MINUTES

JACKSON CITY COUNCIL – BUDGET HEARING MEETING

June 16, 2020 – 8:00 A.M.

GEORGE A. SMITH MEETING ROOM

Call to Order, Invocation, Pledge of Allegiance, and Roll Call:

The Council of the City of Jackson met in a Special Call – Budget Hearing session on **Tuesday, June 16, 2020,** at 8:00 A.M. Councilmember Harvey Buchanan gave the invocation and led the audience in the Pledge of Allegiance. The mayor then called the roll. Councilmembers Ernest Brooks II, Harvey Buchanan, David Cisco, Johnny Dodd, Russ McKelvey, Gary Pickens, Ross Priddy, Paul Taylor, and Marda Wallace were present. For the City of Jackson, Bobby Arnold, Finance, Susan White, Purchasing, Scott Chandler, Engineering, and all other department heads were present to deliver their department's budget. Also present was Sandy Maxwell recorder of the minutes (full video of the meeting can be found at http://www.youtube.com/c/CityOfJacksonTN731).

Approval of Minutes:

The minutes for June 9, 2020, meeting were approved and signed.

Proclamations:

None

Invitation for Public Comment:

Mayor Scott Conger reminded the audience this is a public hearing, and open to public comment for opposition to or in favor of items on the first readings. Anyone is allowed to speak when the appropriate items are up for discussion.

First Readings:

An Ordinance to establish the FY (i.e., July 1, 2020, through June 30, 2021) Operating and Capital Budget and FY 21 Property Tax Rate for the City of Jackson, TN. 3:38 – 50:47

Mr. Bobby Arnold started by presenting the proposed budget ordinance to the council for the FY 21 budget and tax rate.

Report: Addressing the tax rate first, on page seven, section seven of the proposed ordinance, our tax rate for the FY 21 year remains the same, which is $1 96.19, but the difference would be in the allocation of the property taxes for FY 21. We're proposing that 1.4377 directed to the general fund and .5242 directed to the debt service fund. The current year the tax rate is distributed 1.44 to the general fund, .4610 the debt service fund, .0609 to the capital outlay. That change is necessitated by the fact that in the year 2021, we have an increase in our debt service requirements, which will address that when we look at the debt service.

Beginning with the General Fund on page two, the schedules are laid out for each fund. We got the actual audited results for **FY 19, the estimated results for FY 20** (were initially based on February year-to-date numbers, have been updated, within reason to include, March and April results), and the FY 21 proposed results. Looking at the general fund in relationship to FY 20 vs. FY 19, you'll see that revenues are down from by about $4 million (about 5.5%), a significant drop. Also, note expenses are down from an estimated FY 20 vs. FY 19 by 4.4% reduction in expenses, and we transition from a small surplus in FY 19 to an estimated small deficit in FY 20. To highlight some material revenue variances that create this situation—looking at the handout (not intended to look at every change or to reconcile, just an overview), the material changes in revenue from FY 19 to FY 20. The first broad category is Taxes; as you look at the accounts that are affected, the primary driving of those decreases in revenue is the COVID-19 impact. The same situation is true for License and Permits. Another factor is significant changes in Grants. In terms of intergovernmental revenues, a decrease of over a half a million dollar from the Hall Income Tax revenues from the State of Tennessee (driven by the state implementing the Improve Act to help fund roads, by phasing out the Hall Income Tax, and reduced taxes on groceries), so that had a significant impact. The final category with a decrease is in the usage of Money and Properties, speaking only to the Public Facilities – Combined. Public Facilities have been shut down in March and will remain so until June.

The material expense variances from FY 19 to FY 20 in the General Fund (not intended to look at every change or specific line item, just an overview), looking at General Government category, Fees & Commissions – Combined, that is a combination of several different accounts. Notice a grant revenue went, so did grant expenses. Community Relations and Marketing, about halfway through this fiscal year, the decision was made to begin to charge, Community Relations and Marketing expenses related to the Jackson General (previously been charged to General Government category) moved to the Ballpark category. The second factor is that the ball season has been canceled, so that reduces some of the expenses well. The Public Works category, there are a couple of accounts that are footnoted Animal Care – Combined, Street Maintenance – Combined and under Parks and Rec, Groundskeeping – Combined. The substantial increase is primarily driven by the decision we made to redirect expenses that were previously in the Solid Waste Fund to the General Fund, where they are more appropriately reflected. Finally, Transfers to Other Funds category, We're looking at the transition from FY 19 to FY 20. In FY 19, $710,200 was transferred from the General Fund to the Debt Service Fund (to retire the debt on what's referred to as the Short Street building for the Police Department). There are three transfers that we talked quite a bit 1.) $500,702 a transfer to the Solid Waste Fund to write off the receivables that were due to the General Fund from the Solid Waste Fund $400,000 for the similar transaction between the General Fund, and the Sportsplex Fund. 3.) $101,362 a transfer from the General Fund to the Debt Service Fund. So, both the $500,000 transfer to the Solid Waste Fund and the $400,000 those are estimated, not to exceed numbers, those numbers are still to be determined as we close out the fiscal year. I am more confident in the $500,000 for the Solid Waste Fund. But maybe not as confident about the $400,000 for the SportsPlex Fund, because some of their operations have been interrupted. Last transfer to the Debt Service Fund, which the amendment that passed was an amount not to exceed $500,000, looks more like $101,000 rather than $500,000. But please remember all of these are still estimates at this point.

Revenues were down 5% from FY 19 to FY 20, and expenses are down 4%; we went from a small surplus in FY 19 to a small deficit in FY 20. In the General Fund, look at the budget ordinance itself (page 2), there is a small increase in revenues for the General Fund. That is about $450,000 to $500,000 increase six-tenth of 1% year-over-year. The appropriations of expenses in the General Fund that is an increase of about $4 million, or about 6% from FY 20 to FY 21, currently the proposed ordinance reflects a $4.2 million deficit for the General Fund. Looking at the material revenue variances from FY 20 estimated, to FY 21 proposed, starting the with the broad category of Taxes. Please note that we do have nominal increases in property taxes projected due to the slight increase in the assessed valuation and our historical collection percentage of 97%. We have projected a rebound in our Beer and Liquor taxes—the same for business taxes (I should have mentioned previously on business taxes; not only the COVID impact directly, but the state extended the timeline for paying their business tax, so it is a timing issue from year-to-year), but when you compare business taxes from FY 20 to FY 21, there is an increase. The continued impact of COVID on our Sales Tax and our Hotel -Motel collections will continue into next year. Grant revenue varies, up in FY 19, a little bit less than 20, but picks up in 21. Intergovernmental revenues, you can see the gas tax excise tax gross receipts and sales tax. The anticipated impact from the state shared revenues, primarily driven by COVID-19, and remember these are decreased above the decreases we experienced in FY 20. Finally, the last line, the SportsPlex revenue, one of the significant changes in this next year's budget is the proposal to consolidate SportsPlex Fund into the General Fund. That would have a $1.1 billion impact on revenue in the General Fund, a lot less significant impact on expenses. Looking on the last page is heading City of Jackson FY 21 budget General Fund Expenses Material Variances, and the columnar heading is from FY 21 from F Y21, grant revenues have increased in FY 21 from FY 20. Hence, the related grant expenses are there, as well. We have a significant decrease in the cost of our projected what we refer to as terminal leave, driven by early retirement in FY 20. We have projected a 7% increase in the cost of our health plan with no change in cost-sharing, which is 70%, City / 30%, Employees. One Jackson – Civic Masterplan, no or few expenditures to that line item are very few this current year, but those funds are going to be needed this next year for the Wolf Lodge project.

Stormwater Operations has a pretty significant increase, relating to a specific project that will come before you later in today's meeting. Finally, SportsPlex cost, that will impact the General Fund next year's from consolidating those particular funds, they will not repeat themselves FY 21. Concluding my comments on the General Fund, look back at the budget ordinance. When you look at the FY 21 budget for the General Fund, compared FY 19, which is the last pre-COVID year that we have, and FY 20 has undoubtedly been a year of transition. We've had all the transfers in FY 20 that we won't have in 21, just a lot of moving parts. So a good benchmark, maybe FY 21 compared to FY 19. So looking at FY 21 revenue compared to FY 19 revenue for the General Fund, it's down 4.9% from revenues, and FY 19 and expenses are up 1.3%, and FY 21, and total from FY 19. Back to the ordinance (pg. 2), SportsPlex Fund, notice the FY 21 column is blank for the budget because it's been moved to the General Fund. Page three, no comment on the Community Development Fund. On the Solid Waste Fund, just one comment here, remember when you look at FY 20 high impact items to note: 1.) in the revenue section, the $500,000 transfer from the General Fund. 2.) in the expenses section, we transfer funds from the Solid Waste Fund to the General Fund for Animal Care, Property, and Leaf and Street Maintenance. No comment on the Police Drug Fund, or the Metro Drug Fund. The Debt Service Fund, a couple of notes: 1.) in the revenue section, transfers in from other funds, and the projected transfers for next year. 2.) notice the transfers to other funds, $8,844,600 in FY 19and $6.2 million in FY 20, remember those are the debt issue that we had in each of those years where the funds went into the debt service fund, and later were transferred out to the Capital Outlay. No debt is proposed for the FY21 budget. Keeping in mind the Debt Service, turn to page 6, section 3, in the budget ordinance. This section lays out our debt for FY 21. Turning back to page 4 is the Capital Outlay Fund for FY 21, please remember that for FY 21 no tax dollars are going into the Capital Outlay Fund. The grant line for next year is $6.6 million in revenues, which is a combination of the state grants for $1.5. million and two other road projects. 1.) South Bypass project, which is a grant-funded project at 100% funded, no match. 2.) the completion of the F. E Wright Dive, which that project does have a 20% city match. The $113,000 in the Capital Outlay is for a new piece of pothole technology, those funds from the Improve Act allows us to use these funds, so we are going to direct the funds from the General Fund to the Capital Outlay Fund to acquire that piece of equipment. On page 6, section 4, this is some detail on the Capital Outlay Fund for next year. The way that the State Comptroller likes to see the budget ordinance is in two categories. The first box, they describe as pending capital projects. These are projects we historically have classified as carryover items, meaning these items were approved in this current year budget FY20 and were encumbered by purchase order and/or a contract. So items are approved, but we will need to allow for the cash funding for these items in FY 21 Capital Outlay Funds. They total $7.1 million, includes the two previously mentioned road projects, a new fire department, and the City Court building. The State Comptroller describes new items as proposed future capital projects. Of course, the previously mentioned items, pothole machinery, state grant for street resurfacing, and the Metro Growth Fund, they are self-funded. Still, they do have $57,000 worth of capital are included in proposed capital projects. Wrapping up the ordinance, the last two funds Landfill and Community Redevelopment (pg. 5), no comments on those funds. But page 5, section 2, of the ordinance, the state asks us to list our estimated fund balances at June 30 of 2020. The purpose for that is in some of our funds, the Capital Outlay and the General Fund are good examples as we will be spending some of the estimated ending fund balance next year, so they like for us to lay that out. In the ordinates on page 6, we've already talked about these numbers, as well as page 7, which lays out the tax rate.

Department Heads were called forward to answer questions from the council regarding the department budget. Below are the departments in order; notice the video timestamp for each department (http://www.youtube.com/c/CityOfJacksonTN731).

1. Office of the Mayor & City Council, Alex Reed (Pt. 1, video timestamp – 51:28 to 1:00:15)
2. Municipal Court, Darryl Hubbard (Pt. 1, video timestamp – 1:00:48 to 1:08:31)
3. Recovery Court, Haley Coble (Pt. 1, video timestamp – 1:08:52 to 1:12:15)
4. Revenue and Finance, & Accounting, Bobby Arnold (Pt. 1, video timestamp – 1:12:34 to 1:16:58)
5. Purchasing, Susan White (Pt. 1, video timestamp – 1:17:32 to 1:27:46)
6. IT, Brian Taylor, (Pt. 1, video timestamp – 1:28:00 to 1:33:27)
7. HR, Lynn Henning (Pt. 1, video timestamp – 1:33:44 to 1:36:40)
8. Risk Management, Stacey Stone (Pt. 1, video timestamp – 1:36:29 to 1:38:15)
9. Public Buildings, Devilon Young & Alex Reed (Pt. 1, video timestamp – 1:38:55 to 1:40:56)
10. Farmer's Market, Tammy Buchanan (Pt. 1, video timestamp – 1:41:13 to 2:06:29)

Recess Break

11. Police Department, Chief Wiser & Dep. Chief Michael (Pt. 2, video timestamp – 00:06 to 55:58)
12. Fire Department, Chief Samuels & Dep. Chief Don Friddle (Pt. 2, video timestamp – 56:37 to 1:14:23)
13. Central Dispatch, LaNonda Jernigan (Pt. 2, video timestamp – 1:14:48 to 1:26:06)

Lunch Break

14. Planning, Stan Pilant (Pt. 3, video timestamp – 00:17 to 3:45)
15. Building and Housing Codes, Greg Rowland (Pt. 3, video timestamp – 4:06 to 11:43)
16. Animal Care Center, Whitney Owen (Pt. 3, video timestamp – 12:10 to 31:41)
17. Street Department, Percy Jones & Johnny Weddle (Pt. 3, video timestamp – 32:03 to 37:51)
18. Garage, Rodney Todd, (Pt. 3, video timestamp – 38:25 to 48:07)
19. Engineering, Scott Chandler (Pt. 3, video timestamp – 48:22 to 1:00:49)
20. Recreation and Parks, Tony Black (Pt. 3, video timestamp – 1:01:10 to 1:17:27)
21. Maintenance, Kirk Smith (Pt. 3, video timestamp – 1:17:48 to 1:21:09)

22. <u>Groundskeeping, Frank Woods (Pt. 3, video timestamp – 1:21:24 to 1:23:06)</u>

23. <u>Civic Center and Oman Arena, Tosh Newman (Pt. 3, video timestamp – 1:23:32 to 1:41:24)</u>

24. <u>Legends Museum, John Reitzimmer (Pt. 3, video timestamp – 1:41:44 to 1:48:35)</u>

25. <u>The Ned, Diann Robinson (Pt. 3, video timestamp – 1:48:49 to 1:53:05)</u>

26. <u>Fairgrounds, John Robert Mehr (Pt. 3, video timestamp – 1:53:22 to 2:00:43)</u>

27. <u>Ballpark, Mayor Conger (Pt. 3, video timestamp – 2:00:48 to 2:25:20)</u>

28. <u>Sportsplex, Jason Compton (Pt. 3, video timestamp – 2:01:27 to 2:25:20)</u>

29. <u>Health and Sanitation, Leilani Mills & Alex Reed (Pt. 3, video timestamp – 2:25:50 to 2:33:31)</u>

Opened up public hearing; no one spoke—motion made by Councilmember Pickens and second by Dodd. Upon a call to vote, Brooks, Buchanan, Dodd, McKelvey, Pickens, and Wallace voting aye, Priddy and Taylor voting nay and Cisco abstaining, motion passed 6-2-1.

Second Readings:

Consideration of a budget amendment to move $750,000 from Debt Service fund balance to Debt Service revenue and expense.

Councilmember Brooks made a motion, seconded by Councilmember Dodd, to approve the agenda item as submitted. Upon a call for a vote, all voted aye, except Councilmember Cisco abstained, motion passed 8 – 1.

New Business:

Recommendation to award to Delta Contracting for the material and labor to construct the project named Exit 85 Storm Drainage Collapse.

Councilmember Buchanan made a motion, seconded by Councilmember Brooks, to approve the agenda item as submitted. Upon a call for a vote, 7 Councilmembers voting aye, and Councilmember Cisco and Taylor abstaining, the motion passed 7 – 2.

ADJOURN.

Scott Conger

SCOTT CONGER, MAYOR