



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

Thursday, August 20, 2015, 6:00 pm
Economic & Community Development Blue Conference Room
1920 S. Germantown Road

Members Present: Christy Gilmore, Clint Hardin, Mark Holland, Alderman Rocky Janda, Russell Johnson, Howard Lasley, Jason Lowe, Michael McLaughlin, Christine Menzel, Chris Miller, Frederick Miller, Julius Moody, Paul Mosteller, Michael New, David Rea, Donnie Rose and Dale Stover

Members Absent: Sudhir Agrawal, David Jackson, Juliet Klein, Walter Krug and Jonathan Turner

Staff Present: Patrick Lawton, Ralph Gabb, Sherry Rowell and Adrienne Royals

Others Present:

- Mayor Mike Palazzolo
- Jason Manuel, Dan Haddow, Ken Hoover, Lisa Parker – Germantown Municipal School Board
- Jane Roberts – Commercial Appeal
- Michael Stoll

CALL TO ORDER

Chairman Moody called the August 20, 2015 Financial Advisory Commission meeting to order.

ESTABLISHMENT OF A QUORUM

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

REVIEW CAPITAL

a) City of Germantown

Referring to the FY16 General Fund Budget Summary, Mr. Lawton advised that changes include an additional \$700,000 in Hall's Tax Income and healthcare claims (less than expected) totaling \$1 million which will go back to the various departments and the General Fund. Mr. Lawton further advised that Debt Service for FY17 reflects the Bond Issue that has already been planned this year and approved in the budget; \$3.5 million for drainage and road work (i.e. Lateral G) throughout the City will be projected out through a five year Capital Improvement's plan.

b) Germantown Municipal School District (GMSD)

Mr. Lawton said that he and the Board of Mayor and Alderman (BMA) have been working closely with Superintendent Manuel and his team in discussing what the school district's needs are, what the City can do and the impact on the City's five year financial and Capital Improvement's plan. Per Mr. Lawton, a joint

recommendation is being made for FY16 to include two projects from GMSD's long-term plan for construction in FY16 and probably FY17 as well. These two projects include:

- 1) The removal of portables at Riverdale Elementary School to construct a seventh and eighth grade addition. Mr. Lawton said this is approximately a \$10 million project and will be supported by municipal bonds.
- 2) The addition of a multipurpose athletic facility at Houston High School. This facility will be used by the school but will also be available for the community as well. In addition, the room will be programmed for use by the City's Parks and Recreation department for after-hours use by the public. This project will cost approximately \$2 million.

Mr. Lawton stated that a total of \$12 million in additional Capital Improvement Projects will be included in FY16 with the debt service showing up in FY17. Debt will be issued for these two projects in addition to issuing debt for the \$3.5 million draining and road improvement projects that had already been incorporated in FY16. Per Mr. Lawton, it is very important that the Financial Advisory Commission weigh in on this discussion because the Board of Mayor and Aldermen will be looking for your recommendation to go forward in moving these projects; it will also necessitate that we have met and adopted the budget for these projects to be included in FY16. Pending the recommendation this evening, we will go back to the BMA and reopen the budget for an amendment which will require three readings at a public hearing.

BOND SERIES 2016

Mr. Lawton advised that contingent upon the approval of this budget amendment and eventual bond sale, an interfund reimbursement agreement between the City of Germantown and the Germantown Board of Education that requires the school district to pay the City \$300,000 per year for thirty years to help offset the City's increased debt service payments will be executed. Per Mr. Lawton, \$300,000 a year should fund approximately \$5 million in capital improvements which will go towards the cost to fund the two major projects. This agreement will be approved by both entities—GMSD and the BMA. Mr. Lawton said the City's debt will continue to decrease over time and also there will still be excess revenues over expenditures during our five year planning period; with the exception of FY20, this puts us right at the 40% mark of overall expenditures against the total fund balance. Mr. Lawton added that because we were very conservative with revenue estimates it is certain that we will exceed the 40% every year even by taking out additional financial responsibility.

GMSD Superintendent Jason Manuel spoke on proposed additions to Riverdale Elementary School and Houston High School. He started by pointing out that there will be no tax increase with this particular scenario. Superintendent Manuel then explained that optimal capacity is the number of students that can fit in a building and still have quality service. He said currently the schools are not at the optimal capacity; smaller group functions are being held in closets, bookrooms and other spaces that were not designed for instructions. At the elementary school there is not an actual classroom so teachers for Art and Music are being floated between classes.

Superintendent Manuel addressed the needs of the school district. He said the two major needs are 1) removal of portables and 2) growth at Riverdale Elementary School and Riverdale Middle School. The two schools (combined going from kindergarten through eighth grade) are tangible and visible signs that the facility is over capacitated. Per Superintendent Manuel, the Riverdale project is not dealing with a lot of growth but however, is dealing with current capacity issues. As our population grows and houses transition in the Riverdale area, the number of incoming transfers/residents can be throttled up or down in order to maintain a consistent 400 middle school population. Superintendent further advised that 685 students will be in the new, main brick and mortar building; approximately 615 elementary school resident students are there right now, leaving room to grow for

about 70 more students. Mr. Manuel went on to explain that Dogwood and Farmington Elementary Schools are over capacitated as well. Current enrollment at Farmington is 817 with the maximum capacity being 730 and optimal capacity totaling 662; Current enrollment at Dogwood is 852, maximum capacity equals 840 and optimal capacity is 757. He said that the district is making due by having teachers on carts and pushing up the number of students per classroom.

Another issue that the district is dealing with is adequate gym space to serve the population at Houston High School. Per Superintendent Manuel, teams are practicing at Grace Evangelical Church, Germantown Baptist and sharing the same campus space. It is proposed that a new multipurpose facility be built and possibly be used for practices during the day and through a partnership with the Parks and Recreation Department, open the facility up during the evening hours to the Germantown Basketball League and other groups that would like to use the building for games, meetings, etc.

Mr. Lawton spoke briefly on the proposal of a new elementary school. He referred to a hand out that showed the \$12 million (FY16) for the Riverdale addition and Houston High Multipurpose Athletic Facility, the City's \$3.5 million (FY15-FY21) for the drainage project and road work issue. In FY18, an estimate of \$18 million (based on the City's engineering firm) has been quoted to build a new elementary school. Mr. Lawton said GMSD felt that a new elementary school would need to be opened by FY20; to start in FY18 gives us the time to identify the land and begin the construction. Also by this time, the district should have real positive gains in terms of bringing more students in to the system, children transferring over from other schools, private schools and new home sales. Per Mr. Lawton, this allows the City to buy a little time, monitor the situation and make sure the need is still there by FY18. To do this, there will need to be a .15¢ increase to the property tax rate. This increase will also cover the additional debt service as a result of the new elementary school and other debt service that we have. The ratio in terms of Fund Balance expenditures is 44% which is well over the required 40%.

****MOTION****

Clint Hardin moved to recommend that the FY16 budget be amended to include these capital projects and the issuance of debt for funding as discussed above to the Board of Mayor and Aldermen. Dale Stover seconded and the motion passed unanimously.

OTHER BUSINESS

Mr. Gabb directed everyone's attention to the "Fill the Fountain of Knowledge" application. He offered to collect any completed forms. Alderman Janda reminded everyone that donations could be as little as \$5 and will go to the Germantown Municipal School District, to the care of Stephanie Brockway, the foundation's new Executive Director. Mr. Moody thanked everyone for serving on the commission this year.

Mayor Palazzolo said that he really appreciates the partnership that the City has with the School Board. During meetings this spring and summer when City leaders discussed debt and bond issuances, key members of GMSD always asked how they could help. Per Mayor Palazzolo, not many municipalities have this type of relationship as we have seen with our greater city. He then thanked Superintendent Manuel and his staff for their support.

ADJOURNMENT

The meeting adjourned at 7:09 p.m.