

**BUDGET, FINANCE, AND ECONOMIC DEVELOPMENT
COMMITTEE MEETING
October 12, 1999
4:45 P.M.**

A joint meeting of the Budget and Finance Committee and the Economic Development Committee was called to order by Councilman Hakeem, Chairman of the Budget and Finance Committee, with Councilpersons Rutherford, Hurley, Franklin, Lively and Crockett being present. City Attorney Randall Nelson; Management Analyst Randy Burns; and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Mayor Kinsey, Ken Hays, Adm. Marcellis, Dianne Arnst, Bob Colby, and Adm. Boney.

Chairman Hakeem called the meeting to order and called on Mayor Kinsey, who decided to wait until later in the meeting to discuss his concerns.

TOURISM DEVELOPMENT ZONE

Adm. Boney stated that there was a Resolution on tonight's agenda designating a Tourism Development Zone, which included adopting a one-mile radius for this zone. He stated that this should wrap it up for us. Chairman Hakeem verified that they were making a circle out of it. Adm. Boney explained that the center of the circle had to be moved, and this is what we have done, and it goes through the Aquarium—that the only significant retail establishment that might be affected is the Aquarium Gift Shop; the Baseball Stadium is in this zone. Councilwoman Hurley expressed some concern about the Gift Shop. **On motion of Councilwoman Hurley, seconded by Councilman Franklin, this will be recommended to the full Council.**

AMENDMENT TO THE BUDGET ORDINANCE

Adm. Boney explained that there would be a Budget Amendment Ordinance on next week's agenda providing certain changes in General Fund Estimated Revenue; providing for certain changes in Appropriations set out in Section 5; providing for certain changes in Personnel set out in Section 7C; providing for certain changes set out in Section 9; and providing for certain changes set out in Section 11. He explained that basically this was an amendment which does some personnel changes, specifically in the Police Dept. and some minor detail changes. He explained that it appropriates additional amount from Fund Balance, mentioning the R&R department need requests which are non-capital but significant with 100% appropriation. He mentioned \$411,000 to fund immediate capital needs for the Animal Services so they can stand up and be ready.

Councilwoman Hurley asked the date the Animal Services would be ready. Mayor Kinsey responded they were anticipating the first quarter. Chairman Hakeem stated that it sounded like the dogs would be in the Police Service cars. Adm. Boney responded that “no”, it was the vans; that they had carefully laid out seven vans, which may have to be increased in the future.

Adm. Boney also mentioned the establishment of a tuition reimbursement program for city employees, with the basic plan being two courses per semester on related subjects that would improve job performance and provide career enhancement; maximum reimbursement per semester is \$1,000 and a C average or better grade has to be maintained.

On motion of Councilwoman Hurley, seconded by Councilman Franklin, this ordinance will be recommended for approval to the full Council.

RAFTELIS FINANCIAL CONSULTING, INC. AGREEMENT

Adm. Marcellis stated that he was asking for a Resolution to be put on tonight’s agenda authorizing the Mayor to enter into an Agreement with Raftelis Financial Consulting, Inc., for consulting services relating to the City’s ongoing analysis of Interceptor Sewer Rates and Rate Structure. Adm. Marcellis stated that Mayor Kinsey promises a 10% reduction in rates, and we are trying to develop an increase in rate reduction. He promised that he would come to the Council on November 2nd with a Budget for the Sewer Department, and this needs to be approved before then.

Councilman Crockett stated that in the model we are doing, part of the annexed areas did not have sewers and did not get them for 20+ years. He questioned what was the model now for completing the work and do we have a contingency where we can grow. Adm. Marcellis responded that one area was in Councilman Crockett’s district; that there is an area in the Treatment Plant; that we need to look at the solid end—they are 15 to 20 years old and need to be replaced which would be a \$15 to \$20 million dollar expansion. He stated that we were working in growth and other costs.

Councilman Crockett noted that the political inability to change the rate in the 70’s put us in the mess we are in. He urged to not get in the shape we were before and to finish the work in the districts.

Adm. Boney stated that part of the structural model does provide for future growth and on-going capital replacement; that we can look at more planning.

Councilman Crockett stated that he was concerned about where water rates are low, which makes the sewer rate appear higher; that we need to keep it as low as possible and still be able to finish the sewers out there.

Mayor Kinsey stated that clearly we would talk about this model; that we need reserves.

Councilman Lively stated that he thought it was imperative that the Sewer Fund remain solvent; that if we have that understood, we are safe.

On motion of Councilwoman Rutherford, seconded by Councilwoman Hurley, this will be put on tonight's agenda.

JIM KENNEDY—CHAMBER INITIATIVE

Mr. Kennedy stated that this was actually a hold-over from last year's budget; that they asked the City to set aside an amount of \$37,500 to be set aside for planning; that we did not know when it would happen; that he wished to take that money set aside from last year and allocate it to the Planning Process within a month or so. He stated that a professor from the Harvard Business School would guide this process, and we were trying to work towards a \$450,000 total project cost; the remainder of that money will come from corporate, philanthropists and non-government entities; the City will be supplying 8 to 10%. Mr. Kennedy stated that he was not a seasoned fund raiser, but Michael Porter was the name of the person coming from the Harvard Business School and people are genuinely excited about this—that this is what Mr. Porter brings to us in the Planning Process—his expertise and his knowledge about Chattanooga and interest in adding Chattanooga to his portfolio; that this \$37,500 will go to the Chattanooga Chamber Foundation.

On motion of Councilman Lively, seconded by Councilman Crockett, this will be recommended to the full Council.

Councilman Crockett, Chairman of the Economic Development Committee, stated that there were a few short items from Air Pollution to discuss, but first Ron Littlefield was present to talk about a meeting at the library regarding the High Speed Rail.

HIGH SPEED RAIL MEETING

Mr. Littlefield stated that there were actually three meetings—one in Atlanta, one in Marietta, and the one here; that the meeting to be held here is one of three to consider environmental aspects of the proposal; it is a required part of the process; it will put the skeletal parts before the public and see how the people react.

The meeting will be held at the **Bicentennial Library, Thursday, October 21st, in the Public Meeting Room from 6:00 P.M. to 8:00 P.M.**

Chairman Crockett added that this was not part of the full-blown program—we are on a very, very quick timeframe.

Mr. Littlefield added that there would be exhibits and public presentations and time for formal comments.

Chairman Crockett stated that the appropriation amount out of Washington was increased; about one-half million more money would be available to competing regions.

AIR POLLUTION CONTROL ORDINANCE REVISIONS

Mr. Bob Colby was present and stated that the first ordinance amendment to consider will adopt by reference Federal MACT standards for hazardous air pollutants. He explained that this applies to some local sources and gives us local enforcement authority; that there would be a hearing on October 1st, and if no comments are received, they will recommend that these be adopted.

The second amendment essentially does nothing more than increase Part 70 emissions fees from \$29.32/ton to \$31.33/ton for actual emissions. He noted that the Chattanooga Manufacturers' Association had not spoken any opposition to this as of yet.

The other permit structure is 6 ¼%, and essentially what they were doing was a \$37,000 increase in permit fees.

Councilman Hakeem asked if Randy Nelson was okay with this. Attorney Nelson responded that he had just now seen them but felt sure it would be okay to put these on the agenda in two weeks.

On motion of Councilwoman Rutherford, seconded by Councilman Crockett, these Ordinances will be recommended to the full Council and put on the agenda in two weeks.

MAYOR KINSEY—TAX EQUITY

At this point, Chairman Hakeem turned the meeting over to Mayor Kinsey. Mayor Kinsey stated that Councilman Hakeem had served on the Task Force on Tax Equity; that he did a great job, and it was interesting to see different governments get around and learn a lot. He stated many smaller governments did not realize that the City of

Chattanooga owned the Electric Power Board and the Airport, and there was renewed appreciation for what we do. Mayor Kinsey stated that he was looking for direction in terms of a good point to see some changes to the Sales Tax Agreement in 1967—there had never been a change to it. He stated that there were a couple of specific areas to pursue—that he did not want to do this if it does not make sense. He stated there was no expiration date on the Agreement; that he believed contracts have to have expiration dates or go to Court. He suggested maybe having an expiration date put in. He noted that things change and maybe there should be an expiration date of five years which would force a review on a periodic basis. He noted that since 1967 there had been a room tax base, and the vast majority is collected in the City of Chattanooga and has financed major projects. He noted that within the next five years some money will be paid off such as Ross's Landing, Camp Jordan, and the Library; that he thought in addition to an expiration date that the room tax could be made part of it and that we have an annual accounting; that the County is collecting excess money, and there is no accounting for it, and it needs to be adjusted. He suggested that we be willing to memorialize the sales tax for education to be part of this.

Councilman Crockett asked what would be the expiration date. Mayor Kinsey responded five years. Councilman Crockett asked if other municipalities would also memorialize their sales tax for education as part of this. Mayor Kinsey explained that smaller municipalities had very little and would have nothing to lose and no incentive—that very little money is involved; that he thought Red Bank's was \$50,000; that if we are able to get an expiration date, it would be in five years. Councilman Crockett noted that at some point in time we expected the County sales tax to pass, and it has failed twice; that it passed in East Ridge and Red Bank, and he knows some people have thanked us for the \$8 million a year; that he was not sure the public knows that our contract and commitment to the schools has not changed—our contract has not changed since the merger; that outlying areas have passed a sales tax initiative, and the County has not contributed to education. He stated he had no problem with memorializing ours; that the School System hopes the sales tax will be uniform across the County; that our funding lessens the County's urgency to get this passed.

Chairman Hakeem stated that this would take further dialog and discussion; that we needed to have a meeting on this with the School people and not try to pin this down tonight. Councilman Crockett mentioned eight schools in his district with empty classrooms; that we have done the best we can do with zoning, and there are issues; that our voice is neither greater or less; that we are a financial partner and a big one.

Councilman Lively moved to allow the Mayor to proceed with this process. This was seconded by Councilman Franklin. Councilman Crockett questioned if we were authorizing this. Mayor Kinsey added that the portion concerning the school sales tax is to be discussed in a committee meeting. The meeting adjourned at 5:30 P.M.

