



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

Tuesday, May 9, 2017 – 6.00 p.m.
Economic & Community Development Blue Conference Room
1920 S. Germantown Road, Germantown, TN 38138

1. Call to Order
2. Establishment of quorum
3. Consideration of Minutes—April 18, 2017
4. Review of FY17 General Fund Revenues and Expenditures
5. Review of Certified Tax Rate
6. Other Business
7. Adjournment

The City of Germantown complies with the American with Disabilities Act. Should you need accommodations for this meeting, please call (901) 757-7200 at least 48 hours in advance of the meeting.



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FINANCIAL ADVISORY COMMISSION MINUTES

Tuesday, April 18, 2017, 6.00 p.m.

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

- Members Present:** Hal Beckham, Brian Carney, Blake Deaton, Clint Hardin, Ashley Hopper, Alderman Rocky Janda, Russell Johnson, Walter Krug, Jason Lowe, Michael McLaughlin, Christine Menzel, Chris Miller, Julius Moody, Paul Mosteller, David Rea, Alan Richmond, Donnie Rose, Harold Steinberg, Denise Stumph, Brandon Westbrook, Brian White
- Members Absent:** Frederick Miller, Richard Vosburg, Scott Wickliffe
- Staff Present:** Alderman John Barizza, Alderman Mary Anne Gibson, De'Kisha Fondon, Patrick Lawton, Sherry Rowell, Adrienne Royals, Paul Turner
- Others Present:**
- Jason Manuel, Superintendent (GMSD)
 - Kevin Jones, CFO (GMSD)

CALL TO ORDER

Chairman Moody called the April 18th, 2017 Financial Advisory Commission meeting to order.

ESTABLISHMENT OF A QUORUM

Mr. Turner then called the roll and announced that a quorum was present.

REVIEW OF THE FY18 GERMANTOWN MUNICIPAL SCHOOL DISTRICT (GMSD) FUND

❖ Revenues (FY18 = \$52.7 Million)

Superintendent Manuel stated that there are basically three fundable sources for Revenues:

- **Basic Education Program (BEP)** funding (\$26.2 Million) from the State which is based on FY17 or the previous year's enrollment of 5,887 students. The remainder of the funding is through ADA (Average Daily Attendance) which is a comparison between our school attendances weighted against attendances in other school districts within Shelby County. Our weighted full-time equivalent average for daily attendance is 4% (\$7,147).
- **County Taxes** of \$23.6 Million plus \$150,000 increase in Sales Tax Revenues.
- **Maintenance of Effort** from the City of Germantown currently is a minimum payment of \$2.2 Million.

❖ Human Resources

Step Increase for eligible employees (\$386,000); all staff get an 18 year step increase or salary schedule when they are hired (up approximately 2% every year). A **Cost of Living Adjustment (COLA)** stipend (\$186,000) is allowed for those teachers who are at the top-of-scale and beyond step 18. Some added/projected positions for FY18 include the projection of 5 new Regular Education Teachers (\$375,000), 1 Physical Education

Teacher, an Administrative Assistant, 1 Secondary Curriculum Supervisor, 1 Special Education Teacher, 1 Special Education Transition Case Manager, 1 Library Assistant, and 0.5 Financial Secretary. Superintendent Manuel advised that GMSD is continuing to fully fund their OPEB requirements (\$830,000) and also that there is a 30% decrease in life insurance premiums for the District.

❖ **Technology**

1 School Technology Support staff for each of the elementary schools has been added, 1 Administrative Assistant for the Technology Department to be shared with Finance to support fixed asset accounting and other clerical duties and teacher laptops will also be replaced (\$200,000).

❖ **Operations**

Superintendent Manuel said because the District is still growing, there is a prediction that 2 more Modular Classrooms will need to be added for Dogwood Elementary School (\$200,000). Also, Audit services have increased to cover the District's portion of the Comprehensive Annual Financial Report (CAFR) which is also shared with the City of Germantown. Superintendent Manuel further advised that the District has reduced their anticipated legal cost; a remaining amount of \$366,063 can now be put into capital outlay. In the case that it is not all used, the rest can be rolled into reserves.

As Superintendent Manuel concluded, he made it clear that items mentioned in his presentation are not all the needs of the District; he said although we have done our best to bring a valid budget before the Commission tonight there are still other things that we can use extra funding for.

****MOTION****

Mr. Hardin motioned that the FY18 Germantown Municipal School District Budget be approved and thereby recommended to the Board of Mayor and Alderman. Mr. Rea seconded and the motion passed unanimously.

APPROVAL OF THE MINUTES

****MOTION****

Mr. Westbrook moved to approve the minutes (as amended) from the April 4th, 2017 Financial Advisory Commission meeting. Mr. McLaughlin seconded and the motion passed unanimously.

OTHER BUSINESS

Mr. Lawton reminded everyone that the next Financial Advisory Commission meeting date has been changed from May 2nd to May 9th, 2017 as Mr. Turner is awaiting numbers to settle the new tax rate. The FY18 General Fund Revenues and Expenditures will be presented. Following a work session with the Aldermen, the First Reading before the Board of Mayor and Aldermen will be on May 22nd, 2017.

ADJOURNMENT

Chairman Moody then called for the meeting to be adjourned.



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May 2017

Board of Mayor and Aldermen
Financial Advisory Commission
City of Germantown, Tennessee

This letter transmits the Budget for the fiscal year beginning July 1, 2017. In setting the City's annual financial and spending plan, the adoption of the Budget is the most significant action taken by the Board of Mayor and Aldermen each year. It authorizes the allocation of resources and establishes the direction for programs and services for our AAA-rated city for the coming year and the five-year planning period.

THE FISCAL YEAR 2018 BUDGET

The FY18 budget is balanced and totals \$170.4 million for all funds with the City's general fund totaling \$51.6 million. This balanced budget is the result of ongoing departmental cost control, city-wide performance improvement and efficiency measures and a proposed property tax adjustment of \$0.23 designed to address educational and other capital needs during the five-year financial planning period. Germantown remains in excellent financial health as evident by our AAA bond rating and strong financial reserves and is experiencing significant investment as a result of the improving economy.

PUBLIC POLICY

Adoption of the budget remains, by far, one of the most significant actions taken by the BMA each year. It authorizes the allocation of resources and establishes direction for programs and services for the coming year and during the five-year planning period.

The annual budget represents the culmination of hours of analysis and hundreds of recommendations on how best to respond to needs of the community in accordance with resources available, established policies and sound administrative practices. The annual budget builds upon prior budgets, staff objectives and departmental business plans, citizen feedback and the Germantown Forward 2030 Plan.

Administration employs certain funding priorities in developing the annual budget. Administration is strongly committed to the following:

- An operationally balanced budget, which supplies the necessary materials and tools to address the objectives identified in Germantown Forward 2030
- A fiscally balanced budget with no use of one-time revenues to fund ongoing city operations
- A budget based on customer ratings for importance and satisfaction with City services
- Full cost accounting and fee collection where possible
- A commitment to funding capital projects based upon the City's established financial policies

When structuring the budget document, Administration's goal is to produce a document that provides sufficient policy and financial information to give an accurate description of the city's financial health and stability.

The Germantown Board of Mayor and Aldermen, Administration and staff are committed to Germantown's economic, environmental and social sustainability. The strategic vision and planning process focus on influencing the future rather than simply adapting to it by aligning organizational resources to bridge the gap between present conditions and the envisioned future. The City's long-range strategic plan, Germantown Forward 2030, heavily influenced FY18 budget priorities.

With a focus on the priorities set forth in the bi-annually updated Germantown Forward 2030 Plan, Administration routinely presents a balanced budget for the year under consideration in addition to a five-year financial plan based upon carefully researched data, planning scenarios and financial assumptions. Current and long-term financial obligations of the community are addressed through the following measures.

FISCAL ACCOUNTABILITY

Fiscal accountability is achieved through development and adoption of the annual budget and long-range financial plan. This action authorizes the allocation of resources and establishes direction for programs and services for the coming year and for the five-year planning period. The budget process and development begins with the annual Board of Mayor and Aldermen retreat when strategic objectives and policy decisions are identified for budget deliberations.

The actual development of the budget relies on the expertise and professionalism of a highly trained staff in cooperation with the 23-member Financial Advisory Commission (FAC), a volunteer commission appointed by the BMA. These appointed resident volunteers, who have extensive experience in the financial sector, generously donate their time to work with City staff on every aspect of the budget and financial policies prior to recommendation to the BMA for adoption and passage. Believing that a budget is more than simply a series of numbers, graphs and statistics, the City works hard to ensure that the document is easy to understand and that residents have a clear picture of how tax dollars are used. Prior to budget adoption, a budget in brief postcard is created and distributed to residents. The document includes an invitation to the public hearing on the budget and highlights key revenues, expenditures and capital projects. Once adopted, the budget is made available on the City website.

Throughout the fiscal year, the Budget and Performance staff prepares and disseminates monthly financial reports to the city administrator, the BMA and every city department. The report provides information on key revenue and expenditures and highlights any variance requiring examination.

Fiscal accountability is also achieved by rating agencies each time the City enters the bond market to issue debt. Germantown is one of only 100 cities with a Triple A bond rating from both Moody's and Standard & Poor's. Both agencies conduct an extensive review of the City's finances and provide full disclosure to the bond buyer as to the fiscal health and stability of the City. These agencies last renewed the City's AAA rating prior to a bond sale in February 2016.

The City conducts an annual audit at the conclusion of each fiscal year. Records for every fund are audited by an independent audit firm that tests and reviews supporting evidences and financial statements. The City's audit has resulted in an unmodified opinion for more than 20 years on the overall fiscal health of the City. The audit report is reviewed by the City Audit Commission prior to submission to the Board of Mayor and Aldermen. The Audit Commission is staffed by the City's mayor, city administrator, alderman liaison, finance director and Financial Advisory Commission chairman.

The City has received the GFOA award for excellence in financial reporting each year since 1982. The purpose of the award is to encourage local governments to go beyond the minimum requirements of generally accepted accounting principles and to prepare comprehensive financial reports that provide true transparency and full disclosure.

The City also prepares and distributes to all residents a popular annual financial report (PAFR). The PAFR, prepared using information from the City's audit and annual financial report, is presented in a format designed to be easily understood by the general public. The City has also received the GFOA award for excellence for the PAFR for the past eight years. A copy of the PAFR is available online at Germantown-TN.gov.

STRATEGIC PLANNING

The complexity of the problems facing local governments and communities across the country requires active and ongoing citizen engagement in long-range planning to guide public policy and service delivery. It was against this backdrop that the strategic plan, now known as Germantown Forward 2030, emerged. The decision by the Board of Mayor and Aldermen to pursue the development of a strategic plan aimed at 2030, gave Germantown residents an opportunity to truly consider their future desires for the City and to plan proactive steps to move there.

Board of Mayor and Aldermen
Financial Advisory Commission
May 2017

The year-long planning process engaged residents in a dialogue about challenges and opportunities, community values and ensuring a sustainable future for the City. The process also provided an opportunity for the wisdom and expertise of Germantown residents to devise innovative solutions to address the economic, environmental and social issues faced today and anticipated to emerge in the future.

In an effort to make the strategic planning process a truly grass roots effort, one of the first actions by the Board of Mayor and Aldermen was to hand over the keys to the 30-member steering committee, charging them with the development of the plan to ensure community ownership. Steering committee members represented all aspects of the community in regard to age, race, gender and neighborhood. The process was facilitated by City staff to provide support and guidance and ensure completion of the plan.

Members of the steering committee plunged headfirst into an intensive situational analysis, including the systematic collection and evaluation of data relevant material related to the City's current environmental and future trends. The group enjoyed unlimited access to executives and materials. In other words, the committee spent several months learning what makes our City and the greater community "tick," and understanding what's around the corner that may impact us. This analysis included:

- An environmental scan including analysis of key indicators
- Workforce planning analysis
- Legal, ethical and reputational risk assessment
- Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis
- Review and discussion about the City's competitive position, customer requirements and industry trends
- Identification of key communities
- Review of community survey results

With a treasure trove of knowledge, the committee then spent a period of three months putting pen to paper and collectively developed the Germantown Forward 2030 vision statement. This statement is based on a comprehensive understanding of the current affairs of our community and the challenges and opportunities that lie ahead.

The steering committee's early writing efforts focused on the following questions:

- What must happen to ensure Germantown's sustainability in 2030?
- What words do you want your children and grandchildren to use to describe Germantown?
- What are the common values shared across the community?
- What is unique about Germantown?

The vision statement developed by the steering committee is an expression of possibility, the ideal state that the community hopes to achieve. The focus of the steering committee in writing the vision statement was to ensure the entire community embraces it. The vision provides the basis defined by a series of value-based principles, from which the steering committee established the key performance areas.

The key performance areas (KPA) that emerged from the visioning process formed the foundation for the task forces' strategy development work that followed. Nine task forces were comprised of steering committee members, appropriate City staff and residents tapped for their expertise or interest in one of the KPAs. Individual task forces used the following steps to develop the strategic objectives, action plans and key performance indicators that guide the implementation of the strategic plan.

- Each task force developed a Description of Success for the KPA. The Description of Success defines KPA success in reference to the vision statement. Task force members asked the question, "What should the performance area look like if the vision is achieved?" and "What community assets exist to help reach this description?"
- Once the Description of Success was defined, the task force used this description to identify indicators and targets to monitor progress.
- Each task force developed a Description of the Current Reality focusing on challenges that may threaten achievement of the description of success. Identification of these challenges provided a starting point for action plan development.

Board of Mayor and Aldermen
Financial Advisory Commission
May 2017

- Finally, each task force generated ideas and initiatives, in the form of strategic objectives and action plans, designed to move the community from current reality toward success. Action plans were sorted into short-, medium- and long-term priorities and performance indicators were developed for each objective.

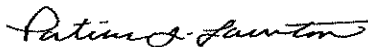
The strategic objectives and action plans that emerged effectively identify what must be accomplished to achieve the vision set forth in Germantown Forward 2030. These objectives will be deployed through the allocation of intellectual and human capital and financial resources. Progress will be measured using a performance management program designed to provide accountability and transparency.

REVENUE PROJECTIONS

Concurrent with the adoption of the budget, the Board of Mayor and Aldermen adopts a property tax rate. The budget for FY18 has a property tax rate of \$1.99. Property taxes generated in Germantown comprise about 59% of overall General Fund operating revenues.

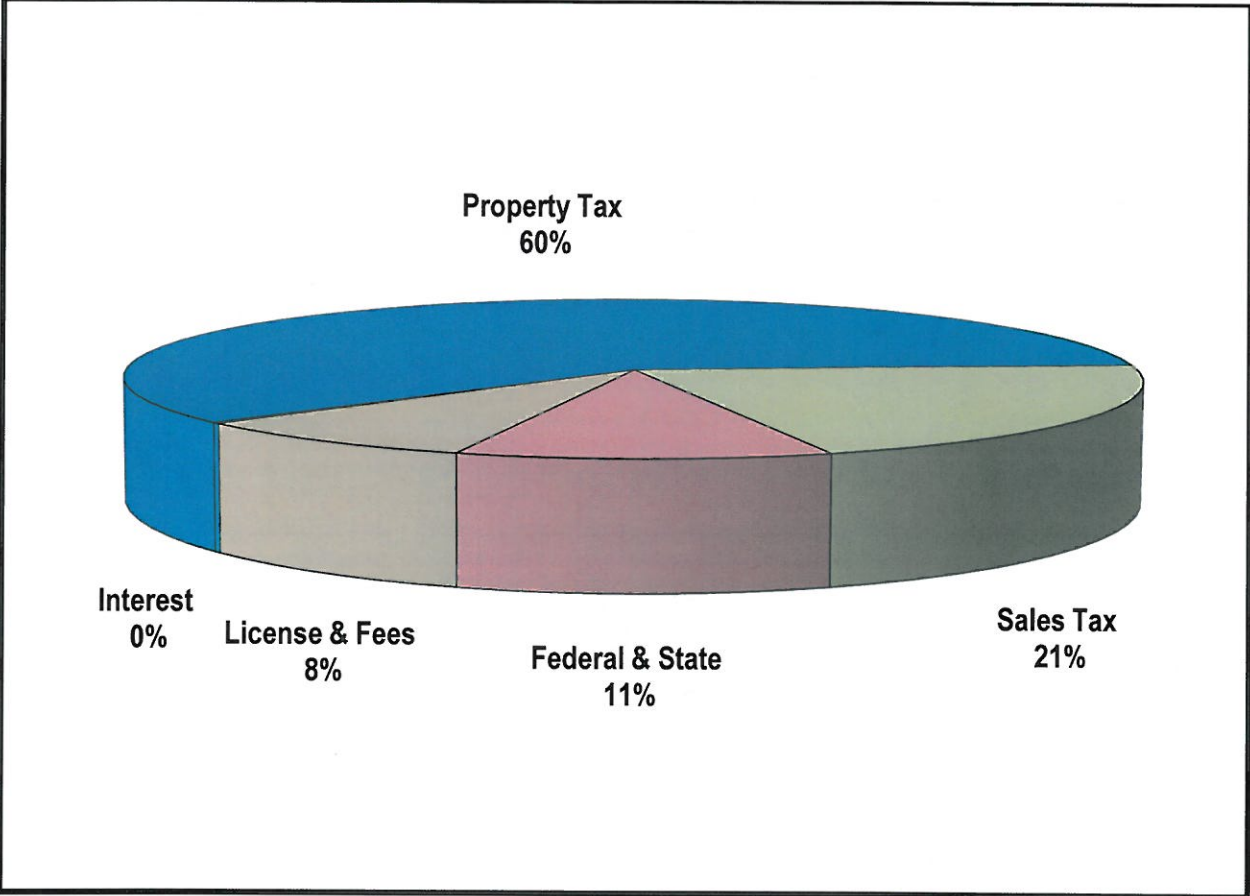
Germantown currently has multiple mixed-use projects under construction in FY18 representing over \$400 million in private investment. These projects will result in an additional _____ square feet in retail shops, restaurants, hotel rooms, class-A office space and multifamily units. In addition, 180 new single family homes, with a total value of more than \$25 million, are being developed with many already under construction. These new Germantown properties will be assessed beginning in FY18.

Sincerely,

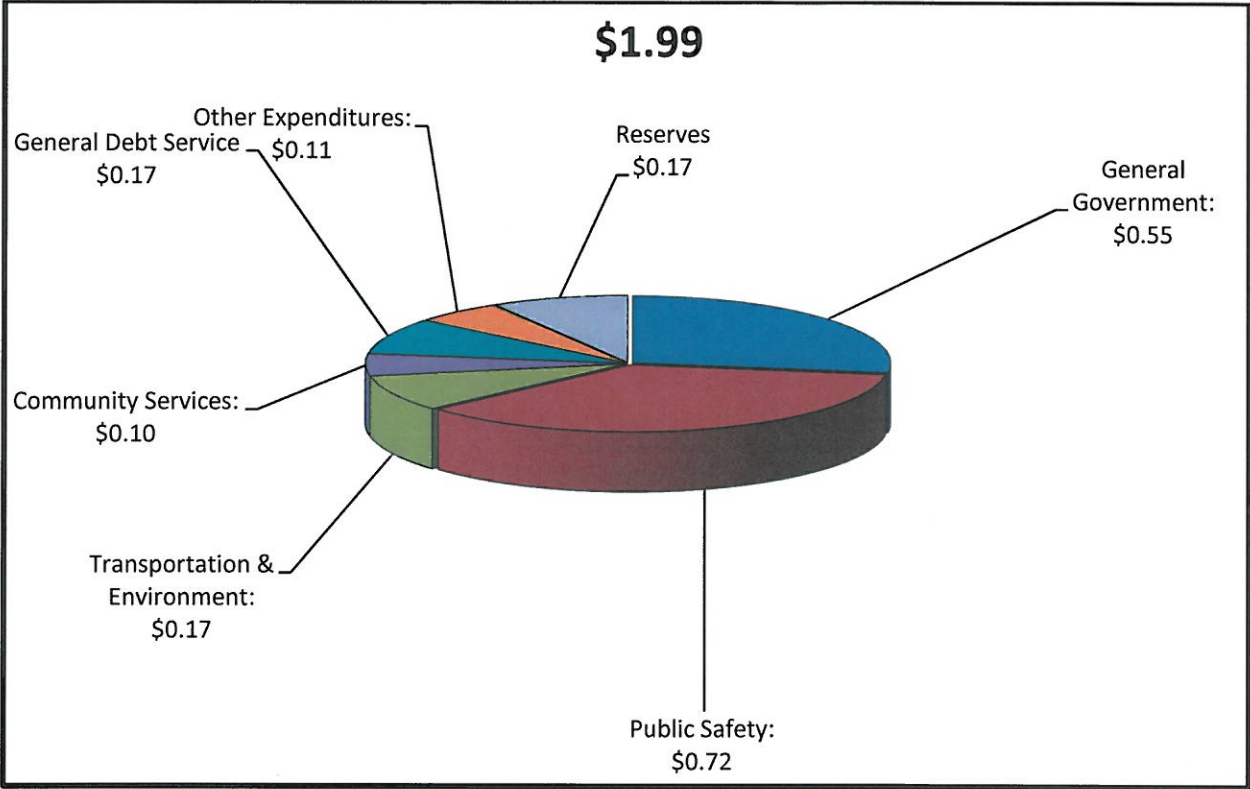


Patrick J. Lawton
City Administrator

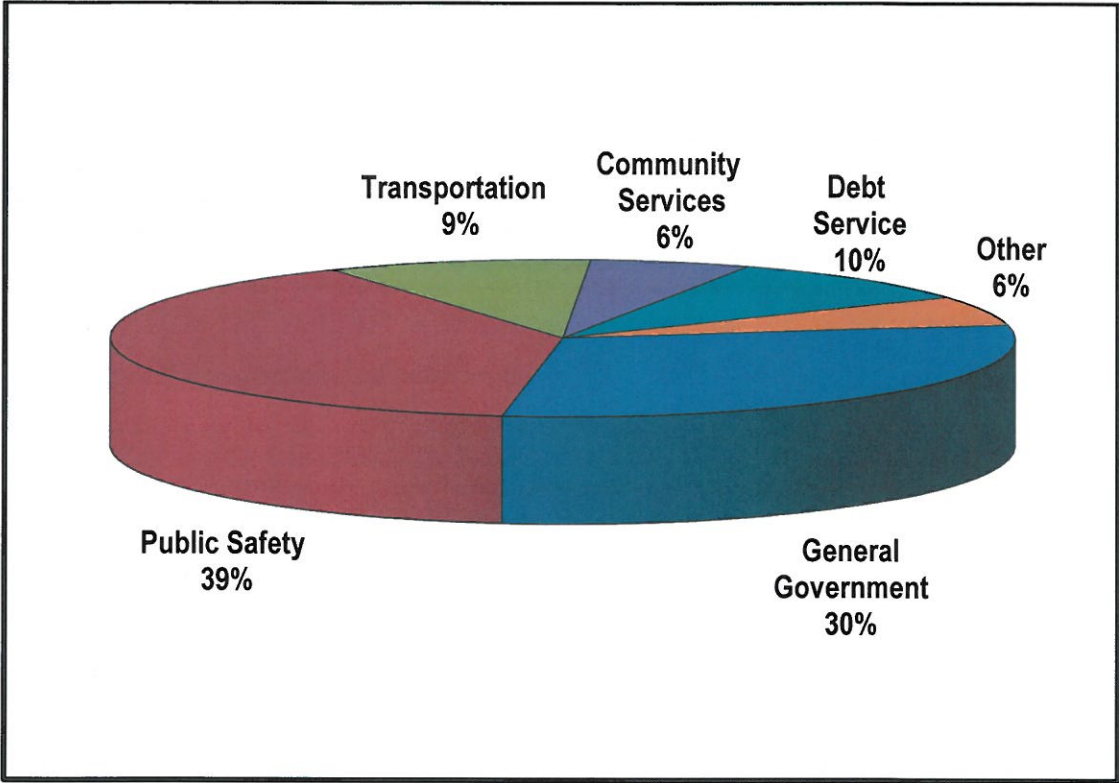
General Fund Revenues



Property Tax Allocation



Expenses by Category



GENERAL FUND

	Actual FY15	Actual FY16	Original FY17 Budget
REVENUES:			
Property Taxes	\$ 28,633,370	28,867,646	29,374,083
Sales Taxes	10,069,167	11,422,380	11,189,500
Federal and State Revenues	6,733,690	7,117,090	6,072,306
Other Revenues	3,749,261	8,963,471	3,814,751
Investment Income	74,989	149,778	65,000
Funds from Prior Periods	-	-	450,000
TOTAL GENERAL FUND REVENUES	49,260,477	56,520,365	50,965,640
EXPENDITURES:			
General Government:			
Aldermen	192,267	165,657	231,653
Civic Support	-	1,610,901	1,502,870
City Court	618,269	704,098	730,274
Administration	1,622,055	1,573,727	1,893,590
Germantown Performing Arts Center	1,046,082	1,207,605	1,316,032
Information Technology	1,447,781	1,624,745	2,498,600
Human Resources	638,608	644,475	678,173
Finance	996,818	1,075,984	1,173,553
Procurement	671,243	695,692	718,501
Community Development	1,809,313	2,146,062	2,195,797
General Services	1,589,069	1,879,516	1,963,462
Budget & Performance	315,825	309,748	367,063
Total General Government	10,947,330	13,638,210	15,269,569
Public Safety:			
Police	10,571,580	10,618,929	11,680,737
Fire	7,104,005	7,400,432	7,701,559
Total Public Safety	17,675,585	18,019,361	19,382,296
Transportation & Environment:			
Public Services	3,884,003	3,914,788	4,424,734
Animal Control	322,281	367,554	337,585
Total Transportation & Environment	4,206,284	4,282,342	4,762,319
Community Services:			
Parks & Recreation	1,216,187	1,038,286	1,379,880
Genealogy Center	69,841	63,893	79,034
Library Services	1,418,167	1,410,571	1,484,097
Cultural Arts Programs	77,660	61,001	65,997
Total Community Services	2,781,855	2,573,751	3,009,008
General Debt Service	3,168,485	7,724,454	3,852,051
Other Expenditures:			
Transfer to Great Hall Fund	225,000	225,000	175,000
Transfer to Municipal Schools Fund	2,121,576	2,131,594	2,189,386
Transfer to (from) Germantown Athletic Club Fund	-	-	-
Transfer to Ambulance	500,000	750,000	700,000
Transfer to Automated Enforcement	75,000	75,000	-
Transfer to State Street Aid	1,650,000	1,850,000	1,650,000
Transfer to Farm Park	150,000	150,000	150,000
Contingencies	-	-	50,000
Expense Reimbursement	(991,167)	(534,852)	(978,806)
Roll Forward Enc.- Prior Year	450,000	450,000	450,000
Roll Forward Enc - Next Year	(450,000)	(450,000)	(450,000)
TOTAL GENERAL FUND EXPENDITURES	42,509,948	50,884,860	50,210,823
Excess of Revenues Over/(Under) Expenditures	\$ 6,750,529	5,635,505	754,817
Fund Balance - Beginning	24,069,837	28,250,366	26,655,851
Transfer to Capital Projects	(2,570,000)	(2,028,000)	(2,500,000)
CIP Reserve Increase (Decrease)	-	-	(1,300,000)
Prior Period Adjustment	-	-	-
Fund Balance - Ending	\$ 28,250,366	31,857,871	23,610,668
	66%	63%	47%

GENERAL FUND BUDGET SUMMARY

Estimate FY17	Budget FY18	Projected			
		FY19	FY20	FY21	FY22
\$ 29,439,857	33,388,964	33,635,350	33,957,343	34,509,464	35,136,189
11,635,000	11,725,001	11,936,500	12,167,230	12,477,775	12,718,237
6,660,000	5,986,000	5,477,240	4,974,415	4,470,393	3,969,186
4,718,381	4,818,542	4,913,392	4,917,157	5,005,781	5,096,546
150,200	139,200	141,700	137,900	135,424	133,096
450,000	450,000	450,000	450,000	450,000	450,000
53,053,438	56,507,707	56,554,182	56,604,045	57,048,836	57,503,254
237,859	194,453	196,901	199,459	202,929	206,047
1,724,518	1,516,795	1,544,379	1,570,569	1,598,115	1,626,717
729,918	731,495	736,018	752,795	771,119	790,065
1,709,548	1,732,509	1,769,603	1,808,523	1,855,057	1,898,460
1,350,838	1,353,961	1,444,217	1,454,731	1,412,993	1,453,548
2,665,415	2,287,158	2,393,084	2,262,654	2,274,209	2,380,433
692,994	647,996	665,573	684,096	704,037	724,798
1,213,613	1,304,021	1,332,881	1,363,210	1,398,800	1,432,803
708,802	729,601	749,417	770,290	792,834	816,143
2,241,942	2,123,667	2,148,074	2,208,135	2,272,960	2,339,855
2,215,997	2,458,779	2,274,190	2,262,022	2,185,637	2,210,470
353,000	367,520	372,669	381,893	391,852	402,148
15,844,444	15,447,955	15,627,006	15,718,378	15,860,541	16,281,487
11,732,673	12,175,188	12,444,272	12,829,854	12,992,714	13,768,577
7,959,460	8,181,073	8,454,109	8,516,943	8,741,932	9,055,497
19,692,133	20,356,261	20,898,381	21,346,797	21,734,646	22,824,074
4,623,680	4,478,216	5,185,181	4,704,353	4,939,871	5,008,130
346,844	395,216	433,365	418,842	430,375	442,198
4,970,524	4,873,432	5,618,546	5,123,195	5,370,246	5,450,327
1,264,088	1,300,501	1,390,249	1,340,814	1,374,967	1,409,982
79,141	80,073	81,795	83,427	85,476	87,543
1,495,725	1,503,330	1,544,161	1,586,688	1,630,831	1,676,005
71,725	75,997	75,997	76,043	76,225	76,273
2,910,679	2,959,901	3,092,202	3,086,972	3,167,499	3,249,804
3,852,051	4,881,097	4,860,053	4,859,753	4,815,403	4,718,935
175,000	85,000	75,000	75,000	50,000	-
2,189,386	2,475,000	2,499,750	2,524,748	2,549,995	2,575,495
-	(100,000)	(100,000)	(100,000)	-	-
600,000	450,000	475,000	475,000	500,000	375,000
-	-	-	-	-	-
1,650,000	1,100,000	1,400,000	1,500,000	1,500,000	1,500,000
150,000	120,000	120,000	100,000	90,000	80,000
50,000	50,000	50,000	50,000	50,000	50,000
(978,806)	(1,046,960)	(1,071,451)	(1,097,030)	(1,123,328)	(1,150,370)
450,000	450,000	450,000	450,000	450,000	450,000
(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)
51,105,411	51,651,686	53,544,487	53,662,813	54,565,002	55,954,752
\$ 1,948,028	4,856,021	3,009,694	2,941,231	2,483,834	1,548,503
31,407,871	29,105,899	31,511,920	28,321,614	27,502,845	22,021,679
(2,500,000)	(2,000,000)	(1,450,000)	(1,050,000)	(500,000)	-
(1,300,000)	-	(4,300,000)	(2,260,000)	(7,015,000)	(1,085,000)
-	-	-	-	-	-
\$ 29,555,899	31,961,920	28,771,614	27,952,845	22,471,679	22,485,181
58%	62%	54%	52%	41%	40%