

**BUDGET AND FINANCE COMMITTEE**  
**MAY 8, 2012**  
**3:45 P.M.**

Councilwoman Berz, Chairman, called the meeting of the Budget and Finance Committee to order with Councilmen Rico, Ladd, Scott, Robinson, McGary, Gilbert, Benson, and Murphy present. City Attorney Michael McMahan and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Daisy Madison, Fredia Kitchen, Simone White, Ulystein Oates, Vickie Haley, Dennis Malone, Johnny Feagans, Dan Johnson, Mark Keil, Mike Patrick, Jim Templeton, Alice Cannella, Steve Leach, Joachim Volz, Lee Norris, John Bridger, Beverly Cosley, Gary Hilbert, Jana Lowery, Danny Thornton, Chief Parker, Chief Dodd, Chief Kennedy, Officer Snyder, Jerry Stewart, Richard Beeland, Beverly Johnson, John Van Winkle, and Dickie Hutsell.

Chairman Berz noted that the previous Council session had been a Budget Work Session that was open to the public and everything was recorded—that there were no official written minutes of that session. She stated that each Councilperson would be getting an Operating Budget for next year and that Daisy Madison would present a power point presentation. She went on to say that if there were any specific questions about line items in the Budget that the Process would be to send these questions jointly to Dan Johnson and Daisy Madison with a copy to each Councilmember; that responses would come back in the same way. She noted that a lot of deliberation went into the Operating Budget and also the Capital Budget on a regular basis. She noted that some of the Councilmember's attendance had not been the very best at Budget sessions and urged that everyone come to deliberation sessions and make attendance plans accordingly. She turned the meeting over to Daisy Madison.

Ms. Madison stated that she would like to acknowledge the presence of the Finance Department—that usually they stayed out of the way; that to the Council's right was the leader, who is Fredia Kitchen—that all the Staff loves her. She asked the Council if they would mind if she asked her Staff to stand because they had worked very hard on this.

Chairman Berz acknowledged that they had been working on this since January and had produced a magnificent document; that she was very proud of them—that this was top notch.

Ms. Madison began by going over the Budget Priorities—Public Safety; Youth Development; Anti-Gang Activities; Expanded Recreation Programs and Services; Recruitment and Retention of qualified professional staff; Improved City's business applications through strategic use of technology; Compliance with TDEC and EPA Requirements; Delivery of quality, prompt, cost effective and courteous service to the citizens of Chattanooga; and Maintain strong fiscal position. She noted that Anti-Gang Activities had been added and that IS was staying ahead of technology.

Ms. Madison continued with Revenue Highlights such as No Tax Increase; 4% over current Budget; and Slight reduction of .7% in property taxes. She talked about PILOT provisions, noting that the economy in Chattanooga is reaping the benefits of governmental and private sector working together, which has kept us going during the Recession of 2008. She stated that our economy continues to grow, noting that our largest revenue source is property taxes and that PILOTs entice businesses to come here, which impacts property growth. She mentioned that cell phones were taking away from land lines.

Councilman Benson stated that his question went back to the \$330 million in the operating Budget and \$121 million going to Debt Service? Ms. Madison stated that Councilman Benson had already skipped to the back of the presentation, noting a focus on the General Fund. Councilman Benson asked about debt service. She responded that it was part of the \$209 million. He wanted to know if we were going to maintain a strong fiscal position? Ms. Madison assured him that we would be covering this later, with Chairman Berz stating that this will be amplified.

Councilwoman Scott asked about the impact of property taxes? Ms. Madison noted that there would be a more appropriate place for this to be addressed.

Ms. Madison next went over the major sources of revenue, property taxes being the largest. She stated that we were fortunate to have State Sales Tax area and the Local Option Sales; that this was up by a percentage but her projections were normal. She also noted that the Miscellaneous revenue was up.

She next went over “Where the Money Comes From” by the illustration of a pie chart. 55% of the revenue comes from property taxes. Local Option Sales Tax accounts for 19%, with Ms. Madison noting that this is volatile and is in accordance with the economy.

Ms. Madison’s next topic was “Total Property Assessment Trend”. She noted that the trend was steady; that it rose in FY10 due to the reassessment of property. Councilwoman Scott asked when it is time for the next reassessment, would there be no significant change? Ms. Madison explained that it would be adjusted proportionately. Councilwoman Scott asked about property that was no longer offering up taxes—would they have to be maintained by those who are assessed? Ms. Madison explained that the PILOTS we are getting relate to assessment and taxes we never had—that PILOTS will not take assessments down. Councilwoman Scott mentioned downtown area property with a higher rate within the last three years—that some property had been sold at a significantly lower rate; that if reappraisals are based on the market value and no net gain nor loss, would it mean the assessments of remaining property would need to be adjusted? She wanted to know if other properties would have to bear the burden? Ms. Madison responded “yes”—that the rest of the property would make it up; that routinely properties are bought and sold and prices go up and down—that when the State makes one-time reassessments, they don’t want the City hurt or helped. Mr.

Johnson suggested that Councilwoman Scott get this information from the Tax Assessor's office.

Ms. Madison's next topic was "Local Option Sales Tax 2008-2013". She then went over a chart for "State Sales Tax 2008-2013"

Her next topic was "Where the Money Goes". She noted that Public Safety gets the largest share, which is 44.1%. Public Works is next with 15.4%. She explained that we always wanted our Debt Service to be below 10% and it is 8.1%.

Ms. Madison next went over "Major Expenditure Classifications", noting that Salaries and Fringes is the largest part with 38.6%. The Pension is next at 14.1%, followed by Health and On-the-Job Injuries at 8.7%. She noted that our employees see most of the 38.6%; that Salaries & Fringes, Pension and Health comprise 61% of the Budget.

She next gave a General Fund Budget Overview, noting that the Budget for FY2012 was \$201,255,000; for FY2013 it is \$209,320,000. Employee Pay Increases amount to \$2,862,995. The Fire and Police Pension is \$1,639,560 and the General Pension is \$40,699. Councilman McGary asked about the numbers for the Police Dept.? Ms. Madison explained that this was included in the \$2,862,995 for employee pay increases; that when we put a Plan in place it is subject to affordability and availability, mentioning the Career Ladder Program. This is all contingent upon our ability to fund. She noted that for the past two years, we have been addressing the same issue. Councilman McGary confirmed that we had dealt with the issue for two years—that he did not want us "blowing smoke" but dealing with this in a fair way; that we needed to get a firm grasp. He wanted to know what our goal was; that we re-visit this every year. Ms. Madison responded that she did not "blow smoke" but gave numbers, which were scientific; that this includes all kinds of costs—(x) number of dollars for employee changes; that she could not give a firm number.; that it is to the extent that this Council wants to do it—all or a portion. She went on to say that dollars could be re-prioritized—that the pay increases are in with all the other dollars; that she did not know what was for Fire and Police—that early on it was \$300,000, but we had to find \$1,639,560 for the Fire and Police Pension. She went on to say that the Wellness Program had paid off, so there was no increase there. She noted that pension and health dollars can really go up, and it is really the Council's decision.

Councilman Benson stated that it was startling to him that the General Pension is only \$40,699 and the Fire and Police Pension is \$1,639,560. He asked Ms. Madison what she attributed this disparity to? He questioned the cost to keep them going as it relates to the General Pension. Ms. Madison responded that she could not answer this question—that the Actuary would be the best person to answer this. She mentioned that a number of factors would go into what is required to fund the Fire and Police Pension Plan—that the market is a major factor. This prompted Councilman Benson to say that the market is the same for the Fire and Police as it is for the General. Ms. Madison noted that it would be contingent upon the date at which

someone retires and what they were paid; that sometimes there is an increase in pay after they retire contingent upon how long they live—that generally this is the impact on pension plans, and we would not know until next year when raises are given. She stated that it was sort of a cycle and not just the pay but the total compensation. Councilman Benson still asked if it were not the same market? Ms. Madison responded that it was not the same level of pay. Chairman Berz noted that we needed to get the Actuary here to answer this. Ms. Madison did add that the General Plan managers are good, and she would like to hope that the Fire and Police Plan managers are good—that there are other factors rather than just the market. Chairman Berz stated that this could be discussed further.

Councilman Gilbert asked if the Gang Initiative was under Administration? Ms. Madison responded that it is in the Budget this year and “yes”, it is under Administration.

Ms. Madison stated that she would like to applaud Donna Kelley for the On-the-Job Injury Plan and also her other Health initiatives. She noted that the increase in Debt Service is \$2,292,222. Election Expenses are \$200,000, and this occurs every four years.

Councilman McGary stated that he would like an update on the Gang Initiative and what this allocated money will pay for. Chairman Berz confirmed that he wanted a break-down of what this money goes for—\$276,383.

Ms. Madison next went over the General Fund Budget Summary, followed by “Major Enterprise Funds” that consist of the Interceptor Sewer System Fund, the Water Quality Fund, and the Solid Waste Fund. Next was the Summary of Supported Agencies, consisting of Tier I—Quasi Government, Tier II NonProfit not related to Social Services, and Social Services/United Way Review. It was noted that the Council has had discussion as to the United Way Review. Supported Agencies—Tier 1 was covered. There were some discrepancies and Chairman Berz asked for a replacement of two pages so that the Council will have accurate figures. Ms. Madison advised that there would be document changes up to the last minute.

Next was the Total General Fund Balance, with Ms. Madison pointing out that according to Moody’s, the median value of general fund balance as % of revenue for AA rating is 21.6%. She stated that we were going in the right direction.

Ms. Madison’s next topic was “Total Unreserved General Fund Balance Trend” with a chart. Councilman McGary asked that she refresh his memory as to the Debt Management Policy. She explained that this was the Unreserved Fund Balance. He asked what choices she made to reach this goal. Ms. Madison explained that we use reserve funds because that is their purpose, but we try to build them back up to get to the 21.6% target.

Councilman Benson related to Ms. Madison that he was pleased; that the unreserved General Fund Balance was \$26 million when he came in and now it is \$41 million, and we still have the AA rating. He asked if we were on the verge of getting an AAA rating? Ms. Madison responded that she would like to think so. He asked if we had applied for this? Ms. Madison responded that an AA rating is not something to be “sneezed” at; that we had gone from B to AA; that the decision would have to be made by the Council to do what is necessary. Councilman Benson stated that he thought Germantown was the only place in the State that had an AAA rating.

Ms. Madison next covered the Major City Funds. The Budget of \$209.3 million is up 4%. She next went over the key dates—The Mayor’s Balanced Budget presented to Council on May 8<sup>th</sup>; First reading on the Budget on June 5<sup>th</sup>; and Second Reading on June 19<sup>th</sup>.

Chairman Berz summarized that we would hear from the Fire and Police Pension fund Manager; that Councilman McGary would like to hear more from the Gang Initiative and have the costs broken down and what has been accomplished or what will be accomplished. She stated that if there were any other questions that they should be sent in to the Chief of Staff and Daisy Madison with a copy to the rest of the Council. She noted that there would be a meeting next week for Budget deliberations on Tuesday, May 15<sup>th</sup> from 1:00 P.M. to 3:00 P.M.

At this point, Ms. Madison stated that she would like to recognize the other “important or unimportant people”—The Chief of Staff and the Mayor.

This meeting was adjourned at 5:00 P.M.