
MEETING MINUTES
BUDGET & FINANCE COMMITTEE
CITY OF FRANKLIN, TENNESSEE
CITY HALL BOARDROOM
WEDNESDAY, NOVEMBER 28, 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
	Fred Banner, MIT Director	P
	Becky Caldwell, Solid Waste Director	P
	Shirley Harmon, HR Director	P
	Candace Connell, Assistant HR Director	P
	Joe York, Street Director	P
	Steve Sims, Assistant City Recorder	P
	Mayor Ken Moore	P
	Alderman Margaret Martin	P
	Lanaii Benne, Assistant City Recorder	P
	Linda Fulwider, Board Recording Secretary	P

1. Call to Order

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

2. Approval of the Minutes

Alderman Skinner moved to approve the October 24, 2012 minutes as presented. Seconded by Alderman Blanton. Motion carried unanimously.

3. Presentation of Fiscal Year 2011-2012 Audit Report

Dan Miller, Crosslin & Associates

Eric Stuckey introduced lead auditor Dan Miller of Crosslin & Associates. He mentioned the audit is being presented a month earlier than previous years. Mr. Stuckey related it is a good report and he is pleased and proud of the work staff has done.

Mr. Miller said Crosslin & Associates completed the audit of the financial statements of the City of Franklin as of and for the year ended June 30, 2012, and had drafted their unqualified report thereon.

Management Judgments and Accounting Estimates –

Significant accounting estimates reflected in the City's 2012 financial statements include the following:

- Property taxes receivable and related deferred revenue
- Allowance for doubtful receivables
- The useful lives and valuation of capital assets

- The fair value of derivative financial instruments
- Appropriateness of assumptions used to calculate pension and employee benefit plan obligations
- Valuation of certain investments in the fiduciary pension fund, including investments in timberlands, real estate, and other private equity ventures

Audit Adjustments: During the course of the audit, proposed the following entry -

- | | |
|---|-------------|
| • Investment loss on derivative financial instruments | \$5,900,000 |
| Deferred outflow of resources | \$5,900,000 |

To record the change in fair value of the City's interest rate swaps (Affects the Government-wide Statements only).

There were no disagreements with Management. There were no inconsistencies in the Comprehensive Annual Financial Report (CAFR) of the City.

Areas of Audit Emphasis:

- Cash and investments, including classification between restricted and unrestricted
- Capital assets and construction in progress, including infrastructure
- Receivables, including property taxes, other taxes, grants and other
- Classification of net assets
- Long-term debt, including issuance of refunding bonds
- Accounts payable and accrued expenses
- Operating revenues
- Salaries and benefits
- Other operating expenses
- Consideration of conference center activities
- Consideration of net pension and OPEB assets and related impact on financial position
- GASB 54 – fund balance reporting

No material exceptions with grant programs. Mr. Miller reviewed Recent Accounting Pronouncements. Letter of Management Representations to be signed by City officials. Letter to the Board and City Management from Crosslin contains no deficiencies, only a recommendation that is not a material weakness.

Recommendation and Benefit:

Since nearly every contract the City enters into has some financial impact, they recommend the Finance Department be informed of contracts during negotiation, and before the related project begins. As part of internal control processes, the City should formalize procedures whereby the Finance Department is informed about contracts over a certain dollar threshold. Also, consider requiring the Assistant City Administrator of Finance and Administration sign on all contracts over a certain established threshold.

The Finance Department should determine the appropriate accounting and financial

reporting treatment at the time the contract is negotiated and executed and should consider each significant contract's impact on the budget as well as the related funding sources to ensure proper reporting treatment. If funding sources involve state or federal funds, appropriate tracking should be performed

Thorough communication and coordination with the Finance Department during contract negotiation will help to ensure that the contracts are appropriately accounted for and reported within the City's financial statements consistently, and on a timely basis. Such communication and coordination will help the Finance Department to ensure that project budgets are maintained and that funding sources are identified and correctly reported.

The CAFR and Financial Statements reflect management did a good job of managing taxpayer money. Reviewed Statement of Net Assets, Statement of Activities, Governmental Funds. Signs of economic growth and development in the City. Water and sewer driven by rate increases. CDBG Fund \$5,000 deficiency that will be offset in the future. Eric Stuckey noted that it is most likely a timing issue.

Facilities Tax Fund had a deficit balance the prior year, but is \$1.5 million positive this year. Driven by strong collections with no expenses.

Long-term Debt reviewed. No new debt issuance; however, there was refunding from variable to fixed rate bonds. Employee Retirement Systems and Pension Plans: the City contributed more than required. Disclosures based on information received from the Actuary. The Pension Plan is 93.4% funded. OPED 29%. Net assets of the City increased \$210 million. Population growth in ten years @ 50%.

Last year there were three findings and all were appropriately addressed by City management. This is the first audit in five years without any findings. Russ Truell said the departments are enormously helpful, it is not just finance. He applauded Mike Lowe for getting them together and getting it done.

**4. Presentation of Fiscal Year 2011-2012 Conference Center Audit Report
Dan Miller, Crosslin & Associates**

Mr. Miller said Crosslin & Associates completed the audit of the financial statements of the Conference Center at Cool Springs as of and for the year ended June 30, 2012, and had drafted their unqualified report thereon.

Management Judgments and Accounting Estimates –

Significant accounting estimates reflected in the Conference Center's 2012 financial statements include the following:

- The useful lives of capital assets
- Appropriateness of assumptions used and calculations made for allocation of joint expenses.

Audit Adjustments

During the course of the audit, proposed the following adjusting journal entry:

- To record current year depreciation expense

Depreciation expense	\$509,845	
Accumulated depreciation		\$509,845

The entry identified during the audit is recorded within the financial statements; there were no unrecorded entries.

No disagreements with Management. No deficiencies.

Areas of Audit Emphasis:

- Cash, including classification between restricted and unrestricted
- Capital assets including additions and depreciation
- Classification of net assets
- Due to/from the City, County and Hotel Operator
- Operating revenues
- Salaries and benefits
- Other operating expenses, including allocations

Financial Statement and Management’s Discussion and Analysis reviewed. Most significant information is what management projects: Forecast that 2012-2013 revenues to remain consistent with 2011-2012. Statement of Revenue, Expenses and Changes in Net Assets: Almost \$7 million in revenue; direct banquet and catering up, and overall expenses up 9.5%; operating income up.

Eric Stuckey said questions following review should be sent to Russ Truell, Mike Lowe or Mr. Stuckey. Mike Lowe thanked Mr. Miller and staff for the way they worked with City staff and Conference Center Staff.

5. Consideration of Budget Amendments

Mike Lowe, Comptroller

- a) ORDINANCE 2012-56, An Ordinance to Amend the FY 2013 Budget for First Quarter Adjustments
 1. Changes to Organization Chart in General Fund since passage of Budget:
 - a. Building and Neighborhood Services staffing changes – Conversion of 2 existing part-time inspection positions to full-time and the creation of an administrative assistant position. Anticipated cost for remainder of 2013 is \$86,186.
 - b. Streets-Maintenance reclassifications – 2 positions: Administrative Secretary (PG10) to Technical Support Analyst (PG 15), and Landscape Maintenance Worker Sr. (PG 12) to Compost Facility Manager (PG 16). Budgeted part-time secretary position requested to full-time administrative secretary.
 - c. MIT reclassifications – 2 positions: Administrative Assistant (PG 12) to Help Desk Technician (PG 13) and Asset Analyst I (TBD) to Application Support Analyst (PG 16).
 - d. Purchasing reclassifications – Vacant position reclassified from Purchasing Analyst (TBD) to Purchasing Specialist (PG 14).

2. Re-appropriation of \$70,000 in Facilities Tax Fund. Along with \$680,000 already budgeted in 2013, this will provide total funding of \$750,000 for acquisition of the Custom-Built, Quintuple-Function Fire Aerial Ladder Truck for the Fire Department approved by BOMA in August 2012.

b) ORDINANCE 2012-62, An Ordinance to Amend the FY2013 Budget for Tuition Reimbursement Program and Server Software Maintenance

Two items that can be covered by additional Sales Tax Revenue:

1. Tuition Assistance Program Supplement

Eric Stuckey explained the tuition reimbursement program was frozen for a year. Reflective of activity of employees, staff wants to continue to support the program. Shirley Harmon said the City will pay 7 hours at Board of Regents cost. If the employee leaves prior to being employed the prescribed number of years attached to the reimbursement, the employee will repay the City. The request is to take the fund up to \$95,000 to cover through the balance of the fiscal year. The program is much more stringent now and the classes must be appropriate to the employee's career path. The institution must be accredited. Reimbursement is based on grades.

2. Mr. Stuckey commented there is not much choice on this adjustment. Fred Banner explained that Microsoft changed the server software maintenance. A state contract changed rates for licensed software. Software accounts are tapped out. Mr. Banner said this is a one-time true-up.

Alderman Burger moved to approve Ordinance 2012-56 and Ordinance 2012-62 and forward recommendation to BOMA. Seconded by Alderman Skinner. Motion carried unanimously.

6. Consideration of RESOLUTION 2012-57, A Resolution Adopting an Alternative Payments Acceptance Policy and Procedure for the City of Franklin, Tennessee

Steve Sims, Assistant City Recorder/Court Clerk

Steve Sims referred to the flow chart that supports this policy proposal – "The Anatomy of a Transaction" that shows each step of a transaction.

Some fees will be passed along and some will be waived. Visa recently decided to allow governments to pass these fees on. Propose a \$1,000 cap on fees. Mr. Sims said responses to committee questions are in the packet as well. Charts regarding the cost of transactions reviewed. Receipts by type: \$45 million in checks, \$800,000 out of \$800 million in cash. Reviewed the cost to the City and cost to the customers. Transactions using cash or check cost about \$8.00 per transaction; an electronic transaction is much less.

It is about customer choices. Some will still want to use the drop-off box or come in to pay. Mr. Sims asked how the committee wanted to accommodate the fees.

Alderman Burger moved to send Resolution 2012-57 to Work Session. Seconded by Alderman Blanton. Motion carried unanimously.

7. **Review of Facilities Tax Fund**

~~Steve Sims, Assistant City Recorder/Court Clerk~~
Mike Lowe, Comptroller

Mike Lowe explained this month's fund review – Facilities Tax Fund.

The Facilities Tax Fund shows \$1.5 million surplus at the beginning of 2013. Expenditures include the design of a fire station for Station 7 and Station 8. Construction is not included. Construction cost of each station has been estimated at \$2.5 million; furnishing and equipment of each station \$337,000-352,000 = approximately \$5,689,000 for both stations. The Berry Farms station is included as part of their first phase.

8. **Monthly Reports (Information Only)**

- a) **Sales Tax Report – September 2012**
- b) **Property Tax Report – October 2012**
- c) **Transit System Report – October 2012**
- d) **Conference Center Report – October 2012**
- e) **Construction Activities Report – October 2012**
- f) **Fuel Hedging Report – October 2012**
- g) **Investment Report – October 2012**

Reports filed with the minutes

9. **Other Business**

Front End Loader – Solid Waste Department

Mr. Stuckey advised one of the Solid Waste Department's front end loaders will not likely make it through this year. The truck is used for commercial collection and cardboard recycling and has 81,500 miles logged. It is a 2003 model and is using a lot of oil and needs a new transmission. It is essentially 10 years old, which is the life span for this type truck. Repairs estimated at \$80,000. A demo truck can be purchased for \$120,000.

Becky Caldwell related the Solid Waste Fund is doing well and in the black the first quarter. That helps to lessen the subsidy from the General Fund.

BOMA will discuss purchase vs. high cost of repair at the December meeting.

December Budget & Finance Committee Meeting

There is no second Board meeting in December as it would fall on Christmas Day. This Committee would not have to meet in December; however, an update of the Funding Model related to the CIP and South Carothers is being arranged with Lauren Lowe of PFM. The full Board would want to be present for that.

Alderman Petersen indicated she didn't want to make any decisions about South Carothers without total examination of the numbers with the whole Board.

Options for meeting were discussed and it was decided to schedule a Special BOMA Work Session on Monday, December 17.

ADJOURN

Alderman Blanton moved to adjourn. Seconded by Alderman Burger. Motion carried unanimously.

Meeting adjourned @ 5:46 p.m.

Ann Petersen, Chair

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