



# CITY OF GERMANTOWN TENNESSEE

1930 South Germantown Road • Germantown, Tennessee 38138-2815  
Phone (901) 757-7200 Fax (901) 757-7292 [www.germantown-tn.gov](http://www.germantown-tn.gov)

## Financial Advisory Commission

Tuesday, January 29, 2013 – 6.00 p.m.

Blue Room

Economic & Community Development, 1920 S. Germantown Road

1. Call to Order
2. Welcome & Introduction
3. Establishment of quorum
4. Consideration of Minutes from August 28, 2012
5. Nomination of Vice-Chair
6. Purpose Statement/Role of Commission/Ethics Form
7. BMA retreat overview
8. FY14 Budget calendar review
9. FY13 Financial update
10. Any Other Business
11. Adjournment



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## **Financial Advisory Commission Minutes**

Tuesday, January 29, 2013, 6.00pm  
Blue Room, 1920 S Germantown Rd

**Members Present:** Alderman John Drinnon, Sudhir Agrawal, Glenda Brock, Rik Ditter, Clinton Hardin, Russell Johnson, Julie Klein, Mark Kooker, Walter Krug, Frank Markus, Frederick Miller, Paul Mosteller, Harold Steinberg, Paul Volpe, Richard Wagoner and Leslie Wolfgang

**Members Absent:** Vincent Correale, Eddie Cox, Sharon Hammer, Thomas Harrison, Howard Lasley, Christine Menzel and Julius Moody

**Staff Present:** Patrick Lawton, Kristen Geiger, Ralph Gabb and Michael Stoll

**Others:** Alderman Rocky Janda

### **Call to Order**

Chairman Hardin called the January 29, 2013 Financial Advisory Commission meeting to order at 6:05 p.m.

### **Roll Call & Introduction**

Kristen Geiger called roll and announced a quorum was present.

Chairman Hardin then thanked the Commission members present for their dedication and service to the City and welcomed new members.

### **Approval of Minutes**

Chairman Hardin called for approval of the minutes from the August 28, 2012 FAC meeting.

#### **\*\*MOTION\*\***

Harold Steinberg moved to approve the minutes from the August 28, 2012 FAC meeting with amendments. Richard Wagoner seconded and the motion passed unanimously.

Members were reminded to fill out and sign their Ethics forms.

### **Nomination of Vice-Chairman**

Frank Markus was appointed Vice-Chair of the Financial Advisory Commission after being nominated by Russell Johnson and Julie Klein.

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### **Ethics Policy**

Patrick Lawton began by stating that the Commission Chairs and Aldermen had met earlier last month for training. A presentation was made on the Ethics Policy. Patrick then handed out a copy of the presentation to members. Patrick reviewed the Code of Ethics and the importance the BMA feels that there is on this document. The City of Germantown takes great pride in the level of volunteerism that exists in our community. Mr. Lawton described the purpose of the FAC, reminding returning members and informing new members that the roll of this Commission was as an advisory body to the Board of Mayor and Aldermen. Its primary role is to judge the soundness of the financial decisions being made by the City.

Patrick also spoke about the open meetings law also known as the "Sunshine" Law information wherein he briefly reviewed what the law covered.

### **BMA Retreat Overview**

Patrick Lawton briefly reviewed the BMA retreat:

- Strategic Plan
- Stormwater drainage plan
- Review of City procurement policy relating to local purchases
- Ambulance service
- Transportation and road projects
- Role of Boards and Commissions
- Developing a Government Service Fellows program
- Review public education Government programming
- Germantown Health Initiative – Vision 20-20
- Schools
- Economic and Development Strategic Plan

Patrick talked about the economic reality that we find ourselves as we go into discussions on this year's budget and we are looking at a deficit in FY13. How do we replenish our reserves this year? What type of revenue enhancement, property tax adjustment, whatever we're looking at we need to have in place for the next five years or should we back up as we did before and look at a two year window? No direction was given one way or the other, but it was explained that this was going to be a very difficult budget year and some tough decisions would have to be made to balance the FY14 budget and replenish our reserves.

### **REVIEWS**

#### **FY14 Budget Calendar Review**

Ralph Gabb briefly reviewed the entire FY14 Budget Calendar at length as approved by the Board of Mayor and Aldermen. Ralph also discussed in general the budget process to arrive at the FY14 Budget stating the General Fund includes the revenue from property tax, represents 59% of the total General Fund revenue dollars. In addition to sales tax revenue which is the second largest revenue source after property tax. The general fund expenditures include the general government (human resource, administration, finance, and economic & community development), public safety, transportation & public services, and community services. The City has special revenue funds and enterprise funds which will be covered in subsequent meetings.

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### FY13 Financial Update

Kristen Geiger reviewed the FY13 Financial Update handout and stated that right now the City was looking at ending this year in a deficit which will draw down further on the reserves. Through the first six months of FY13, General Fund revenues total \$29.1 million and expenditures total \$19.8 million.

The City's contribution to the Retirement Fund and Other Post Employment Benefits (OPEB) Fund are \$200,000 and \$400,000 higher than Budget for the fiscal year. These contributions are determined by the City's actuary Ellis Benefits Group, Inc., during the first quarter of the fiscal year.

### General Fund Balance

Fiscal year 2012 (ending June 30, 2012) closed with a General Fund balance of \$16,710,498. Of the total Fund Balance, 85.2% or \$14,226,662 is designated as non-spendable or is committed per the City's Financial Policies and 14.8% or \$2,483,836 is undesignated. The designated Fund Balance includes commitments for anticipated tax collections, debt service, capital asset replacement, contingencies, emergencies, and non-spendable reserves.

### Property Tax Reappraisals

The 2012 property tax appraisals fell by just 1% from 2011. As a result, the City's FY13 property tax bills were 1.18% or \$259,541 less than FY12 billing and 1.1% or \$243,996 less than FY13 Budget. The City has been receiving appeals on a regular basis resulting in rebilling or refunding depending upon the effective date. Through early January, the City has processed approximately \$200,000 in refunds or adjustments due to completed appeals. Based on the activity during the first 6 months, the estimated property tax revenue for fiscal year is \$500,000 less than FY13 Budget. The City receives approximately \$140,000 per 1 cent of property tax rate.

Shelby County conducts a reappraisal every 4 years. 2013 is a reappraisal year for Shelby County, including the City of Germantown. The reappraisal of property is based on the four prior years of home sales activity. For 2013, the Shelby County Assessor's Office will use 2009, 2010, 2011 and 2012 sale activity in determining the reappraised values.

Based on home sales trend data and communications with the Shelby County Assessor's Office, staff anticipates a reduction in total assessed property values for the City of Germantown. Property taxes as a revenue source for governments tend to show a lag in reaction to the current economic conditions. The property tax rate will be recalculated to adjust for the reappraisal. In past reappraisal years, the rate was adjusted downwards to hold the City "harmless" for tax revenues due to reappraisals increasing in value. The adjusted rate also included a few cents buffer for one-year for appeals. Our last reappraisal allowed for 7 cents buffer. Over the course of 18 months, appeals absorbed all of this buffer. This year the property tax rate will reflect an adjusted rate increases if reappraisals fall in value, also allowing for a one-year buffer.

### Investment Income

Investment income year-to-date continues to follow the abysmal returns on short-term money investments. For the first six months of FY13, the City's investment yield has ranged 0.12% to 0.21% on total money investments. Since FY08 when the City's state investment pool account averaged 4.08% (and 5.25% in FY07), the Federal Reserve near-zero rate reductions have pushed short term yields in the state pooled funds to an average of 0.35% in FY10, 0.21% in FY11, and 0.12% in FY12.

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### **Investment Income (Cont'd)**

Investments allowed by Tennessee law and the City's investment policy (highest quality at no more than four-year maturity) are only marginally higher when they can be acquired, when they are not called and when they do not extend beyond approximately a maturity of more than 2 ½ years. The Federal Reserve has committed to maintain the near-zero rates through 2015 in order to provide a low capital borrowing costs and to assist with the overall recovery of the US economy. With the overwhelming abundance of available cash held by banks and investors in short-term "no-risk" investments, it is expected for the City's investment yields to continue at the low rates of return into the foreseeable future.

### **Local Sales Tax Revenues**

Local sales tax revenues for the City of Germantown have averaged a 5% increase per year for the first six months in the past two fiscal years. The first six months of FY11 demonstrated local sales revenues nearing pre-recession results. The six months of FY13 resulted in a 5% decrease when compared to FY12, after discounting the ½ cent increase for December results this year. It is difficult to determine the cause(s) of this downward trend due to the confidential nature of gross receipts. Since Shelby County and area municipalities are not demonstrating the same trend level, the cause(s) may be specific to Germantown. (Shelby County up 5%; Collierville down slightly at almost 1%.) State sales tax revenues are 4.25% higher for the first six months of FY13 when compared to FY12. When averaged over the four year period, state sales tax revenue remained neutral. These figures do not include the ½ cent sales tax increase. The increase went into effect October 1, 2012 for all municipalities except the City of Memphis and Shelby County. Revenue receipt first appeared in the December figures.

It was asked whether the ½ cent sales tax being managed as part of the general sales tax income and being set aside for any other purpose. Kristen stated that yes it was being managed as part of the general sales tax income. Patrick Lawton stated that the city did establish at the time the budget was amended to accept the ½ cent sales tax, a budget for the schools was established but no funds have been transferred. It was also noted that the road construction and the closing of the Schnucks grocery store had impacted the city's sales tax.

Patrick Lawton stated that he would email a copy of the Economic and Development Strategic Plan to members.

A concern was raised regarding property taxes and assessment and that the concern being what would be a volatile year for tax appraisals; are we expecting an increase in protests of values. Kristen answered that this was very hard to predict in as much as the city had not had an appraisal in property values were decreased. Ralph Gabb stated that it was a long and lengthy process and that the City had to justify every penny that is decreased.

### **Any Other Business**

Kristen Geiger said that members should have received a commission survey in December, stating that any comments given are taken very seriously and that the city was very pleased with past feedback.

1. Shorten meetings – six meetings are scheduled this year instead of five
2. Get information out sooner to member.
3. Review financial policies of the city – handouts were given out.

### **Adjournment**

Upon hearing there was no further business; Chairman Hardin called adjournment of the meeting at 6:50pm.