BUDGET & FINANCE COMMITTEE MEETING MINUTES
THURSDAY, DECEMBER 1, 2022 @ 3:00 P.M.
CITY HALL BOARD ROOM
FRANKLIN, TENNESSEE

Committee Members		Other Attendees	
Alderman Clyde Barnhill, Chair	P	Eric Stuckey, City Administrator	P
Alderman Patrick Baggett	P	Kristine Brock, ACA/CFO	P
Alderman Ann Petersen, Vice-Chair	P	Michael Walters Young, Budget/Strategic Innovation Manager	P
Alderman Jason Potts	P	Mike Lowe, Comptroller	P
		Katherine Harelson, Management Fellow	A
		Margaret Wilson, Financial Analyst	P
		Cayce Anderson, Records Technician	P
		Angie Johnson, Deputy City Recorder	P
		Ken Moore, Mayor	A
		Jessica Davey, Revenue Licensing Manager, City Court Clerk	A
		Jason Potts, IT Director	A
		Kevin Townsel, HR Director	A
		Lanaii Benne, City Recorder	P

CALL TO ORDER

Chairman Clyde Barnhill called the meeting to order at 3:00 PM

APPROVAL OF THE MINUTES

1. *A motion was made by Alderman Potts, seconded by Vice-Chair Petersen to approve the minutes from October 13, 2022. The motion passed 4-0.*

NEW BUSINESS

2. **Consideration Of Resolution 2022-81, A Resolution To Revise The Organizational Chart For The Facilities Department**

City Staff is requesting to amend the budget to go from two to three facilities maintenance workers. There is no change in pay grade (D), and thus, there is no monetary change to the facilities management department. There was a retirement of a custodian in the department, and the new position to backfill is the new facilities maintenance worker.

A motion was made by Alderman Potts, seconded by Alderman Petersen to Recommend Approval of the Resolution to the Board of Mayor and Alderman. The motion passed 4-0.

3. **Consideration Of Resolution 2022-74, A Resolution To Create An Organizational Chart For The Transit Fund**

This is the addition of a part-time position to assist the Franklin Transit Authority (FTA) Board in their contract compliance and oversight. This position would be a City employee reporting to the FTA Board. This recommendation was born out of a review from the Federal Transit Administration. They identified the need for an independent position to help provide review and oversight for the Franklin Transit Board and separate from the TMA Group's Board and operations.

A motion was made by Alderman Baggett, seconded by Alderman Potts to Recommend Approval of the Resolution to the Board of Mayor and Alderman. The motion passed 4-0.

4. **Consideration Of Resolution 2022-75, A Resolution Of The Board Of Mayor And Aldermen For The City Of Franklin Adopting Budget Goals For The Fiscal Year 2023-2024**

The 2024 budget process is underway, and it starts by defining the City's budget goals. There are long-term goals that transcend an annual budget, such as having a structurally balanced budget, supporting financial policies, and leveraging local funds with grant opportunities and state dollars. The City also has non-financial goals listed below:

- Be highly competitive in providing economic opportunities and high-quality services to the community
- Support the implementation of capital investment programs
- Manage and maintain short-term and long-term water management projects

The City wants the budget to also be supportive and consistent with long-term plans in transportation, water, parks, and land use. Envision Franklin is going through an update that reflects the City's current experience with the plan, aspirations for the community, and solid stewardship of resources both in the built and natural environment.

Additionally, the City aims to continue to find a high qualified, diversified workforce, provide high-quality services, and remain a competitive employer in the region. One thing the City is looking at as they move into the next year is surveying employees to promote a positive work environment and be a preferred employer in the community.

Alderman Potts asks in regards to specific FY2024 initiatives, if the City has a specific goal for workforce housing? Is there a goal tied to workforce housing in 2023? He asks because he serves on the Housing Commission.
Answer: The City works closely with the Housing Authority to support their local projects. The City has injected some American Rescue Plan funds into infrastructure that supports four of their affordable housing projects. The City also includes $100,000 generally into the budget to have some capacity for financial support of workforce housing opportunities that come up.

Alderman Baggett asks with the Envision Franklin refresh, is the City updating other long-term plan initiatives?
Answer: Operational components help support the long-term Envison Franklin goals to other City initiatives.

Vice-Chair Petersen asks what is the "lesson learned" slide?
Answer: It has been included in budget goals for the better part of five years to allow for reflection during goal-setting. It also highlights what went well that the City can replicate again in the future.

Chairman Barnhill asks how the Hill Project is moving along as far as budgeting is concerned?
Answer: The City expects reimbursement from the water utility since a portion of the land is City-owned.

Chairman Barnhill also followed-up on a comment from the November 28th Special Work Session and wanted to double-check the accuracy of the IWRP Figure referenced in the appendix. He asked if it is correct because if so, it will have huge budgetary implications for utilities and impact fees moving forward.
Answer: City Staff is reviewing the data and the modelling to be sure projections are on the right track.

Alderman Potts asks where the citizens can go to gauge the City's performance against our goal?
Answer: The City is actively trying to increase accessibility and transparency in budgeting performance measurements. Go to performance.franklintn.gov for the online home of the strategic plan.

A motion was made by Alderman Potts, seconded by Alderman Baggett to Recommend Approval of the Resolution to the Board of Mayor and Alderman. The motion passed 4-0.

5. Report Of The City's External Auditor, Crosslin, PLLC, And Presentation Of The Fiscal Year 2022 Annual Comprehensive Financial Report

The report from the external auditor is critical to gauge the City's aggregate financial health. It is a requirement in the State of Tennessee that all cities be audited by an external auditor that is approved by the State. Once the audit has been prepared, it is submitted to the State by December 31st every year for the Fiscal Year (FY) that ended in June. It is then also reviewed by an internal state auditor.

City Staff has spent the last 5 months working to close the books in accordace with Generally Accepted Accounting Principles (GAAP) as well as go through audit field work. Auditors have been on site at City Hall to answer follow-up questions and engage in dialogue back and forth to ultimately come up with the draft report.

Earlier in the summer, Crosslin, PLLC presented audit plans to the Budget and Finance Committee, and they have now completed their audit and have the results prepared to share. There have been no changes to the audit plan, and the scope remained the same. The initial risk assessment remained the same as well.

The City received an unmodified opinion, which means it is a clean opinion and is the best you can receive during an audit. To review the annual comprehensive report, it is available as an attachment to the agenda or online at franklintn.gov.

Alderman Baggett inquired about the contributions to the closed City of Franklin Pension Plan.
Answer: With the closed pension plan, the measurement date is different from the fiscal year plan. The open plan, Tennessee Consolidated Retirement System (TCRS), is on the same measurement date because it follows the State of Tennessee guidelines. With the closed pensionplan, it is a December 31st measurement date, so the value on the report was the additional contribution from the previous fiscal year.

Alderman Baggett continues by asking how much the City contributed to the open TCRS plan?
Answer: The City did not contribute extra. The State tells us the percentage of covered payroll the City must contribute as the employer, and since the City is just starting out with the new open plan, they have made all of the required contributions. That's why the City is so well-funded with the new plan. Again, it is using the pay schedule provided by the State. As an employer this year, the City's contribution is 7.22% and the employee puts in 5%.

6. Report Of The City's External Auditor, Crosslin, PLLC, And Presentation Of The Fiscal Year 2022 Annual Comprehensive Financial Report For Cool Springs Conference Center

In conjunction with the audit of the City, Crosslin, PLLC, also performed an audit of the Cool Springs Conference Center. They provided an unmodified opinion of those financial statements as well.

Alderman Baggett asks a general question about the Cool Springs Conference Center. With the large capital projects coming up, at what point would the City and the County entertain the market value of the asset?
Answer: The City reviewed the investment with the County about four years ago, and they found that the property is very intertwined with the operations of the hotel. This limits its value and attractiveness from a market standpoint because the two properties are difficult to differentiate.

7. Report On State's Standardized Chart Of Accounts For Municipalities For Fiscal Year 2023

This item is meant to introduce the Committee to plans that the State Comptroller's Office will implement in the FY23 Audit.

Background:
About eight years ago, the Comptroller's Office had a proposal to implement a chart of accounts for all cities in

the State of Tennessee. At that time, the Comptroller's Office wanted to require all cities in the state to adhere to the standardized chart of accounts, which would have been a huge undertaking for cities that are not the Big 4. The goal is to compare operations of cities across Tennessee and allow for comparison analysis for water and sewer systems, safety systems, etc. Due to the pushback, they tabled it and are now revisting the proposal.

Current State Proposal:
The Comptroller's Office still wants to able to perform extensive analysis across cities based on a standardized chart of accounts, but it is not required that a city implement a new financial system or change the debt covenance. However, it will require that once an audit is completed, the auditor will crosswalk City's results with a uniform chart of account and upload them to the State system for comparison. This is now part of the new audit process going forward as a reportig standard/regulation and will require more audit expense to ensure compliance. This information will eventually be available to the public.

8. Report On The American Rescue Plan Act (ARPA)

The goal is to touchbase with the Committee on where the City is with American Resscue Plan Act (ARPA) dollars. The City feels like they have identified impactful projects that fit well within the parameters of ARPA fund requirements.

The City has already received $9.2M from the federal government along with U.S. Treasury guidelines on how to implement those funds. The City is unique in that it received that money through direct appropriation, while most cities are getting the money through the counties. Staff theorized that it might be because Franklin is an entitlement community and have an existing direct relationship with the federal government.

Through the end of November, the City has spent $1.8M. Most of the expenditures thus far have been towards premium pay for eligible workers and relief for employees who missed work due to COVID-19. The City also had some expenses to boost the tourisim industry and make up for lost revenue from the hotel/motel tax due to the COVID shutdown. Most recently, the City added parking garage counters which improves the tourist experience in downtown Franklin.

Outstanding Commitments with ARPA Funds:
Commitment to the Franklin Housing Authority for utility work has already been approved by BOMA. Three communities in Franklin needed water, sewer, and drainage work that qualify for ARPA funding. It is a million-dollar program, and the City will be reimbursing the Franklin Housing Authority. They have not submitted a reimbursement request yet. They are required to complete the work within a certain timeline as a subrecipient of the funds.

The City is also in the design phase for water and sewer improvements in Lewisburg and South Margin. It is expected to go out to bid in early 2023. More information on that project is forthcoming.

Proposed Commitments with ARPA Funds:
The City maintains a working relationship with management at the Cool Springs Conference Center. The City has funded capital improvement projects at the Conference Center in the past. However, there have been three fiscal years that were impacted by the losses incurred from the COVID-19 shutdown. Hence, the City has not accumulated the funds for capital improvements that they would have otherwise had at full operation. There are a couple of needs coming up in calendar year 2024, which fits the timing and guidelines of the ARPA program. As a reminder, the funds need to be under contract before calendar year 2024, and must be spent before the end of calendar year 2026.
Two calendar year 2024 projects:

1. The chillers will need to be replaced soon. They will be 25 years old by 2024, and they will be at the end of their useful life. Operation of the hotel and conference center cannot happen without the chillers. The City would contribute 30% of the toal replacement cost.
2. Soft goods renovation of the conference center is recommended. It was last done in 2015. This includes:

painting, walls, carpeting, and technology components. It comprises of mostly improving the visual appeal to the conference center.

The ARPA funds are meant to be used to fill gaps that were created due to the economic hardship.

Alderman Potts asks regarding these upcoming conference center projects, if the city and county are contributing $1.2M respectively, how much is the hotel contributing?
Answer: The City pays 30% of the total cost for the chillers because it is a shared mechanical system. The soft goods renovation is strictly for the conference center property and will be paid 50% by the City and 50% by the County.

Alderman Potts follows up by asking if the hotel management group is contributing any funds to the conference center improvements?
Answer: The two owners (City and County) and the reserve account from net operations will fund the improvements at the conference center. Soft goods are the owners' responsibility.

Alderman Baggett asks if these improvements are part of a routine maintenance schedule? Would a year delay to these improvement cause disruption to the operation of the conference center?
Answer: The approach for the mechanical needs have been to repair until those costs cannot be sustained and outweigh a replacement cost. For the chiller, if it just goes down, the building cannot operate.

Baggett then asks if it makes sense to continue to allocate funds to this property? Should the City get a framework for the value of the property before investing ARPA funds towards this rather than a separate project that could benefit more? How much does the conference center make in a year?
Answer: Around $400,000.

Vice-Chair Petersen argues that with that mindset, the sewer improvements a Lewisburg and South Margin will only impact a small percentage of the Franklin community and should not get funds either.

Mr. Stuckey states that using ARPA funds for infrastructure is limited to water, sewer, and broadband. Hence, Staff is trying to find the infrastructure that makes the most sense. The Lewisburg and South Margin improvements would be done regardless of funding, so it does help the City.

Alderman Baggett asks when the City plans on doing the conference center improvements?
Answer: Calendar year 2024.

Alderman Baggett requests that the City holds off on committing to the conference center improvements until the City works with the County to define a current valuation for the property.

Mr. Stuckey will reserve the funds regardless because there is a lot to think consider regarding the property and extensive conversations that need to be had with the County.

Since Franklin is a recipient of under $10M in ARPA funds, the City is required to file with the federal government annually. The City will file its next report in April of 2023.

9. Monthly Reports For December 2022

For September sales (received in November), the City earned $5M in sales tax. All three months in the fiscal year have been over $4.5M.

Hotel/motel tax is +17.2% compared to last year.

OTHER BUSINESS

Alderman Potts keeps a close eye on state and federal grants. Recent communication with staff regarding the Long Lane Overpass, drove him to consider grant funding for that project. He knows it is moving forward and there are many competing priorities, but he requests that the City looks at other funding for roads.

ADJOURNMENT

A motion to adjourn was made by Alderman Potts, seconded by Vice-Chair Petersen. The motion passed 4-0.

Meeting Adjourned @ 5:01 PM

Clyde Barnhill

Clyde Barnhill, Chair

Minutes prepared by Sarah Schilling, Assistant Deputy City Recorder, City Administrator's Office - 1/5/2023 3:43 PM