
**MINUTES OF THE *SPECIAL* WORK SESSION
BOARD OF MAYOR AND ALDERMEN
FRANKLIN, TENNESSEE
CITY HALL BOARD ROOM
WEDNESDAY, DECEMBER 14, 2011 – 2:00 P.M.**

Board Members

Mayor Ken Moore

Alderman Clyde Barnhill	P	Alderman Margaret Martin	P
Alderman Brandy Blanton	P	Alderman Dana McLendon	A
Alderman Pearl Bransford	P	Alderman Ann Petersen	P
Alderman Beverly Burger	P	Alderman Michael Skinner, Vice Mayor	P

Staff

Eric Stuckey, City Administrator	P	Paul Holzen, Interim Engineering Director	P
Russ Truell, ACA Finance & Administration	P	Mike Lowe, Comptroller	P
David Parker, City Engineer/CIP Executive	P	Lanaii Benne, Assistant City Recorder	P
Rocky Garzarek, Fire Chief	P	Linda Fulwider, Board Recording Secretary	P
Lisa Clayton, Parks Director	P		

1. Call to Order

Mayor Moore called the *Special* Work Session to order on Wednesday, December 14, 2011 at 2:09 p.m. in the Board Room.

WORK SESSION DISCUSSION ITEMS

2. Presentation and Discussion of Capital Improvement Projects

Lauren Lowe, PFM Group

The purpose of the meeting is to learn what projects the City can afford to do in terms of the policies in place.

Lauren Lowe presented the Capacity Model:

Policy Development Phase

- Spring 2009 – **Reserve Policy** was developed based on comparable City data within the state and outside the state. It was important to establish the right “savings” target prior to discussing pay-go vs. debt financing in the debt policy.
 - ★ Comparable City’s policy levels as well as the actual reserve levels maintained at that time (FY 2008 data) were reviewed.
 - ★ Reserve policy level of 33% was adopted.
- May/June 2009 – **Debt Policy** was developed and adopted.
 - ★ The Debt policy outlines the process and criteria for several areas associated with future debt.
 - ★ The Debt Policy established affordability ratios that would be considered for future debt

and/or use of fund balance. All policy levels were developed based on the City's FY 2008 financials. The same comparable cities were used in this process.

- ★ PFM felt it was in the City's best interest to address the debt policy prior to looking at capacity levels and funding of a future CIP.

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Affordability Ratios

Several "affordability ratios" are included as part of the City's Debt Policy:

- **Debt Service as a % of Operating Expenditures** – Measures debt liability relative to total budget resources
 - ★ Current policy at 8%
- **Net Debt per Capita** – Measures net debt to population
 - ★ Current policy at <\$2,000
- **Per Capita Debt/Per Capita Income** – Measures each person's estimated ability to back their portion of debt based on personal income per capita.
 - ★ Current policy at 3%
- **Net Direct Debt as % of Market Value** – Measures the overall debt burden to taxable property
 - ★ Current policy at 0.8%

As part of the Capacity model, we also include the General Fund balance as a % of Revenues. The policy level for this ratio is 33% per the City's Reserve Policy.

Capacity Development Phase

- In August 2009 (after the Debt Policy was established that included affordability ratios), PFM began working with administration and the finance committee to develop a capacity model. The capacity model has continued to be updated to include the following:
 - ★ Historical Revenues and Expenses from FY 2004 through FY 2011
 - ★ Budgeted FY 2012 Revenues and Expenses
 - ★ Growth Rate Assumptions Revenue and Expenditure line items
 - ★ Existing General Obligation/Water and Sewer Debt
 - ★ Reserve Policy Requirement: Fund Balance of at least 33% of General Fund Expenditures
 - ★ Debt affordability ratios (from the Debt Policy) and Moody's AAA, AA and A Medians
- PFM felt it was in the City's best interest to establish the debt policy, which included affordability ratios prior to the capacity development phase.

Capacity Model Updates

- Historical Revenues and Expenses updated to include FY 2011
- Budgeted FY 2012 Revenues and Expenses
- Growth Rate Assumptions Revenue and Expenditure line items
- \$19,430,000 Series 2011 Bank Loan debt service has been included (100% of Water/Sewer debt is fixed rate)
- Moody's Local Government Medians as of September 2011

Capacity Model Input Tab – Sample Screen Shot of CAFR DATA Input Inclusive of growth rate (forecasted) was shown and reviewed.

Capacity Model Functionality

Model allows for flexibility by allowing...

- Modification on growth rate assumptions for revenues and expenditures line items for each year through 2041
- Sources of funding the CIP:
 - ★ Replace existing debt as it matures
 - ★ Issue new debt as long-term or short-term
 - ★ Pay-as-you-go financing – draw on GF Balance
 - ★ Consider additional income from other sources (impact fees, hotel taxes, user charges, state and federal subsidized and stimulus funding)
- Estimated borrowing rate, debt structure (level debt service or level principal) and borrowing term
- Modify existing debt service as it relates to the overall debt picture
- Determine the optimal debt structure on future debt issues

How the Capacity Model Works

PFM will utilize the Model to assist the City:

- Determine Capacity for funding CIP projects
- Provide funding options for selected projects in the CIP
- Monitor ratios as they relate to funding options
- Affordability ratios will be presented to rating agencies on a total debt basis vs. total debt less self-supporting
- Execute optimal financing vehicle

Top 10 Priority of Projects List as of 9/12/11

(see next page)



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Top 10 Priority of Projects list as of 6/29/11

9/12/11

THE FOLLOWING IS THE PRIORITIZATION OF PROJECTS AS CALCULATED FROM THE PRIORITY RANKING VOTING BY THE BOMA

* Those projects listed below indicated with an asterisk next to the BOMA's priority rank are the projects as recommended by the Administration staff in April for funding based on the City's needs and being able to fit within the City's Funding Plan.

** The project listed below indicated with two asterisks next to the BOMA's priority rank is the project recommended by the Administration staff in April as an alternate for funding should the Water/Street/Fleet Facility (Admin 1) project not be considered as a priority.

CIP Book Page Number	PROJECT	Priority Rank	Proposed: Debt Service Paid By	Funds Spent * and/or Committed by Contract/Budget	CIP FY 2011	CIP FY 2012	CIP FY 2013	CIP FY 2014	CIP FY 2015	TOTAL
Parks 3	Eastern Flank Battlefield Improvements - other than Access Roadway	1	General - Bond & Hotel/Motel	\$ 2,280,416	\$ 463,000			\$ 25,000	\$ 25,000	\$ 2,793,416
Street 47	South Carothers Pkwy Improvements (Falcon Creek to Harpeth River)	2*	General - Bond	\$ 2,020,000	\$ 1,685,000	\$ 10,200,300	\$ 4,371,700			\$ 18,277,000
Street 43	McEwen Dr. Phase IV from Cool Springs Blvd to Wilson Pike	3*	General - Bond, Road Impact	\$ 514,697		\$ 377,580	\$ 4,000,000	\$ 6,450,000	\$ 6,450,000	\$ 17,792,277
Public Safety 2	Fire Station #8 to be located in the Westhaven Development	4*	Facilities Tax		\$ 156,000	\$ 1,875,000	\$ 962,000			\$ 2,993,000
Street 9	Century Court/Beasley Drive Connector	5*	General - Bond	\$ 162,096	\$ 5,505	\$ 457,000				\$ 624,601
Street 7	Carlisle Lane/Boyd Mill Ave @ Highway 96 West Signalization	6**	General - Bond & Development Contribution	\$ 176,360	\$ 5,240	\$ 2,062,952				\$ 2,244,572
Admin 1	Consolidated Public Works Facility	7*			\$ 3,400,000	\$ 250,000	\$ 250,000	\$ 250,000		\$ 4,150,000
Street 11	Clovercroft Road & Wilson Pike Intersection Improvements	8	General - Bond		\$ 60,000	\$ 25,000	\$ 385,000			\$ 450,000
Street 12	Columbia Ave Improvements from Downs Blvd to Mack Hatcher Pkwy	9	General - Bond, State & Road Impact	\$ 21,500			\$ 821,500	\$ 6,000,000	\$ 12,200,000	\$ 19,043,000
Parks 6	The Park at Herlinsdale Farm Improvements	10*	General - Bond & Hotel/Motel	\$ 2,759,388	\$ 215,000	\$ 245,000	\$ 290,000	\$ 250,000	\$ 275,000	\$ 4,034,388



Scenario Summary

The following scenarios are included in the update to the capacity model (**Committed Projects are included in all scenarios**):

- Base Case Committed Projects Only
- Scenario 1 Top 5 Projects without Phasing
- Scenario 2 Top 5 Projects with Phasing on McEwen & Carothers-Ladd Park
- Scenario 3 Top 3 Projects without Phasing (Plus McEwen design)
- Scenario 4 Top 3 Projects with Phasing on McEwen & Carothers-Ladd Park
- Scenario 5 Staff Project Recommendation



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Staff Recommended Scenarios

Scenario 5 Details:

Scenario 5 Staff Project Recommendation		2012	2013	2014	2015	2016
2012-16 CIP Work Sheet						
Priority	Project Description	2012	2013	2014	2015	2016
Committed Project 1	Hillsboro Road	1,000,000	5,000,000	5,000,000	-	-
Committed Project 2	Consolidated Public Works Facility	2,500,000	2,500,000	-	-	-
Total Committed Projects		3,500,000	7,500,000	5,000,000	-	-
Priority Projects:						
1	Consolidated Public Works Facility	-	-	-	-	-
	Net Funding Needs	-	-	-	-	-
2	Fire Station Design #7 & #8 Westhaven	225,000	-	-	-	-
	Net Funding Needs	225,000	-	-	-	-
3	Park @ Harlinsdale Farm Improvements	131,300	-	-	-	-
	Net Funding Needs	131,300	-	-	-	-
4	McEwen Drive, Wilson Pike to City Limit	240,000	-	-	-	-
	Net Funding Needs	240,000	-	-	-	-
5	McEwen Drive @ Wilson Pike Intersection	450,000	-	-	-	-
	Net Funding Needs	450,000	-	-	-	-
6	McEwen Drive Cool Springs to Wilson Pike	680,000	-	-	-	-
	Net Funding Needs	680,000	-	-	-	-
7	South Carothers Parkway (north segment)	-	3,600,000	3,600,000	-	-
	Net Funding Needs	-	3,600,000	3,600,000	-	-
8	Century Court/Beasley Drive Connector	5,505	457,000	-	-	-
	Net Funding Needs	5,505	457,000	-	-	-

All five scenarios were then reviewed five different ways:

- Debt Affordability Ratios – General Fund Balance as a % of Operating Revenues
- Debt Affordability Ratios – Debt Service as a % of Operating Expenditures
- Debt Affordability Ratios – Net Debt Per Capita
- Debt Affordability Ratios – Per Capita Debt/Per Capita Income
- Debt Affordability Ratios – Net Direct Debt as a % of Market Value



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Scenario Summary

Affordability Matrix - \$52.3 Million Budget (FY 2012)

	General Fund Balance as a % of Operating Revenues	Debt Service as a % of Operating Expenditures	Net Debt per Capita	Per Capita Debt/Per Capita Income	Net Direct Debt as a % of Market Value
Base (Committed)	Yrs 2011-2020 Ratio is above policy	Yrs 2011-2020 Ratio is above policy			
Scenario 1 (Top 5)	Yrs 2016 - 2020 Ratio is below policy	Yrs 2011-2020 Ratio is above policy			Yrs 2013-2019 Ratio is above policy
Scenario 2 (Top 5 w/phasing)		Yrs 2011-2020 Ratio is above policy			Yrs 2014 Ratio is weak
Scenario 3 (Top 3)	Yrs 2016 - 2020 Ratio is below policy	Yrs 2011-2020 Ratio is above policy			Yrs 2013-2019 Ratio is above policy
Scenario 4 (Top 3 w/phasing)		Yrs 2011-2020 Ratio is above policy			
Scenario 5 (Staff Recommendation)		Yrs 2011-2020 Ratio is above policy			

- ⊙ Alderman Blanton arrived at 3:06 p.m.

Questions were asked and answered during the presentation.

The five scenarios were reiterated:

Base Case	Committed Projects Only
Scenario 1	Top 5 Projects without Phasing
Scenario 2	Top 5 Projects with Phasing on McEwen & Carothers-Ladd Park
Scenario 3	Top 3 Projects without Phasing (Plus McEwen design)
Scenario 4	Top 3 Projects with Phasing on McEwen & Carothers-Ladd Park
Scenario 5	Staff Project Recommendation

Mayor Moore said the projects could be reviewed to make sure what is most needed by the community. The Board can review this in depth during their January Retreat. Other scenarios could be run. The CIP will be reviewed every year. A January 10, 2012 deadline was set for the Board to submit comments and requests for different scenarios

ADJOURN

Work Session adjourned 3:47 p.m.

Mayor Ken Moore

Minutes prepared by: Linda Fulwider, Board Recording Secretary, City Administrator's Office - 2/14/2012 8:35 AM