



CITY OF GERMANTOWN TENNESSEE

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FINANCIAL ADVISORY COMMISSION MINUTES

Tuesday, March 8, 2016, 6.00 p.m.
Economic & Community Development Blue Conference Room
1920 S. Germantown Road, Germantown, TN 38138

Members Present: Clint Hardin, Mark Holland, Alderman Rocky Janda, Russell Johnson, Walter Krug, Jason Lowe, Michael McLaughlin, Christine Menzel, Chris Miller, Frederick Miller, Julius Moody, Paul Mosteller, Michael New, Alan Richmond, Donnie Rose, Harold Steinberg, Dale Stover, Richard Vosburg, and Scott Wickliffe

Members Absent: Sudhir Agrawal, Hal Beckham, David Rea, Brad Reardon and Brandon Westbrook

Staff Present: Mayor Mike Palazzolo, Patrick Lawton, Sherry Rowell, Adrienne Royals, De’Kisha Fondon, Phil Rogers, Bo Mills, Nick Dahl and Pam Beasley

CALL TO ORDER

Chairman Moody called the March 8th, 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****

Alderman Janda moved to approve the minutes from the February 16th, 2016 Financial Advisory Commission meeting. Mr. Hardin seconded and the motion passed unanimously.

CIVIC SUPPORT

Mr. Lawton explained that Civic Support are programs, 501(c)(3) or a City operation where traditionally the City has provided funding to support the program or operation. Examples include the Chamber of Commerce or the support of the local arts groups throughout the community. Mr. Lawton referred to a handout that showed how the City anticipates ending FY16 and what Administration is recommending for FY17. Mr. Lawton said although we have funded these programs in the past, there was a point and time in the City’s budget where these Civic Support items were imbedded in different departments. Last year, the Board of Mayor and Aldermen (BMA) wanted to

show exactly what was being funded (all on one page), so the Civic Support cost center was recreated. The eight Civic Support groups include:

- 1) **Shelby County Schools** – This is the settlement payment of \$355,453 that is paid to Shelby County Schools as part of the lawsuit settlement in the establishment of Germantown’s school system. This is the second of twelve yearly payments.
- 2) **Other Civic Support** – Germantown Community Theatre, Bioworks Incubator Program at Care Four mall, the Senior Expo, Chamber Grant (recommended funding increase of \$17,500), Books from Birth, Public Art Program (art work throughout the City), Movers (eighth grade leadership development program) , Leadership Germantown, Project Graduation (funding for Houston High School’s graduation night), Neighborhood Preservation Commission, Big Read, Senior Advisory Commission, Miscellaneous and International Festival (rent to help support the festival).
- 3) **Germantown Education Foundation** - \$100,000 made available to the 501(c)(3) for grants to the educational initiatives in the City.
- 4) **Arts Grant/GPAC** – Has been funded by the City for approximately 25 years. Although the funding has remained at \$40,000 the Arts Alliance has been dissolved. Because small grants that were made to the smaller art agencies was valued so much, we wanted to continue this initiative by providing the money to the Germantown Performing Arts Center (GPAC). Grants to the community will be determined by City staff and GPAC Board members.
- 5) **Chamber of Commerce Grant** – This is money that is paid to the grant itself and also to our various Enterprise Funds. An example is the Germantown Athletic Club and our help to underwrite the rental fees that are associated with hosting Chamber events in various venues.
- 6) **City Beautification Grant** – Holiday Decorations (budget increase to \$20,000), School Grounds Beautification Project, Holiday Tree Lighting Event, Arbor Day-Education for the Children, Other, Christmas Village, Holiday Nutcrackers-repair allowance, Holiday Resident Contest, Holiday Decorations-People Street Tree and Interior, Holiday Parade Float plus enhancement, Spring Spruce-up, Recognition of Homes, Businesses, Schools and Act of God Clause.

Ms. Pam Beasley (Director of Parks and Recreation) said although we put holiday decorations out at the municipal parks, we still have over a hundred thousand lights that the park crews put up around the colonnade. Because these are not visible from any of the major streets, the public’s perception was that Germantown did not celebrate any of the holidays last year. Per Ms. Beasley, the direction the Beautification Commission would like to go in is to purchase one dimensional, lighted fixtures (similar to the snowflakes going east on Poplar Avenue) that attaches to the utility poles; each fixture ranges anywhere from \$350 to \$450 each. She further explained that if we were to go back and put everything on the utility poles it would cost the City an approximate \$56,250 (\$450.00 X 125 poles). Ms. Beasley advised that the Beautification Commission is trying to do this in phases. She also stated that a business here in Germantown has verbally shown interest in matching any decorations that the City has.

- 7) **Education Commission Grant** – Battle of the Brains (high school level competition), Teacher of the Year Recognition, Teacher of the Month Award, Education Celebration and Cookies for American Education Week.
- 8) **Historic Commission Grant** – Budget increase of \$13,500 for events pertaining to the City’s 175th Anniversary this year and also for the development and formation of a community museum.

****MOTION****

Mr. Johnson made a motion to receive more information regarding the Holiday Decorations under the City's Beautification Grant and the Historic Commission Grant before the actual grants are awarded. Mr. Rose seconded and the motion was then voted on. With the member majority not being in favor of the abovementioned recommendation, the motion did not pass.

Mr. Lawton introduced Dr. Michael D. Miles and Christy Gilmour to discuss the Germantown Community Theatre Civic Support request. Dr. Miles advised that he came to Germantown Community Theatre (GCT) in April, 2014. He thanked the Board and staff, for the historic support that has been provided by way of the Civic Support Grant through the years. Per Dr. Miles, it is an honor to bring the children of our community together to play in a theatre setting. This gives them the opportunity to learn much more than the craft of the theatre by providing them with self-assuredness, self expression and confidence in speaking to the public. Dr. Miles said the theatre, which is a turn of the century school house that was erected in the early 1900's, is now certainly showing her age. He further advised that in the mid 90's, GCT added a rehearsal hall space onto the back of the building. Other than that, nothing has been done to the theatre since then. Dr. Miles said it is outdated and just does not stand up to or represent Germantown at all. He said that in looking at things strategically, a two, five and ten year plan was considered for reaching their mission which is to entertain, educate, engage and enrich the community through theatrical programming. Dr. Miles advised that they are at capacity with the grant of \$45,000 but are not yet able to meet the demand of the public. Also, there are far more students than there is physical space for. He said the plan is to take down the existing building that was built in the mid 90's, and add a fifty-nine [inaudible] square feet, two story expansion to the back of the building staying within the same footprint that we currently occupy. And, because the building needs to be brought up to code, all of the electrical, heating and air will need to be extracted and renovated. Dr. Miles pointed out that during this process, the theatre itself would not be touched; the number of seats or stage space will not change. Dr. Miles said that they were very honored that the City gave them \$15,000 in seed funding to start the process however, they have come before the FAC tonight to request a gift in the total amount of \$150,000; less the \$15,000 that has already been given leaves \$135,000 which is 10% of the overall budget for the \$1.5 million expansion. Dr. Miles said they could use the \$150,000 to go out and find matches from foundations and corporations. It also shows in a very solid way the City's support and backing of this project.

****MOTION****

Mr. Hardin moved to approve the Civic Support budget as presented. Mr. McLaughlin seconded and the motion passed unanimously.

Mr. Lawton advised that the Sanitation Fund would not be covered tonight. He stated that we are in the process of selecting a new vendor. He announced that the new vendor that will be considered by the BMA on Monday, March 14th is a company called Waste-Pro. They were selected out of three vendors through a sealed bid proposal process. Per Mr. Lawton, we are currently checking references and looking at everything that we can regarding the company. He said that the City is looking at an increase in the overall contract; the cost will go from roughly a \$3.2 million dollar budget to just over \$5 million. Mr. Lawton advised that the proposed fee will be brought back before the Financial Advisory Commission for discussion and recommendation at a later date.

Alderman Janda stated that a Solid Waste Sub-Committee should be formed before this item is presented to the FAC. With that, he asked that the same members from the Utility Sub-Committee serve again along with anyone else who would like to volunteer. Russell Johnson, Donnie Rose, Clint Hardin, Julius Moody, Paul Mostellar, Alan

Richmond, Dale Stover, Christine Menzel, Scott Wickliffe, Harold Steinberg and Jason Lowe are set to serve on the FY17 Solid Waste Sub-Committee.

FY17 UTILITY FUND:

- Operating Revenues \$8,727,000 (3.9% decrease from FY16 Estimate)
- Operating Expenses \$7,810,800 (5.5% increase from FY16 Estimate)

Mr. Bo Mills, Director of Public Works stated that it has been a pretty good year in that revenues are good and quite a bit of water was sold. He said the following achievements had been accomplished in the Utility Fund for this year:

- Aeration Tower Refurbishment – Is now completed. Mr. Mills advised that approximately \$900,000 was spent on converting the trickle down aeration towers which is now a result of higher oxygen levels in the water.
- Commercial and Residential Water Meter Replacement Program (ongoing) – “Cash Registers” for the Public Works Department. Water that goes through the meters register so that the meter is read and water bills can thus be sent out. Mr. Mills said that it is very important that these meters register correctly; as they wear out and get older, the water passes through them however the dial doesn’t spin. It is therefore necessary that these meters are continuously changed. So far this year 276 residential and 18 commercial meters have been changed out.
- Western Gateway Sewer (Engineering Services) – Sewer study funded through the City’s Capital Improvements Program to better understand the sewer capacities in our newly, rezoned area known as the Western Gateway; Per Mr. Mills, we need to be well prepared before development of this area begins.
- Annual Well and Pump Maintenance Program –These are mechanical devices with electric motors, pumps, bolts and bearings that wear over time and have to be maintained.
- Dogwood Road Water Main – Small section between Pete Mitchell and Germantown Road. There was a sudden drop in water pressure due to a collapsed six inch water main.
- Bobby Lanier Sewer Construction Project – Now completed. This project was jointly funded—partially out of Parks to benefit the Farm Park and the rest from the Utility Fund for work done close to and around the Cloyes property area.

Mr. Mills then spoke briefly on Infrastructure Revitalization. He explained that the following projects are being worked on at the present time: 1) Sewer Main, Lateral and Manhole Video Inspections; 2) Annual Wellfield and High Service Pump Analysis; 3) Annual Hydrant Flows and Testing; 4) Long-term capital investment to upgrade 30 year old system for the water treatment plants/sewer lift stations and reassurance of emergency power and dependable systems for threat protection purposes and 5) An annual and ongoing Commercial and Residential Water Meter Replacement Program. Per Mr. Mills, the largest asset that the City owns is our water and sewer system. Because it is our largest investment we must take extremely good care of it by constantly looking at the infrastructure and keeping it revitalized through video inspections, system analysis and tests.

Projects and Initiatives

Mr. Mills advised that currently the Annexation Area Water Main Design Project has been put in place. He said that the area south of Poplar Pike (going down Forest Hill Irene towards Winchester) was annexed in 1999. Some of the assets were bought by the City and some we did not buy which is still serviced by Memphis, Gas, Light and Water. Mr. Mills said the goal is to put the water in this annexed area on Germantown’s water system; the problem is that there is not enough water coming out of the City’s system flowing down that way. Per Mr. Mills, \$30,000 will be requested from the CIP budget to do improvements to the roadway at Forest Hill Irene and thus install a water

main to bring the amount of water that is needed down into that annexed area for total water service. Once the area is developed, this will serve as a great revenue source for the City of Germantown.

And lastly, Mr. Mills discussed the following Infrastructure Replacement Projects (IRP) for FY17:

- Maintenance of Sewer Collection System (\$200,000) – Cured in Place Pipes (CIPP). This is when pipes are lined while in place, making them stronger and better.
- Water Mains Maintenance (\$100,000) and Maintenance of Water Wellfield System (\$20,000) – Funds set aside for emergency situations or in case there are problems should anything fail.

Alderman Janda took a moment to report that the FAC Utility Sub-Committee had two meetings and it was unanimously recommended that utility rates not be lowered and remain the same. He stated that there are over \$2.7 million dollars in projects that need to be addressed. After the second meeting it was determined that the City needs to continue on with the current utility rate and perhaps re-visit the possibility of a rate decrease in the future. Per Alderman Janda, an analysis of the P&L and the Utility Fund itself should be done. He advises that the FAC Utility Sub-Committee will still be in effect and will be working closely with the Six Sigma group to conduct the study.

FY17 STORMWATER MANAGEMENT FUND

•Operating Revenues	\$1,018,964 (0.7% increase from FY16 Estimate)
•Operating Expenses	\$ 972,278 (0.7% decrease from FY16 Estimate)

Mr. Mills continued by discussing the Stormwater Fund for FY17. He said that Operating Revenues come from stormwater fees (\$3.50) that are paid with the water bill each month. Mr. Mills reported the following Achievements that were accomplished in the Stormwater Management Fund for FY16:

- Annual Street Sweeping Contract – Two citywide sweeps divert large amounts of debris from our stormwater system by removing trash/waste from the City’s curbs and gutters. Contract was renewed this past fall and now there is a five year contract in place.
- Annual Leaf Removal Program – An act of vacuuming and recycling natural debris such as leaves and twigs that fall in the streets, curbs, gutters and drain inlets. This year alone over 2,000 cubic yards of leaf material has been diverted from the stormwater system.
- Annual Monitoring Program – Stormwater Engineer Tim Beirdz constantly monitors stormwater system through visual surveys and inventory (water testing, discharge of thirty inch or larger pipes, inspection of laterals.

Mr. Lawton advised that the Stormwater Management Fund was put in place in 2009 to come into compliance with the “Clean Water Act of 1972.” It helps to protect our lateral drainage ditches, Wolf River and Nonconah. The purpose behind the work that is done in the stormwater management area is to allow the City to have a permit (The National Pollution Discharge Elimination System) which is issued every five years by the State Department of Environment and Conservation for dumping our drainage water into the laterals and the two rivers to the north and south of us.

Projects and Initiatives

1) Maintaining a stormwater management plant/program by requiring contractors to use the best management practices and public education to help citizens better understand the stormwater system, 2) The Stormwater Engineer meets with residents and developers and works through the construction inspectors to prevent elicit

discharges in the system, and 3) Maintenance team respond to customer requests for problems with catch basins, pipes and drainage ditches. Mr. Mills advised that there is one project that is in place which is the Cured in Place Pipes (CIPP). Again, this is where drainage maintenance is more easily achieved through the process of lining stormwater drains.

FY17 GERMANTOWN ATHLETIC CLUB (GAC) FUND

•Operating Revenues	\$4,526,900 (7.9% increase from FY16 Estimate)
•Operating Expenses	\$3,928,600 (14.7% increase from FY16 Estimate)

Mr. Phil Rogers, Director of the Germantown Athletic Club presented the Athletic Club Fund for FY17. With a new approach to become more of a health fitness club the following Mission Statement was adopted:

“We believe a strong family and community begin with a central place that fosters relationships and improves the health and quality of life of every member.”

Mr. Rogers said this is what drives us and is also who we are as we will always have that community center feel. He further stated that there are approximately 23 health and fitness club offerings with a seven mile radius of the Club. Per Mr. Rogers, people join health clubs within a three to five mile radius of where they work or where they live; you would probably not drive by multiple health clubs unless it has special services or something more to offer. According to International Health Racquet Score Association’s (IHRSA) guide to member retention, members leave the club for the following reasons:

- Never reached their fitness goals
- Poor customer service
- Bored with the club’s offerings
- Member was not grounded in the first 30 days
- No reinvestment back into club

Achievements over the past year included a Net Operating Income of \$807,874 (less depreciation) and Estimated Net Operating Income was \$760,575.

Projects and Initiatives

Mr. Rogers said in the year to come the Club will be: 1) Introducing technology through wearables, virtual classes and Apple and Android friendly apps; 2) Website development; 3) Improve member retention and club daily usage and 4) Continual reinvestment back into the Club through infrastructure (staff, membership and facility). Projects include Phase 2 Club renovation which is the largest phase of the entire project. This entails taking up one of the basketball courts to accommodate a designated area for group fitness (court 3). The Club is also in need of additional cardio equipment as there are 13,000 plus members with 2,500 attendances per day. As of now there are less than 75 pieces of cardio equipment; an increase to at least 130 pieces will prevent members from having to wait during those heavy times at the Club. After a detailed discussion on future infrastructure and renovations, Mr. Rogers explained that due to a shortage in cash flow \$300,000 was transferred to the Athletic Club Fund; for the next three years \$100,000 will be paid back to the General Fund.

FY17 GREAT HALL FUND

- Operating Revenues \$437,800 (3.0% increase from FY16 Estimate)
- Operating Expenses \$569,400 (3.9% increase from FY16 Estimate)

Mr. Nick Dahl, Manager of the Great Hall and Conference Center advised that there is over 9,000 square feet of meeting and banquet space. There are a total of six meeting rooms, a conference center, and five media rooms all separated by portable walls. He advised that the Great Hall operates with two full time and four part time staff members. Mr. Dahl was very proud to report that Operating Revenues have been on a steady increase over the past several years however, Operating Expenses are expected to have a modest increase in FY17 due to depreciation and a lobby expansion that is scheduled to begin this year.

Key Initiatives for the Great Hall include:

- Continue creating positive word of mouth through delivery of excellent service and superior value.
- Increase awareness and drive inquiries through marketing tactics including social media, websites, print media, broadcast media, tradeshows, and networking.
- Continue to develop new revenue growth opportunities primarily through alcohol sales and rate increase as well.
- Improve competition position and boost rental revenue with lobby expansion. Mr. Dahl explained that a floor will be built across the stair well that leads down to the Athletic Club. He feels that a larger lobby space will put us in a better position to be more attractive to customers.
- Referring to a pie chart, Mr. Dahl reported that of the people who completed a survey, 98% marked that they were “*very satisfied*,” and 2% said that they were “*somewhat satisfied*” when asked about their experience using of the Great Hall and Conference Center.

And lastly, Mr. Dahl talked about Community Value. He said that we are the only facility of its kind in the Germantown area that offers a place for meeting and banquet events from 20 to 700 people. Catering services offered by the Great Hall are purchased mainly from Germantown restaurants and caterers causing a rippling effect that adds dollars to the Germantown economy from event attendee’s spending money at local restaurants, hotels, gas purchases and shopping.

Mr. Lawton advised that for over a year now, the Great Hall has hosted the Lipscomb and Pitts Breakfast which is a breakfast series that happens eight times a year for “movers and shakers” in the metropolitan area. Per Mr. Dahl, it is very important to have key business leaders here to see the facility; hopefully their positive experience will eventually filter back through others that are in need of a meeting room or banquet space.

****MOTION****

Mr. Mostellar moved to approve all four FY17 Enterprise Funds as presented. Chairman Moody seconded and the motion passed unanimously.

OTHER BUSINESS

Mr. Johnson said that there has been mention of possibly taking some trees down for parking on the Cloyes development. He feels this should be reviewed before any action is taken. Mr. Lawton assured him that nothing will be happening on the Cloyes property until the Parks Commission recommends a master plan for the

development. Other than cleaning up the site, there will be no major structural changes. From a safety point of concern, the house itself may end up coming down.

Chairman Moody reminded everyone that the next FAC meeting will be held on April 5th. The topics of discussion will be on CIP and the Sanitation Fund.

ADJOURNMENT

Chairman Moody adjourned the meeting at 8:09 p.m.