

ADMINISTRATION

Russell B. Truell  
Assistant City Administrator, CFO  
Finance



ITEM #10  
WRKS 04/24/2012

Dr. Ken Moore  
Mayor

Eric S. Stuckey  
City Administrator

OLD Version

HISTORIC  
FRANKLIN  
TENNESSEE

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**

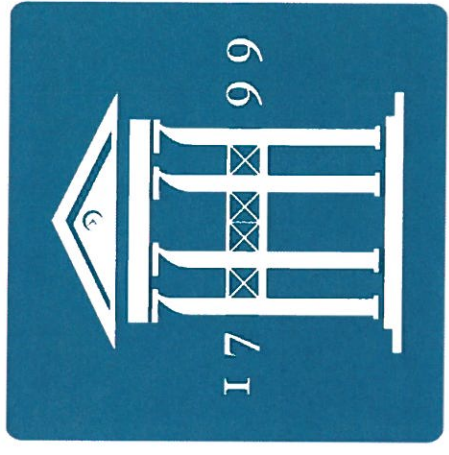
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# Supplemental Information on Scenario 5



## City of Franklin, TN Capacity Model

Updated for April 10, 2012



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

**The PFM Group**  
530 Oak Court Drive  
Suite 160  
Memphis, TN 38117



# Staff Recommended Scenario Variations



HISTORIC  
FRANKLIN  
TENNESSEE

Scenario 5 has been considered with three variations:

- 5A - Includes South Carothers Parkway (north segment) at \$7.6 million; does not include Carlisle Lane Signalization or McEwen Drive Temporary Connector.
- 5B - Includes South Carothers Parkway (south segment) at \$9.1 million; does not include Carlisle Lane Signalization or McEwen Drive Temporary Connector.
- 5C - Includes South Carothers Parkway (south segment) at \$9.1 million and McEwen Drive Temporary Connector at \$2.5 million; does not include Carlisle Lane Signalization.
- 5D - Includes South Carothers Parkway (south segment) at \$9.1 million, McEwen Drive Temporary Connector at \$2.5 million and Carlisle Lane Signalization at \$2.2 million.

# Scenario 5A

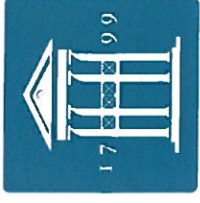


HISTORIC  
FRANKLIN  
TENNESSEE

Scenario 5A Staff Project Recommendation		2012	2013	2014	2015	2016
Priority	Project Description	2012	2013	2014	2015	2016
Committed						
Project 1	Hillsboro Road	1,000,000	1,000,000	5,000,000	4,000,000	-
Committed						
Project 2	Consolidated Public Works Facility	2,500,000	2,500,000	-	-	-
	<b>Total Committed Projects</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>5,000,000</b>	<b>4,000,000</b>	<b>-</b>
<b>Priority Projects:</b>						
<b>1</b>	Consolidated Public Works Facility	-	-	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>2</b>	Fire Station Design #7 & #8 Westhaven	-	225,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>3</b>	Park @ Harlinsdale Farm Improvements	-	131,300	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>4</b>	McEwen Drive, Wilson Pike to City Limit	-	240,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>5</b>	McEwen Drive @ Wilson Pike Intersection	-	450,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>6</b>	McEwen Drive Cool Springs to Wilson Pike	-	680,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>7</b>	South Carothers Parkway (north segment)	-	2,585,899	3,000,000	2,050,000	50,000
	Net Funding Needs	-	-	-	-	-
<b>8</b>	Century Court/Beasley Drive Connector	5,505	457,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>9</b>	McEwen Drive Temporary Connector	5,505	457,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>10</b>	Carlisle Lane Signalization	-	-	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>Summary</b>						
	Annual "small project" funding	-	-	-	-	-
	<b>Total Priority Projects</b>	<b>5,505</b>	<b>4,769,199</b>	<b>3,000,000</b>	<b>2,050,000</b>	<b>50,000</b>
	<b>Committed Projects</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>5,000,000</b>	<b>4,000,000</b>	<b>-</b>
	<b>All Projects Total</b>	<b>3,505,505</b>	<b>8,269,199</b>	<b>8,000,000</b>	<b>6,050,000</b>	<b>50,000</b>
	<b>Reserve Funding</b>	-	-	-	-	-
	<b>Bond Funding Amount</b>	<b>3,505,505</b>	<b>7,462,899</b>	<b>8,000,000</b>	<b>6,050,000</b>	<b>50,000</b>



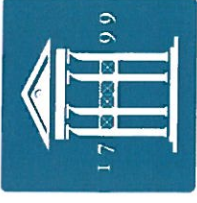
# Scenario 5B



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Scenario 5B Staff Project Recommendation						
2012-16 CIP Work Sheet						
Priority	Project Description	2012	2013	2014	2015	2016
Committed Project 1	Hillsboro Road	1,000,000	1,000,000	5,000,000	4,000,000	-
Committed Project 2	Consolidated Public Works Facility	2,500,000	2,500,000	-	-	-
<b>Total Committed Projects</b>		<b>3,500,000</b>	<b>3,500,000</b>	<b>5,000,000</b>	<b>4,000,000</b>	-
<b>Priority Projects:</b>						
<b>1</b>	Consolidated Public Works Facility	-	-	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>2</b>	Fire Station Design #7 & #8 Westhaven	-	225,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>3</b>	Park @ Harlinsdale Farm Improvements	-	131,300	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>4</b>	McEwen Drive, Wilson Pike to City Limit	-	240,000	-	-	-
	Net Funding Needs	-	240,000	-	-	-
<b>5</b>	McEwen Drive @ Wilson Pike Intersection	-	450,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>6</b>	McEwen Drive Cool Springs to Wilson Pike	-	680,000	-	-	-
	Net Funding Needs	-	680,000	-	-	-
<b>7</b>	South Carothers Parkway (south segment)	-	2,700,000	3,000,000	3,000,000	491,809
	Net Funding Needs	-	2,700,000	3,000,000	3,000,000	491,809
<b>8</b>	Century Court/Beasley Drive Connector	5,505	457,000	-	-	-
	Net Funding Needs	5,505	457,000	-	-	-
<b>9</b>	McEwen Drive Temporary Connector	-	-	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>10</b>	Carlisle Lane Signalization	-	-	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>Summary</b>						
	Annual "small project" funding	-	-	-	-	-
	<b>Total Priority Projects</b>	5,505	4,883,300	3,000,000	3,000,000	491,809
	<b>Committed Projects</b>	3,500,000	3,500,000	5,000,000	4,000,000	-
	<b>All Projects Total</b>	3,505,505	8,383,300	8,000,000	7,000,000	491,809
	<b>Reserve Funding</b>	-	-	-	-	-
	<b>Bond Funding Amount</b>	3,505,505	7,577,000	8,000,000	7,000,000	491,809

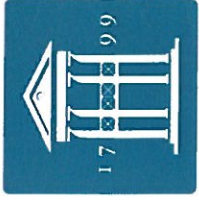
# Scenario 5C



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Scenario 5C Staff Project Recommendation		2012	2013	2014	2015	2016
Priority	Project Description					
Committed Project 1	Hillsboro Road	1,000,000	1,000,000	5,000,000	4,000,000	-
Committed Project 2	Consolidated Public Works Facility	2,500,000	2,500,000	-	-	-
<b>Total Committed Projects</b>		<b>3,500,000</b>	<b>3,500,000</b>	<b>5,000,000</b>	<b>4,000,000</b>	<b>-</b>
<b>Priority Projects:</b>						
<b>1</b>	Consolidated Public Works Facility	-	-	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>2</b>	Fire Station Design #7 & #8 Westhaven	-	225,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>3</b>	Park @ Harlinsdale Farm Improvements	-	131,300	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>4</b>	McEwen Drive, Wilson Pike to City Limit	-	240,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>5</b>	McEwen Drive @ Wilson Pike Intersection	-	450,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>6</b>	McEwen Drive Cool Springs to Wilson Pike	-	150,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>7</b>	South Carothers Parkway (south segment)	-	2,700,000	3,000,000	3,000,000	491,809
	Net Funding Needs	-	-	-	-	-
<b>8</b>	Century Court/Beasley Drive Connector	5,505	457,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>9</b>	McEwen Drive Temporary Connector	-	257,000	1,728,600	496,400	-
	Net Funding Needs	-	-	-	-	-
<b>10</b>	Carlisle Lane Signalization	-	257,000	1,728,600	496,400	-
	Net Funding Needs	-	-	-	-	-
<b>Summary</b>						
	Annual "small project" funding	-	-	-	-	-
	<b>Total Priority Projects</b>	<b>5,505</b>	<b>4,610,300</b>	<b>4,728,600</b>	<b>3,496,400</b>	<b>491,809</b>
	<b>Committed Projects</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>5,000,000</b>	<b>4,000,000</b>	<b>-</b>
	<b>All Projects Total</b>	<b>3,505,505</b>	<b>8,110,300</b>	<b>9,728,600</b>	<b>7,496,400</b>	<b>491,809</b>
	<b>Reserve Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Bond Funding Amount</b>	<b>3,505,505</b>	<b>7,304,000</b>	<b>9,728,600</b>	<b>7,496,400</b>	<b>491,809</b>





# Scenario 5D

Scenario 5D Staff Project Recommendation						
CIP Work Sheet						
Priority	Project Description	2012	2013	2014	2015	2016
Committed Project 1	Hillsboro Road	1,000,000	1,000,000	5,000,000	4,000,000	-
Committed Project 2	Consolidated Public Works Facility	2,500,000	2,500,000	-	-	-
<b>Total Committed Projects</b>		<b>3,500,000</b>	<b>3,500,000</b>	<b>5,000,000</b>	<b>4,000,000</b>	<b>-</b>
<b>Priority Projects:</b>						
<b>1</b>	Consolidated Public Works Facility	-	-	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>2</b>	Fire Station Design #7 & #8 Westhaven	-	225,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>3</b>	Park @ Harlinsdale Farm Improvements	-	131,300	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>4</b>	McEwen Drive, Wilson Pike to City Limit	-	240,000	-	-	-
	Net Funding Needs	-	240,000	-	-	-
<b>5</b>	McEwen Drive @ Wilson Pike Intersection	-	450,000	-	-	-
	Net Funding Needs	-	-	-	-	-
<b>6</b>	McEwen Drive Cool Springs to Wilson Pike	-	150,000	-	-	-
	Net Funding Needs	-	150,000	-	-	-
<b>7</b>	South Carothers Parkway (south segment)	-	2,700,000	3,000,000	3,000,000	491,809
	Net Funding Needs	-	2,700,000	3,000,000	3,000,000	491,809
<b>8</b>	Century Court/Beasley Drive Connector	5,505	457,000	-	-	-
	Net Funding Needs	5,505	457,000	-	-	-
<b>9</b>	McEwen Drive Temporary Connector	-	257,000	1,728,600	496,400	-
	Net Funding Needs	-	257,000	1,728,600	496,400	-
<b>10</b>	Carlisle Lane Signalization	24,465	226,925	1,993,182	-	-
	Net Funding Needs	24,465	226,925	1,993,182	-	-
<b>Summary</b>						
	Annual "small project" funding	-	-	-	-	-
	<b>Total Priority Projects</b>	<b>29,970</b>	<b>4,837,225</b>	<b>6,721,782</b>	<b>3,496,400</b>	<b>491,809</b>
	<b>Committed Projects</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>5,000,000</b>	<b>4,000,000</b>	<b>-</b>
	<b>All Projects Total</b>	<b>3,529,970</b>	<b>8,337,225</b>	<b>11,721,782</b>	<b>7,496,400</b>	<b>491,809</b>
	<b>Reserve Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Bond Funding Amount</b>	<b>3,529,970</b>	<b>7,530,925</b>	<b>11,721,782</b>	<b>7,496,400</b>	<b>491,809</b>

# Scenario Comparisons - Estimates



HISTORIC  
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Scenario 5A	2012	2013	2014	2015	2016
Total Priority Projects	5,505	4,769,199	3,000,000	2,050,000	50,000
Committed Projects	3,500,000	3,500,000	5,000,000	4,000,000	-
All Projects Total	3,505,505	8,269,199	8,000,000	6,050,000	50,000
Bond Funding Amount	3,505,505	7,462,899	8,000,000	6,050,000	50,000
<b>METRICS</b>					
additional debt service(total) =	-	245,385	522,403	560,000	423,500
cumulative new debt service =	-	245,385	767,788	1,327,788	1,751,288
estimated Gen Fund budget =	52,867,500	55,510,875	58,286,419	61,200,740	64,260,777
additional debt service/ Budget =	0.00%	0.44%	1.32%	2.17%	2.73%
existing debt service	5,068,183	5,068,183	5,068,183	5,068,183	5,068,183
existing debt service/Budget =	9.59%	9.13%	8.70%	8.28%	7.89%
existing debt service + committed projects/Budget	9.59%	9.57%	9.12%	8.85%	7.89%
combined debt service/Budget =	9.59%	9.57%	10.01%	10.45%	10.61%

Scenario 5B	2012	2013	2014	2015	2016
Total Priority Projects	5,505	4,883,300	3,000,000	3,000,000	491,809
Committed Projects	3,500,000	3,500,000	5,000,000	4,000,000	-
All Projects Total	3,505,505	8,383,300	8,000,000	7,000,000	491,809
Bond Funding Amount	3,505,505	7,577,000	8,000,000	7,000,000	491,809
<b>METRICS</b>					
additional debt service(total) =	-	245,385	530,390	560,000	490,000
cumulative new debt service =	-	245,385	775,775	1,335,775	1,825,775
estimated Gen Fund budget =	52,867,500	55,510,875	58,286,419	61,200,740	64,260,777
additional debt service/ Budget =	0.00%	0.44%	1.33%	2.18%	2.84%
existing debt service	5,068,183	5,068,183	5,068,183	5,068,183	5,068,183
existing debt service/Budget =	9.59%	9.13%	8.70%	8.28%	7.89%
existing debt service + committed projects/Budget	9.59%	9.57%	9.12%	8.85%	7.89%
combined debt service/Budget =	9.59%	9.57%	10.03%	10.46%	10.73%

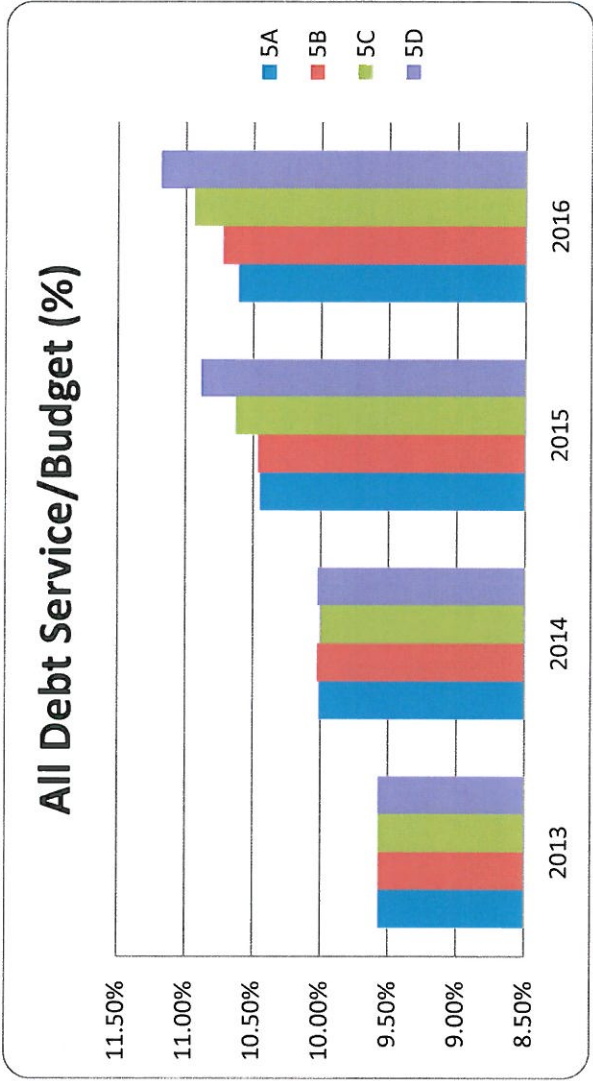
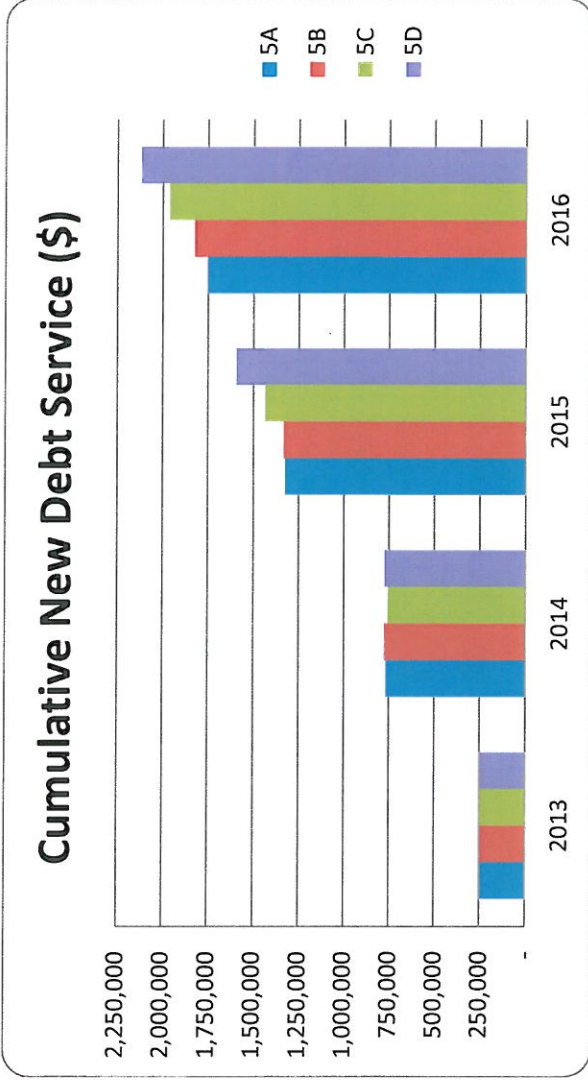
Scenario 5C	2012	2013	2014	2015	2016
Total Priority Projects	5,505	4,610,300	4,728,600	3,496,400	491,809
Committed Projects	3,500,000	3,500,000	5,000,000	4,000,000	-
All Projects Total	3,505,505	8,110,300	9,728,600	7,496,400	491,809
Bond Funding Amount	3,505,505	7,304,000	9,728,600	7,496,400	491,809
<b>METRICS</b>					
additional debt service(total) =	-	245,385	511,280	681,002	524,748
cumulative new debt service =	-	245,385	756,665	1,437,667	1,962,415
estimated Gen Fund budget =	52,867,500	55,510,875	58,286,419	61,200,740	64,260,777
additional debt service/ Budget =	0.00%	0.44%	1.30%	2.35%	3.05%
existing debt service	5,068,183	5,068,183	5,068,183	5,068,183	5,068,183
existing debt service/Budget =	9.59%	9.13%	8.70%	8.28%	7.89%
existing debt service + committed	9.59%	9.57%	9.12%	8.85%	7.89%
combined debt service/Budget =	9.59%	9.57%	9.99%	10.63%	10.94%

Scenario 5D	2012	2013	2014	2015	2016
Total Priority Projects	29,970	4,837,225	6,721,782	3,496,400	491,809
Committed Projects	3,500,000	3,500,000	5,000,000	4,000,000	-
All Projects Total	3,529,970	8,337,225	11,721,782	7,496,400	491,809
Bond Funding Amount	3,529,970	7,530,925	11,721,782	7,496,400	491,809
<b>METRICS</b>					
additional debt service(total) =	-	247,098	527,165	820,525	524,748
cumulative new debt service =	-	247,098	774,263	1,594,787	2,119,535
estimated Gen Fund budget =	52,867,500	55,510,875	58,286,419	61,200,740	64,260,777
additional debt service/ Budget =	0.00%	0.45%	1.33%	2.61%	3.30%
existing debt service	5,068,183	5,068,183	5,068,183	5,068,183	5,068,183
existing debt service/Budget =	9.59%	9.13%	8.70%	8.28%	7.89%
existing debt service + committed	9.59%	9.57%	9.12%	8.85%	7.89%
combined debt service/Budget =	9.59%	9.58%	10.02%	10.89%	11.19%





# Scenario Comparisons





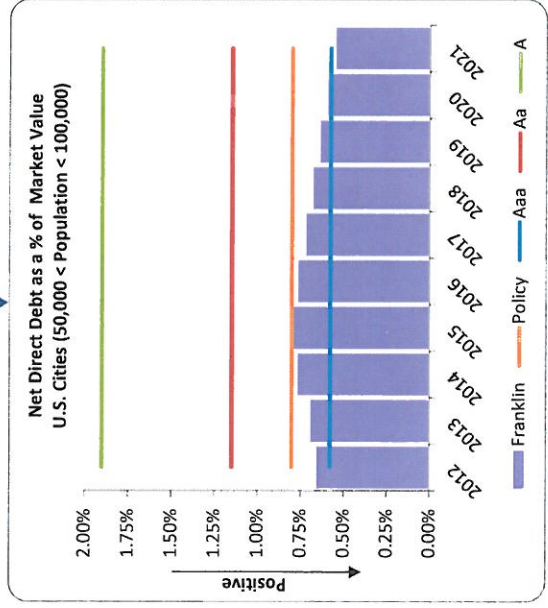
# Scenario Comparisons



HISTORIC  
**F R A N K L I N**  
T E N N E S S E E

**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
<b>5A - S. Carothers (north) @ \$7.6 M; no Carlisle or McEwen Con.</b>	●	● Yrs 2012-2021 Ratio is above policy	●	●	●
<b>5B - S. Carothers (south) @ \$9.1 M; no Carlisle or McEwen Con.</b>	●	● Yrs 2012-2021 Ratio is above policy	●	●	●
<b>5C - S. Carothers (south) @ \$9.1 M &amp; McEwen Con @ \$2.5 M; no Carlisle.</b>	●	● Yrs 2012-2021 Ratio is above policy	●	●	●
<b>5D - S. Carothers (south) @ \$9.1 M &amp; McEwen Con \$2.5 M &amp; Carlisle @ \$2.2 M.</b>	●	● Yrs 2012-2021 Ratio is above policy	●	●	● Yr 2015 ratio is weak



## ADMINISTRATION

**Russell B. Truell**  
Assistant City Administrator, CFO  
Finance



ITEM #12  
WRKS 03/27/2012

**Eric S. Stuckey**  
City Administrator

# HISTORIC FRANKLIN TENNESSEE

March 20, 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 background on the calculation of debt service for future years in PFM debt capacity model.

### Background

The debt capacity model attempts to provide an indication of financial capacity in future years. It does so by making calculations about the level of debt service and converting those numbers into ratios that are customarily used by rating agencies and investors. To look at overall financial health, several ratios are used, in much the same way that a doctor uses blood pressure, temperature, height/weight ratios, blood work, etc., to gain a sense of a patient's overall condition.

The staff recommendation, as modified in the three scenarios offered in the attachments, will not add a significant amount of bonded debt in relation to the existing debt plus the future debt already assumed in the PFM capacity model. [Note: \$11 million in additional debt for the Hillsboro Road project was included in the original capacity calculations in 2009.] Because the change is small relative to numbers already approved, it is difficult to see a substantial change in the charts that PFM provides. For that reason, we have included at the bottom of the attached spreadsheets the numerical impact of adopting scenario 5A, 5B, and 5C. This gives more detail on the exact amounts needed to fund the projects, as well as one of the ratios. The "debt service as a percentage of the General Fund budget," on which we have focused most of our attention during meetings, has been calculated with and without the projects proposed in the staff recommendation.

It should be noted that the numbers provided have been calculated using a number of assumptions about interest rates, the timing of the expenditures, the timing of debt issuance, the amounts issued in each installment, and the growth of general fund budget.

For example, at current interest rates the amount required for debt service is roughly \$6 per year for each \$100 of borrowing. The model assumes \$7 per \$100.

The expenditures are assumed to be made at the beginning of the fiscal year in which the project is budgeted. It is unlikely that such a project schedule will hold true, given that FY2012 is 75% complete as of this meeting. Nevertheless, we have assumed that the expenditures are on the front end of the time period.



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TENNESSEE

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As a companion to the expenditures, the borrowing for those expenditures in year one are assumed to occur within the same year of the expenditures with the debt service beginning to be paid in the next fiscal year. Thus, borrowing in FY2012 is assumed at mid-year, with principal and interest payments due in full in FY2013. As a matter of procedure, it is unlikely that we would issue debt that quickly. The only reason to do so would be to take advantage of current low interest rates or to optimize the use of issuing debt under the "bank-qualified" rule for small issuers.

One significant assumption is that there will be zero contribution from impact fees in offsetting the principal and interest payments of the borrowed funds. We know that there will be a significant contribution of impact fees from the area surrounding the South Carothers project, but we have not included those as an offset to the cost of the project or a potential source for debt service payments.

Even using the very conservative assumptions described above, the ratio of debt service as a percentage of General Fund budget would move from roughly 9.6% to 11.0% using Scenario 5C, the most expensive of the three scenarios provided. In dollars, the additional debt service would top out at \$2 million per year and the additional debt, including the portion already approved for Hillsboro, would total \$29 million; that compares to our annual reduction (payoff of principal on existing debt) of over \$6 million per year.