

**BUDGET AND FINANCE COMMITTEE MEETING**  
**November 20, 2001**  
**4:30 P.M.**

The Budget and Finance Committee was called to order by Councilwoman Robinson, in the absence of Chairman Taylor. Councilmen Littlefield, Benson, Hakeem, and Pierce were present. Councilman Lively joined the meeting later. Attorney Randall Nelson and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Adm. Boney, Janice Hester, Daisy Madison and Mike Compton. Judge Williams joined the meeting later.

**UPDATE ON STATE FINANCE MATTERS**

Councilwoman Robinson called the meeting to order, stating that she was sitting in for Councilman Taylor who was out of the city and had asked her to lead the discussion with Adm. Boney. She stated that Adm. Boney would talk to the committee in response to questions that had come up concerning the State of Tennessee budget as our budget is tied in with shared revenue with the State. She mentioned that we have read that cities across the United States may face revenue hits. The Council has raised the question of what we can expect if shared revenue is reduced and are trying to foresee what might be a problem on the front end. She noted that Adm. Boney had prepared a report for us and would lead the discussion.

Adm. Boney passed out copies of a Tennessee Municipal League News Release, which is made a part of this minute material and called everyone's attention to the first two pages of a State-Local Budget Crisis Overview, which is also made a part of the minute material. By this time next year, the State faces an \$800 to \$900 million dollar challenge. We had counted on revenue growth and that is in question now. The total new revenue need projection is \$891 million dollars. The revenue growth, if the economy improves, would be \$150 million. He stated that we do require a balanced budget and that this is a serious problem. He added that the State is sophisticated enough to have a seasonal projection, and the \$150 million deficit does not look good.

Councilwoman Robinson noted that the coming weekend would be a litmus test as to spending. Adm. Boney stated that October was the highest month in retail, but it was mostly cars, which is not a recurring expenditure. He reiterated that a balanced budget is required.

Adm. Boney went on to say that the budget passed by the State says that all state-shared taxes will be frozen as of June 30, 2002; revenue growth will also be frozen. He stated that we knew we faced this dilemma and hoped that we could come up with increased revenue. Adm. Boney went on to report that on the average a 4 cent annual increase in municipal property taxes would be required to replace the loss of growth in state-shared taxes. This would also hold true in the County; a \$1.09 increase in municipal property taxes would be required to offset the loss of all state-shared taxes and a 90 cent increase in county property taxes would be required. He added that all tobacco settlement proceeds received to date and expected to be received in the future have been used to balance this budget. He stated that this was a great two-page summary.

Adm. Boney went on to speak to additional property tax required to offset the loss of HALL Income Tax, noting that for Chattanooga the tax rate for 2000 went from \$2.31 to \$2.516. The additional property tax required to replace loss of ALL State-Shared taxes would be \$.70 and the tax rate would go up to \$3.16. He added that in the last month there had been no discussion of taking away any revenue.

Adm. Boney pointed out that in the last two years we had seen a lot of debate between the legislative bodies of State government. He stated that there was a cry for us to be heard; that TML had represented us and had made a fairly strong policy statement referring to the two-page News Release of November 8<sup>th</sup> meeting. He stated that they did indeed support tax reform in order for the State problem not to be visited on local governments; that they opposed loss of growth and had laid down what they don't want to do. He read the adopted policy statement, *"To restore the fiscal health of state government; preserve the fiscal health of local governments; protect the high quality of life enjoyed by Tennesseans; and to promote the regional, national, and global competitiveness of Tennessee, TML supports tax reform, including but not necessarily limited to the enactment of a broad-based personal income tax."*

Councilman Benson stated that this was all very clear, but sad.

Councilman Hakeem stated that he believed other cities had sent a Resolution showing their support of the efforts of TML and felt that we should let our delegates know how we feel about tax reform.

Councilwoman Robinson stated that we have not talked about it, and she thought it would be good to have everyone present to sit down with our local delegation and discuss this. She stated that she wished the four big cities in Tennessee would do the same thing and we could see something happen across the board as there was no dialog reaching across the State.

Councilman Benson suggested that Chairman Hakeem set a meeting with the State Delegation.

Attorney Nelson noted that we used to have a luncheon with the delegation annually to go over what we wanted to do with legislation proposals. He stated that this would be a good time to discuss this.

Councilman Littlefield stated that no one likes tax increases and little more had been accomplished than “throwing rocks through the governor’s office”. He stated that this was all of our decision, and we have to work on this together.

Councilman Hakeem noted that we were supporting tax reform out of survival.

Councilwoman Robinson stated that the Council needed to take the necessary steps to get us to the table and review TML’s policy and sit down with our State delegation to explore our options.

Councilman Lively stated that this had to be handled with “kid gloves”; that it is a good policy for us to remind them that our only revenue is property taxes and sales taxes and not to shove increased taxes down to us; that we do not want tax reform to be on the backs of municipalities.

Councilman Littlefield stated that what Adm. Boney had shared with us was good numbers.

Councilman Benson noted that Hamilton County would also have to raise taxes. **Councilman Benson moved that Chairman Hakeem proceed to set up a meeting with our State Delegation, and we will have a meeting and work together with Adm. Boney on joint statements between the Council and the Mayor’s Office. This was seconded by Councilman Littlefield.**

### **CITY OF CHATTANOOGA CREDIT CARDS**

Adm. Boney stated that he had also been asked to address Credit Cards and passed out a list of those people who have City Credit Cards, which is made a part of the minute material. He stated that these were all people of integrity who were familiar with the guidelines for use, which are that the credit card should be essential to the effective operation of the department and required department heads’ approval for issuance. The card is to be used for official business only. All receipts showing amount, purpose and other background information are to be retained and attached to payment documents. It should be rare—if ever—that the card is used for local expenses that could otherwise be paid by city checks or reimbursed as an official out-of-pocket expense. Adm. Boney stated that department heads could afford the cash flow but the use of credit cards is a fact of life. He noted that the concern was about payment procedures.

Adm. Boney proceeded to go over the current credit card payment procedures, which are the receipt of a monthly statement in the Finance Department, which is forwarded to the individual/department for review and confirmation of valid expense; following department approval, the Finance Department receives warrant vouchers and backup documentation from departments through normal payment process. The (+) of this system is a thorough review and validation of payments. The (-) is that it can be slow as it is routed through interoffice mail.

The proposed new procedure would be as follows: The monthly statement would be received in the Finance Department, and they would prepare payment directly for the entire month's activity and mail ASAP. Subsequently, departments would be informed of payment, review for validity and submit supporting documentation to Finance to substantiate payment. The Finance Department would reconcile support documentation versus the actual payment. The (+) of this system would be likely elimination of fees/finance charges altogether; the (-) would be additional "leg work" to reconcile disputed payments to avoid overpayments or inappropriate use. Adm. Boney stated that they would be happy to change the process if needed. He added that an additional proposed change would be to re-bid the card vendor in an effort to receive more favorable terms on fees such as a longer grace period for timing between statement date and due date; and no late fees between "due date" and "billing cycle date".

Councilman Benson stated that he brought this subject up; that he knew the Finance Department spent a lot of time monitoring this and for quality control. He went on to say that corporate credit cards can become as slippery as "boiled okra". He noted that Adm. Boney had done an excellent job here of showing quality control. He added, however, that he had a real hang-up with corporate credit cards; that when he was in the School System, they had 35 out at one time. He stated that he believed the voucher system was the best, with receipts; that it is difficult to keep control of corporate credit cards, and he urged the City to minimize this, noting that 13 cards were not that many. He advocated showing the Finance Department receipts and people using their personal credit cards. He noted that a lot of time was spent keeping this kind of control; that if you minimize them, you can control them better.

Councilman Lively, too, indicated that he saw no need for corporate credit cards; that it was much simpler to hand in an expense report and be reimbursed.

Adm. Boney stated that if the Mayor directed them to quit using credit cards that they would do so; that the issue was travel expense, and he believed that it was valid.

Councilman Lively stated that there would be no delay in disbursement if people turned in receipts.

Adm. Boney stated that some people do travel often and this small “perk” is not abused. He stated that he would be happy to change the payment procedures to avoid late charges.

Councilwoman Robinson stated that she believed the additional changes were good and urged Adm. Boney to do this. She stated that this was a good report.

Councilman Benson added that he did not think anything was wrong.

Councilman Pierce spoke to some of our increased fees, stating that the press was picking on City Court as a victim. He urged to look at the record of State Court; that they had increased their fees recently.

Adm. Boney responded that we had taken a look at fee structures in other cities, and we were lagging behind.

Councilman Pierce stated that it had been said that because we were only allowed to charge \$50.00, that we had increased our court fees.

Councilman Littlefield added that we passed many fee increases in the Budget Ordinance.

Judge Williams was present and stated that the Mayor did not order him to do anything; that even after the increase, we are still below others; that they knew the Budget shortfall; that he and Ms. Madison discussed increasing some fees and played with the figures and Mayor Corker had nothing to do with this; that they started this in City Court and then to Finance and up the chain; that the decision was made before the \$50.00 fine was enacted.

The meeting adjourned at 5:00 P.M.