



# CITY OF GERMANTOWN TENNESSEE

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

## **FINANCIAL ADVISORY COMMISSION MEETING MINUTES**

Tuesday, April 29, 2014, 7:00 pm

Economic & Community Development Blue Conference Room  
1920 S. Germantown Road

**Members Present:** Sudhir Agrawal, Glenda Brock, Eddie Cox, Clint Hardin, Russell Johnson, Walter Krug, Howard Lasley, Frank Markus, Paul Mosteller, Harold Steinberg, Richard Wagoner, Mark Holland, Christine Menzel, Jonathan Turner, Christy Gilmour, Sidney Kuehn, Julius Moody, Alderman Rocky Janda

**Members Absent:** Vincent Correale, Rik Ditter, Frederick Miller, Dale Stover and Julie Klein

**Staff Present:** Patrick Lawton, Ralph Gabb, Sherry Rowell, Adrienne Royals, Jessica Brown, Pam Beasley, Jeff Beaman, Richard Hall, George Brogdon, Lisa Piefer, Bo Mills, Wade Morgan, Daniel Page, Susan Hopson, Reynold Douglas, Paul Chandler, Tim Gwaltney and Tony Fisher

**Others Present:** Alderman Mike Palazzolo, Alderman Forrest Owens and Mary Anne Gibson

### **CALL TO ORDER**

Chairman Moody called the April 29, 2014 Financial Advisory Commission meeting to order at 7:00 p.m.

### **ESTABLISHMENT OF A QUORUM**

Ralph Gabb called roll and announced that a quorum was present.

### **APPROVAL OF THE MINUTES**

Russell Johnson suggested the following changes be made to the minutes from the April 29, 2014 meeting:

- Street Fund — changes made should be noted so that when it comes up again we will be able to know the difference.
- Automated Enforcement Fund — minutes should reflect the amount collected and the number of citations made.
- Ambulance Fund — Chief Selberg stated that the City was able to stop sending fire engines on 45% of the EMS calls.
- Farm Park Fund — minutes should show that there was dissent and comments against the presented budget.

**\*\*MOTION\*\***

Mr. Mosteller moved to approve the minutes as changed from the April 22, 2014 Financial Advisory Commission meeting. Mr. Hardin seconded and the motion passed unanimously.

**REVIEW OF THE GENERAL FUND**

Mr. Lawton spoke on planning and applying the Plan-Do-Study-Act model by City Staff and Administration. He said over the past several years, we have looked at projects, activities and program budgets. The process used to develop the budget is nothing more than looking back at the success that we've had; we then re-allot the plan, work the plan, learn from the plan and bring it forward in the budget recommendations as seen in the General Fund. Per Mr. Lawton, last year we made a lot of difficult choices regarding the budget such as a substantial tax increase and also some cost savers like reviewing what we were doing in terms of benefits. He said the first thing is to look at the plan; the second component is to execute the plan which is actually the budget itself. The third element is not only looking at the results but acting on them as well. This helps us to understand what has taken place during the fiscal year so that we can integrate that into the next step and make corrective actions if necessary.

After a general overview of the City's financial picture, Mr. Lawton talked about the Financial Trend Monitoring System which essentially is the consideration and planning of financial constraints and environmental factors such as population, per capita income and property values that we are being faced with. This combination helps to paint a picture of policy decisions and changes of direction in regards to public policy. This tool was used in the utility rate study and the use of the Community Education Foundation (changes to bylaws). Mr. Lawton further advised that the School Board is very dependent on the City in many ways. Although they are expected to start up on July 1<sup>st</sup>, they do not have the funds (approximately \$22 million) to get up and running. Since we could not support them on a cash-flow basis, a public policy decision will be presented to the Aldermen on May 12<sup>th</sup>, 2014. He also spoke briefly on the Priority Based Budgeting Quadrant which is a tool that provides really good information about where we are as an organization. The four quadrants include: 1) Twin Measures of Satisfaction and Importance on City Activities—what is most important to the citizens of Germantown and what are they most satisfied with; 2) Areas that Germantown residents are telling us that they are satisfied with; pleased with the service that they are receiving; 3) Areas and Opportunities for Improvement and 4) No Immediate Action—includes many of our community events that citizens are just basically pleased with. Per Mr. Lawton, these areas overlaid with the proposed FY15 Budget lets us know if we are putting our tax dollars in areas of high importance and high satisfaction so that we meet our customers' needs and requirements.

Mr. Lawton advised that the overall budget amount is \$74,649,790 (subject to change by the Board of Mayor and Aldermen) and General Fund Revenues for FY15 total \$47,638,767 which is a 8.4% increase over the current budget. Our dependency on the property tax has dropped mainly due to the half cent tax increase. He mentioned the major categories that feed the City's General Fund Revenue – Property and Sale Taxes, Federal and State Revenues, Other Revenues and Investment Income. General Fund Expenses for FY15 total \$44,893,000 which is an 11.2% increase over the FY14 estimated budget.

Mr. Lawton further advised that there was an 11.4% increase in expenditures. Administration has proposed a General Fund spending increase for FY15. A pre and post recession opportunity exists to re-examine previous spending cuts made in areas such as personnel, maintenance infrastructure replacement and capital improvements. Other areas of spending increases that were indentified include the establishment of our Municipal School District and the legal challenge of its overall creation.

Adjustments to the FY15 budget that should add value include: 1) Personnel—three resource officers in the elementary schools, additional positions throughout the City, recommendation of salary adjustments (Personnel Advisory Commission) and a Wellness Program/Clinic; 2) Municipal Schools—Germantown Municipal School District lawsuit settlement in which we agreed to pay Shelby County Schools \$355,000 to drop all charges and Germantown Municipal School District City Obligation which is our “fair share” for operating a school district. These funds are required by state law and are also referred to as “Maintenance of Effort”; 3) Infrastructure Replacement Program (IRP)—includes funding for Information Technology, Vehicles and Facility Improvements and 4) Transfers—renovations to the Great Hall, increase in State Street Aid and a transfer to the Farm Park.

Mr. Lawton highlighted IRP recommendations for FY15. He said one of the larger items include an upgrade to our existing SUNGARD system in the IT Department. Mr. Fisher advised that the system that we are using now is five years old and is running on old technology. As for Public Safety, one of the most expensive items includes handguns. Chief Hall advised that weapons being used now are a little over thirteen years old and can be traded in for a value. Also, recommended is the replacement of three Chevy Tahoes and other vehicles in the Police fleet. Community Services IRP include scoreboards and an outdoor movie projection screen and for Transportation and Environment/Public Works Department, street paving throughout the City and a Ford Ranger for the Animal Control Department.

Mr. Lawton reiterated that Expenses per Capita is a warning trend for the rating agencies to look at. A slight increase will flag them to question our ability to pay our bills or manage our resources. There was an increase in FY14 and FY15 mainly due to the tax increase and an increase in expenses as well. He advised the City’s General Obligation Debt Service does not include any new debt—we are just paying down what we owe. It does however include the bond issue that will be used for Capital Improvement Projects in FY20. Mr. Lawton posed the question of what would happen if the City were issuing debt as a lesser rating than Triple A. He advised that the difference is over \$600,000 dollars in interest savings on just our existing outstanding debt. Also an indicator, the Fund Balance (as a percentage of total expenditures) came in well over 40% during a five year period. As mentioned before, we are able to get another year out of the tax increase.

Indicators that show how Germantown residents feel about: 1) Service Value for Taxes Paid—percentage dropped some in FY13 and 14 most likely due to the tax increase and 2) Overall Service Quality—rating remains strong coming in at 90%. Per Mr. Lawton, this information will be incorporated into our Business Plans and Focus Cabinets to come up with a game plan on how can we move the bar and do better.

**\*\*MOTION\*\***

Clint Hardin moved to approve the General Fund Budget as presented. Paul Mosteller seconded and the motion passed unanimously.

**OTHER BUSINESS**

Mr. Lawton announced that there will be one additional meeting in which the Germantown Municipal School Budget will be presented to the Financial Advisory Commission.

**ADJOURNMENT**

The meeting adjourned at 8:45 p.m.