

**ORDINANCE 16-O-24** adopting a budget and appropriations ordinance providing for appropriations out of the general and special funds of the City of Murfreesboro, Tennessee, of certain sums to defray the current, necessary and special expenses of said City for the Fiscal Year 2016-2017, and for other purposes.

**WHEREAS**, the Municipal Budget Law of 1982, T.C.A. §6-56-201 et. seq., requires adoption of an annual budget ordinance and balanced financial plans for intragovernmental service funds; and,

**WHEREAS**, information on the anticipated revenues of the City and the estimated expenditures for the last preceding fiscal year, the current fiscal year, and the coming fiscal year must be included in the annual budget ordinance; and,

**WHEREAS**, state law requires that the proposed annual operating budget be published and a public hearing be held before final adoption of the budget ordinance; and,

**WHEREAS**, the City Charter also requires publication of a tentative budget and public hearing prior to passage of an appropriation ordinance; and,

**WHEREAS**, the City Manager has, pursuant to the City Charter, submitted to the City Council a budget covering in line item detail, by department and fund, estimates of the expenditures and revenues of the City, which budget shall be revised as necessary to support and be consistent with this budget and appropriations ordinance and other actions of the City Council; and,

**WHEREAS**, the Council has carefully considered the budget as recommended by the City Manager and previously discussed by the City Council, and comments made at the public hearing held on June 2, 2016 and is prepared to adopt its financial plan for Fiscal Year 2016-2017.

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MURFREESBORO, TENNESSEE, AS FOLLOWS:**

**SECTION 1.** The amounts hereinafter listed are the estimated revenues and the budgeted expenditures of the City of Murfreesboro, Tennessee, and the amounts specified are hereby appropriated for the purpose of meeting the expenses of the various departments, agencies, and programs of the City of Murfreesboro, Tennessee for the fiscal year beginning July 1, 2016 and ending June 30, 2017, including the payment of principal of and interest on bonds and other obligations of the City maturing in 2016-2017, for the City's General Fund and its special and intergovernmental service funds, to wit:

**PLEASE SEE ATTACHED EXHIBIT A**

(The FY 2014-2015 and 2015-2016 columns are shown for informational purposes only.)

**SECTION 2.** The Personnel Costs authorized for expenditure in Section 1 are based on the current, previously adopted, compensation and classification plan of the City and the staffing levels hereinafter listed:

**PLEASE SEE ATTACHED EXHIBIT B**

SECTION 3. All capital expenditures for which appropriations have been previously made but not yet fully expended are hereby reauthorized to allow completion of previously approved projects.

SECTION 4. All unassigned and unencumbered fund balances are hereby reappropriated to their respective funds.

SECTION 5. That all payments made before the effective date of this Ordinance, on account of and in pursuance of the appropriations hereinbefore made and provided by this Ordinance in meeting the expenses and obligations of the City for the Fiscal Year 2016-2017, shall be charged against and be deducted from the respective sums appropriated hereinbefore for the respective departments and accounts of the City's government and for the payment of the principal of and interest on obligations of the City to be paid during the Fiscal Year 2016-2017, the intention of this Ordinance in part being to authorize and provide for the payment of the expenses and obligations of the City for that part of the Fiscal Year 2016-2017 that may have already transpired at the taking effect date of this Ordinance as well as for the entire Fiscal Year 2016-2017.

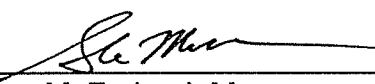
SECTION 6. That any appropriation made by this Ordinance, except appropriations to meet the principal of and interest on bonds and other obligations to be paid in the Fiscal Year 2016-2017 as hereinbefore provided for, shall be subject to reduction, or to the transfer from one appropriation or fund to another, at any time by a resolution of the City Council as to the unexpended portion of such appropriation or funds.

SECTION 7. That this Ordinance take effect immediately upon and after its passage upon second and final reading, as an emergency Ordinance, an emergency existing, and it being imperative to provide for the necessary expenses, general and special, of said City of Murfreesboro for the Fiscal Year 2016-2017 at the earliest practicable time, the welfare of the City requiring it.

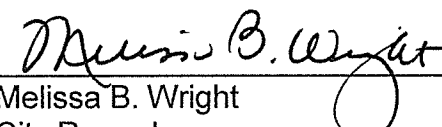
Passed:

1<sup>st</sup> reading June 16, 2016

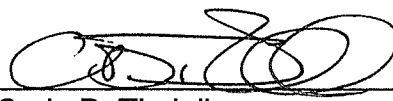
2<sup>nd</sup> reading June 23, 2016

  
\_\_\_\_\_  
Shane McFarland, Mayor

ATTEST:

  
\_\_\_\_\_  
Melissa B. Wright  
City Recorder

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Craig D. Tindall  
City Attorney

SEAL

## EXHIBIT A

City of Murfreesboro  
2016-2017

	Actual 2014-2015	Estimated 2015-2016	Proposed 2016-2017
<b>GENERAL FUND:</b>			
<b>REVENUES</b>			
Local Taxes	\$84,490,204	\$88,369,010	\$92,794,746
State of Tennessee	15,252,288	15,927,225	16,568,159
Federal Government	1,781,607	4,529,522	10,611,650
Other Sources	19,655,212	15,248,621	19,210,670
Reimbursements from Other Funds	4,479,989	2,395,584	3,070,117
Transfers In	3,120,100	3,259,860	3,290,000
<b>Total Revenue &amp; Transfers In</b>	<b>\$128,779,380</b>	<b>\$129,729,822</b>	<b>\$145,545,342</b>
<b>EXPENDITURES</b>			
Personnel Costs	\$59,535,066	\$64,298,590	68,266,251
Other Costs:			
General and Administrative	2,411,611	-	-
Legislative	-	66,433	148,200
City Manager	-	283,531	361,230
Finance	-	381,137	302,600
Purchasing	-	21,623	41,985
Legal	64,322	93,369	93,900
Human Resources	202,349	266,673	333,000
Planning	515,709	345,387	543,800
Engineering	4,156,685	5,628,608	8,863,857
General Government Buildings	-	222,672	273,928
State Street Aid	2,196,271	2,783,200	2,850,000
Transportation	918,438	771,478	1,075,409
Information Technology	804,158	818,141	1,635,675
Communications	167,735	156,150	1,002,932
Building and Codes	119,079	112,005	141,394
Judicial	74,304	58,749	121,900
Police	4,855,413	4,515,437	5,266,095
Fire	1,566,666	1,753,761	1,899,756
Urban Environmental	204,453	272,957	277,423
Civic Plaza	30,851	18,773	26,259
Parking Garage	173,253	148,344	100,200
Fleet Services	1,392,366	1,634,540	(576,922)
Park & Recreation	4,949,819	2,865,771	6,413,300
Golf	743,863	695,953	1,267,278
Solid Waste	1,833,390	1,776,946	2,577,876
Senior Citizens	279,313	294,689	324,019
Community Development	485,130	639,551	940,333
Public Health	2,586,700	2,123,056	2,418,447
Transfers Out	4,908,076	5,398,024	5,804,579
Debt Service - Transfer Out	26,371,574	27,514,439	32,381,586
Miscellaneous	1,802,479	4,275,273	3,274,113
<b>Total Expenditures &amp; Transfers Out</b>	<b>\$123,349,073</b>	<b>\$130,237,261</b>	<b>\$148,450,403</b>
Beginning Fund Balance	\$56,771,507	\$62,201,814	\$61,694,376
Ending Fund Balance	\$62,201,814	\$61,694,376	\$58,789,314
<b>DEBT SERVICE FUND:</b>			
<b>REVENUES</b>			
Other Sources	\$2,007	-	-
Transfers In	27,577,693	\$28,323,577	\$33,309,138
<b>Total Revenue &amp; Transfers In</b>	<b>\$27,579,700</b>	<b>\$28,323,577</b>	<b>\$33,309,138</b>
<b>EXPENDITURES</b>			
Other Costs	\$23,844,557	\$22,689,432	\$28,693,772
Transfers Out	4,820,641	5,634,144	6,265,366
<b>Total Expenditures &amp; Transfers Out</b>	<b>\$28,665,198</b>	<b>\$28,323,577</b>	<b>\$34,959,138</b>
Beginning Fund Balance	\$3,861,500	\$2,776,002	\$2,776,002
Ending Fund Balance	\$2,776,002	\$2,776,002	\$1,126,002

City of Murfreesboro  
2016-2017

	Actual 2014-2015	Estimated 2015-2016	Proposed 2016-2017
<b>AIRPORT IMPROVEMENT FUND:</b>			
<b>REVENUES</b>			
State of Tennessee	\$1,953,488	\$4,091,400	\$383,300
Federal Government	-	481,000	200,500
Other Sources	1,482,269	1,142,350	1,531,100
Total Revenue	<u>\$3,435,757</u>	<u>\$5,714,750</u>	<u>\$2,114,900</u>
<b>EXPENDITURES</b>			
Personnel Costs	\$187,626	\$214,570	\$224,982
Other Costs	2,991,803	5,327,809	1,743,900
Transfers Out	190,649	164,500	150,000
Total Expenditures & Transfers Out	<u>\$3,370,078</u>	<u>\$5,706,879</u>	<u>\$2,118,882</u>
Beginning Fund Balance	\$392,072	\$457,751	\$465,622
Ending Fund Balance	\$457,751	\$465,622	\$461,640
<b>DRUG FUND:</b>			
<b>REVENUES</b>			
Other Sources	\$386,402	\$176,728	\$243,100
Transfers In	97,973	87,921	100,000
Total Revenue & Transfers In	<u>\$484,375</u>	<u>\$264,649</u>	<u>\$343,100</u>
<b>EXPENDITURES</b>			
Other Costs	\$280,720	\$737,298	\$474,950
Total Expenditures	<u>\$280,720</u>	<u>\$737,298</u>	<u>\$474,950</u>
Beginning Fund Balance	\$653,387	\$857,042	\$384,393
Ending Fund Balance	\$857,042	\$384,393	\$252,543
<b>INSURANCE FUND:</b>			
<b>REVENUES</b>			
Other Sources	\$14,737,715	\$15,464,730	\$16,400,975
Total Revenue	<u>\$14,737,715</u>	<u>\$15,464,730</u>	<u>\$16,400,975</u>
<b>EXPENDITURES</b>			
Other Costs	\$13,303,927	\$14,471,393	\$16,400,975
Total Expenditures	<u>\$13,303,927</u>	<u>\$14,471,393</u>	<u>\$16,400,975</u>
Beginning Fund Balance	\$2,280,487	\$3,714,275	\$4,707,612
Ending Fund Balance	\$3,714,275	\$4,707,612	\$4,707,612
<b>RISK MANAGEMENT FUND:</b>			
<b>REVENUES</b>			
Other Sources	\$3,817,524	\$3,747,136	\$3,770,774
Total Revenues	<u>\$3,817,524</u>	<u>\$3,747,136</u>	<u>\$3,770,774</u>
<b>EXPENDITURES</b>			
Personnel Costs	\$300,746	\$295,729	\$312,801
Other Costs	3,334,074	3,920,221	3,780,235
Total Expenditures	<u>\$3,634,820</u>	<u>\$4,215,950</u>	<u>\$4,093,036</u>
Beginning Fund Balance	\$1,870,541	\$2,053,245	\$1,584,431
Ending Fund Balance	\$2,053,245	\$1,584,431	\$1,262,189
<b>CAPITAL IMPROVEMENT PROJECTS FUND:</b>			
<b>REVENUES</b>			
Other Sources	\$4,821,849	\$400	\$3,100,400
Issuance of Debt	-	-	2,140,000
Total Revenue	<u>\$4,821,849</u>	<u>\$400</u>	<u>\$5,240,400</u>
<b>EXPENDITURES</b>			
Other Costs	\$ -	\$1,000,000	\$9,200,850
Total Expenditures	<u>\$ -</u>	<u>\$1,000,000</u>	<u>\$9,200,850</u>
Beginning Fund Balance	\$1,060,436	\$5,882,285	\$4,882,685
Ending Fund Balance	\$5,882,285	\$4,882,685	\$922,235

City of Murfreesboro  
2016-2017

	Actual 2014-2015	Estimated 2015-2016	Proposed 2016-2017
<b>TMBF/BOND FUND:</b>			
<b>REVENUES</b>			
Other Sources	\$1,091,163	\$74,113	\$50,000
Transfers In	683,000	-	-
Issuance of Debt	2,467,403	86,851,254	2,359,375
Total Revenue & Debt Issuance	<u>\$4,241,566</u>	<u>\$86,925,367</u>	<u>\$2,409,375</u>
<b>EXPENDITURES</b>			
Other Costs	\$18,545,814	\$20,000,000	\$80,000,000
Transfers Out	1,015,470	24,113	50,000
Total Expenditures & Transfers Out	<u>\$19,561,284</u>	<u>\$20,024,113</u>	<u>\$80,050,000</u>
Beginning Fund Balance	\$38,709,845	\$23,390,127	\$90,291,381
Ending Fund Balance	\$23,390,127	\$90,291,381	\$12,650,756

June 22, 2016

Honorable Mayor and Members of City Council:

**RE: FY 17 Budget – Second Reading**

As an item for the agenda of June 23, City Council will consider the budget on second and final reading.

**Background**

At its June 17 meeting, City Council amended the budget and approved it on first reading. The fund balance needed to square proposed revenues and expenditures after first reading was \$4,787,501.

During first reading of the budget, City Council expressed interest in a workshop to discuss the classification and compensation study, debt and fund balance. Staff will work with City Council to set a date for a workshop on these topics.

**Proposed Changes for Second Reading**

While fund balance will be the subject of a workshop, the Finance Department and City Manager's Office have identified elements of the use of fund balance that could be addressed prior to second reading.

1. Revenue Estimates

The passage of an additional month has provided new data for several key revenue sources in the General Fund. This new data suggests that using the same conservative techniques that were used to prepare the proposed budget for the Local Option Sales Tax, Gross Receipts Tax (Business Tax), State Sales Tax and the State Gasoline Tax, an additional \$1,066,940 should be budgeted.

Additionally, staff examined the Hotel/Motel tax estimate and a variety of other revenue sources that can generate an additional \$300,500 gross and \$255,500 net after the distribution of the tourism share of the Hotel/ Motel tax. Staff talked about utilizing new options on investing idle cash to create an additional \$150,000 in interest income for the General Fund. Property tax collection on delinquent taxpayers and the interest and penalty that corresponds have been increased by \$160,000 to more accurately reflect current collections.

	Proposed Budget	Staff Recommendation	Difference
Recovery of taxes deemed uncollectible	\$710,000	\$835,000	\$125,000
Penalty and interest on taxes	\$185,000	\$220,000	\$35,000
Local option sales tax	\$42,119,550	\$42,605,500	\$485,950
Gross receipts tax	\$3,300,000	\$3,660,400	\$360,400
State sales tax allocation	\$9,000,410	\$9,061,500	\$61,090
State gasoline tax allocation	\$2,850,000	\$3,009,500	\$159,500
Hotel/motel tax	\$1,650,000	\$1,800,000	\$150,000
Interest	\$24,275	\$174,275	\$150,000
Other revenue	\$1,500,500	\$1,651,000	\$150,500
<b>Total Revenue Addition to General Fund</b>	<b>\$61,339,735</b>	<b>\$63,017,175</b>	<b>\$1,677,440</b>
Expenditures linked to revenue source	\$0	\$45,000	\$1,632,440

In total, staff recommends amending the FY 2017 proposed budget to increase the revenue estimates by \$1,632,440 and reducing use of fund balance by a similar amount.

## 2. Payroll Slippage

The City budgets salaries and benefits as if every authorized employee is present at work each and every day during the fiscal year. Obviously, there is turnover due to employees leaving the City work force for retirement, terminations and other opportunities. Because of these factors, the full amount budgeted for payroll and benefits is never needed. This difference in full and actual payroll and benefits is known as slippage.

After analysis of the FY 2014 and FY 2015 Comprehensive Annual Financial Reports, the slippage in the City's payroll was 2.35% for FY 2015 and 2.27% in FY 2014.

When the slippage average of 2.3% is applied to the proposed FY 2017 budget for payroll and benefits of \$54,645,000, it is estimated that \$1,256,800 will be saved in the General Fund.

Staff does not recommend attempting to spread this slippage among the various departments because of the difficulty of predicting where the savings occurs. This becomes the first method for covering any overruns in cost or shortfalls in revenues that occur while predicting the budget over 12 months in advance.

## 3. Unforeseen Expenditure

The proposed FY 2017 budget includes \$500,000 in Unforeseen Expenditures. The benefits of this account provide for immediate flexibility in the budget when opportunity presents itself or when costs exceed original department budgets. It prevents additional budget amendments through the year when projects or costs exceed budget estimates.

However, during the most recent seven audited years, the smallest amount that the Unforeseen Expenditure contributed towards positive gains in fund balance is \$386,500.

	Unforeseen		
	Budget	Actual	Difference
FY 2015	\$1,308,675	\$21,837	(\$1,286,838)
FY 2014	\$535,000	\$45,593	(\$489,407)
FY 2013	\$500,000	\$0	(\$500,000)
FY 2012	\$500,000	\$113,489	(\$386,511)
FY 2011	\$500,000	\$80,135	(\$419,865)
FY 2010	\$933,415	\$461,771	(\$471,644)
FY 2009	\$1,372,706	\$249,441	(\$1,123,265)
Total	\$5,649,796	\$972,266	(\$4,677,530)

Staff recommends reducing the Unforeseen Expenditure account from \$500,000 to \$250,000. This is a dollar for dollar offset with the use of Fund Balance in the budget.

#### **Fund Balance Update**

If the changes above are accepted, the fund balance appropriated would be \$2,905,061 inclusive of payroll slippage.

#### **Other**

##### Health Insurance

At first reading, City Council approved a rate pass (0%) on the employee's portion of health insurance premiums and gave staff the flexibility to accomplish it.

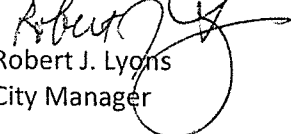
Staff has met and plans to direct the City's share of the 4 percent increase (roughly \$450,000) to a single line item rather than distributed throughout the departments. The plan is to not increase the City premiums by 4 percent on the December effective date. This will maintain the 80/20 (PPO) and 83/17 (HRA) ratios that have been in place for four years. Staff will monitor the health insurance trends and transfer the money to the insurance fund if needed. This implementation plan does not change the use of fund balance because the 4 percent increase on the City side is included in the proposed budget.

This update is for information only and no council action is required.

#### **Recommendation**

It is recommended that City Council approve the FY 17 budget on second and final reading. Attached is a revised Appendix A that reflects the changes above.

Staff will also work with City to set a workshop to discuss the classification and compensation study, debt and fund balance.

  
Robert J. Lyons  
City Manager

C: Department heads  
Georgia Meshotto