**General Fund Revenue and Expenditures**

- 2007 Actual Revenues \$53 Expenditures \$50.2
- 2008 Actual Revenues \$54.8 Expenditures \$54.4
- 2009 Actual Revenues \$50.1 Expenditures \$52.1
- 2010 Estimated Revenues \$48.8 Expenditures \$52.4
- 2011 Budget Revenues \$49.3 Expenditures \$50

**Financial Performance General Fund graph reviewed**

**General Fund Revenue by Type of Revenue FY2010-11**

- Local Taxes 65.1%
- Licenses & Permits 6.5%
- Intergovernmental 24.0%
- Charges for Services 0.1%
- Fines & Forfeitures 2.2%
- Uses of Money & Property 2.1%

**General Fund Revenue Comparison**

<b>BUDGET REVENUES</b>	<b>FY 10</b>	<b>FY 11</b>	<b>PERCENT</b>
Local Taxes	36,746,609	32,138,331	-12.5%
Licenses & Permits	2,954,400	3,198,641	8.3%
Intergovernmental Revenue	8,586,307	11,838,983	37.9%
Charges for Services	55,000	64,300	16.9%
Fines & Forfeitures	1,108,000	1,082,000	-2.3%
Uses of Money & Property	1,109,000	1,041,500	-6.1%
Allocation from Fund Balance	3,177,072	669,550	-78.9%
<b>Total</b>	<b>53,736,388</b>	<b>50,033,305</b>	<b>-6.9%</b>

**Sales Tax**

- Budgeted at same level as 2009-10 (\$22.38 M)
- Growth of 2.5% (\$546,000) from estimate for 2009-10 collections
- Consistent with State estimates for growth
- 45.3% of total general fund revenue

**Property Tax**

- No increase in tax rate – 21<sup>st</sup> consecutive year without a rate increase
- \$.434 per \$100 of assessed valuation - \$.19 dedicated to general fund debt service obligations
- Projected growth of 2.2%
- City of Franklin has the lowest property tax rate among Tennessee cities with a population of over 25,000 people

**Property Tax Collections (in millions)**

- 2002 Actual \$7.3 M
- 2003 Actual \$8.0 M
- 2004 Actual \$8.1 M
- 2005 Actual \$8.5 M
- 2006 Actual \$9.4 M
- 2007 Actual \$9.7 M

- 2008 Actual \$10.4 M
- 2009 Actual \$11.0 M
- 2010 Estimated \$11.3 M
- 2011 Budget \$11.9 M

Of the 11.9 million in 2011, \$6.6 million proposed for General Fund and \$5.3 million for Debt Service Fund

**Property Tax Rate Remains at 43.4 Cents**

**Ratio of Sales Tax to Property Tax, and Sales Tax/Property Tax Trends by Fiscal Year** graphs reviewed

**Intergovernmental Revenue**

- Projected at \$11.8 million
- Business Tax moved to State collection
- Other State taxes based primarily on per capita share

**Hall Income Tax** graph reviewed

**Other Taxes**

- Local Beer Tax
- Business License & Gross Receipts Tax
- Wholesale Liquor Tax
- Alcohol Privilege Tax
- Hotel/Motel Tax – Special Funds

**Fees and Other Income**

- Franchise Fees
- Building Permit Fees
- Court Fines & Costs
- Stormwater Fees – Other Fund
- Interest Earnings

**General Fund Balance Summary for Fiscal Year 2010-2011**

Estimated Beginning Fund Balance	25,191,136
Estimated FY 2010 Annual Revenues	49,363,755
Estimated Fund Balance Allocation	669,550
Estimated FY 2010 Expenditures	50,033,305
Estimated Ending Fund Balance	24,521,587

**General Fund Expenditures by Department**

Department	Personnel	Operations	Capital	Transfers	Total
Elected Officials	127,737	25,972	0	0	153,709
Administration	387,388	174,957	0	0	562,345
Capital Investment Planning	209,089	28,332	0	0	237,421
Project & Facilities Management	354,871	330,538	50,000	0	735,409
Human Resources	627,944	191,653	0	0	819,597
Law	244,221	125,477	0	0	369,698
Communications	265,042	49,692	0	0	314,734
Parks	1,680,403	664,531	97,500	0	2,442,434
Police	10,589,368	3,012,585	0	0	13,601,953
Fire	10,990,792	1,255,643	50,000	0	12,296,435
Finance	723,855	83,813	10,000	0	817,668

Department	Personnel	Operations	Capital	Transfers	Total
MIT	1,167,961	827,812	28,000	0	2,023,773
Purchasing	138,798	6,830	0	0	145,628
Revenue Management	765,115	442,657	0	0	1,196,772
Court	192,696	92,743	0	0	285,439
Building/Neighborhood Services	1,667,471	124,690	0	0	1,792,161
Planning & Sustainability	1,244,656	146,318	0	0	1,390,974
Engineering	545,638	54,950	0	0	600,588

Traffic Operations Center	218,614	1,207,282	830,000	0	2,255,896
Streets – Maintenance	2,057,095	1,436,495	175,000	0	3,668,590
Streets – Traffic	537,580	364,215	239,000	0	1,140,795
Streets – Fleet Maintenance	423,211	-35,294	0	0	387,917
General Expense	633,510	-318,609	0	0	314,901
Appropriations	0	399,211	0	0	399,211
Economic Development	0	41,791	0	0	41,791
Transfer to Solid Waste	0	0	0	1,459,008	1,459,008
Transfer to Transit	0	0	0	533,458	533,458
Transfer to Water	0	0	0	45,000	45,000
<b>Total</b>	<b>35,782,055</b>	<b>10,734,284</b>	<b>1,479,500</b>	<b>2,037,466</b>	<b>50,033,305</b>

**Personnel Costs as % of Expenditures** graph reviewed

**Change in Personnel Expense**

- 2% cost of living adjustment – effective January 1, 2011
- No merit raises
- Few position upgrades
- Exchange of part time for seasonal workers
- No increase in health insurance to employees
- 3% turnover factor used
- Pension cost improvements

**Pension Plan Contributions (in millions)**

- |        |        |        |                 |
|--------|--------|--------|-----------------|
| • 1998 | 0.73 M | • 2005 | 3.6 M           |
| • 1999 | 0.82 M | • 2006 | 3.82 M          |
| • 2000 | 0.76 M | • 2007 | 4.54 M          |
| • 2001 | 0.71 M | • 2008 | 4.44 M          |
| • 2002 | 0.92 M | • 2009 | 6.43 M budgeted |
| • 2003 | 1.01 M | • 2009 | 7.72 M actual   |
| • 2004 | 3.46 M | • 2010 | 5.35 M estimate |

**General Obligation Debt Service**

(Includes General Obligation Debt Service funded by Property Taxes, Road Impact Fees, Solid Waste, and Hotel/Motel Taxes as of December 15, 2009) [The 2011 Budget amount partially reflects current lower rates on variable interest debt]

- |        |      |        |      |        |     |
|--------|------|--------|------|--------|-----|
| • 2011 | 10.1 | • 2020 | 13.6 | • 2029 | 9.9 |
| • 2012 | 16.9 | • 2021 | 13.5 | • 2030 | 5.0 |
| • 2013 | 17.0 | • 2022 | 13.0 | • 2031 | 2.0 |
| • 2014 | 16.0 | • 2023 | 12.2 | • 2032 | 2.0 |
| • 2015 | 15.5 | • 2024 | 12.0 | • 2033 | 2.0 |
| • 2016 | 15.0 | • 2025 | 11.4 | • 2034 | 2.0 |
| • 2017 | 15.0 | • 2026 | 9.9  | • 2035 | 2.0 |
| • 2018 | 13.9 | • 2027 | 9.9  | • 2036 | 2.0 |
| • 2019 | 13.7 | • 2028 | 9.9  | • 2037 | 2.0 |

**Appropriations to Government Agencies and Non-Profits**

2000 Actual	380,081	2006 Actual	444,657
2001 Actual	351,042	2007 Actual	488,525
2002 Actual	332,049	2008 Actual	489,630
2003 Actual	466,292	2009 Actual	433,500
2004 Actual	454,975	2010 Estimate	421,342
2005 Actual	432,860	2011 Budget	399,211

**Other General Fund Initiatives**

- Emergency Siren installation
- Liberty Park maintenance facility operating

- Street repair Infrared Truck
- Evaluation of Emergency Medical Transport
- Consider Workers Compensation – Self-insurance option

#### **Special Revenue Funds**

- Street Aid & Trans – Gas Tax  
(Roadway resurfacing program reduced to \$1.6 million provided by local share of gas tax)
- Solid Waste
- Road Impact Fund
- Facilities Fund
- Stormwater Fund
- Drug Fund
- Conference Center/Hotel Tax
- Transit

#### **Solid Waste**

- Four Divisions: Administration, Collection, Disposal, Curbside Recycling
- Direct revenues up from \$5.0 to \$5.7 million
- Expenditures up from \$6.4 to \$7.1 million
- Transfer from General Fund down from \$1.78 million to \$1.46 million with \$3 rate increase

#### **Summary**

- Meeting budget goals and objectives despite continued economic downturn
- Budget expenditures in General Fund reduced by 6.9%; 15% reduction over 2 years
- Revenues flat or slow growth
- Sales Tax dependence continues
- Draw on Fund Balance small, for capital equipment
- Reserves at yearend far above policy level

Mr. Stuckey noted the State now collects business licenses instead of the individual cities. Sales tax budgeted at the same level as this year. Sales Tax revenue up in last two monthly reports.

Eventually the City will see a return of about 75% of qualified expenses from FEMA. The City was not hard hit in facilities damage.

Appropriations to outside agencies cut 6%. General Fund initiatives: Parks and Streets share maintenance facility at Liberty Park, the infrared truck will provide better services. Mr. Stuckey related he would like to study the issue of medical transport. There is no compensation for the City when medics treat at the scene. There is compensation for transport. The City cannot transport, that is done by the County. Study the feasibility of the City transporting patients.

Representatives from United Way and other agencies will attend the meeting when it reconvenes tomorrow.

The \$3 per month increase in solid waste fees to residential customers would be necessary even if the recycling program hadn't been instituted because of the increase in tipping fees and the high cost of fuel. Per Becky Caldwell, it costs the City just under \$20 to deliver residential services. A 25% subsidy continues. Recycling will help keep costs down and there will be less waste taken to the landfills.

Alderman Moore expressed concern about State Street Aid and the gas tax that does not escalate when gas prices rise. He asked if the State is exploring ways to remedy the situation. Eric Stuckey

responded that generating revenue to maintain roads is a problem nationwide and is in hands of State and Federal government.

Alderman Burger commented she appreciated it that employee benefit costs would not be increased; City employees are exceptional and they work hard. She wants to see the January 1, 2011, 2% cost of living increase become a reality as well. Mr. Stuckey noted the pay increase would cost the City about \$300,000.

Alderman Skinner asked the percentage of Wi-Fi completed and what the coverage area would be. It was explained there are some obstacles to overcome and the possibility of staff completing the project is being explored.

There was discussion on Road Impact Fees and Police Headquarters as well as Facilities Tax and projects in the pipeline at this time, and Debt Service as pertains to these funds, growth on the east side of the City, and reserve funds.

Alderman Burger asked what is projected for new police cars. Mr. Stuckey noted they have a bid. Mr. Truell noted approximately \$400,000 is in the budget this year to purchase cars with \$400,000 in the 2011 budget to lease cars. Discussion ensued on costs of ongoing lease payments versus outright purchase. Alderman Petersen asked to see long-term number comparisons for the two options and if the cars would be fully outfitted at purchase. Chief Moore commented it is advantageous to buy the cars fully outfitted.

- At this point item 5 was addressed, followed by continuation of budget review.

Alderman Burger referred to page 193, Streets, line item 85200, rentals that went from \$1,000 to \$29,000. Mr. Stuckey advised he would review the item and report findings tomorrow.

Non-essential training was cut. Continuing education is paid for employees such as engineers, CPA's, and those who have certifications. Discussion ensued on the merits of out-of-state conferences. Webinars and local seminars usually are not as extensive in content. Alderman Moore pointed out it is important to be on the leading edge professionally.

Answers to questions brought up during today's session will be provided tomorrow when the committee reconvenes.

- **MAY 18, 2010**

- **ALLOCATIONS**

United Way and other agency representatives were present to address any questions.

Mr. Stuckey reiterated the volunteer panel from the United Way was instructed to cut allocations by 6% when making their recommendations. They prioritized funding placing food, shelter, and safety needs above other considerations. The Board makes the ultimate decision as to whether the recommendations are accepted as presented. The panel is used as a clearinghouse to validate agencies for funding in terms of budget parameters. The misconception last year was mentioned.

Alderman Moore commented that the United Way did exactly what they were asked to do. He did voice concern that one agency, J. L. Clay Senior Citizen Center, was severely cut compared to the other agencies, and asked for an explanation.

Pam Bryant of United Way came forward to answer the question. A summary of 2010 Direct and Indirect Benefits for the City of Franklin for each of the 10 agencies was distributed along with a City of Franklin Allocation Overview encompassing allocations from 2005-2010 and the 2011 recommendations. Ms. Bryant explained the volunteers established criteria according to the economy with safety, housing, and food as priorities based on services the agencies provide.

Alderman Moore said he did not want to seem ungrateful for the volunteer hours spent, as it is not easy to decide yea or nay. He would be more at ease if the allocations were rebalanced for those that took the biggest hit. Alderman Peterson added that all the agencies are worthy to receive funds but her concern was those hardest hit as well. Discussion ensued on agencies in relationship to the Police Department.

There was further discussion regarding the cut to J. L. Clay. Ms. Bryant related the panel questioned if the volume of people utilizing the Center was accurate. It was not clear if people were being counted more than once as some come and go during the day. It was suggested they find another way to count. In addition, there were cuts over a three-year period to get them back in line to 33% of their budget. The panel thought the Center could withstand the biggest cut.

Alderman Barnhill, Director of J. L. Clay, asked to speak. He didn't think documentation could be found anywhere that United Way would be involved in the allocation of funds. The Committee said they would review the merits of the organizations. The Committee expected a straight 10% cut across the board last year and that did not happen. He said he was not particularly protecting his turf concerning the statements made about the Center. He understood the United Way would judge the merits and BOMA would come back with funding, if straight across the board, so be it. If one non-profit agency is not meeting qualifications then that is a decision BOMA would have to make. He mentioned a procedure spelled out in a January 6, 2005 memo written by Russ Truell to then City Administrator Jay Johnson. It says nothing about allocation of funding percentages. J. L. Clay pulled \$15,000 from reserves to run this year. That was explained to the panel. As to duplication of numbers, that is the way they have always counted and no one questioned it before. When saying Clay did okay on less, look at the budget. Clay has cut salaries, water and gas meters, and some contracts. It shouldn't be based on the fact they can get by with less, but on the merits. He doesn't want the United Way to allocate.

Pam Bryant said it is important to understand the United Way is a facilitator and community volunteers are doing the recommendations. Mr. Stuckey added there is value in getting their input. He reiterated they are not allocating the funds they are making recommendations. He thought it had been clear there is value in getting input from volunteers, and that BOMA does the allocations.

Alderman Burger said her understanding was as Alderman Barnhill said, a 6% decrease across the board. The Committee has none of the information as to how the panel arrived at the recommendations.



*Alderman Moore moved to accept the approved merits of all the organizations as graciously put forth by the volunteer panel, and thank them for their effort, but reject the recommendation for allocation; and, recommend a 6% overall decrease for each organization. Seconded by Alderman Burger.*

Mayor Schroer stated the United Way did what they were supposed to do. If BOMA just wants to make a certain percentage cut then do not waste the United Way and volunteers' time, just do the cut.

Alderman Petersen asked if the United Way looks at these organizations in different circumstances in allocating funds in addition to funds from the City. Ms. Bryant said the agencies do get other United Way funding but that the money is always kept separate from the City money. Further discussion ensued on the process as done by the volunteers vs. the Committee doing the screening.

Alderman Moore called the question and reiterated his motion: *to accept the approved merits of all the organizations as graciously put forth by the volunteer panel, and thank them for their effort, but reject the recommendation for allocation; and, recommend a 6% overall decrease for each organization. Motion carried 3-1 with Alderman Skinner voting no.*

Alderman Skinner made a motion to return the determination back to the Board and not the United Way; however, Mayor Schroer advised it was not a legitimate motion at this time. He suggested the issue be discussed by the full Board during a work session.

- **FOLLOW UP**

Eric Stuckey advised the \$24,500 increase in rentals in the Streets maintenance budget is attributed to the lease/purchase arrangement for the compost screener. Russ Truell said he would change the caption to rentals/lease.

Alderman Moore asked when Transit expects the transition to the new scheduling software will be completed. Allyson Shumate of the Transit Authority indicated they are already on line with the On-Demand and will begin implementing the Fixed-Route portion next month with completion in August. Alderman Moore said that down the line he wants to see how this is saving money.

A corrected copy of page 59 – Property Tax Collections was distributed.

Police Vehicles, Lease v. Purchase information was distributed. Russ Truell explained each section of the report in detail: routine rotation, straight purchase, straight lease, and combination of lease and purchase.

➤ Number of cars	140	Following lengthy discussion it was determined the best choice to be the combination of lease and purchase.
➤ Base price per car	21,815	
➤ Police package upgrade	4,000	
➤ Total price per car	\$25,815	

*Alderman Moore moved to recommend to BOMA the Combination of Lease and Purchase as the best choice to replace police vehicles. Seconded by Alderman Burger. Motion carried unanimously.*

## 5. **Reminder of Special Work Session for Pension Issues**

**Eric Stuckey, City Administrator**

Russ Truell noted Shirley Harmon, HR Director, would be unable to attend the May 20<sup>th</sup> meeting to discuss pension issues. Options were discussed and the consensus was to schedule a Special Work Session with the entire Board and the Pension Committee. The Committee also decided the budget review could be completed by reconvening the committee tomorrow (May 18).

Per the above decisions, the Budget & Finance Committee will not meet on Wednesday, May 19 or Thursday, May 20, 2010.

- **Budget submission to BOMA** - The proposed Budget will be presented to BOMA on Tuesday, May 25, 2010, for First Reading.

**6. Informational Reports (No Action Necessary)**

- Sales Tax Report for Month of March

**ADJOURN**

*Alderman Moore moved to recess the meeting until Tuesday, May 18 @ 4:00 p.m. Meeting recessed at 5:50 p.m. on Monday, May 17, 2010.*

*Alderman Moore moved to adjourn. Seconded by Alderman Skinner. Motion carried unanimously.*

Meeting adjourned May 18, 2010 @ 5:11 p.m.

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Ann Petersen, Chair

Minutes prepared by Linda Fulwider, Board Recording Secretary, City Administrator's Office – 7/12/2010 11:25 AM