



City of Franklin, Tennessee
FY 2021 Operating Budget

FY 2021 Proposed Budget Presentation

May 14, 2020

Budget and Finance Committee





City of Franklin, Tennessee

FY 2021 Operating Budget

Outline

- Focus**
- Budget Overview**
- General Fund**
 - Overview**
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 - Expenses**
- Other Funds**
- Summary**



City of Franklin, Tennessee

FY 2021 Operating Budget

The Focus

Management

- Policy development and implementation
- Budget process
- High quality service levels
- Department level key performance measurers
- Benchmarking program
- Capital Investment project oversight and delivery
- Telling “Franklin’s story” locally and beyond

Community Development

- Desired location
- High Development Standards
- Educated workforce
- Sites ready for development
- Aggressive State incentives
- Work with partners at State and Williamson County
- Play “offense”

Strong Financial Base

- Long-Term financial planning (revenue diversification)
- Capital Investment plan process
- Multi-year financial planning
- Healthy reserve levels
- Triple-A Bond rating from both Moody’s and S&P.
- Support changing service needs



City of Franklin, Tennessee

FY 2021 Operating Budget

Overview:

- Respond to community needs driven by COVID-19 pandemic and economic downturn.
- Maintain high quality services.
- Preserve capacity to respond to future needs.
- Invest in and plan for the future.



City of Franklin, Tennessee

FY 2021 Operating Budget

Budget Overview:

- All Funds Budget for FY21: \$154.3 million
 - **A reduction of 10.5% (\$18.1 million)**
 - FY20 All Funds Budget: \$174.2 million

- General Fund Budget for FY21: \$70.2 million
 - **A reduction of 10.5% (\$8 million)**
 - FY20 General Fund Budget: \$78.2 million



City of Franklin, Tennessee

FY 2021 Operating Budget

Overview: Highlights

- The budget is balanced, with a planned use of reserves to maintain services.
- The budget fully complies with the Board of Mayor and Aldermen's debt and fund reserve policies.
- Essential service levels are maintained.
- Despite significant budget reductions, there are no layoffs of existing staff. City team member salaries are frozen at this time, with no market or merit increases.



City of Franklin, Tennessee

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Overview: Highlights

- The City will fully absorb the cost of benefit increases, including health insurance premiums, keeping employees “whole” in FY21.
- The City property tax remains unchanged at \$0.4176 per \$100 of assessed valuation. The Invest Franklin dedicated funding for infrastructure/transportation investment and support of City operations remains in place. The City of Franklin continues to maintain one of the lowest municipal property tax rates in the State of Tennessee.



City of Franklin, Tennessee

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Overview: Highlights

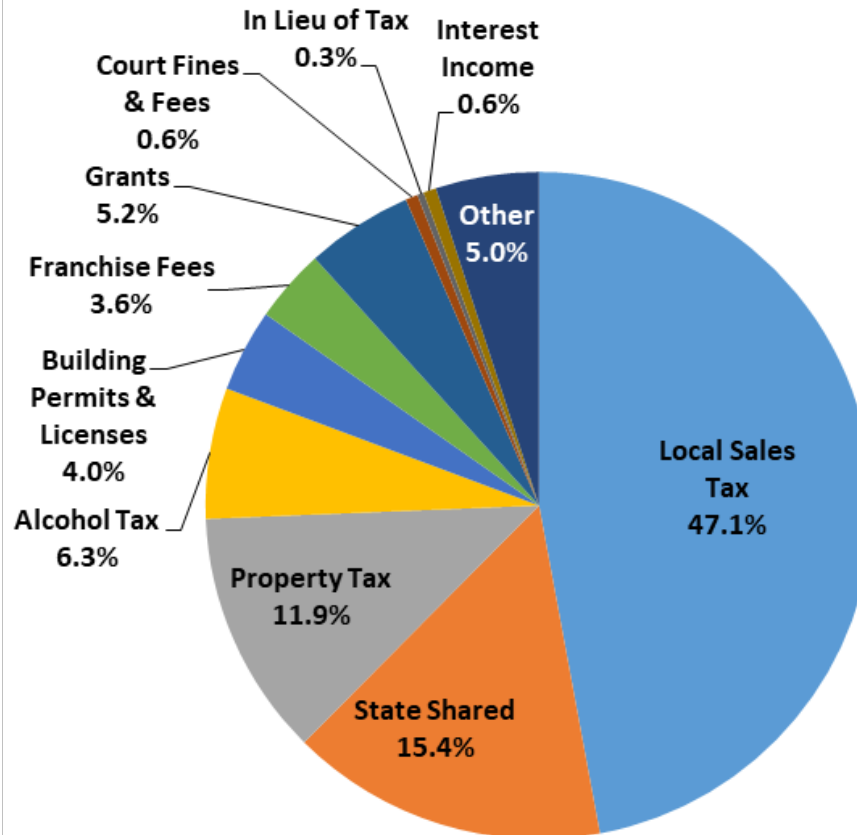
- There are no fee increases included in the proposed budget. Planned Water (2.9%) and Sewer (3%) are included.
- This budget will likely be updated later in the year as more information is available regarding the revenue impact of the pandemic and economic downturn.



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General Fund Overview: Revenues (p. 27)

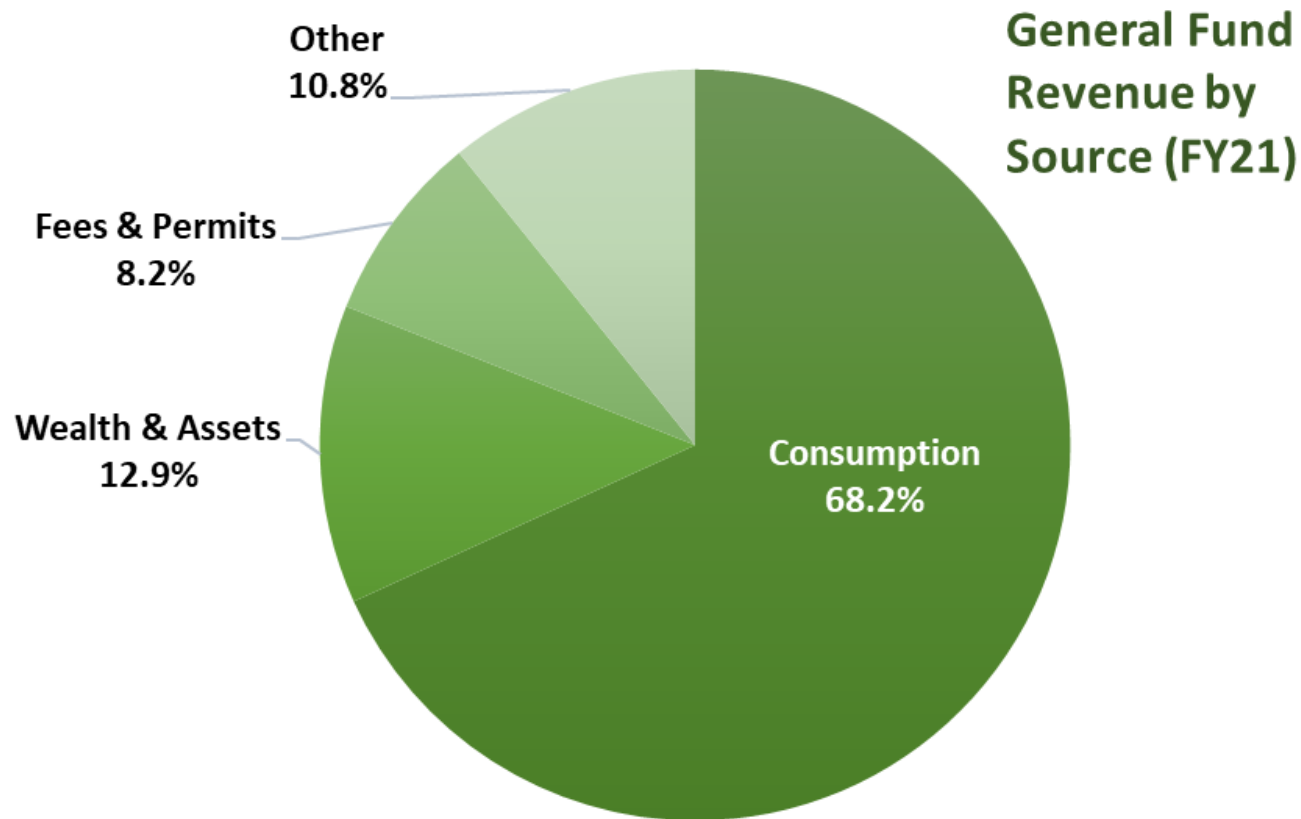




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General Fund Overview: Revenues by Source (p. 29)

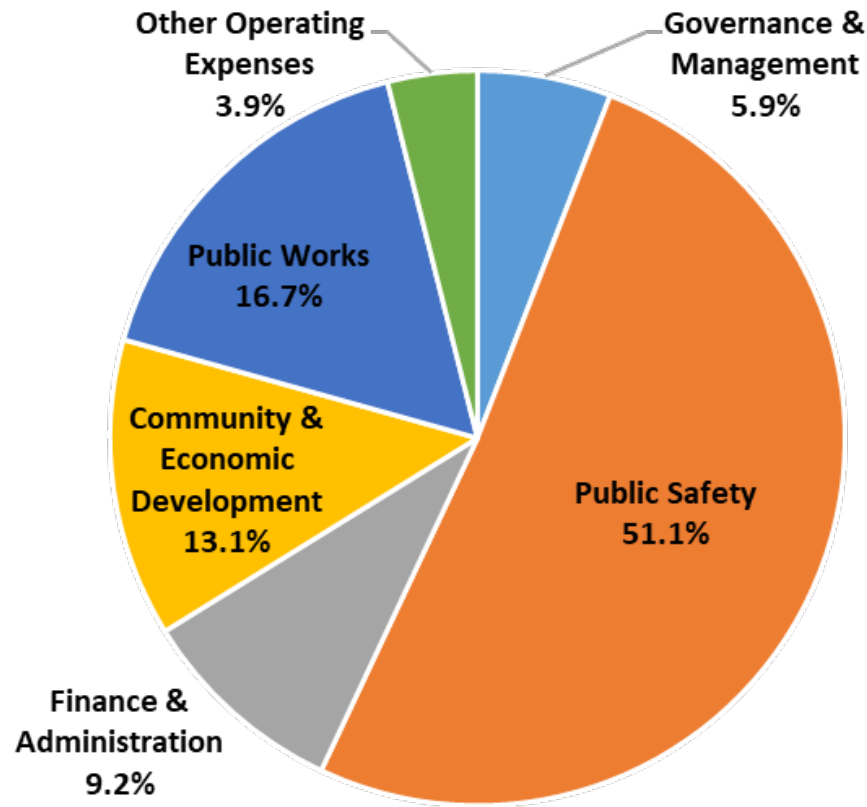




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General Fund Overview: Expenses by Major Function/Program

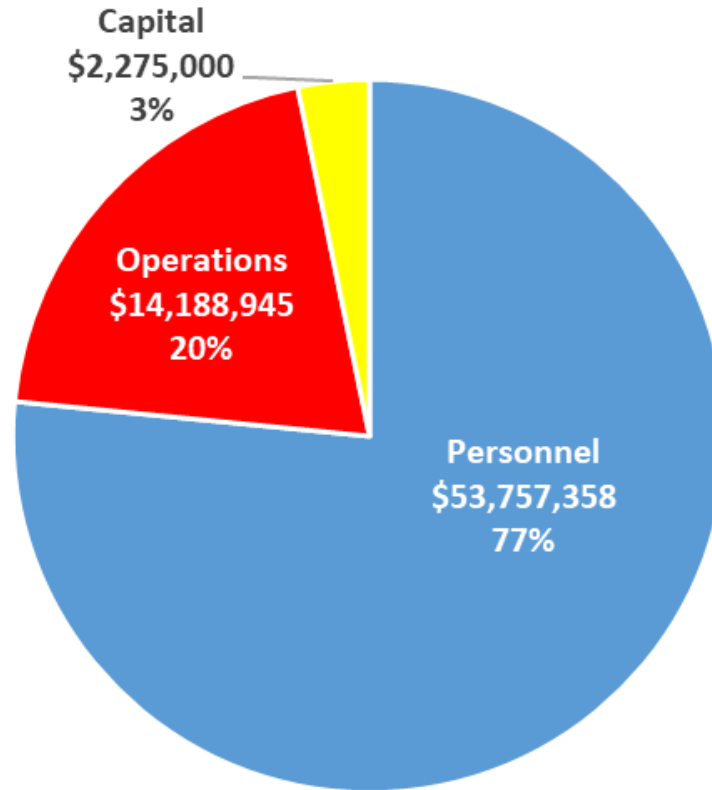




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General Fund Overview: Expenses by Category

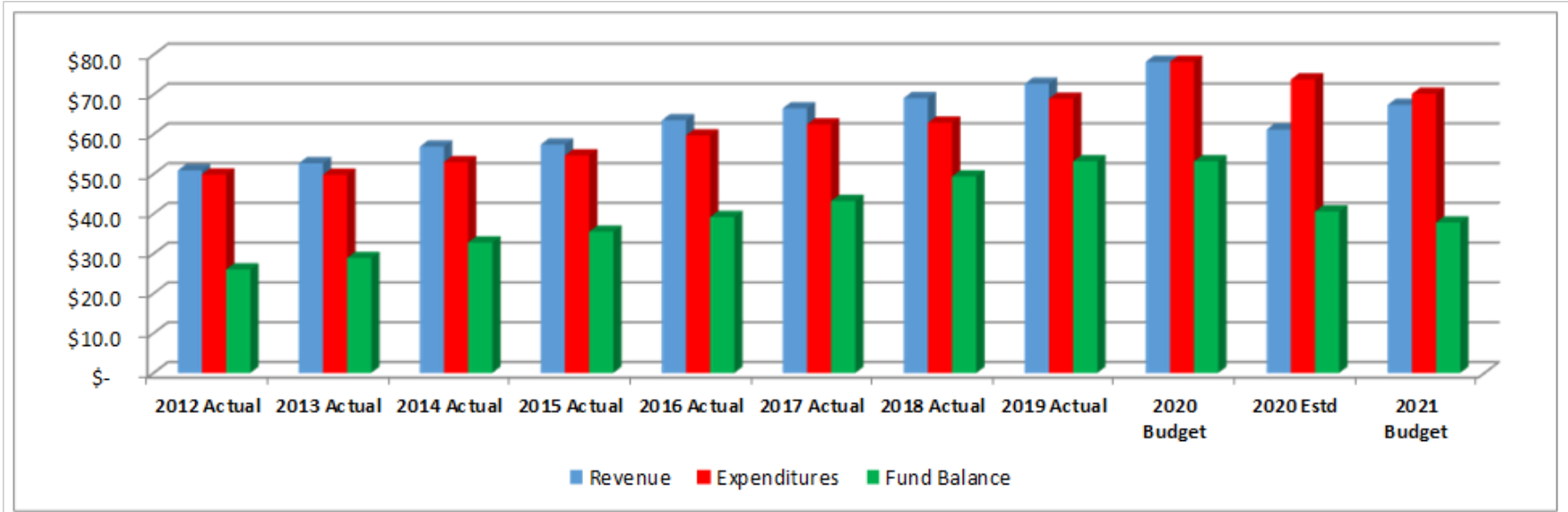




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General Fund : Revenues: Financial Performance (p. 25)



	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Budget	2020 Estd	2021 Budget
Revenue	\$ 50.9	\$ 52.7	\$ 56.9	\$ 57.4	\$ 63.5	\$ 66.5	\$ 69.1	\$ 72.7	\$ 78.2	\$ 61.2	\$ 67.4
Expenditures	\$ 49.9	\$ 49.8	\$ 53.0	\$ 54.7	\$ 59.7	\$ 62.5	\$ 62.9	\$ 68.9	\$ 78.2	\$ 73.8	\$ 70.2
Fund Balance	\$ 26.0	\$ 28.9	\$ 32.8	\$ 35.5	\$ 39.2	\$ 43.2	\$ 49.4	\$ 53.2	\$ 53.2	\$ 40.6	\$ 37.8

Note: Amounts above are in millions of dollars.



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General Fund : Revenues: General Fund Revenue Comparison

	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>Budget 2020</u>	<u>Estd 2020</u>	<u>Budget 2021</u>	<u>Difference '20 vs. '21</u>	
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F (E-C)</u>	<u>G (E/C)</u>
Revenues							
Local Sales Tax	\$ 34,151,972	\$ 36,168,173	\$ 37,123,985	\$ 30,929,672	\$ 33,055,387	\$ (4,068,598)	-11.0%
State Shared	\$ 13,966,275	\$ 14,648,230	\$ 12,688,392	\$ 10,573,660	\$ 10,785,133	\$ (1,903,259)	-15.0%
Property Tax	\$ 9,091,852	\$ 9,318,972	\$ 7,722,443	\$ 7,853,143	\$ 8,376,691	\$ 654,248	8.5%
Alcohol Tax	\$ 4,200,284	\$ 4,390,575	\$ 4,486,292	\$ 3,590,451	\$ 4,453,766	\$ (32,526)	-0.7%
Building Permits & Licenses	\$ 3,085,808	\$ 2,279,334	\$ 3,041,545	\$ 2,700,000	\$ 2,819,512	\$ (222,033)	-7.3%
Franchise Fees	\$ 2,586,092	\$ 2,566,246	\$ 2,464,717	\$ 2,538,000	\$ 2,495,186	\$ 30,469	1.2%
Grants	\$ 464,319	\$ 387,640	\$ 2,589,190	\$ 839,190	\$ 3,645,000	\$ 1,055,810	40.8%
Court Fines & Fees	\$ 371,300	\$ 370,159	\$ 461,224	\$ 461,224	\$ 415,756	\$ (45,469)	-9.9%
In Lieu of Tax	\$ 260,607	\$ 259,875	\$ 228,202	\$ 258,015	\$ 221,990	\$ (6,213)	-2.7%
Interest Income	\$ 198,953	\$ 1,229,262	\$ 675,000	\$ 669,000	\$ 438,750	\$ (236,250)	-35.0%
Other	\$ 722,593	\$ 1,085,952	\$ 6,721,656	\$ 13,369,056	\$ 3,514,133	\$ (3,207,523)	-47.7%
Total - General Fund Revenues	\$ 69,100,055	\$ 72,704,418	\$ 78,202,648	\$ 73,781,411	\$ 70,221,303	\$ (7,981,344)	-10.2%



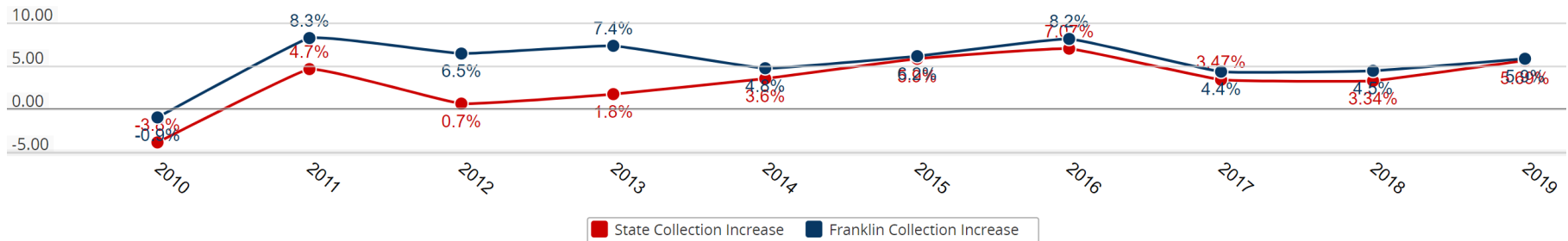
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General Fund Revenues: Local Sales Tax

- Budgeted to decrease in FY21 (\$33 million).
- Decline of 11% (\$4.1M) from FY20.
- Beginning April 2021 the City will receive its 50% of voter approved ½ cent local option sales.
- 47.1% of total general fund revenue.

City has averaged between .5% to 6% higher collections year-over year when compared to the state in sales tax for the last decade.

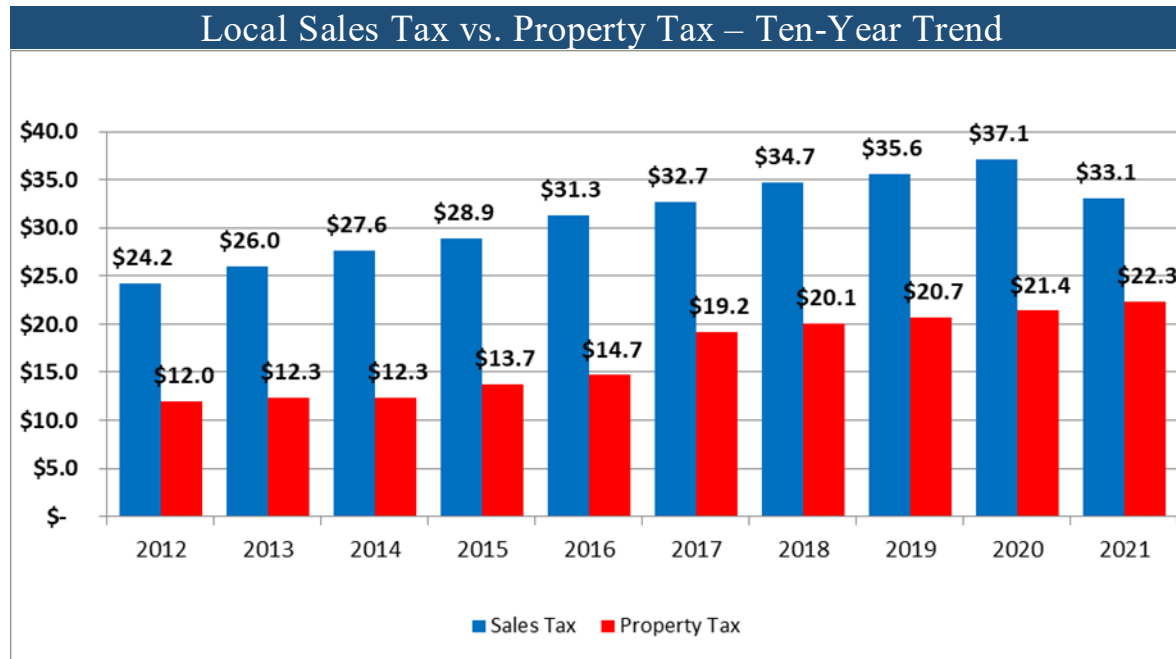




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General Fund Revenues: Property vs. Sales Tax (p. 34)



- Due to projected decline in FY21 sales tax revenue and the steady growth in property taxes, these two revenue sources are the closest they have been in many years.



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General Fund Revenues:

- Intergovernmental: Second largest general fund revenue source (\$10.8M); sizeable decrease of 15% projected.
- Property Tax: Increase in operational revenues (\$8.3M), 7.8% growth compared to FY20.
- Alcohol Tax: \$4.45 M – a slight decrease from FY20.
- Building Permits & Licenses: \$2.8M, a 7.3% decrease compared to FY20.
- Franchise Fees: \$2.5 M, a modest increase (1.2%) compared to FY20.
- Other Income: Stable with decreases in interest income and municipal court fines.



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General Fund: Fund Balance Summary

General Fund Performance - FY 2017-2021						
	Actual 2017	Actual 2018	Actual 2019	Budget 2020	Estimated 2020	Budget 2021
Beginning Fund Balance	\$ 39,249,587	\$ 43,283,143	\$ 49,459,972	\$ 53,201,972	\$ 53,201,972	\$ 40,555,905
+ Total GF Revenue	\$ 66,540,349	\$ 69,100,055	\$ 72,704,418	\$ 78,202,648	\$ 73,781,411	\$ 70,221,303
- Less F/B amount necessary to balance budget				\$ (7,328,371)	\$ (12,646,067)	\$ (2,786,482)
- Total GF Expenditures	\$ 62,506,793	\$ 62,923,226	\$ 68,962,416	\$ 78,202,648	\$ 73,781,411	\$ 70,221,303
Ending Fund Balance	\$ 43,283,143	\$ 49,459,972	\$ 53,201,972	\$ 45,873,601	\$ 40,555,905	\$ 37,769,423
***Percent of Total Annual Revenues	65.0%	71.6%	73.2%	58.7%	55.0%	53.8%
***Percent of Total Annual Expenditures	69.2%	78.6%	77.1%	58.7%	55.0%	53.8%

Note: Ending Fund Balance Amounts for Estimated FY 2020 and Budget FY 2021 numbers subject to change via year-end close and final FY 2020 budget amendments.



City of Franklin, Tennessee

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General Fund: General Fund Expenditures by Department

	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>Budget 2020</u>	<u>Estd 2020</u>	<u>Budget 2021</u>	<u>Difference '20 vs. '21</u>	
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F (E-C)</i>	<i>G (E/C)</i>
Expenses							
Governance & Management	\$ 3,200,436	\$ 3,638,266	\$ 4,028,426	\$ 3,928,345	\$ 4,132,153	\$ 103,727	2.6%
Public Safety	\$ 34,952,062	\$ 34,597,893	\$ 36,601,726	\$ 36,450,867	\$ 35,893,288	\$ (708,438)	-1.9%
Finance & Administration	\$ 7,366,613	\$ 7,053,555	\$ 6,808,897	\$ 6,220,794	\$ 6,452,733	\$ (356,165)	-5.2%
Community & Economic Development	\$ 6,740,213	\$ 6,877,618	\$ 9,700,258	\$ 7,205,097	\$ 9,220,665	\$ (479,593)	-4.9%
Public Works	\$ 10,975,546	\$ 11,780,018	\$ 12,948,614	\$ 12,639,859	\$ 11,752,570	\$ (1,196,044)	-9.2%
Other Operating Expenses	\$ (311,645)	\$ 5,015,067	\$ 8,114,727	\$ 7,336,450	\$ 2,769,896	\$ (5,344,831)	-65.9%
Total - General Fund Expenses	\$ 62,923,224	\$ 68,962,416	\$ 78,202,648	\$ 73,781,411	\$ 70,221,303	\$ (7,981,344)	-10.2%
General Fund Expenditures (by major category)							
Personnel	\$ 45,524,570	\$ 50,656,009	\$ 54,192,116	\$ 52,720,244	\$ 53,757,358	\$ (434,758)	-0.8%
Operations	\$ 15,260,105	\$ 17,081,720	\$ 19,415,549	\$ 18,719,522	\$ 14,188,945	\$ (5,226,603)	-26.9%
Capital	\$ 2,138,550	\$ 1,224,687	\$ 4,594,983	\$ 2,341,645	\$ 2,275,000	\$ (2,319,983)	-50.5%
Total - General Fund Expenses	\$ 62,923,225	\$ 68,962,416	\$ 78,202,648	\$ 73,781,411	\$ 70,221,303	\$ (7,981,344)	-10.2%



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General Fund: Change in Personnel Expense

- No pay adjustment is included (neither market/cost of living nor merit increases). This will be re-examined at mid-year.
- Vacant positions are frozen. Currently, 27 full-time and 11 part-time positions are authorized but unfunded in the FY21 Budget.
- The City has been able to hold the employee contribution to health insurance at current levels. The basic structure of employee benefits is unchanged from the previous year.
- One new position (Data Center Technician) which allows the City to eliminate a contract and save approximately \$7,000 per year.
- Pension obligations are fully funded, 8.7% increase. 12.8% of total payroll.
- 3.5% Vacancy factor is applied throughout the budget.



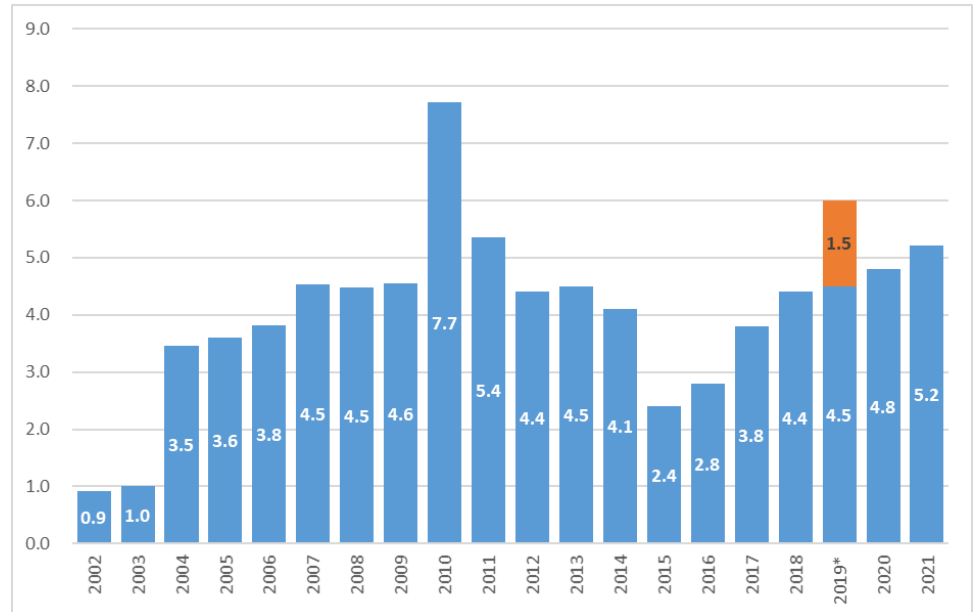
City of Franklin, Tennessee

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General Fund: Pension Plan Contributions

- Pension obligations are fully funded in FY21 budget.
- 8.7% increase compared to FY 20.
- TCRS contribution is 6.05% of salary.
- Pension is approximately 12.8% of total payroll.

Pension Contributions over last 20 Fiscal Years - (in millions)



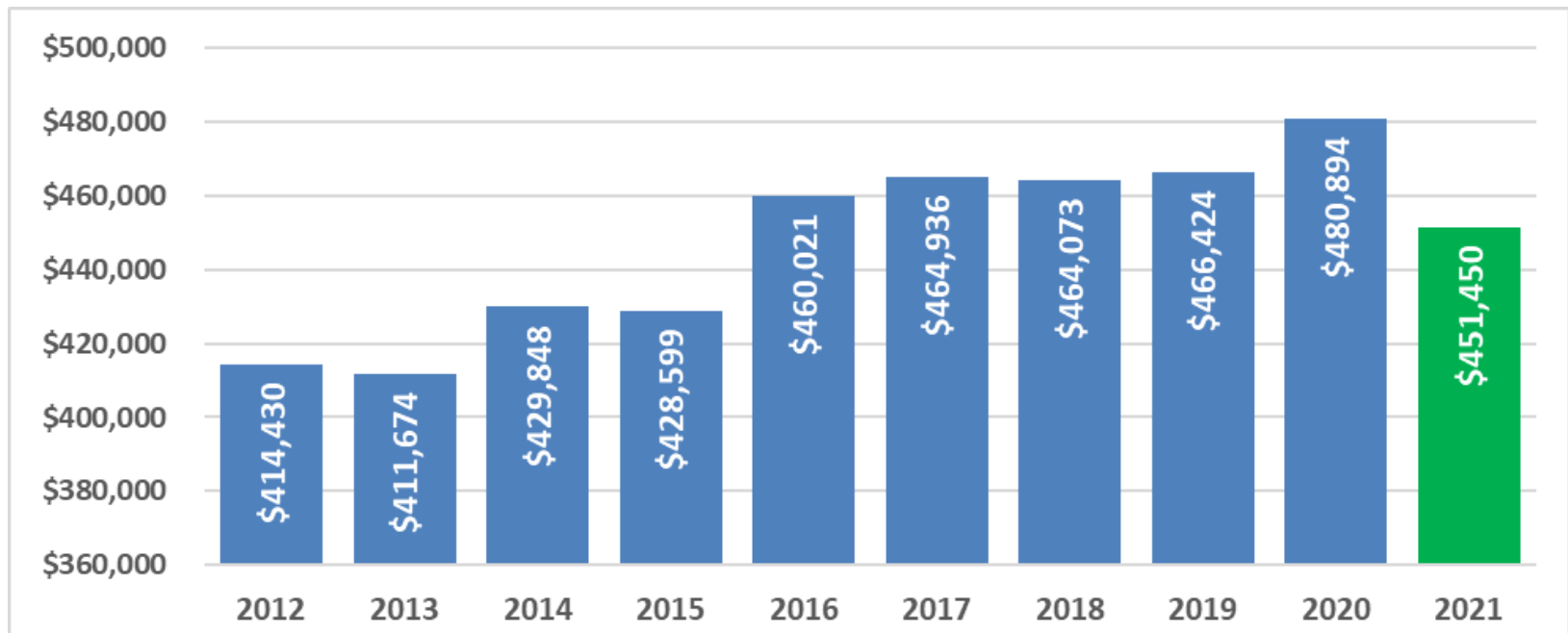


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General Fund: Appropriations to Outside Entities

Ten Year- History – Appropriations to Outside Agencies



- A decrease of \$29,445 compared to the FY20 budget. The outside agencies funded by City appropriations were reduced 10% compared to FY20 with the exception of the contractual increase for the Williamson County Animal Control services and flat funding by agreement of the regional commuter bus support.



City of Franklin, Tennessee

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Other Funds: Summary

- Drug Fund (*pp. 62-63*)
- Community Development Block Grant (CDBG) Fund (*pp. 101-102*)
- Transit Fund (*pp. 103-104*)
- Stormwater Fund (*pp. 117-124*)
- Street Aid & Transportation Fund – Gas Tax (*pp. 125-126*)
- Road Impact Fund (*pp. 127-128*)
- Sanitation & Environmental Services Fund (*pp. 133-140*)
- Water & Sewer Fund (*pp. 141-149*)
- City Facilities Tax Fund (*pp. 161-162*)
- County Facilities Tax Fund (*pp. 163-164*)
- Hotel/Motel Tax Fund (*pp. 165-166*)
- Debt Service Fund (*pp. 167-172*)
- Parkland Dedication Fund (*pp. 173-174*)



City of Franklin, Tennessee

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Other Funds: Change in Budget Amounts

All Funds	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>Budget 2020</u>	<u>Estd 2020</u>	<u>Budget 2021</u>	<u>Difference '20 vs. '21</u>	
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Personnel	\$ 56,654,806	\$ 63,974,379	\$ 66,520,969	\$ 64,984,444	\$ 65,795,829	\$ (725,141)	-1.09%
Operations	\$ 62,113,988	\$ 70,962,589	\$ 78,279,357	\$ 77,390,336	\$ 71,272,116	\$ (7,007,241)	-8.95%
Capital	\$ 14,712,367	\$ 7,352,441	\$ 27,584,513	\$ 24,949,757	\$ 17,250,286	\$ (10,334,227)	-37.46%
Total - All Funds Expenses	\$ 133,481,161	\$ 142,289,409	\$ 172,384,839	\$ 167,324,537	\$ 154,318,230	\$ (18,066,609)	-10.5%

General Fund Expenditures (by major category)	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>Budget 2020</u>	<u>Estd 2020</u>	<u>Budget 2021</u>	<u>Difference '20 vs. '21</u>	
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City of Franklin, Tennessee

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Other Funds of Note:

Stormwater

- FY21 budget is \$3.9 million. No change is proposed for the Stormwater Fee which has not been adjusted since its creation 16 years ago.

Sanitation

- No Fee increase and no General Fund subsidy budgeted.
- Replacement of two pieces of equipment.
- FY21 budget is \$9.6 million, a reduction of 11.4% compared to FY20.



City of Franklin, Tennessee

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Other Funds of Note:

Hotel/Motel

- Over 50% reduction in projected revenue in FY21 (\$2 million).
- Expenditures of \$3.8 million are included in the FY21 budget covering existing debt service and project funding commitments.

Development Funds (City Facilities, County Facilities, Parkland Dedication, Road Impact)

- 50% reduction in projected revenue in FY21.
- Continue funding for debt service and project commitments.



City of Franklin, Tennessee

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Other Funds of Note:

Water & Wastewater Fund

- FY21 Budget is \$35.1 million:
 - \$13.6M Water; \$20.7M Sewer; \$740,425 Reclaimed
- Maintains rate structure for Year 3 of the five-year plan: 2.9% increase in Water, 3% increase in Wastewater rates.
- Rate structure was submitted in support of the City's \$100 million State Revolving Fund Loans.



City of Franklin, Tennessee

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Summary

- In the face of unprecedented worldwide pandemic and associated economic downturn, the City of Franklin is maintaining essential services through the strategic use of reserves.
- Preserve capacity to challenges that may emerge in the future.
- Continued support for high-priority Capital Investment Projects.
- Reserves at year-end well above policy level (53.8%).