
MEETING MINUTES
BUDGET & FINANCE COMMITTEE
CITY OF FRANKLIN, TENNESSEE
CITY HALL BOARDROOM
THURSDAY, SEPTEMBER 16, 2010 @ 5:00 P.M.

Committee Members

Alderman Ann Petersen, Chair P
Alderman Ken Moore, Vice Chair P
Alderman Beverly Burger P
Alderman Michael Skinner P

Other Attendees

Eric Stuckey, City Administrator P
Russell Truell, ACA Finance & Administration P
Vernon Gerth, ACA Community/Economic Dev P
Brian Wilcox, Purchasing Manager P
Steve Sims, Assistant City Recorder P
Alderman Margaret Martin P
Mayor John Schroer P
Lanaii Benne, Assistant City Recorder P
Linda Fulwider, Board Recording Secretary P

1. Call to Order

Alderman Petersen called the meeting to order at 5:00 p.m.

2. Approval of the Minutes

Alderman Burger moved to approve the August 19, 2010 minutes as presented. Seconded by Alderman Moore. Motion carried unanimously.

3. Consideration of FY 2009-2010 Year End Budget Amendment Ordinance

Eric Stuckey, City Administrator

The ordinance is considered a cleanup of changes throughout the fiscal year. Final numbers are not available but departments' tightening up their budgets resulted in \$3.4 million under spent. Reserve is between \$25 and \$26 million. Ongoing expenses and revenues are in accord.

Alderman Moore moved to approve Ordinance 2010-67 and forward recommendation to BOMA. Seconded by Alderman Burger. Motion carried unanimously.

4. Consideration of Letter of Engagement with PFM Asset Management for Swap Valuation Service

Russ Truell, ACA Finance & Administration

The Government Accounting Standards Board (GASB) statement #53 changes some of the reporting requirements for swap agreements. Effective this year the City must enter into a contract with an independent third-party specialist to determine fair value. Quotes were received from various entities with PFM Asset Management being the lowest cost provider. The additional cost of approximately \$2,300 per year was not anticipated in the FY 2011

budget. Swaps convert variable interest rates to fixed rates.

Alderman Moore moved to approve a Letter of Engagement with PFM Asset Management and forward recommendation to BOMA. Seconded by Alderman Burger. Motion carried unanimously.

5. Debt Strategy Report & Annual Review of Debt Policy

Lauren Lowe, Public Financial Management

Ms. Lowe presented via webcam/telephone. She worked with Russ Truell to look at the existing portfolio with a focus on General Obligation Debt.

Figures in the presentation as of August 24, 2010. Questions were asked and answered during the presentation.

Existing Debt Overview – G.O. Bonds

Report included Series Name, Mode, Issuer Pays/Issuer Receives, Delivery Date, Final Maturity, Outstanding Par, Next Call Date, Credit Enhancement/Liquidity Provider, and At Risk Issues. It was noted that Series 2004 Bonds currently show ~ \$350,000 in present value savings (August 2010). This Series of bonds is expected to be advanced refunded in October 2010.

Existing Debt Overview – Sewer & Water

Report included Series Name, Mode, Issuer Pays/Issuer Receives, Delivery Date, Final Maturity, Outstanding Par, Next Call Date, Enhancement/Liquidity, and At Risk Issues.

Debt Service Profile – G.O. Bonds

Bar chart showing Debt Service in Millions with Principal and Interest FY 2011-2037. Variable rate assumptions were included. Series 2009B Build America Bonds and Series 2010-RZED Bonds interest calculated net of Federal Subsidy.

Debt Service Profile – Sewer & Water

Bar chart showing Debt Service in Millions with Principal and Interest FY 2011-2030. Variable rate assumption Series 2008-TCSLP 4.500%.

Future Risk Matrix

Matrix included Type of Risk, Market Interest Rates, Subsidy Loss or Reduction, Basis, Tax Law Change, Liquidity Renewal, Liquidity Provider Credit, Counter-Party, Credit Enhancement, and Issuer Credit in relation to Fixed Rate Obligations (Un-hedged): Bonds, Build America/Recovery Zone Bonds, Bond Anticipation Notes, and VRDOs (Term Mode); Variable Rate Obligations (Un-hedged): VRDOs (VR Mode), and Auction Rate Securities; Synthetic Fixed Rate Obligations (Hedged): Cost of Funds Rate, SIFMA, and % of LIBOR. This slide was mainly to show what PFM uses as not all apply to Franklin.

Existing Interest Rate & Liquidity Exposure

General Obligation Bonds

Effective Capital Structure
Fixed Rate Bonds 52%
Variable Rate Bonds 31%
Fixed Payer Swaps 17%

Water & Sewer Revenue Bonds

Effective Capital Structure
Variable Rate Bonds 40%
Fixed Rate Bonds 60%

Liquidity Exposure

DEPFA Bank 30,760,000, 46%, Series VI-B-1 2004 and Series 2007_MKTN_Franklin PBA

SunTrust Bank 3,275,000, 5%, Series 2005_PBA_City of Lawrenceburg

Bank of America 32,317,000, 49%, Series 2001_TMBL, Series 2001_TMBL_Clarksville, Series 2004_TMBL, Series 2009_TMBL

Existing Interest Rate & Liquidity Exposure

General Obligation Bonds

Net Effective Capital Structure

Fixed Rate Bonds – 52%

Variable Rate Bonds (Un-hedged) – 13%

Variable Rate Bonds (Naturally Hedged)* - 18%

(*Naturally Hedged portion of variable rate debt based on Unreserved Fund Balance of \$25,257,000 as of end of June 2010)

Fixed Payer Swaps – 17%

Moving Forward

Consideration on modification to the City's debt portfolio

- Refunding currently callable variable rate without swap to reduce exposure to variable rate debt
- Refunding currently callable variable rate with increased exposure to a particular letter of credit (LOC) provider (DEPFA or Bank of America)
- Reduce exposure to lower credit ratings of LOC providers; existing credit ratings for the City's LOC providers:
 - DEPFA (P-1/A-2/F1+; A3/BBB/A-)
 - Bank of America (P-1/A-1/F1+; Aa3/A+/A+)
 - SunTrust Bank (P-1/A-2/F2; A2/BBB+/A-)

Based on these considerations, we have selected the Series V1-B-1 2004 Series of Bonds to refund. This will reduce the City's exposure to variable rate debt and credit of DEPFA

The information in parentheses refers to short term ratings; long term ratings of banks. Ms. Lowe said the refunding was included in the resolution taken to the Board on Tuesday. Mr. Truell noted there is some urgency in completing the transactions to take advantage of the low market rates.

Mr. Stuckey reported the City just received word of reaffirmed AAA ratings from Moody and Standard and Poors.



Alderman Burger left the meeting @ 5:59 pm

6. Selection of Senior Underwriter for Refunding Issue

Lauren Lowe, PFM

Russ Truell advised Ms. Lowe, in conjunction with City staff, issued request for proposal to all known underwriting organizations within the State. The 10 proposals received are being reviewed by Ms. Lowe and her team. Price of the underwriting fee is not the main consideration, but will be part of the calculations made in selecting the underwriter and will be paid from bond proceeds. No action required at this time.

7. Proposed Revisions to Certain Purchasing Related Provisions of the City of Franklin Municipal Code

Brian Wilcox, Purchasing Manager

Eric Stuckey related they looked at opportunities to revisit thresholds and improve efficiency.

Brian Wilcox said these are suggestions that would require policy changes as permitted

under state statute, and entail purchasing requirements and thresholds, and disposal of surplus property, which the law refers to as personal property (not real property).

Purchasing

Provision	Current		Proposed	
	Threshold	BOMA approval?	Threshold	BOMA approval?
At discretion of department head, three quotes, if possible, may be obtained; otherwise, no formal requirement for competitive process	Up to \$2,500	If contract involved	Up to \$10,000	If contract involved
At discretion of department head or purchasing manager, sealed bids, pursuant or not to public notice, may be obtained; otherwise, obtain three quotes, if possible	At least \$2,500, up to \$10,000	If contract involved	At least \$10,000, up to \$25,000	If contract involved
Public notice & sealed bids required	At least \$10,000	Yes	At least \$25,000	Yes

Disposal of Surplus Personal Property

Provision	Current		Proposed	
	Threshold	BOMA approval?	Threshold	BOMA Approval?
At discretion of CA, sealed bids or public auction, pursuant or not to public notice, may be required; otherwise, no formal requirement for competitive process	Up to \$4,000	No	Up to \$10,000	No
Sealed bids or public auction pursuant to public notice	At least \$4,000	No	At least \$10,000	No
Prohibition against a City employee or officer purchasing or acquiring surplus City property	Except by sealed bid or at public auction	No	Absolute	No

Reasons for the Recommendation:

- While sealed bids/proposals may be a means of obtaining best procurement pricing, it is a more cumbersome process and therefore may preclude obtaining best pricing as soon as possible.
- There are times when writing specifications and taking bids is not practical, as for example when only one supplier of a product or service is available. Raising the procurement thresholds would reduce the number of times “sole-source” purchases would have to be brought to BOMA for approval.
- Staff is most comfortable with disposal of surplus personal property by means of auction or sealed bid, regardless of value. However, adjusting the surplus personal property threshold would provide more flexibility as to the need for publishing notices.

- Because of the potential for perceived impression that a transaction was something other than arms-length, staff is not comfortable with City employees or officers purchasing or acquiring surplus City property, even pursuant to sealed bid or at public auction.

If the Board approves the changes, the Finance Department would like to implement them at the beginning of the next fiscal year, 7/1/2011. Discussion ensued.

Alderman Moore moved to proceed to develop an ordinance to support the above research with values presented and forward recommendation to BOMA. With comment: With the processes in place, the City is endeavoring to be fair with everyone. Seconded by Alderman Skinner. Motion carried unanimously.

8. Discussion of Certain Credit Card and Online Payments

Steve Sims, Assistant City Recorder

Mr. Stuckey noted staff is already looking at some things that can be done going forward.

Steve Sims related credit/debit cards are accepted for selected online applications as well as payments in the office for court fees/fines. Online payments are accepted for utility bills, property tax payments and yard sale permits. Success with property tax and yard sale payments is limited because customers do not want to pay the transaction fees. Customers and department heads have requested acceptance of credit/debit card payments.

Costs associated with accepting and processing credit/debit card payments include fees paid to financial institutions plus staff time to process transactions. Processing receipts electronically allows better internal controls, reduced costs, increases customer choice, and speeds cash flow to the City.

Utility Services:

- Online payment, customer incurs \$3.50 fee
- Credit/debit cards not accepted at the counter

Property Taxes:

- Very few pay by credit card because fee is too much @ 3%

Yard Sales and Other Permits

- May purchase online – Permit \$5.00, transaction fee \$3.00.

City Court:

- Credit cards accepted at the counter without a fee
- Credit/debit card payments accepted by phone with a \$3.50 transaction fee

Things to consider: who pays the transaction fee, merchant vs. third party processor, revenue management software, regulatory environment, and payment portal?

Discussion:

- Cannot pass the fee to customer in face to face transaction except for property tax

- Offer customer choices
- Look at absorbing fees
- Look at all varieties of transactions
- RFP to get more information
- Streamline and modernize City operations with minimal cost

To be discussed at the next meeting.

9. Discussion of Receipt of County Facilities Tax

Russ Truell, ACA Finance & Administration

Mr. Truell provided tax figures from pre-November 2007 through June 2010 saying these funds have never officially been recognized. In 2007 there was a new law stating the County must pay a percentage to the City for facilities built in the City. The rationale was it would be primarily for schools, but the City should get some of the money to provide other services. At one point, the County asked the City if the money could be returned to the County. The request was not met with favor. County Mayor Rogers Anderson suggested that the funds be set aside for education related projects, such as infrastructure needs in and around schools. Thus, the policy decision on use of funds was set aside for a project that might occur some day. There is now a project. The money has been held in reserve as asset and liability and never recorded as revenue.

It is not appropriate to put the money in the general fund or the facilities tax fund. The recommendation is to have it as reserve in the Capital Projects Fund. Mr. Truell noted there is no urgency in making a decision; however, when the auditors come they will want to know where it will go. Staff will talk to the auditors and then the Committee can make a decision at the October meeting. A fund designation and policy will be needed prior to spending any of the money. Mr. Stuckey commented that the money for school infrastructure also benefits the City. It can be tracked and identified if in the Capital Projects Fund as Reserve. To be discussed next meeting.

10. Monthly Reports (Information Only)

Russ Truell, ACA Finance & Administration

- Update of Year End Financial Report
- Fuel Hedging Report

Deferred Items for Next Meeting

Review and Discussion of Auto Allowance Policy – Russ Truell

Review and Discussion of Professional Investment Advisory Services – Russ Truell

Next Meeting

Thursday, October 21, 2010 @ 5:00 p.m.

ADJOURN

Alderman Skinner moved to adjourn and motion carried unanimously.

Meeting adjourned @ 7:04 p.m.

Ann Petersen, Chair

Minutes prepared by Linda Fulwider, Board Recording Secretary, City Administrator's Office – 9/21/2010 2:24 PM