

BUDGET, FINANCE & INVESTMENT COMMITTEE

June 18, 2015

5:30 P.M.

Courthouse

MINUTES:

Members Present:

Comm. Rhonda Allen
Comm. Charlie Baum
Comm. Joe Frank Jernigan
Comm. Robert Peay, Jr.
Comm. Doug Shafer
Comm. Will Jordan, Chr.

Others Present:

Ernest Burgess
Lisa Nolen
Comm. Robert Stevens
Comm. Mike Kusch
Sonya Stephenson
Jeff Davidson

Don Odom
Mark Tucker
Jeff Sandvig

Chairman Jordan presided and called the meeting to order at 5:30 P.M. with all members being present, except Comm. Shawn Kaplan.

APPROVAL OF MINUTES:

Comm. Peay moved, seconded by Comm. Allen to approve the minutes of the May 27, 2015 and June 9, 2015 Budget Committee meetings as presented.

The motion passed unanimously by acclamation.

REVIEW OF PUBLIC HEARING:

Comm. Jordan began the review of the June 16, 2015 public hearing by noting that 14 people spoke and nine spoke in favor and five against.

Director Nolen stated there was a comment about refunding debt and extending the maturities. She noted that the County never extends the maturities of the debt; only the interest rate is changed to save money. She also noted that debt is never issued to fund operations, but only capital items.

Comm. Peay stated that a comment was made about spending funds on items that they were not appropriated for. Director Nolen clarified that she understood the comment to be funds were being invested in the bank instead of being spent on what it is appropriated for. She noted that the County appropriates funds and until they are spent they are invested in a bank to get some return.

Director Nolen reference a comment comparing the property tax rate to other counties. She noted that CTAS has data on their website showing 12 counties that have a higher tax rate than the amount recommended for Rutherford County in 2015-16. She stated that it is misleading to only look at the tax rate and not look at the assessments and what a penny of tax is worth.

Director Nolen also noted that the wheel tax was mentioned in the comments. There are 59 counties in the state with a wheel tax and 19 are higher than Rutherford County. She reviewed with the committee the State law regarding the method to increase the wheel tax and also an analysis of how an increase in the wheel tax would affect the revenue generated by this tax.

Related to this, Comm. Shafer stated that a comment was made about not being able to recruit businesses to the County because of high tax rates. He noted an article in the *Daily News Journal* stating that Rutherford County ranked 42nd in the country in job growth.

Director Nolen stated that she has heard comments that renters do not pay their share of property tax. She reviewed with the committee a document prepared by the Assessor's office that compares the property tax cost per unit of apartment complexes at a 40% assessment rate to the property tax cost if that unit was taxed at the residential assessment rate of 25%. The document demonstrates that residences of apartment complexes are paying their share of property tax through their rent.

2015-2016 BUDGET REVIEW:

Director Nolen read from a CTAS article that detailed a court case between McMinn County and the cities of Athens and Etowah. The case clarifies the law related to sharing with cities funds set aside in the Education Capital Projects Fund stating that only those funds used for current operations and maintenance and funds borrowed have to be shared.

Following the review of the court case, Director Nolen stated that she is recommending that the Education Capital Projects Fund not share the allocation of the property tax with the city and that the allocation of property tax be reduced from the previously approved \$0.06 to \$0.05. She also noted that based on review of the sales tax revenue and the BEP funding with the schools, she is recommending a decrease in the allocation of property tax to the General Purpose School by \$0.0198. This will reduce the total property tax rate from \$2.7098 to \$2.6800.

Comm. Robert Stevens requested to speak to the committee about some changes he felt could be made to decrease the budget. He provided the following ideas related to compensation:

- Remove the 2% lift to the table, longevity pay, and the adjustment above the 2% increase for a small number of employees which provides equivalency according to the salary survey. This equates to about \$1,700,000 for the general government funds.
- Remove .75% raise from teacher's salary that is provided locally over and above the amount provided by the State. This equates to about \$1,600,000 for the General Purpose School Fund.
- Put all new employees on a 401a plan beginning October 1, 2015 with a 4% County match. This equates to about \$200,000 the first year, with more savings as retirees come off the pension plan.

Mayor Burgess noted that the pension vs. defined contribution discussion has come up before and came up at the last Steering Committee. He stated that it will be reviewed at the September Steering Committee meeting.

Sonya Stephenson distributed a comparison of the benefits and retirement options of entities that the County is losing employees to.

Comm. Jordan stated that this is a major change and that he is not personally ready to make a change to the retirement plan.

Comm. Peay stated that his spouse is an employee of the School System and he has a conflict of interest on the matters about to be voted on. He declared that his argument and vote answer only to his conscious and to the obligation to his constituents and citizens that the voting body represents.

Comm. Peay asked what the current longevity benefit is. Director Nolen stated the current benefit is \$25 per year after 3 years.

There was discussion about when the last time employees were given more than a step increase.

Comm. Stevens continued with his list of items to decrease the budget:

- Related to the fire tax, the County should request a state law change that would add the ability of the fire tax to go to a referendum and let the citizens that would use the service decide whether they want it.
- Purchase the computers that are needed for schools on a capital outlay note and let the savings in testing pay for them over a three year period.
- Merge the Public Works and Property Management Committees to save on the committee payments to the Commissioners.
- Consider offering a buyout to employees.

Comm. Baum thanked Comm. Stevens for coming forward with some ideas and thinking outside of the box. Comm. Baum reviewed the components of the raise for school employees and stated that the employees deserved a raise. He questioned whether the raise could be paid out over multiple years. He stated that since Comm. Stevens has brought this up and he made a similar

motion a few weeks ago, it seem that this was a place to save some money and would make sense.

Comm. Baum moved to decrease the Schools budget by \$1,600,000 which is equivalent to the salary reduction proposed by Comm. Stevens. Motion dies for a lack of a second.

Comm. Shafer noted that county general employees get a step increase every year, whereas, school employees only get a step in certain years. Director Odom stated that employees get step increases in years 1-6, 11, 16 and 21.

Comm. Jordan noted that Director Nolen had previously recommended reducing the property tax allocations to the General Purpose School Fund and Education Capital Projects Fund.

Comm. Shafer moved, seconded by Comm. Jernigan to reduce the tax rate in the General Purpose School Fund by \$0.0198 and the Education Capital Projects Fund by \$0.0100.

The motion passed unanimously by roll call vote.

Comm. Shafer stated that he had some changes he would like to make to the General Fund to decrease the budget:

- Cut the fire motor vehicle budget by \$400,000 and use development tax to pay for \$400,000 of County Building building improvements.
- Change the Sheriff communications positions to one full-time and three part-time.
- Change the Health administrative position to part-time.
- Remove the PAWS and EMA vehicles and re-evaluate in the spring to see if fund balance is available to purchase.
- Reduce the food supply line item in Jail by \$50,000.

Comm. Shafer moved that the above items be changed in the General Fund budget. Motion dies for a lack of a second.

Comm. Shafer moved that a statement be added to the printed budget document dedicating it to the Federal and State representatives. Motion dies for a lack of a second.

Director Nolen reminded the committee that the next meeting will be on Wednesday, June 24.

ADJOURNMENT:

There being no further business to be presented, Chairman Jordan declared the meeting adjourned at 7:01 P.M.

Mark Tucker, Secretary