
MEETING MINUTES
BUDGET & FINANCE COMMITTEE
 CITY OF FRANKLIN, TENNESSEE
 CITY HALL BOARDROOM
MONDAY, AUGUST 18, 2011 @ 4:00 P.M.

Committee Members

Alderman Ann Petersen, Chair P
 Alderman Beverly Burger P
 Alderman Michael Skinner P

Other Attendees

Eric Stuckey, City Administrator P
 Russell Truell, ACA Finance & Administration P
 David Parker, City Engineer/CIP Executive P
 Mike Lowe, Controller P
 Shirley Harmon, Human Resources Director P
 Tammie Pitts, Benefits Manager P
 Steve Sims, Assistant City Recorder P
 Brian Wilcox, Purchasing Manager P
 Mayor Ken Moore P
 Alderman Margaret Martin P
 Lanaii Benne, Assistant City Recorder
 Linda Fulwider, Board Recording Secretary P

1. Call to Order

Alderman Petersen, Chair, called the meeting to order at 4:03 p.m., Thursday, August 18, 2011.

2. Approval of the Minutes

Alderman Burger moved to approve the July 11, 2011 minutes as presented. Seconded by Alderman Skinner. Motion carried unanimously.

3. Report on Audit Status

a) Preliminary Yearend Numbers

c) Yearend Budget Amendments

Mike Lowe reviewed the June 30, 2011 preliminary fiscal year-end numbers. June health and dental claims are not available until August month end. The ending General Fund balance should be close to \$25 million, a slightly stronger position compared to \$24.5 million projected in the FY12 Budget. Anticipate the Fund Balance will come down in 2012. The Conference Center debt will be paid off. Two negative funds, Road Impact Fees and Facilities Tax, are being tracked. Progress seen and expect to move into positive numbers this fiscal year. The auditors indicated that as long as the City has a plan it would be acceptable.

Ordinance 2011-30 is to adopt budget amendments. The first amendment is the transfer of Facilities Tax Collections from the County, \$481,504, from the General Fund to the Capital Projects Fund, as authorized by the Board, Resolution 2010-89, December 14, 2010.

Other amendments:

- Additional revenue receipts and additional expenditures (such as fuel)
- General and Solid Waste fund amendments include the City Administrator reallocating department expenditures with a net zero effect (reallocation would be reported under administrative actions to the Board)
- As proposed, the amendments would result in:
 - a) A net zero effect in the General, Street Aid, Solid Waste, Hotel/Motel, Transit, CDBG, and

Debt Service funds

- b) A reduction of fund balances in Stormwater of \$230,000, and Capital Improvements of \$2,793,496.

Alderman Burger moved to approve Ordinance 2011-30 and forward recommendation to the Board. Seconded by Alderman Skinner. Motion carried unanimously.

b) Discussion of Rescinding Authorization of Remaining Portion of 2009 Bond Approval

Russ Truell talked with the auditors regarding the 2009 Bond resolution that authorized \$48 million in bonds. A balance of \$4 million remains unused. The Committee could rescind the unused portion or keep the money suspended until needed. Staff recommendation is to rescind the \$4 million.

Alderman Skinner moved to rescind the \$4 million in unused bonds and forward recommendation to BOMA. Seconded by Alderman Burger. Motion carried unanimously.

d) OPEB Valuation Report

Russ Truell explained OPEB stands for Other Post Employment Benefits and refers to the obligation to retiree health insurance. Reports are submitted every third year. The accrued liability has not changed dramatically in several years. The approximate \$2 million liability is insignificant compared to other cities.

4. **Consideration of Sunset Clause for Retiree Insurance Option**

Shirley Harmon, Human Resources Director

Tammie Pitts, Benefits Manager

Tammie Pitts explained the three health insurance plans:

- The original retiree insurance plan offers medical benefits to employees who have attained the age 62 and completed 20 years of service (**Normal Early Retirement**). These individuals may continue their same coverage at the employee rate.
- In 2001, the Plan was amended to offer insurance benefits to special early retirees who attained the age of 55 and completed 30 years of credited service. The City pays the first \$207.75 toward the monthly single premium and the first \$535.50 toward the monthly family premium. This **Special Early Retirement** option was established with a sunset clause to expire June 30, 2011. In May 2011, BOMA elected to extend the sunset clause through September 30, 2011.
- The Option II higher deductible group health plan was introduced in 2006. This **Alternative Retirement Insurance Plan** was offered to those who retired after 25 years of service regardless of age. The City pays a fixed amount of \$125.00 for single coverage per month and \$275.00 for family coverage per month.

If the Special Early Retirement option sunsets on September 30, 2011, retiring employees between the ages of 55 and 62 with 30 years or more of service would be eligible to elect coverage under the Alternative Retirement Insurance Plan (currently there are six employees eligible to retire with this option prior to the sunset date). If this option sunsets and the six employees elect to retire after that date, they remain eligible to elect coverage under the Alternative Retirement Insurance Plan.

Mark Morgan of Sherrill Morgan Consulting was present. He related they recommend the Special Early Retirement Option sunset on September 30, 2011.

Eric Stuckey noted the City would continue to provide a health insurance option to retirees (pre-Medicare eligibility). The remaining option will be available at a lesser premium, but with a higher deductible and higher out-of-pocket cost. Vision insurance is not included and the prescription co-pay is higher.

HR is meeting with each of the six impacted employees to explain available options, and to advise the Special Early Retirement Option remains available until September 30, 2011, should BOMA elect to let the option sunset.

Alderman Skinner moved to approve the Special Early Retirement Option for retiree insurance sunset on September 30, 2011, and forward recommendation to BOMA. Seconded by Alderman Burger. Motion carried unanimously.

- Item 8 was taken out of order due to the temporary absence of Russ Truell
- Item 5 was addressed after Item 8

5. Pension Issues

a) Consideration of Custodial Agreement for Pension Assets

b) Consideration of Resolution to Modify Pension Plan

Russ Truell related that 10 months ago the Pension Committee elected to put all pension services out for bid. The purpose of this procurement is to purchase custodial bank services for the Pension Plan for three years with two one-year options to extend.

All 11 proposals received were evaluated by the Pension Plan's investment consultant, Barry Bryant of Dahab Associates, Inc. The results were presented to Shirley Harmon, Russ Truell, and Brian Wilcox. Four of the five finalists, Fifth Third Bank, M&T Bank, State Street Bank, SunTrust, and U.S. Bank, were invited for interviews with the Pension Committee. The exception was SunTrust. The Committee is familiar with their services as they are the current provider. The Pension Committee recommends US Bank for Custodial Services Only. SunTrust has provided services as a Directed Trustee. The slight differences between Custodian and Directed Trustee were explained.

The Pension Committee further recommends the Pension Plan Master Document be amended by deleting "the Mayor, City Administrator and HR Director" as Trustee, and designating "the City" as Trustee.

*Alderman Burger moved to accept and forward to BOMA, the recommended bid award to US Bank for Custodial Services Only, and the amendment to the Pension Plan Master Document, Section 1.52, "Trustees"... means ~~the Mayor, City Administrator, and the Human Resources Director~~ **the City**. Seconded by Alderman Skinner. Motion carried unanimously.*

The City Attorney is finalizing the documentation and it will replace the preliminary documents presented at this meeting.

- Items 6 and 7 taken together

6. Report on Bond Refunding

a) Bond Sale Calendar

b) Comptroller Acknowledgement of Bond Refunding

A calendar for refunding the \$20 million in bonds developed by PFM was presented.

Russ Truell said one of the banks used by the City is quoting a rate superior to what PFM brought forth previously. This would be a direct loan and would save the City money. Staff will continue with the current plan until it can be confirmed the direct loan would be the better choice.

Maturities, locking in interest rates, and rating agencies were discussed. PFM will be asked if there is

a downside to changing now. Mr. Stuckey related that all elements will be weighed.

7. **Consideration of RESOLUTION 2011-41, A Resolution Authorizing the Issuance of Sewer and Water Revenue and Tax Refunding Bonds in the Aggregate Principal Amount of Not To Exceed Twenty-One Million Dollars (\$21,000,000) of The City of Franklin, Tennessee; Making Provision for the Issuance, Sale and Payment of Said Bonds; Establishing the Terms Thereof and the Disposition of Proceeds Therefrom; Providing for the Collection and Disposition of Revenues From The Water and Sewer System of The Municipality and Providing for the Levy of Taxes for the Payment of Principal of, Premium, if Any, and Interest on the Bonds**

Russ Truell, ACA Finance & Administration

Recommend moving forward on the Resolution while the aforementioned option is vetted.

Alderman Skinner moved to approve Resolution 2011-41 and forward recommendation to BOMA. Seconded by Alderman Burger. Motion carried unanimously.

8. **Discussion of Business Rules for Utility Billing Project**

Steve Sims, Assistant City Recorder

Standardized rules needed. Some rules are in the Municipal Code while others are included in Business Practices. Inconsistencies exist. Some issues discussed were residential customer vs. non-residential definitions pertaining to apartment complexes, individual meters vs. one meter, and customers paying a solid waste fee without benefit of the service. The inconsistencies must be taken care of as soon as possible as the new billing system goes into effect in six months.

Committee members requested Mr. Sims put the report in a different format for ease of identifying inconsistencies and for further discussion at the September meeting.

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

- a) **Sales Tax Report – May and June Sales**
- b) **Fuel Hedging Report – June and July Utilization**
Fuel hedging saved over \$204,000 in the last year
- c) **Conference Center Report – Month of July**
- d) **Transit System Report – Month of July**
- e) **Construction Activities Report – Month of July**
- f) **Property Tax Report – Month of June**
- g) **Bond Use Summary**

Reports filed with the minutes

10. **Confirmed Date of Next Budget & Finance Committee Meeting as September 15, 2011**

ADJOURN

Alderman Burger moved to adjourn, seconded by Alderman Skinner, carried unanimously.

Meeting adjourned 5:32 PM

Ann Petersen, Chair

Minutes prepared by Linda Fulwider, Board Recording Secretary, City Administrator's Office - 11/22/2011 3:34 PM