



CITY OF GERMANTOWN TENNESSEE

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FINANCIAL ADVISORY COMMISSION MINUTES

Tuesday, May 9, 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, Michael McLaughlin, Christine Menzel, Julius Moody, Paul Mosteller, Donnie Rose, Harold Steinberg, Richard Vosburg, Brian White

Members Absent: Jason Lowe, Chris Miller, Frederick Miller, David Rea, Alan Richmond, Denise Stumph, Brandon Westbrook, Scott Wickliffe

Staff Present: City Staff was present

CALL TO ORDER

Chairman Moody called the May 9th, 2017 Financial Advisory Commission meeting to order.

ESTABLISHMENT OF A QUORUM

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

APPROVAL OF THE MINUTES

Mr. Hardin moved to approve the minutes from the April 18th, 2017 Financial Advisory Commission meeting. Alderman Janda seconded and the motion passed unanimously

REVIEW OF FY18 GENERAL FUND REVENUES AND EXPENDITURES

Mr. Lawton stated that the budget for the General Fund is built around the City's strong financial policies contained within the budget document. Priority areas are discussed with the Board of Mayor and Aldermen and then taken into consideration in the strategic objectives pertained in the Germantown Forward 2030 plan. Mr. Lawton further stated that this is a "balanced" budget in that there are adequate revenues and expenditures to cover the City's operating needs to make sure we are not compromising any of our core service areas and/or capital needs that need to be addressed. Per Mr. Lawton, the budget that will be presented tonight is truly an investment in our community.

General Fund Revenues

FY18 Revenue highlights include the proposed Property Tax increase. The current rate is \$1.93; the new certified/rollback tax rate will drop to \$1.76 based on the State's taxation law that requires local governments to adjust the tax rate to a new certified tax rate when there is reappraisal so that local governments across the state do not make a windfall on that increase in property values. Mr. Lawton advised with the new rate at \$1.76 and based upon predicted budget requirements for the

new debt service along with other reductions and revenue increases, it is recommended that the certified rate be increased by an additional \$0.23 to fund the General Fund for the next five year planning period thus giving us a new effective tax rate of \$1.99. This \$0.23 will go towards school site acquisition, construction and the FF&E (\$.0.10), road improvements (\$0.03) and a five year phase out of the Halls Income Tax (\$0.10). Other Revenue highlights include local option sales tax (\$9,175,000) and occupancy tax (\$925,000); both are up 0.9% and 5.7% respectively and auto registration (\$275,000 up 29%), convenience fees (\$75,000 up 100%) and City court costs (\$38,000 up 10%).

There is a 6.5% increase over the FY17 estimate totaling \$56,507,700 primarily due to the proposed increase of property taxes and other revenue increases. Revenues by Category include: Property Taxes (\$33,388,964), Sales Taxes (\$11,725,001), Federal and State Tax (\$5,986,000), Other Revenues (\$4,818,542), Investment Income (\$139,200) and Funds from Prior Periods (\$450,000).

General Fund Expenses

Mr. Lawton advised that there is only a 1% increase over the FY17 estimate totaling \$51,651,700. He commended staff's efforts in controlling expenses, minimizing the tax increase and addressing important issues such as education and public safety. Per a recent survey, residents reported that they are somewhat or are very satisfied with the City of Germantown and the services that we provide. The City's proposed \$1.99 tax rate is allocated as follows: The largest component, Public Safety=\$0.72, General Government=\$0.55, Transportation & Environment=\$0.17, Community Services=\$0.10, General Debt Service \$0.17, Reserves=\$0.17 and Other Expenditures=\$0.11. Mr. Lawton said when considering the additional \$.023 tax increase, Administration was very careful in adhering to the City's Financial Policy by making sure that our Reserves include a year's worth of debt service payment, at least six months of property tax collections and available funds for emergencies and catastrophes. Expenses by Category include Public Safety (\$20,356,261), General Government (\$15,447,955), Debt Services (\$4,881,097), Transportation (4,873,432), Community Services (\$2,959,901) and Other (\$3,133,040).

Mr. Lawton talked about General Government, the second largest component, which entails budgets for the Aldermen, Civic Support, City Court, Administration, GPAC, Information Technology, Human Resources, Finance, Procurement, Community Development, General Services and Budget and Performance. With an emphasis on Civic Support, Mr. Lawton highlighted the following related expenditures:

- Salaries associated with the school Crossing Guards and School Resource Officers (SRO).
- Shelby County Schools, \$355,453 to be paid annually for the next nine to ten years for settlement agreement.
- An amount of \$248,055 which is to be used for:
 - Movers Program
 - Senior Expo
 - Chamber of Commerce grant (recommended increase to \$20,000)
 - Driver's safety class for ninth graders
 - 2017 October Fest
 - Proposed construction of a medical care facility for veterans
 - Additional funding for Leadership Germantown; increase from \$6,400 to \$13,600

Mr. Lawton explained that Infrastructure Improvement Project (IRP) include things that are going to be fixed up and changed out on a more regular basis such as vehicles and building improvements throughout the City. General Government FY18 IRPs include items such as new HVAC installations in the IT Computer Room, the replacement of boilers, security systems, and City signs, main stage curtains at GPAC and one replacement vehicle in Community Development. The costs for these items also appear in each department's operating budget. Public Safety FY18 IRPs include seven replacement vehicles, in-car video systems and Fire IRPs are two fire replacement vehicles, office furniture, generators and portable radio microphones.

Fire Chief John Selberg announced that he was recently notified that the Germantown Fire Department's class-3 rating has now been advanced to a Class-1 department. A round of applause was given by Commission members and meeting attendees as one of four across the state and literally a handful across the country receives this type of classification. Based on a recent survey, citizens were overall satisfied with Public Safety and the service that they provide. They were also satisfied with services provided by Transportation and Environmental services.

Mr. Lawton advised that Expense per Capita is a trend line that rating agencies look at. An increase in this area might indicate that our revenues are not keeping pace with our expenses or that revenues are not in place appearing as if the City is "deficit spending". He further advised that with the General Obligation Debt Service, we should always see a steady decrease as time goes by or as a result of debt service payments. Currently, the future principle plus interest on the \$33.5 million bond issue for road improvements and the new elementary school is our primary debt obligation in which we will be paying down over the next twenty years and some outer years. Based on the City's population, the Net Debt per Capita is what people are paying for debt. A steady decrease is a good indication for the rating agencies; they look to see if we are paying down our debt on a systematic basis without crossing our Debt per Capita threshold of \$2 million. Lastly, the Fund Balance is a percentage of expenditures. Mr. Lawton said we try to keep at least 40% of our expenditures in Fund Balance; it works in terms of giving us dollars needed to fund capital projects (pay-as-you-go basis) and designated reserves.

****MOTION****

Mr. Hardin motioned that the FY18 General Fund Budget (with tax increase) be approved and thereby recommended to the Board of Mayor and Aldermen. Mr. McLaughlin seconded and the motion passed unanimously by all members present.

OTHER BUSINESS

On behalf of himself and staff, Mr. Lawton thanked Commission members. He shared his appreciation for their time, hard work and services. He also advised that the FAC will most likely meet again prior to the last BMA meeting in June where the initial authorizing resolution for the bond sale will be taken.

ADJOURNMENT

Mr. Beckham moved that the meeting be adjourned. Alderman Janda seconded and the motion passed unanimously.