

ORDINANCE NO. 2014-12

TO BE ENTITLED: "AN ORDINANCE OF THE CITY OF FRANKLIN, TN
ADOPTING A BUDGET FOR THE FISCAL YEAR 2014-2015; PROVIDING AN
EFFECTIVE DATE"

WHEREAS, the City Charter, Article VIII, provides for adoption of an annual budget for all departments of the City of Franklin, and

WHEREAS, an annual budget process appropriating funds to the various departments and divisions of the City government for the fiscal year beginning July 1, 2014 has been completed in accordance with state law and local ordinances.

NOW, THEREFORE, BE IT ORDAINED, by the Board of Mayor and Aldermen of the City of Franklin, Tennessee:

SECTION I: That the annual budget for the City of Franklin for the fiscal year 2014-2015 shall be, and is hereby established as set forth in the document attached hereto as Exhibit "A", and entitled:

City of Franklin, Tennessee
Annual Operating & Capital Equipment Budget
July 1, 2014 - June 30, 2015

SECTION II: That each department of the City shall limit its expenditures to the amount appropriated; that any changes or amendments to the appropriations set forth in the budget shall be made in accordance with the City Charter, Article VIII and the Municipal Code.

SECTION III: That revisions to the organizational charts, which are approved as part of the budget, may be amended by Resolution so long as the amendment has no financial implications to the City or Department.

SECTION IV: That this Ordinance shall take effect on July 1, 2014, from and after its passage on Third and Final Reading; the health, safety and welfare of the citizens of the City of Franklin requiring it.

ATTEST:

CITY OF FRANKLIN, TENNESSEE

By: _____

ERIC S. STUCKEY
City Administrator

By: _____

DR. KEN MOORE
Mayor

PASSED FIRST READING
PUBLIC HEARING:
PASSED SECOND READING
PASSED THIRD READING:

5/27/2014



MEMORANDUM

June 6, 2014

TO: Board of Mayor and Aldermen
FROM: City Administrator Eric S. Stuckey
Assistant City Administrator Russ Truell
SUBJECT: Adjustment to FY15 Budget Document

Purpose

The purpose of this item is to adjust the FY2014-2015 budget document to reflect a property tax increase of three cents per hundred assessed value.

Background

The Board of Mayor & Aldermen approved on first reading, at its May 27 meeting, a tax rate ordinance that includes a three cent increase. According to the ordinance, the increase is to be added in equal parts to the State Street Aid Fund and the Capital Projects Fund. The original budget document did not assume the additional revenue that would be generated by the three cent increase. In order to properly reflect that revenue and the associated expenditure, the individual funds should be increased as delineated on the attached exhibit.

Financial Impact

Making the adjustment will add capacity to the State Street Aid fund and the Capital Projects fund.

Options

Include the recommended adjustments to allow the Budget Document to properly reflect the proposed tax rate ordinance.

Recommendation

Staff recommends that the Board acknowledge the adjustment of the budget document.

Exhibit I
Amendment to Proposed Budget Document

STREET AID FUND

REVENUE

Property Tax Revenue	Increase	\$500,000
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EXPENDITURES

Streets Maintenance	Increase	\$500,000
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Net Increase (Decrease) to Total Street Aid Fund Balance		----- -\$0-
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CAPITAL PROJECTS FUND (see note below)

REVENUE

Property Tax Revenue	Increase	\$500,000
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EXPENDITURES

Capital Projects (as approved)	Increase	\$500,000
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Net Increase (Decrease) to Total Capital Projects Fund Balance		----- -\$0-
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Note: For the Capital Projects Fund, the budgetary information above is for reporting purposes only as this fund is not included in the Operating and Capital Equipment Budget.

Notice is hereby given that the Board of Mayor and Aldermen of the City of Franklin will hold a Public Hearing concerning Ordinance 2014-12, Ordinance 2014-13, and Ordinance 2014-14 on the 10th day of June at 7:00 p.m. in the Board Room at City Hall for the purpose of receiving comments from interested citizens regarding the proposed budget for the City of Franklin for the fiscal year 2014-15.

The following is a summary of the proposed budget:

I. GENERAL FUND

Beginning Fund Balance (projected)	30,887,649
REVENUE	
Property Taxes	5,396,034
Sales Tax (Local)	28,758,770
Other Local Taxes	3,976,681
Licenses and Permits	5,074,430
Intergovernmental	11,630,627
Charges for Services	68,950
Fines and Forfeitures	753,720
Use of Money and Property	350,491
Other Revenue	125,000
Total Revenue	56,134,703
EXPENDITURES	
Elected Officials	290,165
Administration	519,504
Capital Investment Planning	192,403
Facilities & Project Management	1,095,001
Human Resources	1,271,388
Law	392,913
Communications	328,269
Finance	738,255
Information Technology	3,664,021
Purchasing	185,345
Revenue Management	175,240
Court	231,335
Parks	3,508,174
Building & Neighborhood Services	2,350,928
Planning & Sustainability	1,558,878
Police	13,793,216
Fire	13,593,754
Engineering	879,513
Traffic Operations Center	2,628,908
Streets - Street Maintenance	3,793,498
Streets - Traffic Operations	1,217,023
Streets - Fleet Maintenance	816,663
General Expense	1,915,193
Appropriations	425,986
Economic Development	69,730
Transfer to Transit Fund	499,400
Total Expenditures	56,134,703
ENDING FUND BALANCE (projected)	30,887,649

FULL-TIME EQUIVALENT EMPLOYEES	581
SALARIES	29,767,416
OTHER COSTS	26,367,287

II. SANITATION & ENVIRONMENTAL SERVICES FUND

Beginning Fund Balance (projected) 0

REVENUE

Current Year Revenue	8,148,820
Total Revenue	8,148,820

EXPENDITURES

Personnel	2,914,293
Operations	4,884,527
Capital	350,000
Total Expenditures	8,148,820

Ending Fund Balance (projected) 0

FULL-TIME EQUIVALENT EMPLOYEES	48
SALARIES	2,058,896
OTHER COSTS	6,089,924

III. FACILITIES TAX FUND

Beginning Fund Balance (projected) 6,124,876

REVENUE

Current Year Revenue	3,707,190
Total Revenue	3,707,190

EXPENDITURES

Fire and Sanitation	4,313,860
Total Expenditures	4,313,860

Ending Fund Balance (projected) 5,518,206

IV. STORMWATER MANAGEMENT FUND

Beginning Fund Balance (projected) 5,337,047

REVENUE

Stormwater Fees	2,355,050
Other Income	53,790
Total Revenue	2,408,840

EXPENDITURES

Personnel	1,005,924
Operations	777,888
Capital	3,002,000
Total Expenditures	4,785,812

Ending Fund Balance (projected)	2,960,075
FULL-TIME EQUIVALENT EMPLOYEES	18
SALARIES	693,043
OTHER COSTS	4,092,769

V. STATE STREET AID & TRANSPORTATION FUND

<u>Beginning Fund Balance (projected)</u>	0
<u>REVENUE</u>	
Current Year Revenue	1,904,452
Total Revenue	1,904,452
<u>EXPENDITURES</u>	
Operations	1,904,452
Total Expenditures	1,904,452
Ending Fund Balance (projected)	0

VI. ROAD IMPACT FEE FUND

Beginning Fund Balance (projected)	16,118
<u>REVENUE</u>	
Current Year Revenue	3,800,000
Total Revenue	3,800,000
<u>EXPENDITURES</u>	
Transfer to Debt Service Fund	2,980,603
Total Expenditures	2,980,603
Ending Fund Balance (projected)	835,515

VII. HOTEL/MOTEL TAX FUND

Beginning Fund Balance (projected)	1,689,759
<u>REVENUE</u>	
Current Year Revenue	2,855,480
Total Revenue	2,855,480
<u>EXPENDITURES</u>	
Transfer to Debt Service Fund	1,119,842
Convention & Visitors Bureau	890,735
Operations	280,000
Capital	810,000
Total Expenditures	3,100,577
Ending Fund Balance (projected)	1,444,662

VIII. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND

Beginning Fund Balance (projected)	23,670
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<u>REVENUE</u>	
Current Year Revenue	192,250
Total Revenue	192,250

<u>EXPENDITURES</u>	
Operations	192,125
Total Expenditures	192,125

Ending Fund Balance (projected) 23,795

IV. DRUG FUND

Beginning Fund Balance (projected) 196,498

<u>REVENUE</u>	
Current Year Revenue	173,161
Total Revenue	173,161

<u>EXPENDITURES</u>	
<u>DRUG-ENFORCEMENT RELATED EXPENDITURES</u>	
Total Expenditures	127,000
	127,000

Ending Fund Balance (projected) 242,659

X. TRANSIT FUND

<u>REVENUE</u>	
<u>Beginning Fund Balance (projected)</u>	0

Operating Revenue	1,209,140
Transfer from General Fund	499,400
Total Revenue	1,708,540

<u>EXPENDITURES</u>	
Operations	1,583,540
Capital	125,000
Total Expenditures	1,708,540

Ending Fund Balance (projected) 0

XI. DEBT SERVICE FUND

Beginning Fund Balance (projected) 131,956

<u>REVENUE</u>	
Property Taxes	6,443,176
Rebate on BAB / RZEDB Bonds	825,401
Interest Income	5,000
Transfer from Water/Sewer Fund	200,000
Transfer from Solid Waste Fund	589,080
Transfer from Road Impact Fund	2,980,603
Transfer from Hotel/Motel Tax Fund	1,119,842
Total Revenue	12,163,102

EXPENDITURES

Debt Service	12,290,058
Total Expenditures	12,290,058

Ending Fund Balance (projected)	5,000
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The General Fund Budget includes appropriations to non-profit charitable and civic organizations for uses and purposes believed to benefit the general welfare of the residents of the City of Franklin.

To view the proposed budget book of the City of Franklin, Tennessee, indicating intra-departmental expenditures, please visit the Office of the City Administrator, City Hall, 109 Third Avenue South, Franklin, Tennessee, between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday.

The property tax rate established by the 2014-2015 forty & sixty-five/hundredths cents (\$.4065) per hundred dollars of assessment. All persons interested in commenting regarding the budget of the City of Franklin are invited to attend the Public Hearing to be held Tuesday, June 10, 2014.

Respectfully Submitted,
Eric S. Stuckey
City Administrator



HISTORIC
FRANKLIN
TENNESSEE

May 9, 2014

Mayor Moore, Aldermen, and citizens of Franklin,

Through the budget process, we as a city government take stock of our community and the role we play in serving the community. Our strengths, opportunities, and challenges are identified and assessed. Like communities across the country, the City of Franklin has been impacted by the national recession. Our City team has focused its efforts on maintaining and enhancing service levels with reduced resources. The City organization has emerged leaner and sharper.

This past year, the Board of Mayor and Aldermen (BOMA) working with key City staff has developed, for the first time, a 20-year strategic plan. This plan, *FranklinForward*, focuses on four key strategic themes:

- A Safe, Clean, and Livable City
- An Effective and Fiscally Sound City Government Providing High-Quality Service
- Quality Life Experiences
- Sustainable Growth and Economic Prosperity

A series of goals have been established to guide our progress as a community. Specific, measureable objectives have also been identified that help our staff team measure performance and gauge success. Together, the strategic plan, goals, and objectives bring added focus to our work and to the direction provided in the budget process.

Today the local economy is growing at a strong pace. Over the past year, the community has added more than 4,000 jobs, most coming from the expansion of existing local businesses. New development projects are under construction or are gaining momentum in the development process. Franklin is on the move! The City of Franklin has dedicated much time and effort in recent years preparing for growth with initiatives such as the integrated water resource plan, extensive transportation planning, and development process improvements. These efforts will continue. The City of Franklin strives to make its planning a competitive advantage in attracting jobs, residents, and investments. We expect the pace of development to continue to increase in Fiscal Year 2014-15 (FY15) and for our growth planning efforts to be put into action.

As a part of the budget process, we assess our opportunities and needs while working within our financial means to allocate resources. Given the financial constraints at the state and national level, local governments must realize that now, more than ever, the ability to respond to community needs rests largely in our own hands. Legislative action at the federal and state level has limited portions of our revenue growth or has added to mandated expense. In some cases, it is the lack of action, as in the case of transportation funding that has placed burdens on our ability to provide desired services to our citizens. Through it all, the City of Franklin continues to move forward by maintaining/improving service levels, investing in our future, and enhancing our community's competitive position.

Budget Overview

The proposed general fund budget is \$56,134,703, which represents an increase of 0.9% compared to the current \$55.6 million budget for 2013-14. This modest increase in our budget is primarily due to cost increases in the services we purchase, the funding of some previously unfunded positions, and the expansion of services in the areas of public safety, streets, and parks, all of which were significantly impacted by growth. The proposed 2014-15 budget remains \$3 million below funding levels in the budget adopted six years ago for fiscal year 2008-09.

The 2014-15 proposed budget for all funds is \$90,497,625, which represents an increase of 6.8% compared to 2013-14. The primary reasons for this \$5,723,479 increase across funds are increases in the Sanitation and Environmental Services, Facilities Tax, Stormwater, Hotel/Motel, Transit, and Debt Service funds. There are decreases within a few funds (Street Aid, Road Impact, Drug, and Community Development Block Grant).

Highlights of the Proposed 2014-15 Budget

- The budget is balanced, with current revenues equaling expenditures.
- The budget is in compliance with the Board of Mayor and Aldermen's debt and fund reserve policy, significantly exceeding the reserve requirements.
- A targeted group of new positions are added in the budget. These positions are in areas such as Fire, Streets-Maintenance, and Parks, which have been impacted by growth. Specifically, the opening of a new fire station located in the Westhaven neighborhood creates the need for 12 new positions, and the landscaping and road maintenance on new and improved roadways (Mack Hatcher Parkway and Hillsboro Road) requires 3 full-time and 2 part-time additional positions.
- The budget also includes the first full year of operations at the new consolidated Public Works facility and funding for the development of a one-stop permit area in City Hall.
- A general salary increase of 2% effective July 4, 2014, is provided for employees, plus \$125,000 for funding of the merit pay program for a third year.
- The second and final phase of the classification and compensation plan will be implemented. In 2014, the first adjustments—raising pay for employees below the new minimum salary—occurred. Phase II completes the adjustment process within pay grades.
- The main budget proposal will leave the City property tax rate unchanged, marking the 28th year without a property tax rate increase. (The last increase was in fiscal year 1987). An alternative budget is proposed that includes a small, three-cent increase in the tax rate to fund badly needed street resurfacing and to seed a reserve for future capital projects.
- The budget anticipates additional state-shared tax revenue resulting from the special census completed February 2014. It also anticipates limited growth from taxes and fees that are restricted by statute or affected by recent legislative changes.
- The City's Sanitation and Environmental Services function is now fully self-supporting due to cost containment efforts over the past several years and a modest rate increase of \$1.50 per month (the first rate increase in five years). In order to achieve greater efficiency and cost savings, residential collection routes will be reconfigured, moving to a four day schedule.
- The proposed budget incorporates performance measures and sustainability initiatives for every department.

General Fund Overview and Issues

Revenues. In total, general fund revenues for 2014-15 are projected at \$56.1 million, up 3.5% from the 2013-14 estimated actual of \$54.2 million and up 0.9% from the 2013-14 budget. The following is a brief summary of revenue by category.

Sales Tax. The City's largest single revenue source continues to be sales tax. Local sales tax collections account for 51% of total general fund revenue. The proposed 2014-15 budget projects local sales tax at \$28.8 million, an increase of 4.3% compared to the 2013-14 budget. It also represents a growth of 4%, or \$1.1 million, compared to the estimate of \$27.7 million for the current year. The State of Tennessee Funding Board identified a range of 2.2% to 2.9% for statewide growth in 2014-15. (Economists provided the State Fund Board a wider range of 2.2% to 3.5%). Personal income is expected to rise by 4.4% in fiscal year 2015.

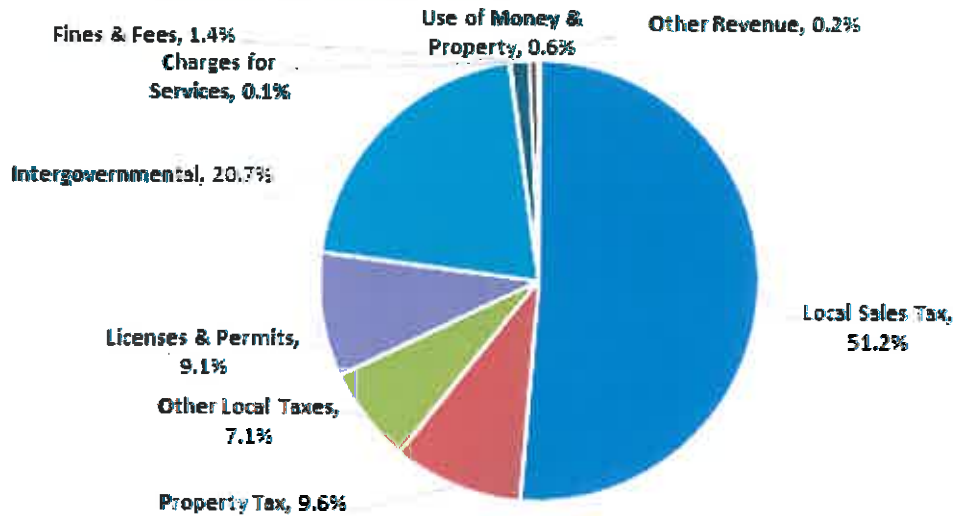
Intergovernmental Revenue. The second-largest category of revenue is intergovernmental revenue (20.7% of total general fund revenue) and is projected to be \$11.6 million, a decrease of 2.8% compared to the 2013-14 budget. This decrease is due primarily to lower anticipated grant revenues for the traffic operations center. State shared taxes are projected to increase as a result of the Franklin Special Census. A new population count of 66,335 has been certified and submitted to the state. Due to the recently completed special census, the City projects receiving an additional \$323,000 per year in state shared revenue.

Property Tax. The third-largest revenue source for the City is property tax, which accounts for 9.6% of general fund resources. The amount of property tax revenue going to general fund operations for 2014-15 is \$5.4 million, compared to \$6.0 million in 2013-14. (The General Fund portion is the result of the total property tax of \$12.8 million less \$1.0 million due to the City's Industrial Development Board, plus an additional \$6.4 million for the debt service fund). This decrease of property tax in the General Fund is due to additional property tax needed for debt service on the consolidated public works facility, roadway improvement projects, and pension obligation bonds. Compared to the 2013-14 budget, the amount of property tax dedicated to debt service has increased by more than \$984,000, or 18%. At the rate of \$0.3765 per \$100 of assessed valuation, the City of Franklin's property tax rate is the lowest in the state among cities of 25,000 or more in population.

License and Permit Revenue. The City's fourth-largest source of revenue is license and permit fees, which accounts for 9.0% of total general fund revenue. In total, this revenue category is projected at \$5.1 million, up 15% from last year's budget. The largest factor in this increase is an anticipated increase in building permits and electrical inspections based on estimated results for 2013-14. Building permit revenue is projected at \$1.3 million, an increase from the 2013-14 budget of 43%. This revenue level is the highest since pre-recession levels of 2007-08 and is a clear sign of the substantial increase in development activity in the community.

Other Revenues. Other revenue categories of note include fines and other fees, which are projected to be relatively stable. As a part of the 2014-15 work plan, City staff will be conducting a review of its building, permitting, and inspection fees. These fees have not been adjusted in four years.

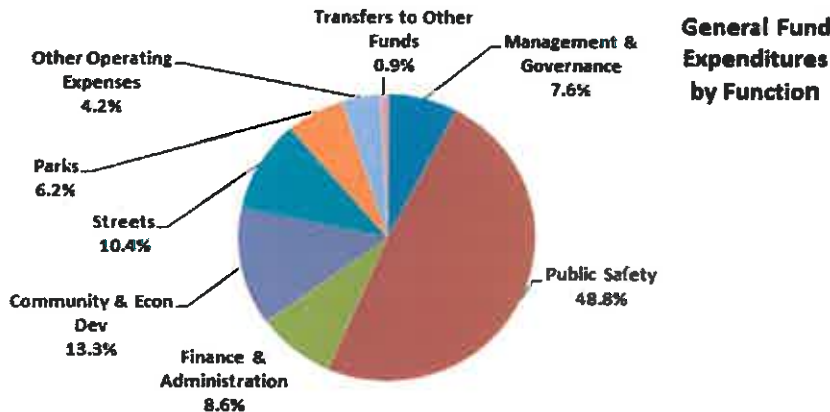
General Fund Revenue by Source – FY15



Long-term Revenue Diversification. As the City of Franklin moves forward, we will need to examine the extent to which the City is dependent upon one revenue source, the local sales tax. By its nature, sales tax is a revenue source that can fluctuate significantly due to changing economic conditions and retail development patterns. The City’s ability to fund basic services could be adversely impacted by sudden changes in the economy. BOMA’s adoption of a strong reserve policy helps provide some protection against these potentially damaging fluctuations. Further diversification of our revenue sources can strengthen our position and protect the City from service impacts. As the Board looks at long-term financial planning, this issue should be considered. The chart above shows the current distribution of general fund revenues. The City’s relative dependency on sales tax has in fact increased to 51.2% in FY15 compared to 47.5% in the prior year original budget.

Expenditures. Total general fund expenditures for the proposed budget are \$56.1 million, an increase of 0.9% from the budget for fiscal year 2013-14. The following chart displays a summary of expenditure activities within the proposed budget by service area. Consistent with previous years, public safety functions account for nearly half (48.8%) of the total proposed general fund budget.

General Fund Expenditures by Function – FY15



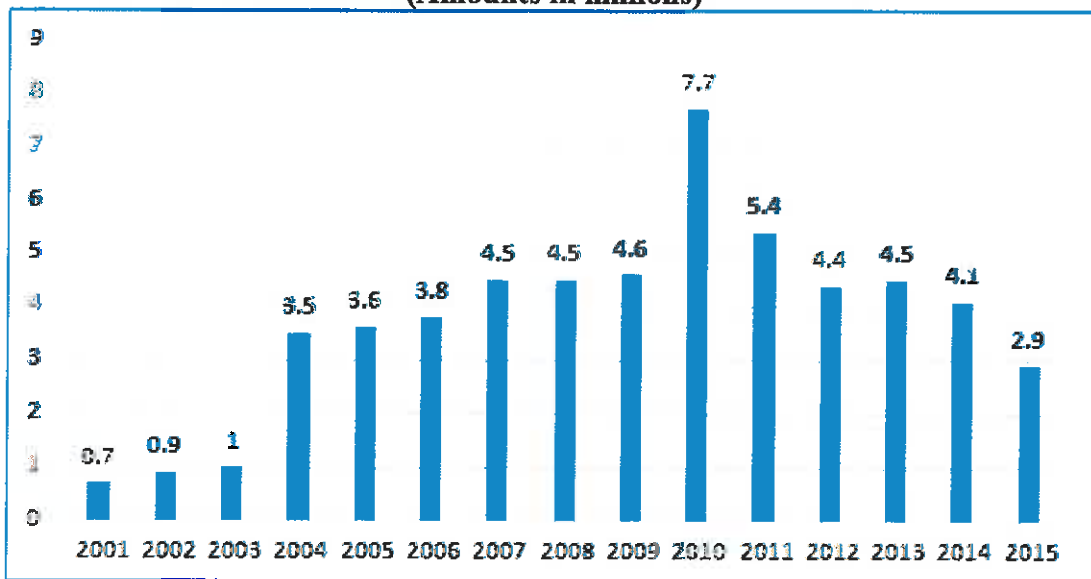
Employee Earnings and Benefits. The cost of wages and benefits for employees accounts for 72.6% of the City's general fund budget. Overall employment-related costs are projected at \$40.7 million, slightly higher than the current budget of \$38.6 million.

Pension Expense. Over the past several years, the Board of Mayor and Aldermen has acted decisively to address the condition of our City's pension program. First, BOMA acted in 2009 to provide an additional contribution of \$2 million to bolster the pension fund. This investment coupled with recovery in many of our investments overall greatly strengthened the pension fund. Second, after careful consideration BOMA adopted changes to the pension system for employees hired after February 15, 2010. These changes provided a more sustainable structure for the City while still maintaining a highly competitive benefit that included greater choice for employees. Then in FY 2014, BOMA issued \$10 million of pension obligation bonds to significantly reduce the City's unfunded pension liability.

Collectively, these improvements to the City's pension program resulted in a reduction in the required actuarial contribution amount over the past several years. The City's actuary has determined an estimated pension contribution for 2014-15 of \$2.9 million. The general fund's portion of the pension contribution is \$2.3 million, or 4.1%, of the total general fund budget. New pension rules from the Government Accounting Standards Board as well as statements about bond ratings from Moody's Investment Services will require us to continually review our pension funding strategy.

The chart below depicts the expenditure level in the employee pension category since 2001. It includes the 2009-10 additional one-time contribution of \$2 million from reserves to assist in managing these growth costs and to lessen the impact on operating budgets going forward.

**Pension Contributions by Fiscal Year
(Amounts in millions)**



Position Vacancies. In an effort to control staffing costs, the City has continued to closely monitor vacant positions. This change in staffing levels has required departments to adjust roles and responsibilities of existing staff to compensate for positions that are being held

vacant. The proposed budget identifies 27 full-time positions across the organization that will be held vacant during all or part of the upcoming fiscal year. In various departments across the City, part-time or seasonal employees have been used in place of full-time employees to help manage costs.

In addition to identifying unfilled positions, a turnover factor of 3.5% is applied again in the proposed budget to wages and salaries. This method anticipates that there will be some turnover during the year that will result in savings. By conservatively estimating this amount, we are able to apply budget dollars to other non-personnel components of the budget. The City's actual vacancy experience over the past four years has been approximately 6%. The 3.5% turnover factor used in the budget is conservative compared to recent history, but we will continue to monitor actual turnover savings closely.

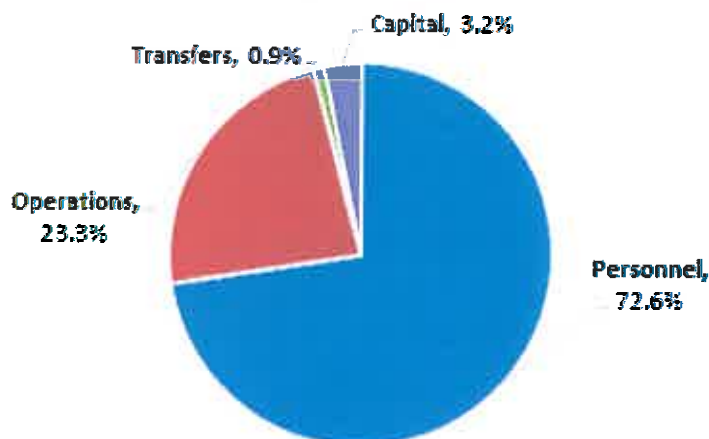
Salary Adjustment. The proposed budget includes a 2% cost-of-living increase for all employees effective July 4, 2014 (the beginning of the first bi-weekly pay period of the fiscal year). Over the past several years, many public and private organizations have laid off employees, cut wages and benefits, and/or implemented unpaid furloughs to respond to difficult economic times. The City of Franklin has avoided taking such measures and has kept dedicated employee team members in place. Also, the proposed budget includes an additional \$125,000 to fund a merit pay program for the third year. This merit pay will consist of one-time pay supplements based on team members' performance on their major work objectives.

Pay Plan. In addition to the market adjustment for all employees, a group of employees were identified in the implementation of a new market-based Pay Plan adopted in 2013. Phase I moved employees who were below the minimum pay scale of the new pay grades into their respective pay grades. Phase II, the final stage of the Pay Plan implementation, further adjusts employees within the pay ranges to a level appropriate for their experience, length of service, and prior performance. The projected cost of Phase II is \$698,000.

Employee Benefits. Last year a policy was established to define the percentage share that the City pays toward employee health insurance and to maintain that level of support going forward. Under this approach, the City pays 85% of the premium for single coverage and 80% of the premium for employee family coverage for active employees. By doing this, we as an organization communicate to our team the importance of controlling healthcare expenses as we share in managing this cost together. As a part of last year's budget process, it was determined that this cost-sharing policy would be phased in over two years for employees under the Option II (the higher deductible plan). The FY15 budget will complete this transition, with the City paying 85% of single coverage and 80% of family coverage for active employees under either of the two health insurance options.

Tuition Reimbursement. Included in the proposed budget is \$130,000 for the City's tuition reimbursement program. The program was updated in 2012 to make the program a true reimbursement program for employees pursuing degrees from accredited institutions related to their career path with the City of Franklin.

General Fund Expenditures by Category



Operations. The operations expenditure category is a broadly defined category that encompasses non-personnel and non-capital activities. It includes utilities, supplies, contractual services, repairs and maintenance, and vehicle fuel. In total, operational expenses account for 23.3% of general fund expenditures. The proposed budget amount of \$13.1 million for operations, excluding transfers below, is an increase of 14.3% from the revised 2013-14 budget, primarily due to continued cost containment measures, including use of lease/purchase in lieu of outright capital purchases for items such as vehicles and dispatch/emergency communications equipment.

Transfers to Other Funds. There are no operating subsidies to the Street Aid and Sanitation and Environmental Services funds in 2015. The transfer to the Transit fund is \$499,400, the same amount as 2014. A subsidy had been provided in prior years to the Street Aid fund to reduce the resurfacing program cycle to less than 20 years but not to the recommended 12 years. This is the first year the Sanitation and Environmental Services fund has no budgeted subsidy. The subsidy to this fund has moved from a \$4.47 million general fund subsidy in FY2008 to being fully self-sufficient (no subsidy) in FY15.

Capital Expenditures. Capital expenditures are defined as the purchase of equipment, vehicles, machinery, and computer hardware/software that has a multiyear useful life and a cost in excess of \$25,000. This category does not include the Capital Investment Program (CIP), which is the plan for implementation of large-scale public infrastructure and building projects. For the proposed 2014-15 general fund budget, capital expenditures are projected at \$1.8 million, a decrease of 54%, or \$2.2 million compared to the 2013-14 budget, primarily due to use of equipment leases for capital purchases and fewer dollars budgeted for improvements to the traffic operations center. There is no planned use of general fund reserves to support capital equipment expenditures in 2014-15. To maintain this level of capital equipment expenditures, the City organization is extending the useful life of many of our vehicles and equipment. This will likely require more investment in maintenance associated with equipment and careful assessment in terms of the cost-benefit for replacement. In some cases, equipment from one department is being utilized in another department. Additionally, the use of bank lease-purchase arrangements is being leveraged

to replace certain vehicles and equipment that have a high benefit-to-cost replacement ratio, thereby taking advantage of low interest rates.

Outside Agency Funding. The City funds various government, human service, non-profit, and community service organizations through its budget each year. In total, the 2014-15 budget funds these organizations at \$425,986. Except for a small increase in costs for the City's portion of the Regional Transit Authority's commuter bus service between Franklin and Nashville (downtown and Vanderbilt University areas), other appropriations are at the same level as 2013-14. City funding for the new, unified Williamson County Chamber of Commerce is the same as in the last budget (\$25,000). Also included in the proposed budget is \$20,000 for continued funding of the business retention program being conducted by the Chamber's Economic Development Office.

Cash Reserves and Bond Rating. Two key measures of a city's financial health are its reserves and its bond rating. The City has adopted a reserve policy that identifies a 33% general fund reserve as an important benchmark. The City of Franklin is currently projected to end the current fiscal year with a general fund reserve of at least \$30.9 million (55% of annual expenditures). With no draw from general fund reserves planned, this same fund balance is projected for fiscal year 2014-15. Clearly, the City is maintaining significant reserves to comply with BOMA policy and to protect against future economic downturns. The BOMA-adopted debt and fund reserve policy provides a needed framework for maintaining the City's triple-A bond rating by both Moody's Investors Services and Standard & Poor's. Bond ratings generally reflect on both the overall financial strength of the governmental entity and the health of the jurisdiction's local economy. Franklin's rating from two bond-rating agencies is the highest possible and places it in a select group of approximately 100 cities across the United States.

Capital Funding Reserve Proposal. Over the past several years, the Board has struggled with infrastructure needs driven by current and projected growth. The latest capital investment process highlighted many needs and relatively little funding capacity under the existing revenue and reserve structure. An important element in maintaining Franklin's quality of life in the midst of significant growth is successfully addressing infrastructure needs in a timely, cost-effective manner. To this end it is my recommendation that the Board of Mayor and Alderman take action to build a Capital Project Reserve. This initiative would include two components:

1. Identify funds in the City general fund reserve above the 45% level as eligible for use in priority capital projects. Based on the reserve projection from the proposed budget, this amount would be approximately \$5.6 million (projected general fund reserve of \$30.9 million minus 45% reserve level of \$25.3 million).
2. Enact a \$.03 property tax increase. Half of the proceeds (approximately \$500,000) would be earmarked for additional local street resurfacing. The current funding level provided by the local share of state gas tax is inadequate to meet our City's needs. This additional funding will help provide more than a 25% increase in funds available for the resurfacing program. Timely and adequate street resurfacing is directly associated with avoidance of major, more costly capital outlays in future years. The remaining half of the revenue will be added to the capital projects reserve fund for future project needs. Even with this modest property tax increase, the City of Franklin will continue to maintain the lowest municipal property tax rate in the state for cities with a population over 25,000.

Other Operating Funds

Street Aid and Transportation Fund. The City receives state gasoline tax funds to provide for the maintenance of streets. The proposed 2014-15 budget for this fund is \$1.9 million, a decrease of 16.9% from the 2013-14 revised budget. This decrease is driven by the absence of a transfer from the general fund that was provided to try to reduce the anticipated street resurfacing cycle from 20 or more years. \$169,950 of the \$1.9 million is included for sidewalks. The general fund is unable to contribute to street resurfacing efforts each year at current revenue levels. For that reason, the alternative budget proposal includes an additional \$500,000 for road resurfacing and repairs.

Sanitation and Environmental Services Fund. The proposed 2014-15 budget for the City's Sanitation and Environmental Services Fund of \$8.1 million represents an increase of 2.6% compared to the 2013-14 budget. Unlike prior years, the 2015 budget includes no transfer from the general fund. In FY2008, the City had a general fund subsidy to Sanitation and Environmental Services operations of \$4.47 million.

One important factor in reducing this subsidy is increased diversion of waste from the landfill. The Blue Bag residential curbside recycling program has contributed to this, with an average of 50% of Franklin households participating and approximately 16% of waste by weight being recycled. We will continue to evaluate the effectiveness of the Blue Bag program and seek to increase the overall amount of diversion. Also, the Disposal Division budget reflects, for a third year, landfill and hauling services provided through an interlocal agreement with Bi-County Solid Waste. FY15 will mark the first contractually-specified three-year inflationary adjustment to the landfill and transportation fees paid to Bi-County.

The proposed budget proposes an increase in the residential customer rate from \$15 per month to \$16.50 per month. This will be the first increase after holding the customer service fee unchanged for five consecutive years. During that period, our payroll and transportation costs have been absorbed in the budget. As operational costs continue to increase, and an adjustment to the disposal fees becomes effective in July of this year, it is necessary to pass along some of the costs to our customers. On a comparative basis, our full-service collection fees are still below fees charged throughout the area by haulers with more limited service. In order to achieve greater efficiency and cost savings, residential waste collection routes will be reconfigured and will move to a four day schedule. The modified routes are the result of recommendations from the City's new routing software that seeks to maximize the efficiency of routes. On the commercial side, fees will be increased by a percentage similar to the residential rate and removal of the fuel surcharge is proposed.

Road Impact Fund. The road impact fund has seen collections increase with new development. The proposed budget anticipates \$3.0 million in expenditures in the form of a transfer to the debt service fund. This transfer pays the principal and interest on arterial road projects that the City has undertaken to account for trip generation by new businesses and residential development. A study of the road impact fee rate structure is currently under consideration by the Board of Mayor and Aldermen.

Facilities Tax Fund. The facilities tax fund provides for the collection of privilege tax for new development to help pay for new public facilities/equipment made necessary by growth. The budget is proposed with \$4.3 million in new Sanitation and Fire expenditures for 2014-15. The largest expenditure in the Facilities Tax Fund in 2014-15 will be the construction and equipping of

a new fire station in the Westhaven neighborhood, serving the western portion of Franklin. Estimates included in the 2014-15 budget project a year-end balance of \$5.5 million in the facilities tax fund. Planning for the construction of another fire station in the City's southeast section is also underway, and construction is incorporated in the City's 2014-18 Capital Investment Funding Plan. The facilities tax rates have not been updated since 2007, and a review of the City's future capital needs is overdue. An amount of \$30,000 is included in FY15 to accommodate a rate study by an outside consulting firm.

Stormwater Fund. Residents and businesses pay fees to support the City's efforts to handle stormwater drainage. The rates for these services remain unchanged in the proposed budget. The proposed budget is \$4.8 million for fiscal year 2014-15, an increase of approximately \$736,000 from the 2013-14 budget. The majority of this increase is continuation of drainage projects included in the capital expenditure category. The Board has also adopted a Capital Investment Plan for the stormwater utility. The Stormwater rates have not been reviewed in more than ten years. A study of the fee structure will be undertaken in FY15.

Drug Fund. The drug fund is used to collect drug-related fines and confiscations received through the City's enforcement efforts. These funds are used to support drug investigations. The proposed budget includes expenditures of \$127,000, a decrease of \$11,098.

Hotel/Motel Fund. The City of Franklin levies a 4% local lodging tax on the gross receipts of hotels. Through the hotel/motel fund, the City has historically paid debt service on the Conference Center, the purchase of land for park expansions (Harlinsdale and Eastern Flank), capital improvements to those parks, and certain streetscape elements of road improvements that beautify the city and encourage tourism. The City also dedicates one-fourth of the 4% tax to support the Williamson County Convention and Visitors Bureau. As the economy improves and travel activities increase, receipts in the hotel/motel fund are expected to experience steady growth. The proposed 2014-15 budget provides for \$3.1 million in expenditures, which is an increase of 29% compared to the 2013-14 budget.

Transit Fund. The City maintains a special revenue fund to account for the operations of the Franklin transit system. The system is funded primarily by a general fund transfer, State and Federal grants, and rider fares. The general fund subsidy is \$499,400, the same as fiscal year 2013-14. In total, the transit budget is recommended at \$1.7 million, approximately \$165,000 more than 2013-14 due to budgeted capital purchases.

Community Development Block Grant Fund. The City segregates funds received through the Federally-funded Community Development Block Grant (CDBG) program. CDBG funds are specifically targeted to benefit low- and moderate-income families and neighborhoods. For 2014-15, funding is expected to reach \$192,125. If Federal budget cuts affect the City's CDBG funding, appropriate reductions will need to be made to the City's CDBG program.

Debt Service Fund. In 2009-10 the City created a separate debt service fund. The fund is used to account for resources set aside to fund debt service and the actual principal and interest payments made. The proposed 2014-15 budget for the debt service fund is \$12.3 million. The debt service obligations of the general fund are handled by designation of property tax directly to the debt service fund. The proposed 2014-15 budget includes \$6.4 million of property tax for payment of debt service. Sequestration in Washington resulted in an \$80,000 reduction in interest rebates (roughly 8% of total) from the Internal Revenue Service on Build America Bonds that were issued

in 2009 and 2010. Other than property tax, the fund receives transfers from various operating and special revenue funds to cover debt obligations related to those funds. In late 2013, the City issued almost \$10 million in pension bonds and \$7.5 million in bonds for the new public works facility. In 2010, the Board adopted its first multiyear Capital Funding Plan that merges Board project priorities with funding capacity. This funding capacity is driven by the Board's debt policy that was developed and adopted in 2009. Franklin's debt policy is comprehensive and includes an array of benchmarks for assessing our debt capacity.

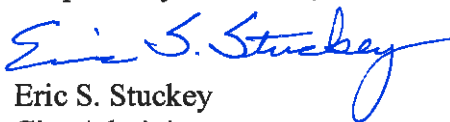
Summary

The City of Franklin has emerged from the economic challenges of recent years in excellent financial condition. Our reserves are at strong levels, our debt obligations are relatively low and manageable, and our tax rates are among the lowest in the state. Even with the modest increase proposed in the alternative budget (Capital Project Reserve), Franklin would maintain the lowest rate among sizeable cities in Williamson County and the State of Tennessee. The City leadership team has taken decisive action over the past five years to control costs and live within our means while finding new, innovative ways to deliver exceptional services to the community. Continued strong financial management and strategic investment will position the City of Franklin to succeed and thrive in the years to come.

Many throughout the City organization contributed countless hours toward the completion of the recommended budget. Their commitment to public service and to the betterment of the City of Franklin is inspiring. I would like to extend my appreciation to Assistant City Administrators Russ Truell and Vernon Gerth, Comptroller Mike Lowe, Human Resources Director Shirley Harmon, our leadership team (department directors and other key staff), and the Administration and Finance department staff whose support and leadership have been instrumental to the budget process. A special thanks to Mike Lowe, Monique McCullough, Lanaii Benne, Lawrence Sullivan, Glenda Driver, and Russ Truell, who were crucial to the production of this document.

Finally, I offer my gratitude to the Board of Mayor and Aldermen for their leadership, stewardship, and support through which the City of Franklin will chart a course for a promising future.

Respectfully submitted,



Eric S. Stuckey
City Administrator



Proposed 2014-15 Operating Budget Presentation

May 27, 2014
Board of Mayor and Aldermen
Work Session



Franklin*Forward* – 2033 Strategic plan

- A Safe, Clean, and Livable City
- An Effective and Fiscally Sound City
Government Providing High-Quality Service
- Quality Life Experiences
- Sustainable Growth and Economic Prosperity






Transforming how we do business

Public Safety:

- Less on-call hours, problem solving and proactivity responding to needs
- Expedited building permits on downtown and neighborhood
- Annual fee paid of \$2.11 per year
- Grant funded education and proactive patrol focused on DUI offenders
- ISO rating of 2, the best in Tennessee
- Equipped Advanced Life Support response, increased paramedic staffing
- Rotational arrangements with the Brentwood for fire response
- Expedited training through Franklin's training facility—regional and across City departments
- Uninterrupted power supply provided at key intersections

Customer Service:

- City Hall express payment window
- Use of seasonal/temporary workers to handle peak work loads
- Online service request system available 24/7
- Social Media (Facebook, Twitter, YouTube, Pinterest) reaching and responding to citizens
- Enhanced programming on FranklinTV and online
- Expanded communication capabilities and strategies
- Historic Parks cell phone tour






Development Services:

- Development plan process shortens review by 60 days
- Online inspection scheduling and results review
- Electronic plan submission and review
- Plan review deadlines implemented and being shortened
- Option for joint review by consultants for larger projects
- Land Use Character Area reviews

Infrastructure:

- Capital Investment Plan prioritization and funding plan
- Integrated Water Resource Plan adopted and implementation underway
- Improved interconnection for water supply
- Repair and expanded raw water reservoir
- Near perfect Sanitary Survey scores over the past five years (2009-13): **96-98 overall score**
- Water's leak detection program identified and repaired leaks that otherwise would have resulted in the loss of 40 million gallons of treated water in a year
- Street resurfacing plan for all streets
- Infrared truck – street patching efficiency improved
- Parks partnerships with FBC, Cowboys, and Friends of Franklin Parks to enhance/preserve facilities
- Traffic signal timing enhancing operations and traffic flow without roadway construction






Local Stability/Efficiency

- Debt and reserve funds established
- Adopted new rates from Moody's and S&P
- Reformulated and updated employee pension plan
- Expanded safety program
- PreKiosky Card program brings better efficiency and tracking to transactions
- Ongoing analysis of facilities equipment
- Streamlined street maintenance and brings efficiency
- Streamlined filing and case tracking in City Court

Sustainable Community

- Blue bag residential curbside recycling – over 50% participation and 16% diversion
- Street bag yard waste collection and composting operation
- BODAs implemented
- In-City agreement has provided landfill capacity and transportation for 14 years period
- Energy efficient lighting in Parks
- Solar array at Water Reclamation Plant through a public-private partnership
- Energy efficiency review throughout the organization
- Partnership with EPA in reviewing energy efficiency with Water Management



Overview

- General Fund Budget of \$56.1 million, an increase of 0.9%.
- This budget is \$3 million below the City's general fund budget for FY 2008-09.
- Total Operating Budget of \$90.5 million, an increase of 6.8%. (Primarily due to capital in the Facilities Tax, Stormwater, and Hotel/Motel Tax Funds).
- The budget is structurally balanced.
- Essential service levels maintained.



General Fund Highlights

- In compliance with BOMA's debt and reserve policies.
- Fire Station No. 8 (Westhaven) will open in 2015.
- Funding to create a One-Stop Development Services area for permitting in City Hall.
- A general salary increase of 2.0% proposed for July 4, 2014. Third year of merit pay program.
- Phase 2 of classification and compensation plan.
- Base Property Tax same as 2014 (.3765 per \$100 of assessed valuation). Alternative budget proposal is recommended for infrastructure needs.
- No reserves targeted from fund balance.
- Sanitation operation self-supporting for the first time.





Capital Funding Initiative

- Identify general fund reserves above 45% as available for capital projects (\$5.7 million).
- Add a \$.03 (per \$100 assessed value) increment of property tax to increase funding capacity:
 1. Half for local street resurfacing (Local Street Aid Fund) - \$500,000/year.
 2. Half for reserves for future infrastructure/capital project funding.

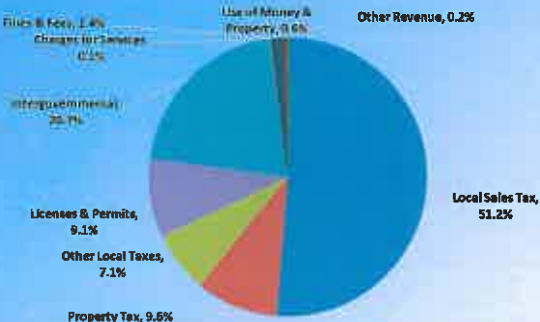



Capital Funding Initiative

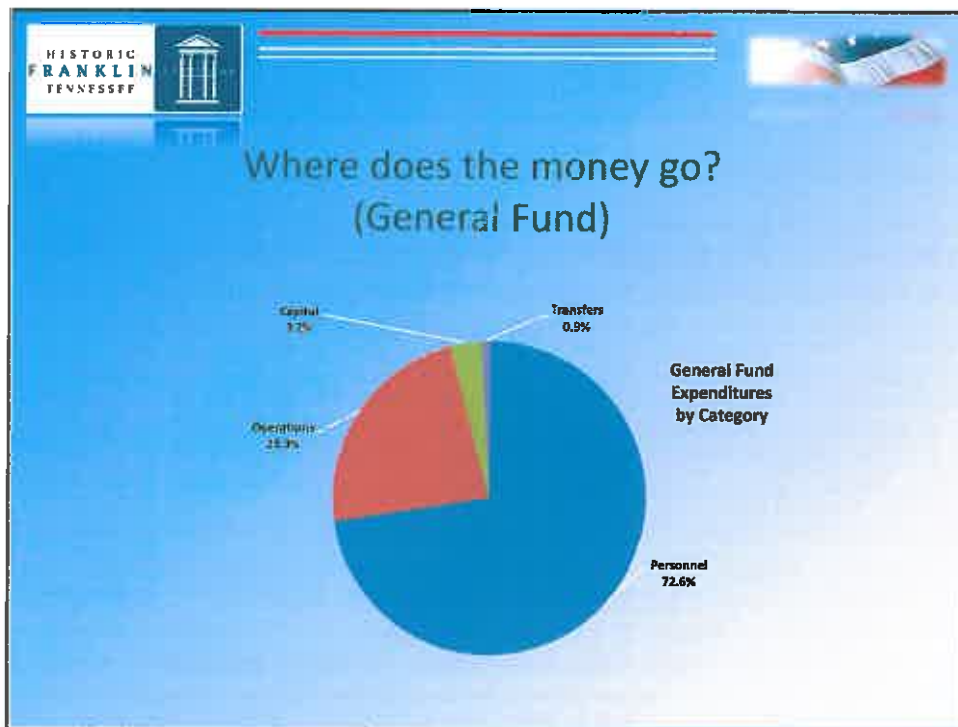
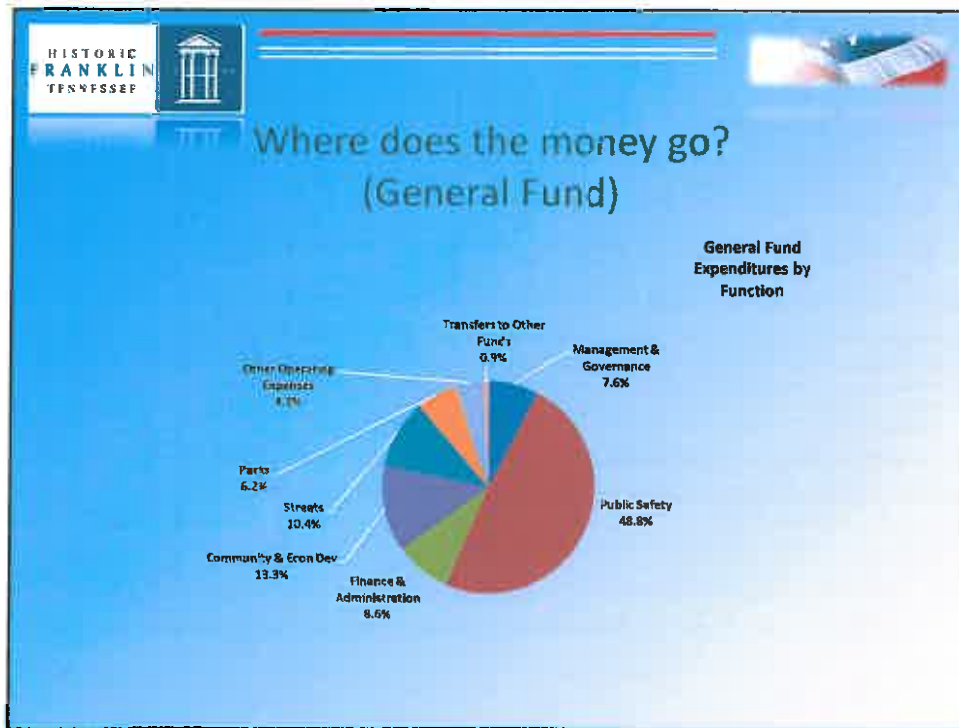
- Local share of the gas tax is inadequate to maintain local streets. By preserving this investment, the City saves money long term.
- Clear infrastructure needs throughout Franklin that require more capacity.
- “Bridge” to the additional property tax revenue to be realized upon the retirement of the McEwen TIF debt.
- Franklin maintains its position as the lowest City property tax of any city with a population of greater than 25,000.
- Estimated impact = \$27/year for a \$300,000 home.

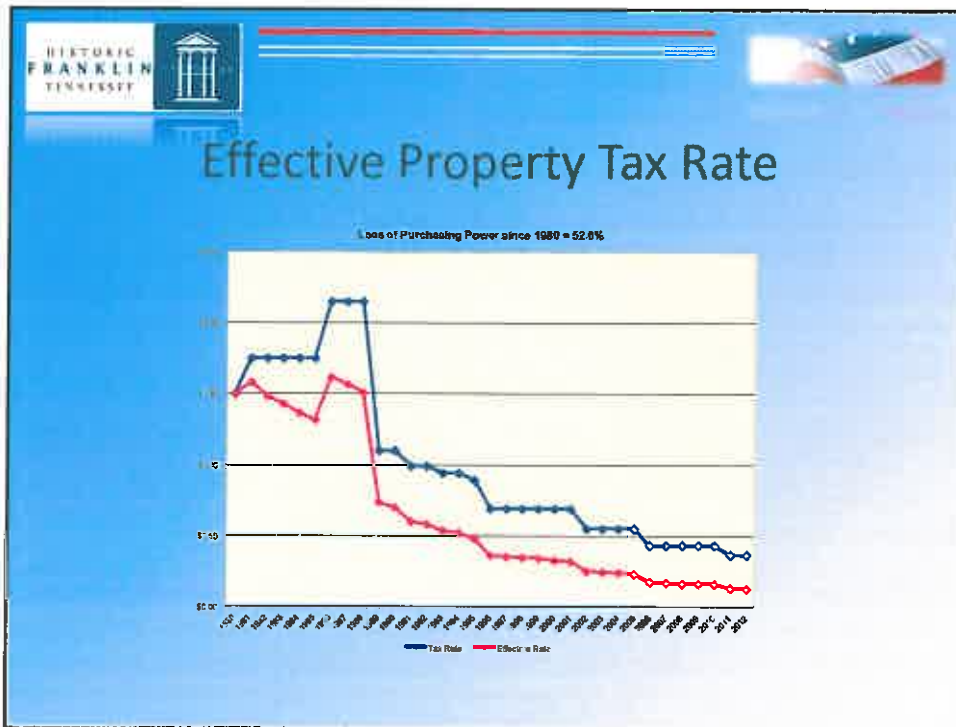
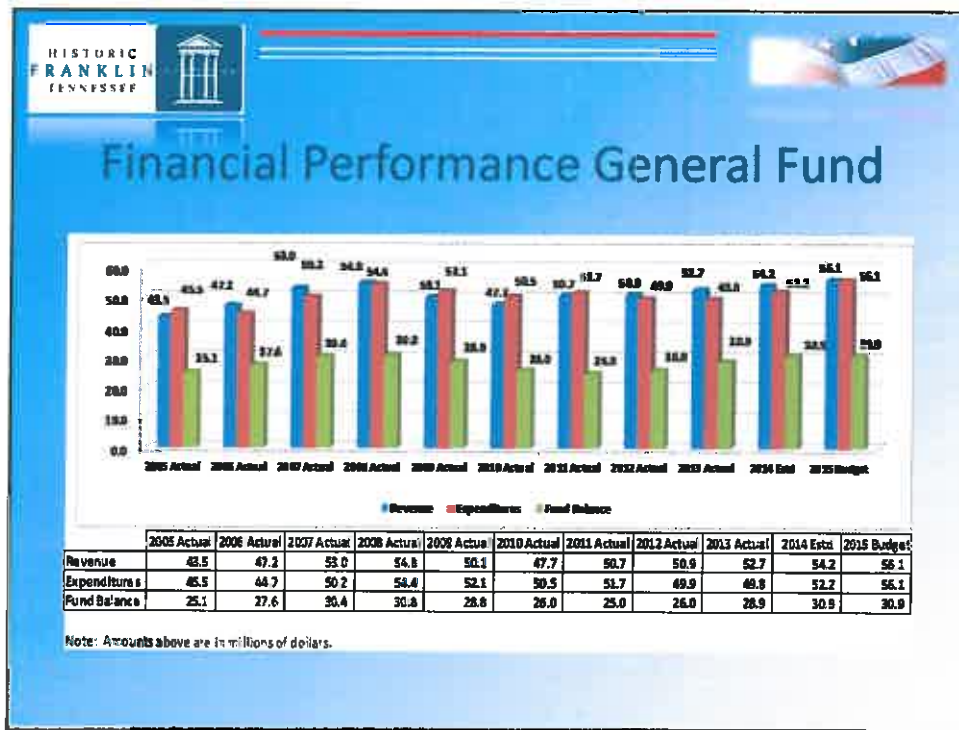



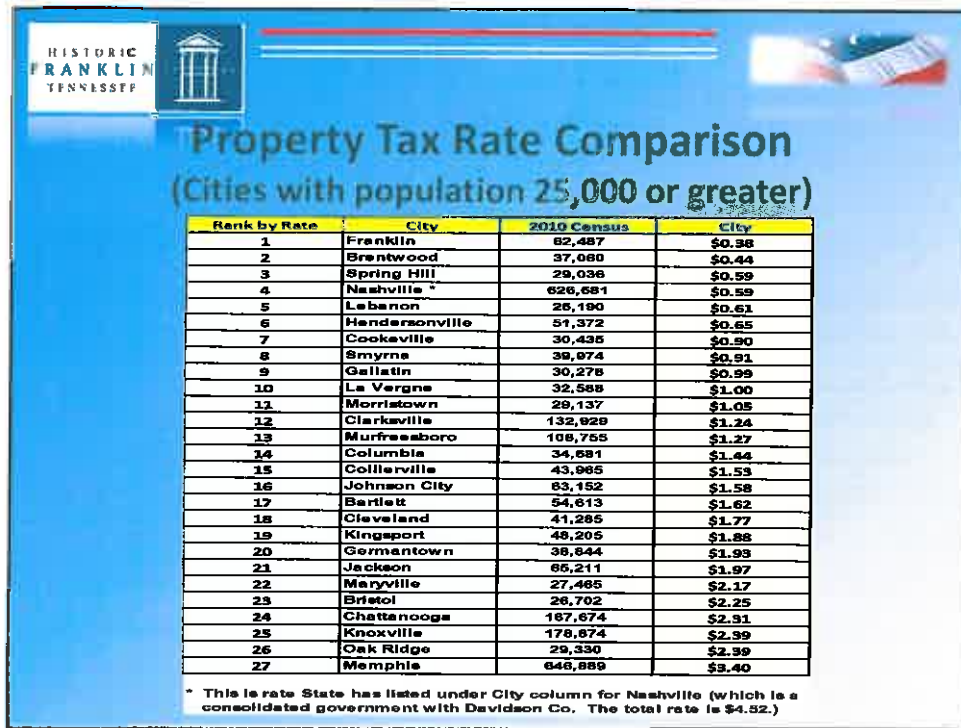
Where does the money come from? (General Fund)




Revenue Source	Percentage
Local Sales Tax	51.2%
Intergovernmental	25.7%
Licenses & Permits	9.1%
Property Tax	9.6%
Use of Money & Property	9.6%
Other Local Taxes	7.1%
Fees & Fees	1.4%
Other Revenue	0.2%
Charges for Services	0.1%






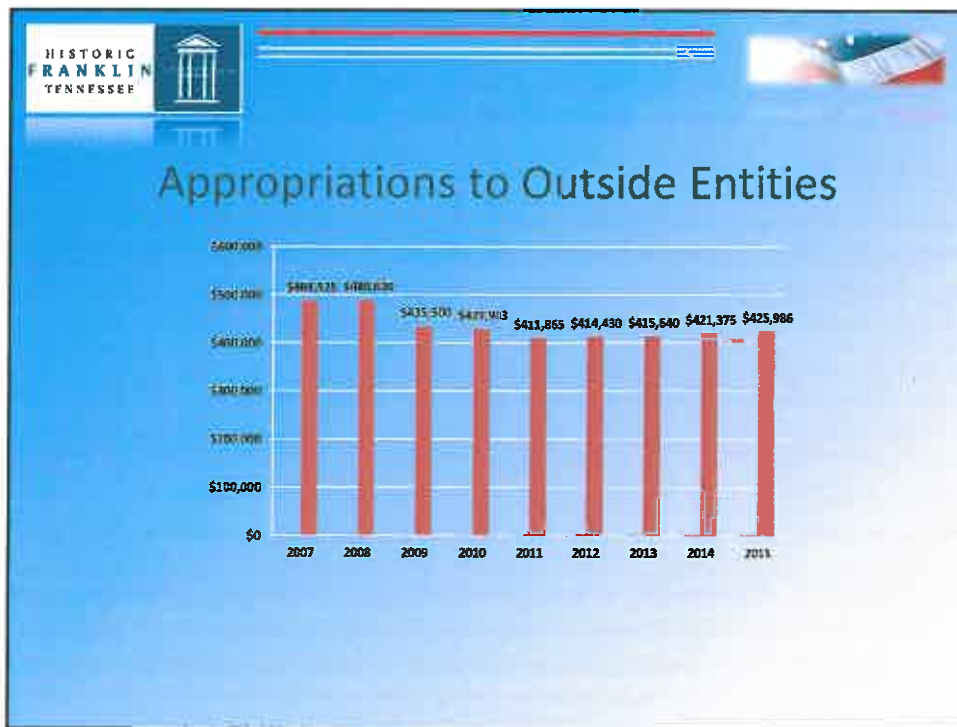
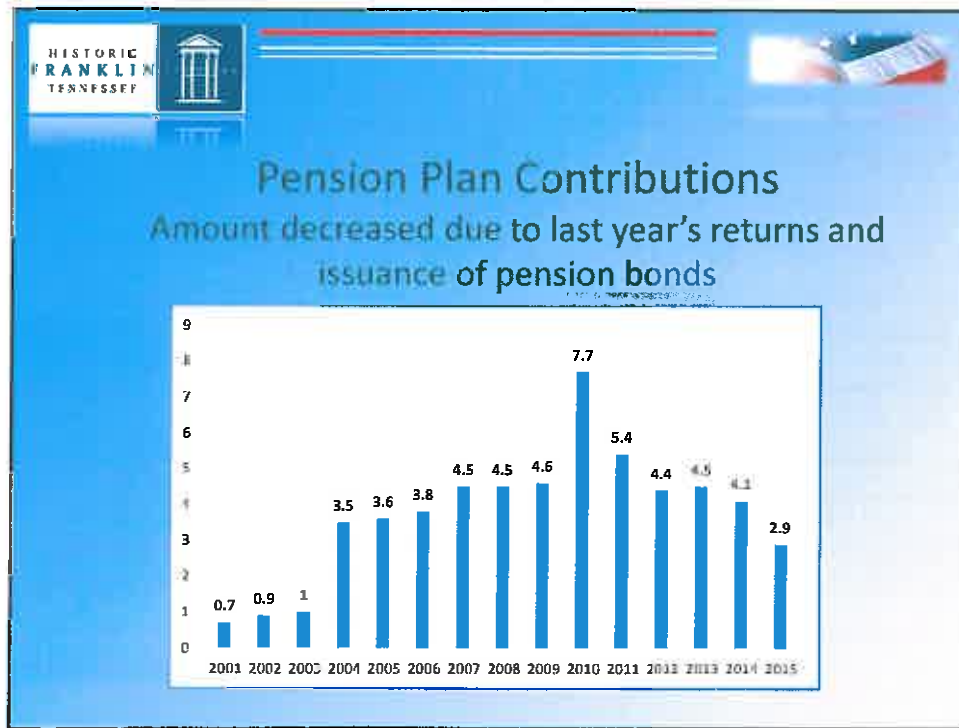






General Fund Expenditures by Department

Department	Personnel	Operations	Capital	Transfers	Total
Elected Officials	230,272	59,893			290,165
Administration	480,745	38,759			519,504
Capital Investment Planning	209,058	(16,655)			192,403
Project & Facilities Management	412,146	645,855	37,000		1,095,001
Human Resources	856,598	386,792	28,000		1,271,388
Law	330,530	62,383			392,913
Communications	309,447	18,822			328,269
Parks	2,145,933	1,362,241			3,508,174
Police	10,975,657	2,817,559			13,793,216
Fire	11,613,598	1,980,158			13,593,754
Finance	790,241	(51,988)			738,255
Information Technology	1,448,371	2,185,650	50,000		3,684,021
Purchasing	188,730	(3,385)			185,345
Revenue Management	795,624	(620,384)			175,240
Court	198,538	32,797			231,335
Building & Neighborhood Services	2,094,299	256,629			2,350,928
Planning & Sustainability	1,252,786	306,092			1,558,878
Engineering	887,614	(8,101)			879,513
Traffic Operations Center	277,198	701,710	1,650,000		2,628,908
Streets-Maintenance	2,200,963	1,592,535			3,793,498
Streets - Traffic	679,100	495,423	42,500		1,217,023
Streets - Fleet Maintenance	612,373	204,290			816,663
General Expense	1,734,693	180,500			1,915,193
Appropriations		425,986			425,986
Economic Development		69,730			69,730
Transfer to Street Aid					0
Transfer to Sanitation & Env Services					0
Transfer to Transit				499,400	499,400
TOTAL	40,724,512	13,103,291	1,807,500	499,400	56,134,703



- 
- ### Change in Personnel Expense
- 2.0% cost of living adjustment – effective July 4, 2014. Third year of merit pay program.
 - Phase 2 of Pay Plan impacting at a cost of \$698,000.
 - Net of 16 positions added. 12 are in Fire for 4 months for Fire Station 8; 3 full-time and 2 part-time are for Mack Hatcher landscape maintenance.
 - Cost sharing structure of health insurance with employees continues with 85% single/80% family premium City cost sharing
 - 3.5% turnover factor (pay + benefits) used.
 - Pension across all funds budgeted at less than \$3 million.
 - Holding 27 authorized positions vacant.







Special Revenue Funds

- Street Aid & Trans – Gas Tax (p. 222-223)
- Sanitation & Environmental Services (p. 155-170)
- Road Impact Fund (p. 224)
- Facilities Fund (p. 232)
- Stormwater Fund (p. 220-221)
- Drug Fund (p. 122)
- Hotel Tax Fund (p. 233)
- Transit (p. 171-174)



Street Aid (p. 222-223)



- Roadway resurfacing program of slightly above \$1.7 million. \$169,950 is included for sidewalk repair.
- The proposed Capital Funding Initiative would add \$500,000 annually to the local street resurfacing, a 26% increase.

Sanitation & Environmental Services

(p. 155-170)

- Four Divisions: Administration, Collection, and Disposal. (Recycling has been merged with Collection).
- Direct revenues estimated at \$8.1 million.
- Expenditures less than last year (\$7.9 million).
- For first time, no Transfer from General Fund. 2008 subsidy was \$4.47 million.
- Increase in residential rate of \$1.50, from \$15 to \$16.50. First increase in five years.

Wrap Up

- Meeting budget goals and objectives despite challenging economic times.
- Increase in expenditures in General Fund equivalent to rate of inflation (.9%).
- Revenues estimated with signs of growth (recovery).
- Sales tax dependence continues. Now over 50%.
- No draw on fund balance.
- Reserves at year-end far above policy level.
- The proposed Capital Funding Initiative identifies additional capacity to address infrastructure needs.