MEETING MINUTES
BUDGET & FINANCE COMMITTEE
CITY OF FRANKLIN, TENNESSEE
CITY HALL BOARDROOM
WEDNESDAY, JULY 24, 2013 @ 4:00 P.M.

Committee Members		Other Attendees	
Alderman Ann Petersen, Chair	P	Eric Stuckey, City Administrator	P
Alderman Beverly Burger, Vice Chair	A	Russell Truell, ACA Finance & Administration	P
Alderman Brandy Blanton	P	Mike Lowe, Comptroller	P
Alderman Michael Skinner	P	Mark Hilty, Water Management Director	P
		David Rahinsky, Police Chief	P
		Sgt. Eric Anderson, Police	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 Blanton moved to approve the May 15, 2013 minutes as presented. Seconded by Alderman Skinner. Motion carried unanimously 3-0.

3. Report on Comptroller Correspondence on Fiscal Year 2012 Audit Report
Mike Lowe, Comptroller

Comments on the 2012 audit were reviewed. There are five items with the first three being easy for the City to implement.

Item 1: The statement of activities did not appropriately report certain general revenues (i.e. "other locally assessed taxes") by type of tax (e.g., sales tax, property tax, franchise tax, income tax, etc.)

This itemized information appears elsewhere in the financial report. If the State deems these distinctions to be significant, the statement will be redesigned to itemize each type tax in future reports. The City uses a GFOA model of best practices which is not as verbose as what the State wants.

Item 2: The financial report did not include sufficient detail and/or proper names of certain revenues for general and state street aid funds (e.g. "petroleum special", "gas 1989", "gas 3 cent", etc.

City staff and our outside auditors did not consider the legislative origin and nomenclature of these taxes to be meaningful to the reader of the financial report, since all four categories are fuel taxes collected by the State, In future reports, these revenues will be listed individually and by their proper names.

Item 3: The financial report did not include sufficient detail of expenditures as required by the Audit Manual. Expenditures should be presented by function (or program) and character (e.g., current, capital outlay, debt service and intergovernmental expenditures) and further detailed by object class. Excessively detailed object classifications for expenditures should be avoided.

As recommended in the audit manual the City has avoided listing its expenditures by excessively detailed object classifications; other documents prepared by the City (annual budget document, quarterly financial reports, etc.) provide more extensive details. City willing to change the level of detail in future reports if an example of another municipality employing a preferred level of detail could be provided.

Item 4: Certain costs apparently paid by the General Fund and subsequently allocated to the reimbursed by other funds appear inappropriately reported in the statement of revenues, expenditures, and changes in fund balance – budget and actual general fund, as general fund revenues, expenditures, and changes in fund balance – budget and actual general fund, as general fund revenues (i.e., intergovernmental: admin charges to other funds, $2,144,913). It appears that the general fund revenues and expenditures, as reflected in the financial statements, were overstated due to an error in recording the reimbursement. Reimbursements between funds should be treated as adjustments to expenses and/or expenditures, i.e., reported as an increase in expenditures of expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

In the GAAFR two references were looked at, Interfund reimbursements and Interfund services. The City used the latter method of reporting because the transaction seemed to fit best as services (finance, engineering, human resources, revenue management, purchasing, etc.) The City is willing to change the reporting in future reports to an Interfund reimbursement. However, the impact of the change will be to reduce revenues and expenditures/expenses in both the City's adopted budget as well as the annual report, which artificially masks the level of spending in the General Fund.

Item 5: The schedule of state financial assistance reflected that the municipality received $435,497 in assistance from the Capitalization Grants for Clean Water State RLF program. However, the financial report did not appropriately reflect that $208,602 of the amount received was federal funding.

The City received a letter dated August 31, 2011 from TDEC indicating the receipts for the year ended June 30, 2011 of $2,932,869 included $1,573,500 of ARRA federal funds. This represented 100% of the federal funds ($314,700 ARRA loan $1,258,800 for ARRA principal forgiveness) for the program. To be consistent with the guidance the City received in 2011, no federal funds were shown for 2012.

No action required at this time. There may be budget amendments.

4. Discussion of Year-End Items

Mike Lowe, Comptroller

a) **Fiscal Year 2013 Preliminary Numbers**
Reviewed the preliminary report. Mr. Lowe said potentially there could be a $2 million surplus at year-end. Report reflects $52 million expenditures and $55 million budgeted.

b) **Budget Amendments**
The State asked if the amendments could be done after June 30. Often there are still invoices outstanding. The State's theory is if there wasn't cash to pay for it in that year, put it in next year. It was thought the City was in accordance with State law. Trying to determine the methodology.

c) **General Fund Loan to Road Impact and/or Other Funds**
Road Impact Fund is recovering from deficit. Mr. Truell mentioned doing a loan for the Road Impact Fund.

No action required.

5. Pension Plan Items

Russ Truell, ASA Finance & Administration

a) GASB 67/68 & Moody's

The Pension Committee will talk about the GASB standards at their next meeting. Going forward will have to be concerned about the funding policy. Currently, a funding number is given every year to be in good shape with the rating agencies. That is not required in the new standards. Will treat the unfunded number more seriously on unfunded liability. According to Moody's the City's discount rate is now at 4.3%. Our actuary and advisor believe it will be 7.5% in the long run.

The Pension Committee wants to look at funding the Pension Plan 100% to take it off the table. Between $7-8 million would be needed to do this. Some have borrowed to fill that gap. Mr. Stuckey added that if it is fully funded all the calculations can be avoided. Looking at options to close that gap. The baseline put in would just layer debt service. The 100% would fluctuate, and it would be underfunded until the gap is closed.

Mr. Truell recommended the Budget & Finance Committee attend the Pension Committee on August 19th. Although the meeting begins at 1:00 p.m., he asked that they arrive around 3:00 p.m. after Pension Committee has conducted regular business.

No action required on 5a.

b) OPEB Engagement Letter with Acuff & Associates

This firm has been the City's actuary since the inception of the Pension Committee. An RFP to solicit proposals from actuarial firms would normally go out; however, since Acuff & Associates has the data, for expediency it is recommended this Engagement

Letter be forwarded to the Board for approval.

Alderman Blanton moved to forward recommendation to the Board to approve the Engagement Letter with Acuff & Associates. Seconded by Alderman Skinner. Motion carried unanimously 3-0.

6. Consideration of Master Patrol Officer Program

David Rahinsky, Chief of Police
Sgt. Eric Anderson

Eric Stuckey noted this is a budget neutral program. Chief Rahinsky and Sgt. Anderson provided a PowerPoint Presentation.

MPO Proposals and Career Development Restructure

Previous System

- Field Training Officers received a stipend regardless of whether or not they had a trainee assigned to them
- Detectives who wished to return to uniform patrol needed to request a 'demotion' to patrol
- Operations personnel had limited opportunity to serve in an investigative capacity

Proposed System

- Master Patrol Officers will have clearly identified responsibilities throughout the year – OIC, Training, and Misdemeanor Case follow up
- Detectives who wish to return to patrol can do so without sacrificing rank or compensation
- The Department will have a ready group of officers with the interest and training to work as detectives
- A recognition within the Department that the Operations Division is an assignment on par with assignments in Investigations

Proposed Criteria

- Master Patrol Officers (MPOs) will be at the same pay grade as detective. This will create a pool of officers that can move laterally between Operations and CID, and fill both roles of MPO or Detective
- MPO will be considered a promotion with a designated criteria and process. Current detectives will qualify as MPOs. The remaining contingent will be selected via the criteria and competitive process from current patrol officers that have expressed an interest
- The baseline criteria for newly created MPOs is as follows
    - Minimum time in grade as FPD officer (with this agency) is 4 years
    - Attainment of an Associate's Degree or equivalent from a two year college or technical school, or equivalent combination of education and experience (job description approved 7/8/2013)

Proposed Selection

- Competitive Selection process to be designed and administered with input from the Police Department, Human Resources, and Stanard & Associates
- An AVERAGE at or above 3.5 over 5 years on the candidate's employee evaluations
- No disciplinary action/probation within 1 year of selection process (more specifically, no negligent policy violation/crash related disciplinary action)
- Must provide a letter of approval and recommendation from the candidate's shift supervisors (collectively)

Fiscal Footprint

- As of early June 2013, the Franklin Police Department defunded the Field Training Officer program. There were, at that time, 23 officers assigned as field training. Each of these officers was receiving a $25/week stipend. This equals $2300/month additional pay, or $27,600 annually
- The proposal is to create 16 MPO positions to be filled from uniformed patrol officers. The current detectives would also be considered MPOs for the purpose of lateral transfers to and from CID and Operations. When $27,600 is divided by 16 new MPOs, it equals $1,725/MPO in additional pay. This is roughly equivalent to a 5% pay increase to an officer with a salary in the $35,000 range.

- Patrol Officer: 0-4 years, eligible for Master Patrol Officer
- Master Patrol/Detective: 4 years of service minimum + competitive testing process

Several questions were asked and answered. Mr. Stuckey said since this is a budget neutral program it can be moved forward with an amendment in the table of organization. It is folded into the new pay plan; therefore, this proposal can go to BOMA as a one-vote resolution.

Alderman Skinner recommended the Master Patrol Officer Program be forwarded to the next Work Session and BOMA meeting as a Resolution to amend the Police Department Table of Organization. Seconded by Alderman Blanton. Motion carried unanimously 3-0.

7. Consideration of Water Management Budget for FY 2013-2014 & FY 2014-2015
Mark Hilty, Water Management Director

Mark Hilty prefaced his presentation of the Water Management Biennial Budget by saying taxpayer dollars do not apply to this. These are stand-alone Enterprise Funds supported by ratepayers.

WATER SECTION

Consumption and Revenues

The water customer base increased 175 accounts from FY 2012 to FY 2013. The average consumption for residential customers in FY 2013 was approximately 6,220 gallons per month. This consumption level has remained relatively flat since FY 2010 ranging from 6,160 gal/month to 6,410 gal/month. A table showing account information and consumption values (residential and commercial totals) from FY 2007 through FY 2013 reviewed.

Rate based revenues are projected to be 99.4% of the budget. Two tables, FY 2013 budgeted and estimated figures, the proposed budgets for FY 2014 and 2015 and projected revenues through FY 2020 were reviewed. The FY 2014 and FY 2015 budget revenues are based on the approved rate adjustment scheduled for January 1, 2014 and projected growth within the service area

Water Expenditures

Personnel: Reviewed tables for the proposed number of budgeted positions for FY2014 and FY 2015, and the projected positions for FY 2016 through 2020. There are no proposed staffing changes in the Water Section for the planning horizon. Overall department organization reviewed as well.

Operations: The largest operations expense in the Water Section continues to be the purchase of finished water. Expenditures on purchased water can fluctuate depending on a number of factors; including, Franklin Water Treatment capacities, weather, financial considerations, and water resource conservation efforts. The expenditure for FY 2013 is approximately $3,000,000, nearly $350,000 less than the expense in FY 2012.

Indirect Expenses also is a large expense item; including, payment to the General Fund for customer Service, utility billing, and other support functions such as Engineering and Human Resources.

Utilities estimated at approximately $230,000 for FY 2013. Electricity is the primary cost. Raw water pumping expenditures decreased since the rehab work to the reservoir. Water Section taking steps to evaluate and reduce electrical consumption based on the efforts taken in the Wastewater Section.

Operations Capital: These expenditures are related to equipment and vehicles directly related to operations vs. system replacement or expansion. They have taken steps to: Provide for adequate funding of operations capital, Avoid significant swings in required funding from one budget to another, and Provide more stable data in performing cost of service analyses.

<u>FY 2013 Highlights and FY 2014-2015 Goals</u>

- Revisions to standard operating procedures
- Revisions to scheduled flushing program
- Energy Management Program
  - Lessons learned from Water Reclamation Facility
- Leak detection surveys
  - Completion of system in FY 2014
- Water Treatment Plant upgrade design

WASTEWATER SECTION

<u>Service Volumes and Revenues</u>

The sanitary sewer customer base has shown greater signs of growth primarily due to areas within the Mallory Valley and HB&TS Utility Districts. FY 2013 customer accounts are approximately 21,130 relative to FY 2012 accounts totaling 20,645.

Rate based revenues are projected to be 109% of the budget. Two tables were reviewed; FY 2013 budgeted and estimated figures, the proposed budgets for FY 2014 and 2015, and projected revenues through FY 2020. The FY 2014 and FY 2015 budget revenues are based on the approved rate adjustment scheduled for January 1, 2014 and projected growth within the service area.

<u>Wastewater Expenditures</u>

Personnel: The following personnel changes requested.

- Eliminate two vacant Secretary positions – one from Utility Administration and one from the Water Reclamation Facility
- Add an Office Manager position that accurately characterizes the activities being performed by the Administrative Assistant in Utility Administration. Retain the Administrative Assistant position to provide support in service request and work order documentation and to provide assistance to treatment facilities for documentation of daily activities reported on the monthly operations reports to regulatory agencies
- Eliminate one Utility Crew Chief position (currently vacant) in the Wastewater Collection Division
- Shift two Wastewater Operator 1 positions to Wastewater Operator Senior positions. The goal is to have adequate coverage of Wastewater Operator Senior positions to cover all shifts.

Operations and Maintenance: The largest cost in the Wastewater Section. Utility costs are a large expense as well, exceeding $1,000,000 annually.

Indirect Expenses a large expense. As with the Water Section, these expenses include reimbursement to the General Fund for customer service, utility billing, and other support functions such as Engineering and Human Resources.

The FOG program continues.

Operations Capital: These expenditures are related to equipment and vehicles directly related to operations vs. system replacement or expansion. They have taken steps to: Provide for adequate funding of operations capital, Avoid significant swings in required funding from one budget to another, and Provide more stable data in performing cost of service analyses.

FY 2013 Highlights and FY 2014-2015 Goals

- Energy Management Program
  - Cost/1,000 Gal treatment
  - Enernoc – 4 demand response events this calendar year
- Collection system inspections
  - CCTV work – 220,000 LF
- Water Reclamation Facility Expansion

Alderman Blanton moved to approve Water Management Budget for FY 2013-2014 & FY 2014-2015 and forward recommendation to BOMA. Seconded by Alderman Skinner. Motion carried unanimously 3-0.

8. Monthly Reports

a) Sales Tax Report – May 2013
b) Property Tax Report – June 2013
c) Transit System Report – June 2013
d) Conference Center Report – June 2013
e) Construction Activities Report – June 2013
f) Fuel Hedging Report – June 2013
g) Investment Report – June 2013
h) Actuarial Report – January 2013

9. Other Business

Mr. Truell noted bids were received today on lease purchase for a very low rate of 1%.

Mr. Stuckey asked if the Committee wanted to change the date of the October meeting since it is the day after election. Committee opted to meet on the scheduled date in October.

ADJOURN

Alderman Blanton moved to adjourn. Seconded by Alderman Skinner. Motion carried unanimously 3-0.

Meeting adjourned @ 5:45 p.m.

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Ann Petersen, Chair

Minutes prepared by Linda Fulwider, Board Recording Secretary, City Administrator's Office - updated 5/22/2013 10:13 AM