
MEETING MINUTES
BUDGET & FINANCE COMMITTEE
CITY OF FRANKLIN, TENNESSEE
CITY HALL BOARDROOM
WEDNESDAY, SEPTEMBER 26, 2012 @ 4:00 P.M.

Committee Members

Alderman Ann Petersen, Chair
Alderman Beverly Burger, Vice Chair
Alderman Brandy Blanton
Alderman Michael Skinner

Other Attendees

P	Eric Stuckey, City Administrator	P
P	Russell Truell, ACA Finance & Administration	P
P	Vernon Gerth, ACA Community & Economic Dev.	P
P	Mike Lowe, Comptroller	P
	Mark Hilty, Water Management Director	P
	Chris Bridgewater, BNS Director	P
	Steve Sims, Assistant City Recorder	P
	Mayor Ken Moore	P
	Lanaii Benne, Assistant City Recorder	P
	Linda Fulwider, Board Recording Secretary	

1. Call to Order

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

2. Approval of the Minutes

Alderman Burger moved to approve the August 16, 2012 minutes as presented. Seconded by Alderman Skinner. Motion carried unanimously.

**3. Consideration of ORDINANCE 2012-50, FY 2012 Fourth Quarter Budget Amendments
Mike Lowe, Comptroller**

The Fourth Quarter Amendments and Fiscal Year 2012 (Unaudited) Reports were presented.

Amendments:

1. Administrative reallocations between General Fund departments. After the departmental reallocations, the total General Fund Budget remains at \$53,747,622
2. Additional \$125,000 appropriation in Solid Waste Fund. A transfer of \$400,000 along with a reduction in tipping fee revenue of \$275,000 is needed to offset increased operating costs for vehicle maintenance and fuel of \$125,000. Along with the additional operating costs, an administrative reallocation will be made between departments (Administration, Collection, Disposal, and Recycling).
3. Reduction of budgeted transfer amount from Road Impact Fund to Debt Service Fund of \$1 million. The Road Impact Fund at June 30 had a deficit of \$2.2 million (due to lower collections) while the Debt Service Fund at June 30 had a surplus of \$1.3 million (due to recovery rebates and low variable interest rates). As previously outlined with the Finance Committee and discussed with both bond counsel and auditors, the reduction of the transfer will decrease the deficit in the Road Impact Fund from \$2.2 million to \$1.2 million, and leave slightly over \$300,000 in the Debt Service Fund to fund the increased interest cost in 2013 of variable rate to fixed rate interest from the upcoming refunding on the \$25 million bond issue.
4. Budget of project expenditures incurred in Capital Projects Fund. Prior to this amendment, only costs for the new Public Works Facility had been budgeted in this fund. This amendment will appropriate an additional \$12.5 million to cover other approved capital project costs.

Mr. Lowe pointed out a typo in Ordinance 2012-50, last line on page 1, the number should be **(\$12,500,000)** not (~~\$12,000,000~~)

*Alderman Skinner moved to approve the Fourth Quarter Budget Amendments with the correction of (~~\$12,000,000~~) to **(\$12,500,000)** and forward recommendation to BOMA. Seconded by Alderman Burger. Motion carried unanimously.*

Regarding Fiscal Year 2012 (Unaudited), Alderman Petersen requested a five-year history be provided instead of the one year currently shown. Alderman Petersen also pointed out the following typos in the document: Page 2 – Facilities Tax, 636.69% in the increase/decrease column should be a positive number; and, page 8 – Prior YTD Actual Total Unallocated Funds for Facilities Tax should be (291,165).

Alderman Petersen had a question regarding Debt Refunding Transaction on Page 14 was explained by Mr. Lowe, as was her question within the Water/Sewer Fund regarding sewer offsets (donated assets by developers).

4. Consideration of Building & Neighborhood Services Staffing Changes

Chris Bridgewater, BNS Director

Over the last four years, the number of inspections requested and performed has steadily increased by an average of 26% each year. To manage this workload, department supervisors have stepped in to assist with conducting inspections. As a result, when supervisors are performing field inspections, our development services are negatively impacted. The current situation is not sustainable.

In checking with communities around the nation, Franklin is doing more per inspector than all others, with the exception of one, which is by a trivial amount.

Increased revenue over the last calendar year would justify the conversion of two part time inspectors to two full time inspectors and cover the position of administrative assistant, which they don't currently have. There are a number of functions that supervisors have been doing and need to be done by an assistant to free up senior staff for essential functions.

There was some discussion on the timing to make the changes, some qualified for the positions already working in the department, and going through the required process. Mr. Stuckey said the costs could be folded into a first quarter budget amendment or by direct action authorization; however, the smoothest way is through a budget amendment.

Alderman Skinner moved to approve the changes in BNS personnel by changing two part-time inspector positions to two full time inspector positions and adding the position of Administrative Assistant and forward recommendation to BOMA. Seconded by Alderman Burger. Motion carried unanimously.

5. Review of Hotel Tax Fund

Russ Truell, ACA Finance & Administration

Mr. Stuckey reviewed a five-year outlook for the Hotel/Motel Tax Fund:

- ▲ The Conference Center debt rolls off at the end of this calendar year.
- ▲ Develop a multi-year funding plan around this fund.
- ▲ The fund is a good mechanism to fund parks improvements
- ▲ Anticipate numbers for Hayes Home and Equestrian Barn
- ▲ Work capital projects into five-year horizon

Russ Truell said they want to take some of these small funds and devote time to them in committee meetings and letting the committee know what the five year picture looks like. They assumed the hotel tax would grow at about 3% a year, that's inflation plus some additional rooms that might come in. The new Drury rooms are included in this summary.

Profit from the Conference Center assumes 2% growth. The contract for management comes up in 2014. Mr. Stuckey noted debt service assigned a component of Streetscape, and anticipate a portion from Hillsboro Road, Columbia Avenue, and Third Avenue in there as well.

Mr. Truell said without knowing what these bids are they elected to put in 35% of Debt Service for landscaping, etc. The actual numbers are unknown.

Alderman Petersen commented that unlike Road Impact Fees and Facilities Tax, this Fund isn't restricted to certain uses. She questioned the Eastern Flank debt service, because they had talked of paying for the loop road instead of putting it in debt service.

6. Status Report on Water/Sewer Rate Study

Mark Hilty, Water Management Director

Eric Stuckey noted this report gives background information and things to think about.

Presentation by Mark Hilty:

Cost of Service Study Status

Discussion Points

- ◆ Five Year Financial Plan Review
 - Status at Plan Inception vs. Current Status
- ◆ Integrated Water Resources Projects and Additional Considerations
- ◆ Water Rate Design
- ◆ Sanitary Sewer Rate Design

Water Recovery by Rate Class

Total		Res-In		Res-Out		C/I-In		C/I-Out	
2006	2008	2006	2008	2006	2008	2006	2008	2006	2008
86%	88%	76%	80%	124%	121%	92%	94%	151%	150%

Water Recovery by Rate Class: Current Analyses

Total	Res-In	Res-Out	C/I-In	C/I-Out
93%	85%	113%	110%	135%

Sanitary Sewer Recovery by Rate Class

Total		Res-In		Res-Out		C/I-In		C/I-Out	
2006	2008	2006	2008	2006	2008	2006	2008	2006	2008
86%	85%	76%	83%	124%	133%	92%	93%	151%	133%

Sanitary Sewer Recovery by Rate Class: Current Analyses

Total	Res-In	Res-Out	C/I-In	C/I-Out
100%	95%	121%	111%	159%

IWRP Water Projects

Item Description	BOMA (Proceed)	Estimated Cost \$	% Growth Funded (Est)	Rate &/or SDF Funded*	FY2013-Cost (Rates/ SDF)	FY2014-Cost (Rates/ SDF)	FY2015-Cost (Rates/ SDF)
Upgrade of Water Treatment Plant	YES	\$5,432,600	0%	\$5,432,600	\$1,498,648	\$2,247,972	\$1,685,979
Expansion to 4.0 MGD WTP	DESIGN	\$4,416,000	50%	\$2,208,000	\$609,103	\$913,655	\$685,241
Water Treatment & Distribution SCADA	YES	\$830,000	0%	\$830,000	\$228,966	\$343,448	\$257,586
Distribution Water Quality Improvements (D/DBP): Various modifications to the distribution system to reduce water age and improve overall water quality	YES	\$2,100,000	0%	\$2,100,000	\$1,200,000	\$900,000	\$--
Advanced Metering Infrastructure: Installation of AMI Transmitters and Receivers	NO	\$3,000,000	0%	\$3,000,000	\$--	\$2,000,000	\$1,000,000
WATER TOTAL		\$15,778,600		\$13,570,600	\$3,536,717	\$6,405,076	\$3,628,807

IWRP Sanitary Sewer Projects

Item Description	BOMA (Proceed)	Estimated Cost \$	% Growth Funded (Est)	Rate &/or SDF Funded*	FY2013-Cost (Rates/ SDF)	FY2014-Cost (Rates/ SDF)	FY2015-Cost (Rates/ SDF)
Water Reclamation Facility Expansion to 16 MGD	YES	\$18,600,000	25%	\$13,950,000	\$3,255,000	\$5,580,000	\$5,115,000
Wastewater Collection and Treatment SCADA	YES	\$4,800,000	0%	\$4,800,000	\$1,120,000	\$1,920,000	\$1,760,000
Biosolids Facilities for 16 MGD	NO	\$50,000,000	25%	\$37,500,000	\$--	\$25,000,000	\$12,500,000
Wastewater Total		\$73,400,000		\$56,250,000	\$4,375,000	\$32,500,000	\$19,375,000

Additional Considerations

- ◆ Impact Fee Study
- ◆ Harpeth Valley Utility District

Water Rate Design

- ◆ Customer Charge
 - Recovers the fixed costs due to capacity, customer service, billing, metering, etc.
 - Byproduct of capturing fixed costs results in some degree of revenue stabilization
 - Customer Service Charge – e-billing
- ◆ Inside vs. Outside City Rates
 - Outside rates are higher to account for the value of the City's financial backing received by non-City residents
- ◆ Inclining Rate Structure
 - Capture costs associated with large demands caused by irrigation and other uses
- ◆ Irrigation Meter Water Rates (Potable Water)
 - Capture costs associated with large demands caused by irrigation and other uses

Water Rate Design

Water – Residential Inside				
	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 10.00	\$10.42	\$ ---	\$---
Next 9,000 Gallons	\$ 4.52	\$3.72	\$---	\$---
Next 15,000 Gallons		\$4.65	\$---	\$---
All Additional		\$5.58	\$---	\$---

Sanitary Sewer Rate Design

- ◆ Customer Charge
 - Recovers the fixed costs due to capacity, customer service, billing, etc.
 - Byproduct of capturing fixed costs results in some degree of revenue stabilization
 - Customer Service Charge – ebilling
- ◆ Inside vs. Outside City Rates
 - Outside rates are higher to account for the value of the City’s financial backing received by non-City residents
- ◆ Sewer Revenues Associated With Irrigation
 - Declining rate structure
 - ◆ Acknowledges that increased water consumption can be associated with irrigation and other uses that may not enter the wastewater stream
 - Irrigation season sanitary sewer rates (winter pricing)
 - Incentivize installation of irrigation meters

Sanitary Sewer Rate Design

Sanitary Sewer – Residential Inside				
	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$17.65	\$ 14.55	\$ ---	\$---
Next 14,000 Gallons	\$ 3.05	\$3.61	\$---	\$---
All Additional		\$2.82	\$---	\$---

COF Rate History – Average Customer (7,000 gal)

Sanitary Sewer – Residential Inside							
	Cost of Service	1-Mar 08	1-Jan 10	1-Jan 11	1-Jan 12	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 17.65	\$ 7.05	\$ 10.05	\$ 12.30	\$ 14.55	\$---	\$---
Next 14,000 Gallons	\$ 3.05	\$ 3.36	\$ 3.61	\$ 3.61	\$ 3.61	\$---	\$---
All Additional		\$ 2.52	\$ 2.82	\$ 2.82	\$ 2.82	\$---	\$---
Monthly Bill, Average Customer (7,000 Gal)		\$27.21	\$31.71	\$33.96	\$36.21		

Water – Residential Inside							
	Cost of Service	1-Mar 08	1-Jan 10	1-Jan 11	1-Jan 12	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 10.00	\$ 5.22	\$ 7.22	\$ 8.82	\$ 10.42	\$---	\$---
Next 9,000 Gallons	\$ 4.52	\$ 3.54	\$ 3.72	\$ 3.72	\$ 3.72	\$---	\$---
Next 15,000 Gallons		\$ 4.43	\$ 4.65	\$ 4.65	\$ 4.65	\$---	\$---
All Additional		\$ 5.31	\$ 5.58	\$ 5.58	\$ 5.58	\$---	\$---
Monthly Bill, Average Customer (7,000 Gal)		\$ 26.46	\$29.54	\$31.14	\$ 32.74		

City of Brentwood, TN Winter Pricing

- ◆ **Winter Water Average – The monthly sewer rate charged by the City is based on each customer’s average winter water consumption as billed in the months of December through March using the previous rate schedule. For sewer customers who are not water customers of the city, the computation of average winter water consumption is based upon the four-month period that most closely corresponds to that used for other customers. The established rate per 1,000 gallons above the minimum bill is prorated for each 100 gallons consumed.

Metro Water Services – Sprinkler Adjustment

- ◆ From April to November, customers’ bills are automatically adjusted to reflect a sprinkler credit. The winter quarter average (January, February, March) plus 30% will be the maximum sewer charges billed.

Discussion included an explanation of cost of service inside vs. outside customers, irrigation meters and cost, and irrigation customers. Questions asked and answered on various points of the presentation.

* Alderman Blanton left the meeting approximately 5:15 p.m.

The first presentation of the cost of service study is on the October 9, 2012 Work Session

agenda. The Board might want to start thinking about the potential of doing a multi-year rate structure.

* Alderman Burger left the meeting approximately 5:20 p.m.

7. Monthly Reports (Information Only)

a) Sales Tax Report – July 2012

Alderman Petersen asked what the increase in sales tax was. Mr. Truell said it was about 3% more than last year.

b) Property Tax Report – August 2012

c) Transit System Report – August 2012

d) Conference Center Report – August 2012

e) Construction Activities Report – August 2012

f) Fuel Hedging Report – August 2012

g) State-Shared Taxes – MTAS Estimate for FY2013

h) Investment Report – August 2012

Reports filed with the minutes

ADJOURN

Meeting adjourned @ 5:35 p.m.

Ann Petersen, Chair

Minutes prepared by Linda Fulwider, Board Recording Secretary, City Administrator's Office - updated 9/5/2012 12:33 PM