



CITY OF GERMANTOWN TENNESSEE

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FINANCIAL ADVISORY COMMISSION MINUTES

Tuesday, January 12, 2016, 6.00 p.m.

Economic & Community Development Blue Conference Room
1920 S. Germantown Road, Germantown, TN 38138

Members Present: Hal Beckham, Clint Hardin, Mark Holland, Alderman Rocky Janda, Russell Johnson, Jason Lowe, Michael McLaughlin, Christine Menzel, Chris Miller, Julius Moody, Paul Mosteller, Michael New, Alan Richmond, Donnie Rose, Harold Steinberg, Richard Vosburg, Brandon Westbrook

Members Absent: Sudhir Agrawal, Walter Krug, Frederick Miller, David Rea, Brad Reardon, Dale Stover, Scott Wickliffe

Staff Present: Patrick Lawton, Sherry Rowell, Adrienne Royals, De’Kisha Fondon and Linda Rathje

Others Present: Lauren Lowe & Nick Yatsula – The PFM Group
Michael Stoll

CALL TO ORDER

Chairman Moody called the January 12th, 2016 Financial Advisory Commission meeting to order.

ESTABLISHMENT OF A QUORUM

Chairman Moody then called the roll and announced that a quorum was present.

APPROVAL OF THE MINUTES

****MOTION****

Mr. Hardin made a motion to approve the minutes from the December 1, 2015 Financial Advisory Commission meeting. Mr. Mosteller seconded and the motion passed unanimously.

NOMINATION OF VICE-CHAIR

****MOTION****

Chairman Moody called for nominations for vice-chairman. A unanimous decision was made that Russell Johnson be vice-chair of the 2016 Financial Advisory Commission.

City Administrator Patrick Lawton thanked and welcomed all new members and then introduced City of Germantown staff members. He explained with the schools, the budget is \$120 million plus operation. Because there is so much to consider and so many different funds to review, it is presented to this commission in “doable” parts or sections which is reflected in the proposed FY17 Budget Calendar. By the end of April, a recommendation based on the entire document will be made to the Board of Mayor and Aldermen (BMA) for their review and consideration. Per Mr. Lawton, the consideration of adoption for the budget is probably the single, most important action taken by the City every year in that it outlines our level of service to be provided and it also covers long range projections of revenues and expenditures each year.

Mr. Lawton advised this year will be different in that Germantown’s year long, 2030 long range Strategic Plan will soon be coming to a close. He said the intent is to present the plan to the Steering Committee for their consideration next Wednesday, bring it before the BMA at the semi-annual retreat at the end of this month and then a possible adoption in February. Mr. Lawton explained that in the 2030 plan there are a number of initiatives identified in the form of strategic objectives that will have a budget implication to them. Department heads have been asked to recognize what those things are in the various performance areas and identify the capital, personnel, technology and resources necessary to move the item forward.

PURPOSE STATEMENT /ROLE OF COMMISSION/ETHICS FORM

Mr. Lawton stated the City has approximately 20 boards and commissions representing close to 250 citizens here in Germantown. These bodies serve in an advisory capacity to the BMA; in all cases, Board members and Aldermen look strongly at the recommendations coming from the various boards and commissions; they take great interest in the work and recommendations of all our commissions, especially this one because of the policy implications, the amount of money that is being dealt with and preservation of the triple A bond rating. Because of the appointment by the Mayor and the Board, commission members are considered in the eyes of the State of Tennessee a “public body” that is subjected to the same type of governing rules and regulations from the State. Mr. Lawton explained that all meetings are open in that they are recorded and transcribed. All minutes, actions taken and communications are open to the public.

Mr. Lawton said that all members should have received and hopefully, reviewed a copy of the “*Open Meetings Law*” and the “*Code of Ethical Conduct for Officials of the City of Germantown.*” He advised that the Code of Conduct was established after several State representatives got in trouble with the TBI for various unethical activities some years back. After operation “*Tennessee Waltz,*” the State ordered that every local government have an ethics policy. Germantown came up with two—an ethics policy for City employees which is very similar to the State’s policy and the model policy that is for public officials across the State. Much like the Open Meetings law, an official is subject to the conditions contained in that policy. Essentially, the ethics policy states that this office cannot be used for personal or professional gain.

Alderman Janda stated as alderman, he has come to learn that commissions are very important. He said that the City has a tremendous pool of great citizens with great ideas, resources and experiences that the City benefits

from. He further stated that members can take pride in the fact that they are working for the most important commission therefore it is really important that members pay attention and come to all of the meetings. After stressing the seriousness and importance of this commission, Alderman Janda advised that typically, there is a rule; if you miss three unexcused meetings, you probably won't be appointed the following year. He expressed gratitude to the commission members and said they are one of the main reasons this City is so great.

FY17 BUDGET CALENDAR REVIEW

After introductions were made, Mr. Lawton said that the development of the budget requires that a lot of pieces be put together; this happens when instructions are provided to each of the City departments to bring their information to budget and performance for presentation and consideration by the FAC. He further stated that the calendar helps everyone to stay on schedule and to address things in a timely manner to make sure there is ample time and opportunity for the BMA to consider the budget in May as they start their three reading process. He advised that the calendar structure really hasn't changed much from prior years in terms of "what" we do and the Financial Advisory Commission meetings have been indicated in bold. As mentioned earlier, there might be a time when other meetings are scheduled or added to the calendar.

Mr. Lawton spoke of two changes to this year's Budget Calendar. He asked that the presentation of GMSD's FY17 budget be moved back later on the calendar in April when the overall General Fund (revenues and expenditures) is reviewed. The second change is regarding "Civic Support." Mr. Lawton explained that Civic Support is a cost center where grants are provided to organizations throughout the community (i.e. the Germantown Community Theatre, Germantown Chamber of Commerce). He would like to specifically call out Civic Support at the March 8th meeting when Enterprise Funds are discussed.

PENDING BOND SALE

Ms. Lauren Lowe with Public Financial Management (The PFM Group) explained that there are two different perspectives—1) the City project which is approximately \$3.5 million and 2) School projects at Riverdale Elementary which totals \$11 million. She advised that the very first step in this process includes two resolutions that were presented to and approved by the BMA last night; within the resolutions there is a "not to exceed" amount of \$4 million and \$12 million, respectively. Step two includes going back before the BMA with a more detailed resolution and also allows for the twenty day period to lapse for which the notice has gone out to the public stating that the City does plan to borrow money on behalf of these projects. Ms. Lowe advised during this process The PFM Group will be working directly with the City and talking to the rating agencies. She reminded everyone that the City has two ratings—one from Standard & Poor's and a second from Moody's with both being AAA, the highest bond rating. The City of Germantown holds the longest and oldest AAA standing within the state—everything financial that is done here falls back to the credit worthiness of the City. Ms. Lowe said that the bond sale process will be started at the beginning of February; hopefully we will have the ratings by mid-February and the pricing shortly thereafter. If all goes as planned, the money should be received in mid-March at the latest.

Ms. Lowe further advised that two opportunities for the City have been identified—a piece of debt that was issued in 2006 and 2009. Per Ms. Lowe, we are looking to move forward on these refunding opportunities while also monitoring their economics. She said the City has a policy in place that governs whether or not a refunding can be done; in order to move forward with this, the City must first have a 4% savings. Once this is determined the next step involves going to the State Comptroller to seek their acknowledgement. Once we hear back from the State, it then goes before the Board of Mayor and Aldermen.

Ms. Lowe briefly recapped citizen bonds. She said this topic was initially discussed at the December 1, 2015 FAC meeting where the essential question of “is there an opportunity for citizen’s bonds in the City of Germantown?” was posed. She stated that citizen’s bonds were previously explored by the City in 1989. Per Ms. Lowe, it is an opportunity within the State statute that says you can actually target and specify that citizens/residents can buy bonds directly from the City *as opposed to* borrowing for the first time and throwing it out as a competitive bid so that the lowest and best cost wins. This way the citizens can be a direct investor to the City and focus on Germantown and its residents. One disadvantage explained Ms. Lowe is that State law caps at \$3 million and because both projects are in excess of this amount, multiple transactions which mean multiple costs will be required by the City. Additionally, there are limitations on how much you can issue on the structure and there is very likely not a chance to refinance in the near future because of the interest rate environment that we are in today. Ms. Lowe advised that due to these State law limitations, a collective decision was made for right now to go with the traditional route that has been used in the past. Ms. Lowe advised that The PFM Group will pursue refinancing at approximately \$4,515,000 of the City’s outstanding debt; also current, present value savings in today’s dollars equals approximately \$273,234. Each individual maturity within the series is carefully review and looked at on a frequent basis before moving forward and into the market.

Mr. Lawton mentioned that our AAA bond rating is never to be taken for granted. He said this is something that the City has worked very hard to maintain and keep us attractive in the eyes of the rating agencies. He said the Budget and Performance Team is looking right now at information that was provided to S&P’s and Moody’s two years ago in the form of a surveillance report to try and get ahead of the type of questions that will be asked regarding the City’s finances. Also, Lauren and Nick will provide their assistance to prepare for a conference call with the rating agencies that will be held sometimes towards the end of the month. The rating that is assigned to the bond will be based on this conversation and also on material and documents that we send to them.

****MOTION****

Mr. Hardin made a motion to move forward with the debt issuance as described by Ms. Lauren Lowe (representative for The PFM Group). Mr. Westbrook seconded and the motion passed unanimously.

Chairman Moody reminded everyone that the next FAC meeting would be held on February 16th, 2016 at the same place and the same time.

Co-Chair Johnson stated that the City has a pretty good website; anyone can go online and look at any commission of your choice and also can view all BMA meetings as well. He then asked if there were any public meetings coming up on the Germantown Road realignment? Mr. Lawton said no; the next decision point for this item will be whether or not the Board votes to do the final design. This will be a key point in deciding if the project will move forward or not. He further stated that it would most likely be discussed at the upcoming BMA retreat on January 29th. Co-Chair Johnson inquired about the development north of the Veteran’s Cemetery and south of Winchester and Forest Hill-Irene known as Forest Hill Heights. Mr. Lawton said that he was not sure about the next meeting and/or schedule but eventually it will go before the Planning Commission for a recommendation and then onto the BMA. Co-Chair Johnson also wanted to know if Oaklawn Gardens/Cloyes property will be revamped with the Farm Park. Per Mr. Lawton, the Parks and Recreation Commission will most likely recommend some type of master plan to incorporate the dogwoods and azaleas into the overall hundred acre park that already exists. And lastly, Co-Chair Johnson asked about the Western Gateway. He said it seems that with this project there will be some issues with our Public Services Department in that they may not be able to withstand the demands of reconstructing the infrastructure/sewers. Mr. Lawton said this body and the BMA approved a utility study of the entire Western Gateway district (Kirby Farms out through Care Four) to determine if we have the right capacity

with our water and sewer lines to support “X” level of development. He advised that the preliminary report came in today and it appears that our sewage side may be in better shape than what we thought.

ADJOURNMENT

Chairman Moody motioned to adjourn the meeting. Mr. Hardin seconded and the meeting adjourned at 7:27 p.m.