

LEGAL AND LEGISLATIVE COMMITTEE
January 18, 2000
4:35 P.M.

The meeting of the Legal and Legislative Committee was called to order by Councilman Eaves, Chairman, with Councilmen Crockett, Rutherford, Hurley, Hakeem, Taylor, and Pierce present. City Attorneys Randall Nelson and Phil Noblett; Management Analyst Randy Burns; and Shirley Crownover, Assistant Clerk to the Council, were also present.

CITY/COUNTY TAX SEPARATION

Chairman Eaves convened the meeting, stating that the meeting was at the request of Councilman Pierce, and he had agreed to discuss some issues regarding areas of contention between us and the County Government; that it was primarily about taxes; that he felt the City taxpayer was being mistreated—that he was paying the lion's share in the unincorporated areas of the county, and this bothered him a great deal; that the only answer he received from the County Commission was that if we don't like it then we can turn in our charter. He stated that this was one answer, and it could be discussed. He stated that this was not the only answer to this, and we needed to talk about moves we can make to address this. He noted that we had tried Metro government three times, and it had failed.

Chairman Eaves stated that he was concerned about the area of services that have been provided by the County out of the general treasury such as the Fire Dept. and picking up dogs and cats. He stated that these were quite expensive items and Red Bank had been quite agitated and pulled out of the Dog and Cat business; that it cost them \$3,000 to \$4,000 and \$41,000 when the City of Red Bank went out of the business and the people of Red Bank had been incensed; that if the County was getting \$41,000 from us, how did they get it from other areas and were taking it out of the County Treasury and Red Bank had said pay for ours too. He noted that the City pays into the County Treasury.

Chairman Eaves mentioned the vote on the ½ cents sales tax had been turned down by the County and as a result we find ourselves in the unenviable position of the only city right now; that Signal Mtn. Had voted in the ½ cents sales tax but only to be spent in Signal Mtn. and not go into the General Treasury. He stated that we were the only one and we continued to contribute \$8 million to the school funds, and no one else does this, and it is a large amount of money.

Chairman Eaves continued, stating that he supposed if we withdrew this \$8 million, someone would have to make it up; that if it were made up in the general county taxes, it would amount to about \$.20 which brings up the first issue that if we withdraw the \$8 million and the County puts a \$.20 tax on every \$100, it would further exacerbate the tax load on the City taxpayer.

Chairman Eaves stated that we had looked at the City of Memphis and how they are operating; that Shelby County operates a Fire Dept. and finances a County Fire Dept. out of the fees that they charge; that in Hamilton County it comes out of the General Treasury and ditto—the same thing for animal control and a number of other things. He stated that the City Taxpayer deserves a break, and we are looking into addressing this issue, and he would welcome any suggestions.

Councilwoman Rutherford stated that she, too, felt City taxpayers deserved a break; however the Mayor and County Executive were having ongoing talks to equalize the taxes. She questioned how this played in.

Chairman Eaves stated that it was true that Claude and John were having discussions; that one undertaking was a sunset on the Sales Tax Agreement, but this does not address the Fire Department and Animal Protection Plan and a number of other things.

Councilwoman Rutherford noted that they were talking about revamping the Sales Tax Contract because it was 30 years old.

Chairman Eaves stated that he talked to Mayor Kinsey and some of these issues may come up, but if they do, he still felt this was the area in which we need to address this. He stated he did not know how much we put into the County Fire Department; that when Rick Lanese was here, he researched this and found \$17 million and felt it was probably more, but he got tired of hunting.

Councilwoman Rutherford stated that Adm. Boney or Mayor Kinsey should check into this—that official conversations are going on; that the room tax was under discussion, and stated that she felt really lost in this huge conversation.

Councilman Hakeem noted that both Mayor Kinsey and Adm. Boney were sick today.

Councilman Crockett stated that he, too, thought we needed to get a report from Adm. Boney and Mayor Kinsey since they were involved with negotiations.

Councilman Crockett stated that on taxes there were two parts—One is the mechanism in relation to fair share and the other is structure unlike any he knew of in the country; that if we establish Urban Service Districts, they do not become a part of an urban area. In other parts of the country there are Tax Districts; that ours has been this way over a long period of time for a lot of reasons. Councilman Crockett stated that the real issue is over a long period of time our investment in infrastructure and establishing a tax policy. We have increased land areas, and the result of this is that 30 years ago the tax rate of Hamilton County went from over 50%, he believed, to nearly 180%; so in 30 years of time, with no population growth, we actually dropped a number of school children, and we have tripled the County tax rate as a percentage of the City tax rate. He stated that this did happen—we have spread it out, and it takes more of everything, and it is absolutely too expensive for people in or out of the city, and it does not look like it will end.

Councilman Crockett stated that we have re-negotiated , but this will not fix the fact that right outside of the City of Chattanooga, the tax rate is zero; re-negotiating the sales tax will have no effect on this. He stated that this goes back to other conversations about having a separate status altogether because this is distorted so badly; that some have had it free—that the choice to vote is not for just a few.

Councilman Crockett suggested looking at a Virginia-type Plan separating the City from the County—we would be autonomous; they have a county tax rate plus processing urban services, and it would be more expensive to live outside an urban area. Councilman Crockett went on to say that if our Charter does not provide anything like the Virginia Plan and the only legal entity that has to be here is the County that we need to look at where the County lines are; that ten municipalities need to agree on how they can work together. He suggested putting the growth boundaries back and letting everybody vote on whether to be a Municipal County or Hamilton County. He stated that we have heard some of the arguments; that this would settle this issue and also cut down on a lot of costs; that it would certainly help us examine the worth of ourselves in relation to each other.

Councilwoman Hurley stated that this was an interesting conversation. She suggested forming an Ad Hoc Committee of citizens to explore this with experts. She stated that she would like to see some models; that she knew Councilman Crockett knew what he was talking about; that we needed to know what is permitted by the State. She stated that she really thought the Council was “brilliant”, but we were not the best ones to research the model. She stated that she wanted no misunderstanding—that this would not be a Metro-Government Task Force. This did not include all of the other municipalities; that unlike the North Carolina Plan, we needed to know if this would pass the State Legislature. She stated that she would love to see this issue in a small Ad Hoc Committee with expert advice.

Councilwoman Rutherford questioned the chances of something like the Virginia Plan or the North Carolina Plan passing the State Legislature. Attorney Nelson responded that we would have to change the State Constitution. He advised to keep in mind that if the County gets this declared unconstitutional, then the State Legislature will have to look at something to replace it with.

Councilwoman Hurley stated that we needed specific information and expertise.

Councilman Crockett stated that looking at State models would be useful; that he agreed with Councilwoman Hurley and thought this was the best way to go.

Councilwoman Hurley moved that Administration look at the possibility of creating an Ad Hoc Committee to study tax equity. This was seconded by Councilwoman Rutherford.

Councilman Crockett asked Councilwoman Hurley if she would change her motion from “tax equity” to “tax structure”.

Chairman Eaves asked if we wanted to put a cap on this—if it would be three years. Councilwoman Hurley stated she would say 3-6 months. Councilman Crockett questioned if we needed to fund this. Councilwoman Hurley stated we would need to wait to see what it will cost.

Chairman Eaves suggested that Adm. Boney and Randy Burns continue to research this in regards to what the County is putting into the Fire Department in unincorporated areas and also how much they were putting in for animal control. Also, he stated, he would like to know what effect the 1/2 cents sales tax or us pulling the \$8 million would have. He stated we needed to put an element of timing on this.

Attorney Nelson noted that the County had already gone to the State Legislature to preclude them from building roads.

Councilwoman Hurley stated that all of this has been developed by the Metropolitan Council and is a matter of dispute.

Councilman Crockett stated that we needed to have a consultant look at two distinct issues in regards to equity and State, City, and County structures: (1) What are we paying and what is it going for and (2) Look at structures of other States.

Chairman Eaves stated that there was somewhat of a misunderstanding—that Shelby County has a Fire Dept. financed by unincorporated areas; that the State allows for counties to set up for these services; that Taxing Districts could be set up for urban services and if services were paid for by those receiving them, we might not have had the last tax increase.

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Councilwoman Hurley stated that we have the problem and now we need the solution. She stated that she accepted Councilman Crockett's amendment to her motion.

BUDGET AND FINANCE MEETING AND TML ISSUE

Councilman Hakeem stated that Mayor Kinsey and Adm. Boney were both out today and also Chairman Lively; that we had planned to have a Budget and Finance Meeting today to discuss the Capital Budget and a TML suggestion on passing a resolution. He stated that this meeting was rescheduled tentatively for Thursday, January 20th at 3:30 P.M.

Regarding the information from TML, Councilman Hakeem noted that he was a representative on the TML Board, and we need to talk about balancing the State budget.

The meeting adjourned at 5:10 P.M.