
MEETING MINUTES
BUDGET & FINANCE COMMITTEE
CITY OF FRANKLIN, TENNESSEE
CITY HALL BOARDROOM
TUESDAY, AUGUST 19, 2010 @ 4:00 P.M.

Committee Members

Alderman Ann Petersen, Chair P
Alderman Ken Moore, 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 Dev
David Parker, City Engineer/CIP Executive
Mark Hilty, Water Management Director P
Mayor John Schroer P
Lanaii Benne, Assistant City Recorder A
Linda Fulwider, Board Recording Secretary A

1. Call to Order

Alderman Petersen called the meeting to order at 4:00 p.m.

2. Approval of the Minutes

Alderman Moore moved to approve the July 6, 2010 minutes as presented. Seconded by Alderman Skinner. Motion carried unanimously.

3. Consideration of Estoppel Certificate Agreement for Conference Center/Marriott

Russ Truell, ACA Finance & Administration

When the ownership group of the Marriott Hotel property elects to refinance or restructure their borrowing arrangements the lenders typically wants an estoppel agreement. This agreement leaves all business relationships as they stand. Staff recommends approval subject to review by the City Law Department.

Alderman Moore moved to forward to BOMA with recommendation for approval. Seconded by Alderman Skinner. Motion carried unanimously.

4. Review and Discussion of FY 2011 Water/Wastewater Budget and 2011-2014 Financial Plan

Mark Hilty, Water Management Director

Eric Stuckey noted the documents are updates of last year's approved two-year budget and five-year financial plan. The goal is a self-sufficient utility. There was less revenue than thought, but expenditures were controlled. An updated rate study will be presented later.

Alderman Petersen said the rate structure for inside the City versus outside the City limits should not mainly depend on the cost of providing services. Wastewater should be a factor. Changes over the last two years have narrowed the gap between the two. Alderman

Skinner added extending sewer past the UGB would add to capacity and cost and they should bear a significant part of that. The response was these would be taken into consideration.

❖ **WATER**

- Cross Connection Control Program – Implementation of this program brought in-house for better control and oversight, and improvement of customer service. Some work continues on the program. Many positive comments received from customers.
- Valve Exercising Program – Anticipate implementation in fall 2010
- Leak Detection Program - Last year identified around 44 MG annual water loss in the Grassland area. Considering that success will initially go to a 2-year cycle then return to the 5-year cycle.
- Ordinance and Specification Revisions - Reviewing specifications with Engineering
- Cost Recovery – Continuing cost of service analyses.
- Depreciation and Cash Reserve - Folded into the cost of service analyses. Propose operating cash reserve of at least 25% of operating expenditures.

○ Revenues

Consumption down over the past few years and may be due to the economic environment. The Conservation Program geared to unneeded summertime irrigation consumption could be a factor as well as the slow-down in new development. Alderman Moore mentioned conservation and asked if going forward there would be more modern technology utilized with irrigation systems. Mr. Hilty responded they are looking at different methods and technology.

○ Expenditures

- Personnel – Salaries and benefits second largest operational expense behind water for resale. Estimated personnel costs for 2010 approximately \$1,750,000, around \$220,000 less than budgeted. No additional personnel proposed.
- Operations and Maintenance – Largest expense is purchase of finished water from HVUD. Expenditure for FY 2010 approximately \$2,750,000: \$550,000 under budget. Estimated utilities in excess of \$230,000 for FY 2010-2011; electricity is primary cost.
- Operations Capital – Various expenditures budgeted for FY 2010 delayed due to economic pressures. Some items carried forward to FY 2011

Operations and Maintenance Expenditures Estimated Actual 2010 - \$5,125,822

Operations and Maintenance expenditures Approved Budget 2011 - \$5,752,242

❖ **WASTEWATER** (Wastewater Collection and Wastewater Treatment (Water Reclamation) Divisions)

Goals and Strategic Initiatives

- Wet Weather Evaluation – Consistent with Sustainability Task Force, the department will initiate a wet weather evaluation of collection system to determine the percent of rainfall dependent inflow and infiltration (RDII) that enters the collection system.
- Ordinance and Specifications Revisions – Working to refine water, wastewater and reclaimed water specifications.
- Cost Recovery – Cover all operating cost including debt service without transfer

from reserves or fees intended for capital investments

- Depreciation and Cash Reserve – Budget for depreciation to allow funding of a prudent operating cash reserve of at least 25% of expenditures.
- Revenues

Steady growth resulting from sales (gallons), rates, and the customer mix. Wastewater sales in the MVUD, Milcrofton and HB&TS water districts expected to continue to be a larger portion of total sales as the majority of development is occurring outside the City water district. Future growth expected in Cool Springs and Goose Creek areas. Rates reflect annual increases over the next two years to move to full cost recovery. Results of the Jackson-Thornton Cost of Service Study reflected in the revenue calculations.
- Revenues – Current and Proposed Rates

Rate adjustment implemented January 1, 2010 with a goal of achieving an annual increase in revenues of 15%. Consistent with the Five-Year Financial Plan, propose additional adjustments to user rates in FY 2011 and FY 2012.
- Expenditures
 - Personnel - No additional personnel requests
 - Operations and Maintenance - Utility costs exceed \$1,000,000 annually
 - Debt Service a significant portion in Wastewater
 - Operations Capital - Equipment and vehicles, if practicable, on replacement schedule and incorporated into the budget and projections

Operations and Maintenance Expenditures Estimated Actual 2010 - \$5,310,495
Operations and Maintenance Expenditures Approved Budget 2011 - \$5,557,748
Operations and Maintenance Expenditures Amended Budget 20100 - \$5,413,514

❖ **RECLAIMED WATER**

- Goals and Strategic Initiatives
 - Goose Creek – Construction complete; however, a portion remains offline due to lack of demand
 - Downs Boulevard and West Reclaimed Water Lines – Under construction. Funding through State Revolving Fund with 40% principal forgiveness
- Revenues
 - Budgeted 2010 - \$325,600
 - Budgeted 2011 - \$336,150
- Expenditures
 - Estimated Actual 2010
 - Personnel - \$760
 - Operations & Maintenance - \$160,731
 - Operations Capital - \$10,087
 - Reclaimed Water Section - \$171,578
 - Budgeted 2011
 - Personnel - \$868
 - Operations & Maintenance - \$241,071
 - Operations Capital - \$35,010
 - Reclaimed Water Section - \$276,950
 - Amended Budget 2011

- Personnel - \$1,105
- Operations & Maintenance - \$282,701
- Operations Capital - \$35,024
- Reclaimed Water Section - \$318,830

Alderman Moore moved to approve FY 2011 Water/Wastewater Budget and 2011-2014 Financial Plan, and forward to BOMA for approval. Seconded by Alderman Skinner. Motion carried unanimously.

5. Consideration of Budget Amendment Ordinance

Eric Stuckey, City Administrator

This pertains to the Charter amendment, Article VIII, Section 10, to allow flexibility in administering and amending the annual budget. Currently, there are fourteen departments, some with multiple divisions, and it is common for a need to arise for shifting funds between departments. There are hundreds of line items that detail where money is spent. Those sometimes require movement of budget funds. The concept of a vacancy rate added to this year's budget as well. This is an issue because budgets are so tight. Draft Ordinance 2010-61 submitted for review. Management would be given the flexibility and authority to move money within a fund. If the amount were more than BOMA authorized, it would require a three-reading ordinance.

Lengthy discussion ensued:

- Why change from the current process of budget amendments at the end of the year
- Lack of flexibility in budgets and budgets do not reflect changes
- Streamlines the process without multiple budget amendment ordinances
- Amendment by ordinance can take six to eight weeks
- Less complicated for day-to-day operations.
- Cumbersome to make all amendments at the end of the year
- In these times of tight budgets personnel transfers will continue
- Ordinance needed to comply with Charter change – to describe a mechanism.

Alderman Moore indicated he was eager to make things easier for staff to be responsive and he wants to see the budget be more reflective of ongoing operations; therefore, move this forward to the Board level with a cap of \$25,000. Alderman Skinner asked if there could be a sunset clause as well.

Alderman Moore moved to approve Ordinance 2010-61 with the following amendments: Grant City staff the authority to transfer funds between departments with a cap of \$25,000 with a two-year sunset provision. Transfers above \$25,000 by Ordinance. Quarterly reports reflecting any actions taken will be provided to the Budget & Finance Committee and BOMA. Seconded by Alderman Skinner. Motion carried 2-1 with Alderman Petersen voting no.

6. Review and Discussion of Auto Allowance Policy

Russ Truell, ACA Finance & Administration

The City has delayed replacement of quite a few vehicles, including some take home vehicles. Replacement costs are high. Administration would like to offer an auto allowance in lieu of replacing these vehicles and authorize the City Administrator flexibility in offering auto allowances of varying amounts based on usage and job requirements.

The practice has been to provide a vehicle with certain positions; there are 22 vehicles at this time. In addition, four people use their personal vehicles and receive an auto allowance of \$200 per month. That amount is not realistic as an offer to switch from a City vehicle to an auto allowance.

If the number of City vehicles were reduced by half an approximate \$250,000 of capital investment plus ongoing maintenance costs could be saved. Implementation would be gradual. Some positions will always require a City vehicle. The long-term goal is for fewer City provided cars and to maintain a pool of vehicles.

The Committee requested a list of positions with City-owned vehicles and better documentation of the allowance ranges before making any decision. Discussion will continue at the next meeting.

7. Monthly Reports (Information Only)

Russ Truell, ACA Finance & Administration

- a) Fuel Hedging Report final
- b) Model Debt Policy revised comptrollers debt policy
- c) Transit Grants
- d) Sales Tax Report
- e) Preliminary FY 2010 Results
- f) Professional Investment Advisory Services

ADJOURN

Alderman Moore moved to adjourn and motion carried unanimously.

Meeting adjourned @ 5:55 p.m.

Ann Petersen, Chair

Minutes prepared by Linda Fulwider, Board Recording Secretary, City Administrator's Office – 9/3/2010 12:00 PM