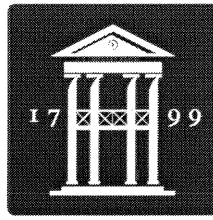


ADMINISTRATION

Russell B. Truell
Assistant City Administrator, CFO
Finance



ITEM #6
WRKS 04/10/2012

Dr. Ken Moore
Mayor

Eric S. Stuckey
City Administrator

H I S T O R I C
F R A N K L I N
T E N N E S S E E

April 4, 2012

TO: Members of the Board of Mayor & Aldermen
Eric Stuckey, City Administrator

FROM: Russ Truell, ACA/CFO

RE: Discussion of Assumption in the PFM Debt Capacity Model

Purpose

The purpose of this item is to provide *additional* background on the calculation of debt service for future years in PFM debt capacity model.

Background

Since the last work session discussion of the CIP projects, our financial advisory firm, Public Financial Management, has revised the debt capacity model to provide an indication of financial capacity related to the CIP projects. Two adjustments have been made: 1) a fourth option, titled Scenario 5D, has been added to incorporate the signalization project at Carlisle Lane, and 2) the timing of expenditures on the projects (and the resulting funding of the projects) has been adjusted to reflect an updated completion schedule provided by the Engineering department.

The PFM capacity model makes calculations about the level of debt service and converts those numbers into ratios that are customarily used by rating agencies and investors. Because the additional borrowing for these projects does not add significant amount to the overall debt, it is difficult to observe any visible difference in the charts presented in the December update to the model. For that reason, PFM has added a summary slide that shows the "Affordability Matrix" for all four options.

The staff recommendation, Scenario 5C, does not change the status of the financial ratios in the Matrix. Four of the five ratios are within the limits of our debt policy; as discussed previously, one ratio is slightly above the policy goal as a result of budget reductions and borrowing in advance of the original schedule. Scenario 5D, with the addition of Carlisle, changes one of the ratios (net direct debt as a percentage of market values) from satisfactory to borderline.

All of the assumptions about interest rate levels and the timing of debt issues that were presented in the previous memo of March 19 remain in effect.

ORDINANCE 2012-20

AN ORDINANCE TO ADOPT THE FY 2011-2015 CAPITAL INVESTMENT PROGRAM (CIP) AND THE TOP TEN (10) BOARD OF MAYOR AND ALDERMEN PRIORITIES WITH ASSOCIATED FUNDING PLAN

WHEREAS, the Board of Mayor and Aldermen (BOMA) has determined that the FY 2011-2015 Capital Investment Program (CIP) as presented represents their intent as to the capital projects needing to be accomplished within the next several years; and

WHEREAS, the Board of Mayor and Aldermen has reviewed the FY 2011-2015 CIP and ranked its top ten (10) priority projects; and

WHEREAS, the Board of Mayor and Aldermen has adopted financial policies related to general fund reserves and debt issuance; and

WHEREAS, financial models have been developed to project the impact of various funding scenarios comprised of the top ten (10) prioritized CIP projects.

NOW THEREFORE:

SECTION I: BE IT ORDAINED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, that CIP Scenario 5 of the Work Sheets for the 2011-2015 CIP as presented and dated April 10, 2012 is hereby adopted for use in determining those capital improvement projects that the City of Franklin desires to pursue.

SECTION II: BE IT FURTHER ORDAINED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, that those capital investment projects designated as the top ten (10) priorities included in Scenario 5 of the Work Sheets for the 2011-2015 CIP Project Priority Ranking dated April 10, 2012 will be considered for funding and completion prior to the other CIP projects.

SECTION III: BE IT FURTHER ORDAINED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, that those capital investment projects listed in the approved FY 2011-2015 CIP not designated as being funded by this Ordinance will be continually evaluated on a case-by-case basis and in accordance with the established priority rankings for funding should additional funds be made available or those projects slated for funding are delayed and the designated funding not be needed at the time.

SECTION IV: BE IT FURTHER ORDAINED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, that the capital investment projects included in Resolution 2009-44, A Resolution to Adopt the 2010-2014 CIP (Capital Investment Program) Funding Plan, will remain funded as approved by the Board of Mayor and Aldermen on September 22, 2009; and

SECTION V: BE IT FINALLY ORDAINED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, that this Ordinance shall take effect from and after its passage on second and final reading, the health, safety and welfare of the citizens of Franklin requiring it.

ATTEST:

CITY OF FRANKLIN, TENNESSE

By: _____

ERIC S. STUCKEY
City Administrator

By: _____

Dr. Ken Moore
Mayor

Approved as to Form

By: Shauna R. Billingsley
Shauna R. Billingsley
City Attorney

PASSED FIRST READING

PASSED SECOND READING
