



CITY OF GERMANTOWN TENNESSEE

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FINANCIAL ADVISORY COMMISSION MEETING MINUTES

Tuesday, June 3, 2014, 6:00 pm
Economic & Community Development Blue Conference Room
1920 S. Germantown Road

- Members Present:** Glenda Brock, Vincent Correale, Eddie Cox, Rik Ditter, Clint Hardin, Russell Johnson, Frederick Miller, Harold Steinberg, Mark Holland, Christine Menzel, Jonathan Turner, Sidney Kuehn, Julius Moody, Julie Klein
- Members Absent:** Sudhir Agrawal, Walter Krug, Howard Lasley, Frank Markus, Paul Mosteller, Richard Wagoner, Dale Stover, Christy Gilmour, Alderman Rocky Janda
- Staff Present:** Patrick Lawton, Ralph Gabb
- Others Present:** Jason Manuel, Autumn Enochs

CALL TO ORDER

Chairman Moody called the June 3, 2014 Financial Advisory Commission meeting to order at 6:01 p.m.

ESTABLISHMENT OF A QUORUM

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

CONSIDERATION OF THE MINUTES

Russell Johnson reiterated recommendations that should be made to the minutes of the April 22nd, 2014 Financial Advisory Commission meeting. He reminded everyone of the email that was sent regarding amendments to and the suggested language that should have been used.

****MOTION****

Mr. Johnson moved to adopt the minutes as amended at the April 29th, 2014 FAC meeting with the suggested language pertained in a submitted email attachment dated June 3rd, 2014. Eddie Cox seconded and the motion passed unanimously.

DEBT MANAGEMENT POLICY

Mr. Gabb advised that the Debt Management Policy was adopted by and presented to this group and the Board of Mayor and Alderman in December, 2011. He said as we went forward it was noted that the policy did not incorporate language that allowed the purchase of Revenue Anticipation Notes (RANs). The Debt Policy that was originally written was meant to handle Capital Improvement Programs—long-term debt, twenty year debt, and bonded debt. Per Mr. Gabb, in order to comply with the State, a couple of paragraphs specific to RANs have been added to the Debt Management Policy (pages 6, 7 and 8). Under this type of note, the issuance (July 1st) will be presented to the Board of Mayor and Alderman and will retire no later than June 30th of the following year (page 6). Also, inserted on page 7, it reads “RANs will be issued under the provisions of Title IX, Chapter 21, Parts I, IV and VII of Tennessee Code Annotated. The amount of such RANs will not exceed the estimated annual expenses times 5% plus highest estimated monthly deficit for the Fiscal Year upon the approval of the State Director of Local Finance.” Again, the July 1st issuance will be presented to the Board of Mayor and Alderman and must be paid back by June 30th of the following year. For clarification, a sentence was added (page 8) to establish that RANs is not a debt that appears on any of the operating statements; it will be set up and termed as the “Balance Sheet Position” or “Statement of Position.” The added sentence reads “The City’s established debt limits and affordability does not apply for debt issued on behalf of the Municipal School District Short-Term Cash Flow needs.”

****MOTION****

Jonathan Turner moved to approve the Debt Management Policy as amended. Clint Hardin seconded the motion. All but one member voted yes and the motion passed unanimously.

REVIEW OF GERMANTOWN MUNICIPAL SCHOOL DISTRICT (GMSD)

Mr. Lawton introduced guests and reminded members that the normal process going forward on the approval of the budget with the Germantown Municipal School District Special Revenue Fund will be seen like the other elements of the budget. He said that Superintendent, Mr. Jason Manuel and Chief Financial Officer, Ms. Autumn Enochs are here with us tonight. Mr. Lawton praised both for doing excellent work so far on the new school system.

Mr. Manuel began the presentation by talking about the challenge of the time frame that has been bestowed upon them. He said their funding directly relates to the number of students which was a great mystery in this entire process—how many students would actually be coming from the three Germantown schools that stayed with Shelby County Schools. A transfer and enrollment process was considered in that these students had an option to either stay at those schools or to come over to the GMSD. Once this information was settled, the budget was built. Per Mr. Manuel, going forward in the future, there will be a known quantity of transfer students from year to year making it easier to make budget projections.

Ms. Enochs spoke on the GMSD Proposed FY15 Budget. She advised that the Basic Education Program (BEP) is their largest source of revenue funding received from the State of Tennessee based on the anticipated number of students that they have. For the current and subsequent fiscal year it will be based on the number of students that they had on average the prior fiscal school year. Per Ms. Enochs, the first check to be received in August will be a little short as it was based on last year’s student head count which was approximately 52,000; it is anticipated that we will have closer to 56,000 students. A review of the actual student count will be done in October and a refund will be issued in November or December, 2014.

ADA revenue is money that is received from Shelby County. This includes Germantown’s share of property taxes, sales tax revenue, mixed drinks tax revenue, and court fines that are allotted for education. This also is based on

the number of students as compared to other municipalities and Shelby County Schools. Other Revenues are small amounts of money from the State, local revenues and small federal grants such as Career Ladder Refunds, the Perkins Grant, extended teacher contracts and tuition for out of county and out of state students.

Nutrition Revenue is cafeteria funding for students eating lunch; this includes both paying students and also USDA reimbursements received for the few, free and reduced students; Sales Tax Revenue for FY13 and FY14 is the extra ¼ percent sales tax that was allocated to the school system to help cover some of the startup cost including litigation fees. For FY15 and forward, this money has been moved to the General Fund Transfer; the City will subsequently reimburse/make a General Fund transfer to the school system for the .15¢ property tax. This number will fluctuate as it is based on appraised property values. It was noted that for FY15, based on 5,500 students, approximately \$8.6 thousand dollars will be spent per student for education purposes. Ms. Enochs went on to advise that the bulk of expenses for GMSD are in Personnel. This covers teachers, teacher's assistants, cafeteria staff, plant managers and central office staff. The second largest expense is Professional Fees which include student books, teacher's supplies, capital outlay and utilities.

Many members had general questions and concerns that included:

- **What is meant by Federal Projects?**—Ms. Enochs explained that this is Title I Federal money received from the Carl Perkins grant money and IDEA money; the Federal Government requires that this money is kept in a separate fund so that spending can be monitored and tracked independently. Because it is a reimbursable grant, the money has to be spent before reimbursement can take place.
- **What is Indirect Instruction?**—Per Ms. Enochs, this is central office employees that oversee the curriculum and supervise the teachers.
- **What are Professional Fees?**—Superintendent Manuel explained that Transportation (Durham) and Substitutes (Kelly Services) are the two main sources of this Expenditure category. He said that substitute teaching is being sourced out mainly because of the changes in healthcare. A lot of substitutes would come every single day which at that point, benefits would have to be provided. Shared Services include substitute routers for transportation and APEX which is a payroll group in which all municipalities share together. Alternative Education is where Lakeside Hospital provides education for students on long-term suspension (180 days).
- **Why do we need transportation/school buses in Germantown?**—Superintendent Manuel said that transportation funding is received; if transportation is not provided, the money would have to be given back to the State or parents would be given a stipend.
- **Why Durham Transportation? Have we looked at alternatives?**—Per Superintendent Manuel, GMSD could not find a vendor who could guarantee the number of buses that was needed in a 4-5 month window of time. Also, Memphis City Schools built it into their contract that whoever was awarded the transportation contract would have to buy the existing fleet which was previously owned by Shelby County Schools.
- **Is there a contracted amount for Durham Transportation?**—Superintendent Manuel advised that this figure is an estimate; prehistorical routes were looked at along with exaggerated bus numbers to come up with the budgeted \$399,000.
- **Does the GMSD Budget include early and late childcare?**—Superintendent Manuel said no—this is a self-funded program where parents pay for this type of service.
- **How many returning students do we have from private schools?** Superintendent Manuel said that there is a very small percentage. In his opinion, those students attending private school will continue because of various other reasons.
- **Laptop Expenses**—Ms. Enochs explained this will be an annual, re-occurring expense; a three year lease with a fourth year option to re-sell the laptops on hand so that we are never left with old computers.

- ***Is the cafeteria/food program going to be in house or outsourced?***—Ms. Enochs said this would be kept internally using the same model as Shelby County Schools. Superintendent Manuel advised that they did look at outsourcing but because there was such a low number of free and reduced students caused some of the cafeterias to barely break even. The risk of not making a profit during that period means the difference must be paid back. Ms. Enochs also advised that after extensive conversation with the cafeteria managers as well as some of the parents, it was decided that the food will be prepared in the cafeteria versus bringing it in. This will cause lunch prices to go up slightly this year as different rates will apply to high school, middle school and elementary school.
- ***Is \$300,000 the same amount that was used to fund the television studio at GHS?*** Superintendent Manuel said that money from GMSD was also put forth to show commitment to the program.
- ***Will the new television studio have all new equipment?*** Superintendent Manuel said yes.
- ***How much is this [\$300,000] going to buy?*** Superintendent Manuel stated the \$100,000 of Capital Improvement money, unrelated to Public Education Governmental (PEG) funds, has been budgeted for 1-2 sets and enough cameras to start the program.
- ***Is there any money that comes from Comcast?*** Mr. Lawton advised that this is PEG money that had been provided to the Germantown Community Television Foundation and used as a conduit to feed money to GHS TV. He feels that since there is no future use for this foundation, the City should extract itself. Mr. Gabb added that PEG/Comcast and AT&T money comes in at about \$50,000 per quarter/\$200,000 a year.
- ***Is the start up of the new television studio governed by separate rules from the continuity of effort?*** Per Mr. Lawton, the maintenance of effort is set at a bar level; anything else that comes over separately will be in a separate agreement highlighting those parts that are not maintenance of effort.
- ***Is the City putting in \$50,000 or so?*** Mr. Lawton said no—in FY15 there is no operating support for the studio. It is the PEG money, issued as Capital, coming through on a pass.
- ***Are all of the windows at Farmington Elementary going to be replaced?*** Superintendent Manuel said yes—the windows are very old, bitter, cracked and opaque to where you can't see out of them anymore. He also stated that there are a lot of issues at all of the schools that need repair work done.
- ***Will the new television studio be in the A Building (behind the auto shop) at Houston High School?*** Per Superintendent Manuel, the area that will be used for the new television studio was previously used by the Plant Managers who will now be relocated to a smaller TV studio in the middle of the school.
- ***What will GMSD do to ensure that money is budgeted appropriately as to avoid excessive/surplus amounts that might cause the State to reduce its funding?*** Superintendent Manuel advised that \$500,000 will be placed in reserve for the first year and then \$650,000 will be put towards their OPEB liability.

Mr. Turner recommended for beautification purposes, that shrubs, mulch, etc. be considered for GMSD campuses now that they can partnership and ask for assistance from local businesses and residents. He also suggested that a cell tower be placed somewhere on Dogwood Road due to its being a dead zone. Per Mr. Turner, because calls cannot be made from this area (including the Dogwood Elementary school building) creates a major safety issue.

****MOTION****

Vincent Correale moved to approve the Germantown Municipal School District FY15 Budget to the Board of Mayor and Aldermen. Clint Hardin seconded and the motion passed unanimously.

OTHER BUSINESS

No other business.

ADJOURNMENT

The meeting adjourned at 7:17 p.m.