



City of Franklin, Tennessee
FY 2017 Budget

Introduction of Draft Financial Indicators

Indicators #1-4



City of Franklin, Tennessee - FY 2017 Budget

Financial Indicators

Outline

- Overview
- Indicators 1-4
- Summary



City of Franklin, Tennessee - FY 2017 Budget **Financial Indicators**

Overview & Assumptions

- What are the financial indicators?

A series of metrics which evaluate the City's fiscal health and performance over time (10 years).

Revenues, expenditures, cost drivers, indebtedness, fund balances and capital investment will all be examined.

- What is the goal of these indicators?

By identifying and responding to financial trends, we help facilitate stability within local government, as well as the cost-effective delivery of desired services, thus minimizing impact on taxpayers.



City of Franklin, Tennessee - FY 2017 Budget **Financial Indicators**

Overview & Assumptions

- Where do they come from?

Financial analysts, city administrators and economists from professional organizations - International City/County Management Association, (ICMA), the Government Finance Officers Association (GFOA), Standard & Poor's, as well as data from the State of Tennessee and the City of Franklin, and the U.S. Census Bureau.

- Are they final?

No. These are in draft form until we complete the budget process. These are for your consideration only.



City of Franklin, Tennessee - FY 2017 Budget

Financial Indicators

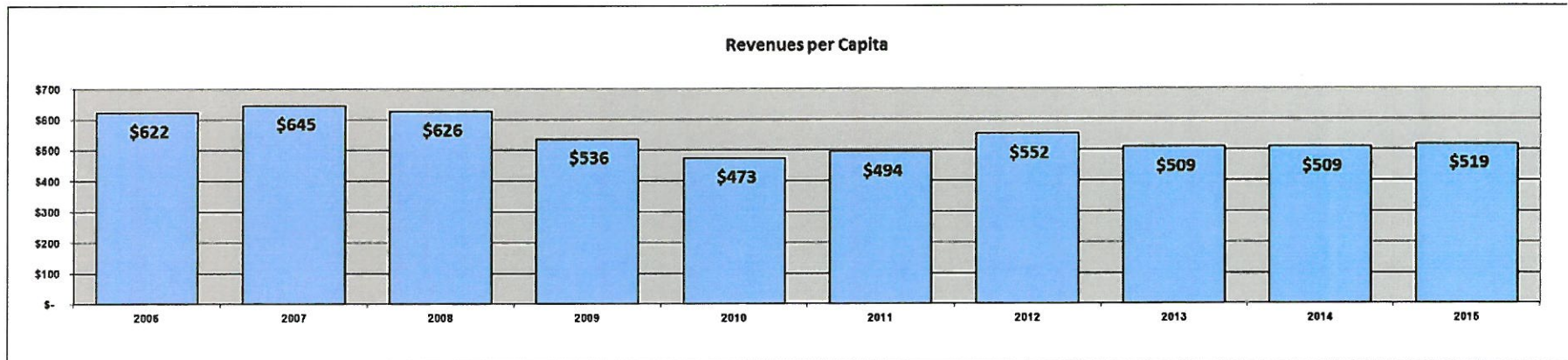
Indicators (*reviewed tonight*)

- *Revenues per Capita*
- *Intergovernmental Revenues*
- *Revenues Related to Economic Growth (Elastic Revenues)*
- *Uncollected Property Taxes*
- Expenditures per Capita
- Fringe Benefits
- Enterprise Operating Position
- Fund Balances
- Long-Term Debt
- Debt Service
- Pension Obligations
- Unfunded Liabilities
- Capital Outlay



City of Franklin, Tennessee - FY 2017 Budget Financial Indicators

Indicator #1: Revenue per Capita (pg. 11)



Data comes from 2015 City of Franklin Comprehensive Annual Financial Report. City of Franklin, TN, Franklin TN.

Formula: Net Operating Revenues (in constant dollars) / Population

Warning Trend: Decreasing net operating revenues per capita (constant dollars)

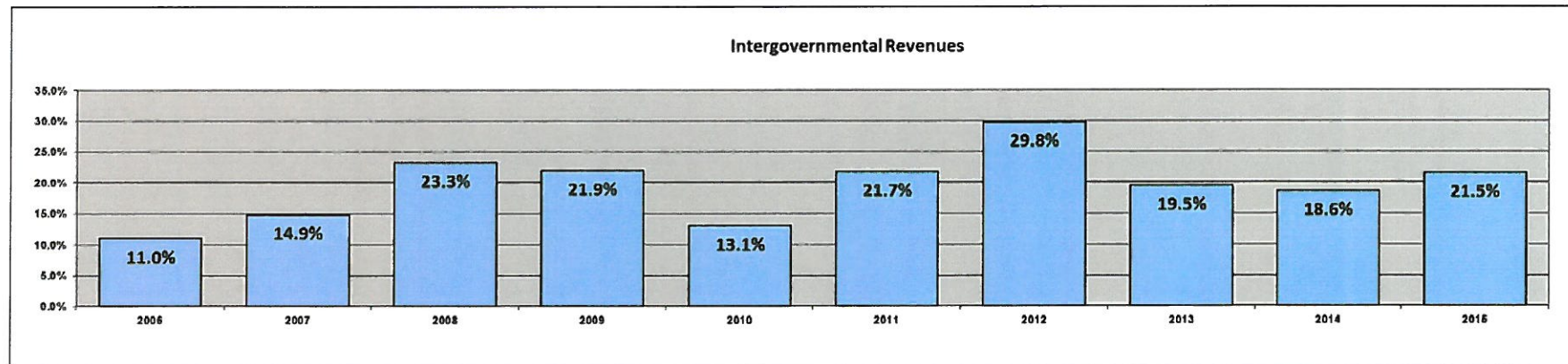
Franklin Trend	
favorable	
marginal	x
unfavorable	
uncertain	

Summary: Revenues per Capita (adjusted for inflation) is an important measure when evaluating the City's fiscal health because it demonstrated what value the City receives for the dollars it brings in. This measure shows that although the City has increased its net operating revenues, the "bang for the buck" is actually significantly lower in FY 2015 than it was a decade ago. As population grows, the amount of money each new person adds is not as great as it was, which is a cause for concern.



City of Franklin, Tennessee - FY 2017 Budget Financial Indicators

Indicator #2: Intergovernmental Revenues (pg. 12)



Data comes from 2015 City of Franklin Comprehensive Annual Financial Report. City of Franklin, TN, Franklin TN.

Formula: Intergovernmental Operating Revenues / Gross Operating Revenues

Warning Trend: Increasing amount of intergovernmental operating revenues as a percentage of gross operating revenues

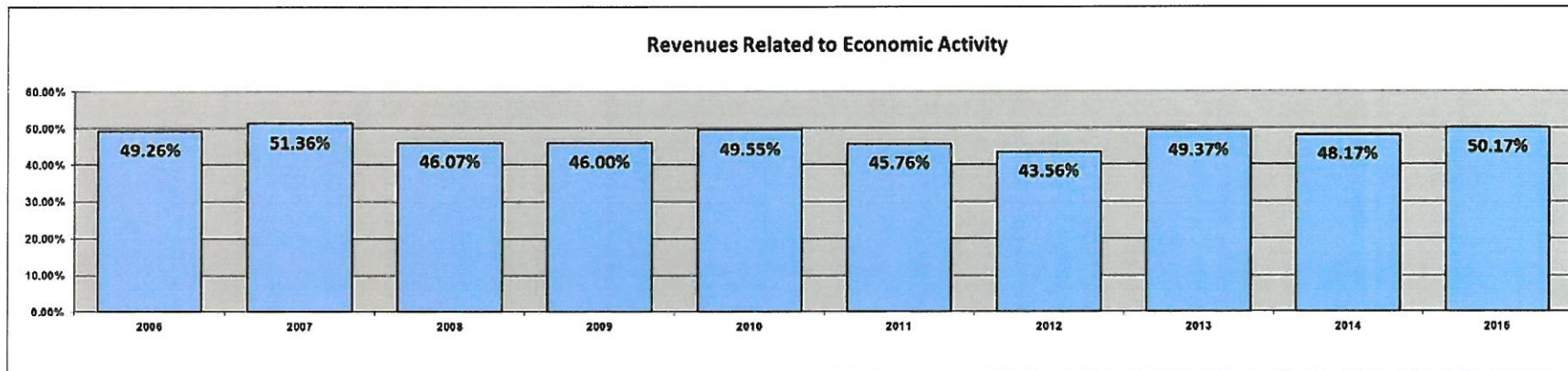
Franklin Trend	
favorable	
marginal	x
unfavorable	
uncertain	x

Summary: The City of Franklin relies on intergovernmental revenues for a significant portion of its overall revenue portfolio. These revenues are predominantly in the form of aid from the State of Tennessee. In FY 2015, 92% of all intergovernmental revenues came to the City from the State, 8% came from the federal government. Taking away reimbursements for capital projects and debt service, the City of Franklin is still reliant on the State of Tennessee and the Federal Government for just under 1/5 of all operating revenues annually. This indicator shows that intergovernmental revenues are not as predictable or reliable as local funding sources, and can change dramatically year to year.



City of Franklin, Tennessee - FY 2017 Budget Financial Indicators

Indicator #3: Revenues Related to Economic Activity (pg 13)



Data comes from 2015 City of Franklin Comprehensive Annual Financial Report. City of Franklin, TN, Franklin TN.

Formula: Revenues Related to Economic Activity / Net Operating Revenues

Warning Trend: Decreasing revenues related to economic activity as a percentage of net operating revenues

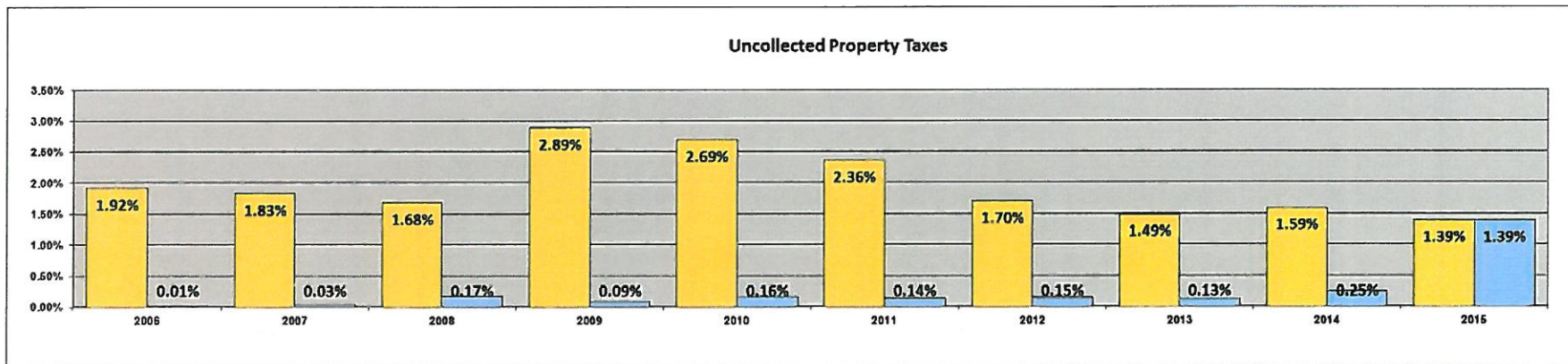
Summary: Revenues related to economic activity include construction related revenues such as building permit fees and licenses resulting from new construction and commerce related revenues such as the sales and business taxes. This indicator is important to monitor - decreases in building permit fees may be a leading indicator of smaller future adds to the property tax rolls and this chart demonstrates that nearly one out every two dollars the City collects annually comes directly from economic activity. While this is good when the economy is strong, it illustrates again the delicate balance the City faces when economic times are not as favorable.

Franklin Trend	
favorable	
marginal	x
unfavorable	
uncertain	



City of Franklin, Tennessee - FY 2017 Budget Financial Indicators

Indicator #4: Uncollected Property Taxes (pg. 14)



Data comes from 2015 City of Franklin Comprehensive Annual Financial Report. City of Franklin, TN, Franklin TN.

Formula: Uncollected Property Taxes / Property Tax Levy

Warning Trend: Increasing amount of uncollected property taxes as a percentage of net property tax levy.

Franklin Trend	
favorable	x
marginal	
unfavorable	
uncertain	

Summary: An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic conditions. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the City to invest. Bond rating organizations generally consider uncollected taxes in excess of five percent as a warning trend. Franklin has exceptionally strong collection rates, regardless of economic circumstances during the last decade.



City of Franklin, Tennessee - FY 2017 Budget **Financial Indictors**

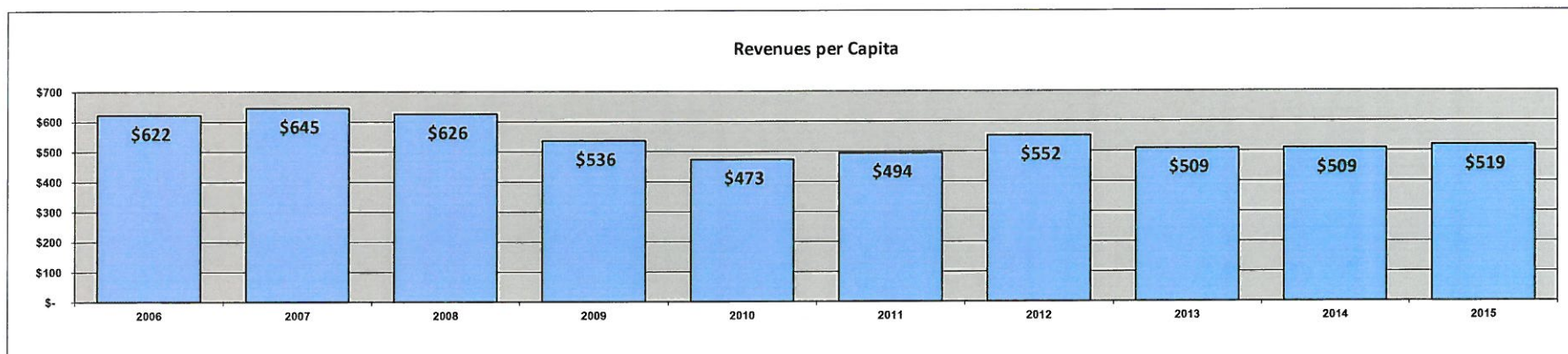
Summary and Next Steps

- We will unveil more indicators as the budget process progresses & refine these into a final set of indicators.**
- Goal is gain a greater appreciation of where we have been to assist in the decision making process**



Revenues per Capita

Warning Trend: Decreasing net operating revenues per capita (constant dollars)



Formula:

Net Operating Revenues (in constant dollars) / Population

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Operating Revenues (Governmental Funds)	\$ 59,710,361	\$ 63,501,167	\$ 71,499,595	\$ 62,728,734	\$ 56,419,973	\$ 66,273,959	\$ 75,325,336	\$ 71,018,807	\$ 76,577,600	\$ 79,603,497
Consumer Price Index (CPI)	194.30	199.10	203.13	208.01	212.05	214.73	218.31	223.20	226.76	231.01
CPI in Decimal form	1.94	1.99	2.03	2.08	2.12	2.15	2.18	2.23	2.27	2.31
Net Operating Revenues (in Constant Dollars)	\$ 30,731,014	\$ 31,894,107	\$ 35,198,588	\$ 30,157,030	\$ 26,606,794	\$ 30,863,425	\$ 34,504,474	\$ 31,818,034	\$ 33,770,330	\$ 34,458,747
Certified Population	49,412	49,412	56,219	56,219	56,219	62,487	62,487	62,487	66,370	66,370
Revenues per Capita	\$ 622	\$ 645	\$ 626	\$ 536	\$ 473	\$ 494	\$ 552	\$ 509	\$ 509	\$ 519

Notes:

Data comes from 2015 City of Franklin Comprehensive Annual Financial Report. City of Franklin, TN, Franklin TN.

Revenues per Capita:

This indicator examines the amount of net operating revenues produced for the City of Franklin per capita in constant dollars. And the indicator shows that on the whole, the City has been treading water over the last decade. A predictable decline in revenues during the recession has only mildly rebounded, but not nearly to the same levels per capita as pre-recession.

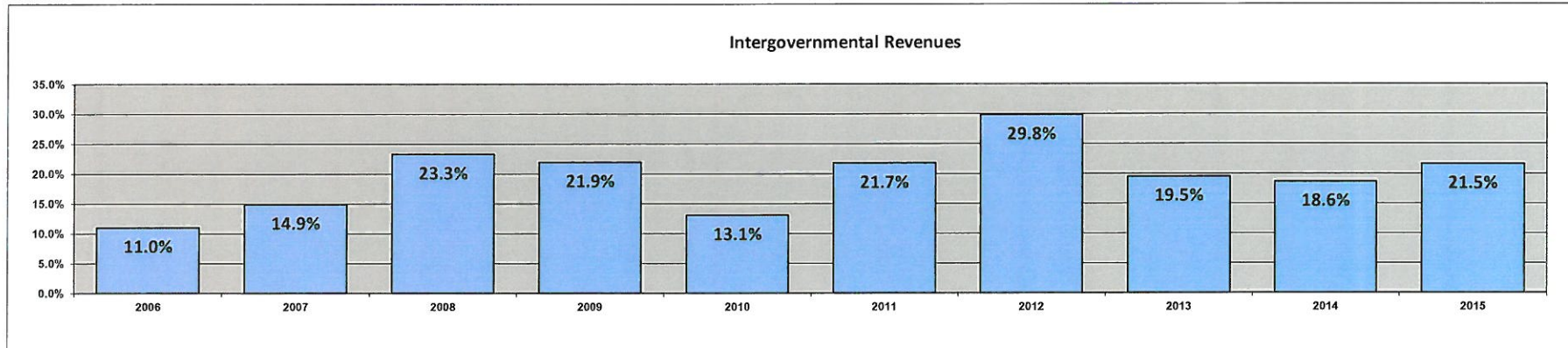
The concern moving forward is although gross revenues will continue to rise, so too will Franklin's population, and there is not necessarily a precise correlation between the two. Increasing populations require more resources to maintain the same level of high quality services which have made

Franklin Trend	
favorable	
marginal	x
unfavorable	
uncertain	



Intergovernmental Revenues

Warning Trend: Increasing amount of intergovernmental operating revenues as a percentage of gross operating revenues



Formula:

Intergovernmental Operating Revenues / Gross Operating Revenues

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Intergovernmental Revenues	\$ 7,039,176	\$ 10,246,007	\$ 17,980,903	\$ 15,100,893	\$ 8,155,250	\$ 16,698,318	\$ 25,631,707	\$ 15,973,111	\$ 16,290,803	\$ 19,789,750
Gross Operating Revenues	\$ 64,030,656	\$ 68,940,330	\$ 77,280,828	\$ 68,824,420	\$ 62,464,916	\$ 76,879,525	\$ 86,033,637	\$ 81,964,587	\$ 87,574,179	\$ 91,848,483
Intergovernmental Operating Revenues as a % of Gross Operating Revenues	11.0%	14.9%	23.3%	21.9%	13.1%	21.7%	29.8%	19.5%	18.6%	21.5%

Notes:

Data comes from 2015 City of Franklin Comprehensive Annual Financial Report. City of Franklin, TN, Franklin TN.

Intergovernmental Revenues:

The City of Franklin relies on intergovernmental revenues for a significant portion of its overall revenue portfolio. These revenues are predominantly in the form of aid from the State of Tennessee. In FY 2015, 92% of all intergovernmental revenues came to the City from the State, (25% in the form of State Sales Taxes, 19% in the form of State Businesses Taxes, 16% from State Income Taxes, 12% in the form of Capital Project reimbursements 10% in the form of the Gasoline Tax, 5% in the form of all other funds and 4% for debt service contributions. The remaining 8% came from the federal government for CDBG and Transit activities.

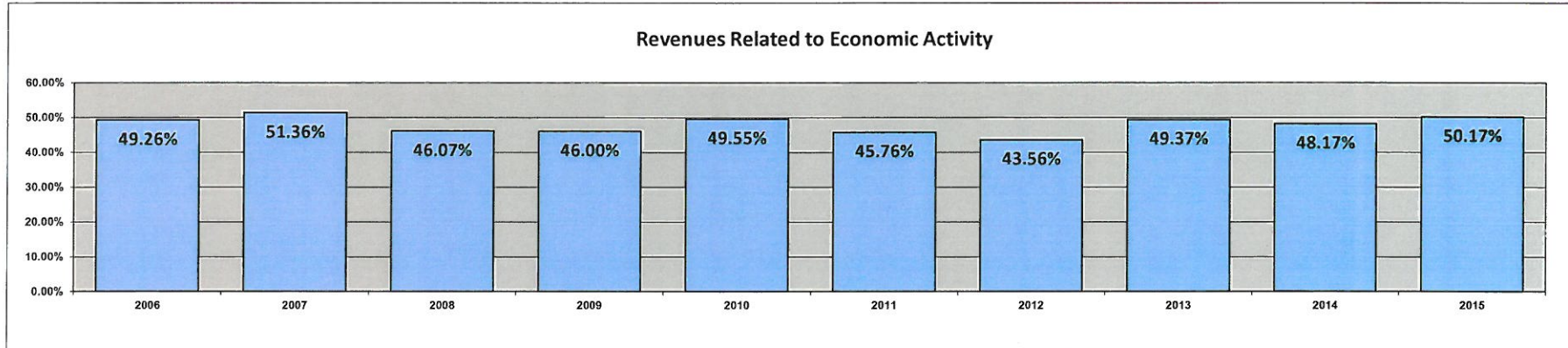
Taking away reimbursements for capital projects and debt service, the City of Franklin is still reliant on the State of Tennessee and the Federal Government for just under 1/5 of all operating revenues annually. Primary funding for road resurfacing and affordable housing efforts for the City comes from the State. Although an important funding source, this indicator shows that the amounts received from other governments are not as

Franklin Trend	
favorable	
marginal	x
unfavorable	
uncertain	x



Revenues Related to Economic Activity

Warning Trend: Decreasing revenues related to economic activity as a percentage of net operating revenues



Formula:

Revenues Related to Economic Activity / Net Operating Revenues

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Local Sales Tax	\$ 22,005,703	\$ 23,885,264	\$ 23,185,434	\$ 21,152,554	\$ 20,969,821	\$ 22,720,666	\$ 24,197,413	\$ 25,995,733	\$ 27,254,742	\$ 28,943,994
State Sales Tax	\$ 3,149,627	\$ 3,578,356	\$ 3,588,358	\$ 3,687,950	\$ 3,600,721	\$ 3,767,317	\$ 4,242,695	\$ 4,324,811	\$ 4,496,081	\$ 5,033,141
Business Tax	\$ 2,363,300	\$ 2,777,563	\$ 2,927,635	\$ 2,939,829	\$ 2,619,428	\$ 2,518,958	\$ 2,754,341	\$ 3,151,224	\$ 3,048,468	\$ 3,749,746
Building Permits & Licenses	\$ 1,893,095	\$ 2,375,558	\$ 3,240,869	\$ 1,077,335	\$ 766,173	\$ 1,318,725	\$ 1,620,166	\$ 1,592,736	\$ 2,088,774	\$ 2,208,560
Total Revenues Related to Economic Activity	\$ 29,411,725	\$ 32,616,741	\$ 32,942,296	\$ 28,857,667	\$ 27,956,144	\$ 30,325,667	\$ 32,814,615	\$ 35,064,504	\$ 36,888,065	\$ 39,935,441
Net Operating Revenues	\$ 59,710,361	\$ 63,501,167	\$ 71,499,595	\$ 62,728,734	\$ 56,419,973	\$ 66,273,959	\$ 75,325,336	\$ 71,018,807	\$ 76,577,600	\$ 79,603,497
Revenues Related to Economic Growth	49.26%	51.36%	46.07%	46.00%	49.55%	45.76%	43.56%	49.37%	48.17%	50.17%

Notes:

Data comes from 2015 City of Franklin Comprehensive Annual Financial Report & FY 2017 Revenue Model. City of Franklin, TN, Franklin TN.

Revenues Related to Economic Activity

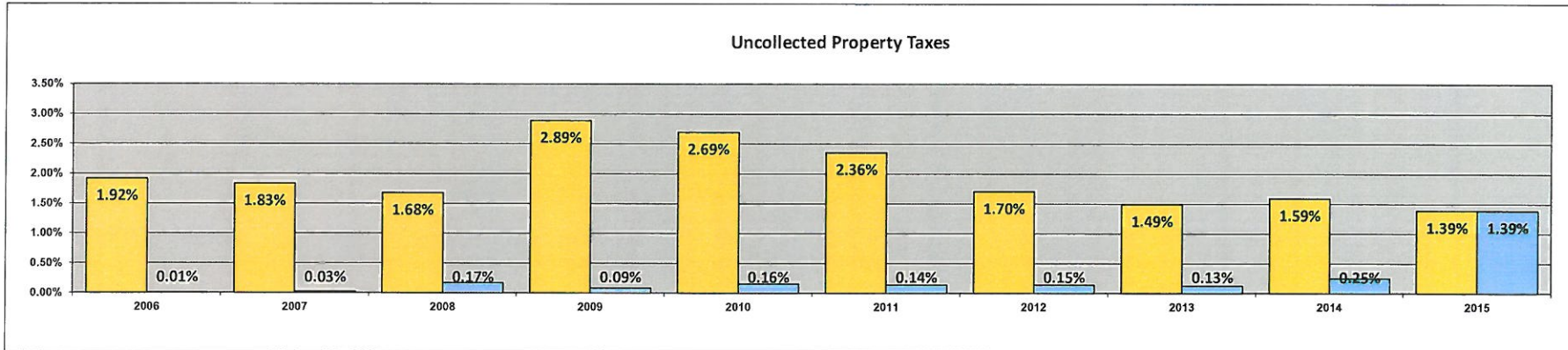
Revenues related to economic activity include construction related revenues such as building permit fees and licenses resulting from new construction and commerce related revenues such as the sales and business taxes. This indicator is important to monitor for several reasons. First, a decrease in building permit fees may be a leading indicator of smaller future adds to the property tax rolls, which affects another primary revenue stream. Second, this chart demonstrates that nearly one out every two dollars the City collects annually comes directly from economic activity. While this is good when the economy is strong, it illustrates again the delicate balance the City faces when economic times are not as favorable.

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favorable	
marginal	x
unfavorable	
uncertain	



Uncollected Property Taxes

Warning Trend: Increasing amount of uncollected property taxes as a percentage of net property tax levy.



Formula:

Uncollected Property Taxes / Property Tax Levy

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Property Tax Levy	\$ 9,118,460	\$ 9,611,622	\$ 10,214,031	\$ 10,739,928	\$ 11,468,281	\$ 11,785,700	\$ 11,718,525	\$ 11,902,186	\$ 12,342,702	\$ 13,742,347
Property Tax Collections Within One Year	\$ 8,943,537	\$ 9,435,282	\$ 10,042,817	\$ 10,429,879	\$ 11,159,219	\$ 11,507,981	\$ 11,519,012	\$ 11,724,940	\$ 12,146,687	\$ 13,551,648
Uncollected Property Taxes After One Year	\$ 174,923	\$ 176,340	\$ 171,214	\$ 310,049	\$ 309,062	\$ 277,719	\$ 199,513	\$ 177,246	\$ 196,015	\$ 190,699
Uncollected Property Taxes Collected within One Year as a % of Tax Levy	1.92%	1.83%	1.68%	2.89%	2.69%	2.36%	1.70%	1.49%	1.59%	1.39%
Total Property Tax Collections	\$ 9,117,222	\$ 9,609,019	\$ 10,196,694	\$ 10,730,772	\$ 11,450,402	\$ 11,768,998	\$ 11,701,478	\$ 11,886,970	\$ 12,311,843	\$ 13,551,648
Uncollected Property Taxes	\$ 1,238	\$ 2,603	\$ 17,337	\$ 9,156	\$ 17,879	\$ 16,702	\$ 17,047	\$ 15,216	\$ 30,859	\$ 190,699
Uncollected Property Taxes as a % of Tax Levy	0.01%	0.03%	0.17%	0.09%	0.16%	0.14%	0.15%	0.13%	0.25%	1.39%

Notes:

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Uncollected Property Taxes:

An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic conditions. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the City to invest. Bond rating organizations generally consider uncollected taxes in excess of five percent as a warning trend. Franklin has exceptionally strong collection rates, regardless of economic circumstances during the last decade.

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favorable	x
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