



CITY OF GERMANTOWN TENNESSEE

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FINANCIAL ADVISORY COMMISSION MINUTES

Tuesday, April 24, 2018—6.00 p.m.

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

Members Present: Stacy Barron, Hal Beckham, Blake Deaton, Clint Hardin, Ashley Hopper, Alderman Rocky Janda, Russell Johnson, Julie Klein, Walter Krug, Jason Lowe, Christine Menzel, Chris Miller, Frederick Miller, Julius Moody, Paul Mosteller, Alan Richmond, Donnie Rose, Denise Stumph, Richard Vosburg, Brandon Westbrook

Members Absent: Brian Carney, Harold Steinberg, Brian White, Scott Wickliffe

Staff Present: Alderman John Barzizza, Jeff Beaman, Pam Beasley, Paul Chandler, Reynold Douglas, De'Kisha Fondon, Ralph Gabb, Richard Hall, Jason Huisman, Stephanie Logan, Bo Mills, Daniel Page, Lisa Piefer, Sherry Rowell, Adrienne Royals

CALL TO ORDER

Chairman Moody called the April 24th, 2018 Financial Advisory Commission meeting to order.

ESTABLISHMENT OF A QUORUM

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

Mr. Lawton welcomed Mr. Ralph Gabb back to the Financial Advisory Commission as he has agreed to come back to assist on a part-time basis until the position of Finance Director is filled.

REVIEW OF FY19 GENERAL FUND BUDGET

Mr. Lawton stated that the General Fund manages the property tax rate over a five-year planning period however, because of how the budget is built today, we were able to extend the tax adjustment to a sixth year. More importantly, it is good to know that in FY24, all of our designated fund balance areas are more than covered. Also, recommendations and decisions regarding the General Fund are consistent with Germantown Forward 2030; core service levels are maintained or improved and adequate funds/resources are available for both operations and capital through a balanced budget. Per Mr. Lawton, our theme for this year's budget is investment in Infrastructure, Public Safety and Education.

FY19 Revenue Highlights include:

- Economic Development
 - Local option sales tax continues to grow with a 15% increase; the FY17 Budget will be exceeded by approximately \$1 million.
 - Occupancy Tax is up by 19%

- Other Revenues
 - Property Tax Rate is at \$1.97 and this year is known as the “recapture year.” The tax rate set last year was an increase of .21¢. Within this amount, the State allowed a few pennies (.04¢) of that to help take care of appeal allowances. From November until now, the City of Germantown used .02¢ on appeals recapturing 44.34% of total allowances. Administration’s recommendation is that we keep the tax rate as it is and hang on to the remaining two pennies because we know that appeals (residential and commercial) are going to continue.

FY19 Expenditure Highlights include:

- A balanced budget with sufficient resources for both capital and operations
 - Funding of both, City and GMSD capital
 - Three additional police officer positions (hopefully new district)
- General Fund expenditures (less new debt) increased by 2.6% from FY18 budget
- Increase in Group Insurance (\$372,900) mainly due to shock claims and self insured plans.
- Increase in Pension liability; add \$419,000 to keep the plan healthy.
- General Fund merit increase (3%)
- Public Safety step increase (\$411,600)

General Fund Revenues

Mr. Lawton advised that there was a 2% increase over the FY18 budget totaling \$57,371,100 largely due to the impact of the local option sales tax and last year’s property tax increase. Additionally, revenues were affected by the loss of the Hall Income Tax as well. General Fund Revenues are broken down as: Property Taxes (59%), Sales Taxes (23%), Federal and State Tax (10%), License and Fees (8%) and Interest (0%).

Revenue Categories include: Property Taxes (\$33,185,367), Local Sales Tax (\$13,265,000), Federal and State Revenues (\$5,677,000), Other Revenues (\$4,526,084), Investment Income (\$219,200) and Funds from Prior Periods (\$450,000). Revenues per Capita is revenue that is charged for every man, woman and child that lives in the City of Germantown. This should stay pretty level as an increase in this area could be an indication that our spending is outpacing our ability to generate revenues. Rating agencies look here for trends and/or spikes in level.

General Fund Expenses

Increase of 6% over FY18 budget (\$54,662,400); this amount includes debt service payment for the \$34 million bond issue. The overall healthiness of the General Fund helps add value to our City. Based on the last annual community survey, Germantown residents (randomly selected) reported that they are satisfied or somewhat satisfied with the City’s overall image/reputation (93%), services (90%) and direction in which the City is taking (72%).

The City’s \$1.97 Property Tax rate is allocated as follows: The largest component, Public Safety=\$0.74 (largest), General Government=\$0.55, Transportation & Environment=\$0.19, Community Services=\$0.11, General Debt Service \$0.15, Reserves=\$0.09 and Other Expenditures=\$0.14. Expenses by Category include Public Safety—39% (\$21,451,075); General Government—30% (\$16,245,085); Debt Services—8% (\$4,481,097), Transportation—10% (\$5,417,213), Community Services—6% (\$3,148,286) and Other—7% (\$3,982,210).

Mr. Lawton then 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.

Upon speaking on General Government’s Civic Support, Alderman Janda explained that the Germantown Community Theater (GCT) has been struggling for many years as a result of taking on the \$150,000 per year Morgan Woods youth program approximately nine years ago at a discounted rate of \$45,000. Because this is a good asset that is going in the right direction, Alderman Janda recommended that the City support the theater by donating \$100,000. Mr. Beckham also shared some history and information about the theater and thus agreed with Alderman Janda.

****MOTION****

Chairman Moody made a motion to increase funding for the Germantown Community Theater (GCT) to \$100,000. However, due to concerns expressed by some of the commission members (programming, theater Board, facility maintenance and cost, physical condition of building, incoming revenues) and also due to a lack of information, the commission decided to put the motion to a vote.

Commission members voted as follows:

Stacy Barrom – *yes*; Hal Beckham – *abstain*; Brian Carney – *absent*; Blake Deaton – *yes*; Clinton Hardin – *yes*; Ashley Hopper – *yes*; Alderman Janda – *yes*; Russell Johnson – *yes*; Julie Klein – *yes*; Walter Krug – *yes*; Jason Lowe – *yes*; Christine Menzel – *yes*; Chris Miller – *left early*; Frederick Miller – *yes*; Julius Moody – *yes*; Paul Mosteller – *yes*; Alan Richmond – *yes*; Donnie Rose – *no*; Harold Steinberg – *absent*; Denise Stumph – *yes*; Richard Vosburg – *no*; Brandon Westbrook – *no*; Brian White – *absent*; Scott Wickliffe – *absent*.

With a total vote of 15-3, the motion passed.

Mr. Lawton further explained in addition to pension and health insurance in the General Fund area, the Infrastructure Replacement Plan (IRP) includes 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. Based on a ten-year plan, the total costs of IRP items also appear and are incorporated in each department's operating budget.

Based on annual community surveys, Germantown citizens were overall satisfied with services provided for Public Safety, Community Services and Transportation/Environmental. As with Revenues, Expenses per Capita helps us to look for warning signs—an increase in any one of these areas during a five-year period of time might indicate that our revenues are not keeping pace with our expenses. Rating agencies look for a good and steady line trend. Mr. Lawton said hopefully we will continue to receive good ratings from our Germantown residents.

There are several bond issues that are incorporated into our General Obligation and Debt Service five (5) year planning period. Bond Issues for FY20, FY22 and FY22 are primarily driven because of (1) The Park Master Plan and (2) GMSD Capital Needs (boilers for Riverdale (K-6) and the addition to Riverdale Middle School). Per Capita Income or Debt per Capital for the City of Germantown is set at \$2,000. A steady decrease is a good indication for the rating agencies as they look to see if we are paying down our debt on a systematic basis without crossing our Debt per Capita threshold of \$2,000. Per Mr. Lawton, the City continues to operate well below the threshold. 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; this really works well 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 FY19 General Fund Budget be approved (as amended) and thereby recommended to the Board of Mayor and Aldermen. Mr. Westbrook seconded and the motion passed unanimously.

OTHER BUSINESS

Commission members applauded Mr. Lawton and staff for a job well done. Chairman Moody thanked Alderman Barzizza for his attendance; he also thanked commission members for their time and dedication. Mr. Lawton announced that a public hearing on the FY19 General Fund Budget will be held on June 11th, 2018.

ADJOURNMENT

With all agenda items being discussed, the meeting was adjourned.