

## **BUDGET, FINANCE AND PERSONNEL COMMITTEE**

**April 6, 2010**

**3:10 P.M.**

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

Others present included Dan Johnson, Daisy Madison, Stan Sewell, Beverly Johnson, Chief Dodd, Chief Snyder, Chief Rawlston, Jerry Stewart, Dickie Hutsell, Gary Hilbert, Karen Rennich, Chief Parker, Richard Beeland, Barry Bennett, Fredia Kitchen, Christy Creel, Simone White, Vickie Haley, Steve Leach, Jim Templeton, Dennis Malone, Bill Payne, Randy Ray, Lee Norris, and Ulystean Oates.

**On motion of Councilman Rico, seconded by Councilman Gilbert, the minutes of the previous meeting were approved as published.**

The first item of discussion was the Whistleblower Ordinance and Mr. Charles Millsaps was present to go over this. He mentioned that at the last meeting in February, the Audit Committee gave out a preliminary Ordinance and had been working with the City Attorney and Stan Sewell; that this Ordinance was very similar to the first Ordinance; that the Audit Committee would oversee this function.

Chairwoman Berz stated that all should have this Ordinance to review; that the oversight will be the responsibility of the Audit Committee; that several Councilmembers had had questions.

Councilwoman Scott stated that the policy looks good and that we need this, and she was glad that it was going forward. She, however, was concerned with the process of telephone calls and the interview process; that we had been talking about an outside independent contracting firm doing this, which she thought was an excellent idea. She stated that she was concerned about the implementation without having this outside firm ready to coincide. She stated that she was not sure how this would happen; that people would want to know the number, and we don't have it ready to go, and it might not work the way it should; that we need to protect the confidentiality of the callers and pursue this in the right way. She asked if we had this contract?

Mr. Millsaps responded that there were three vendors that we know of; however it was their understanding that we have to have this Ordinance first.

Stan Sewell stated that there were three nationwide companies that can do this; that once the Ordinance is passed, then this process will take place; that once the Ordinance gets passed, they will come with a recommendation for policy to go to the Council or the Mayor or maybe a combination of the two; that a comprehensive policy will be set in place; that the Audit Committee wanted to do an outside source—they will establish an 800 number and will have people trained to pull out the necessary information to conduct an investigation; that people will know it is confidential when they call an outside source; they, in turn, will provide the information to the City, and the structure was worked out by the Audit Committee.

Councilwoman Scott questioned us doing this and not stipulating that it has to be an outside entity. She wanted to know if there was any risk in not putting this in the Ordinance.

Attorney McMahan explained that it would take 1-2 months to get this in place; that we could make the effective date July 1<sup>st</sup>, which would be his suggestion.

Chairwoman Berz noted that she did not see where it said anywhere that the Audit Committee has the right to promulgate procedures.

Attorney McMahan responded that the Council has the power to promulgate, or some combination; that the Audit Committee is not a governmental entity.

Chairwoman Berz clarified that if the Council says “yes”, then we tell them to go ahead, and it does not have to be in this Ordinance. Attorney McMahan explained that there were no funds; that there would have to be funds attached to pay for an outside agency. The question arose as to what this cost might be and Stan Sewell responded from \$5,000 to \$7,000 annually. Councilman Benson stated if that was all it would cost that the Council has \$10,000 in the Council Budget; however, he did note that this might have to be spent if we need our own legal advisor from time to time. Chairwoman Berz confirmed that we could go ahead with this and any policy and procedure would have to come back here. Councilwoman Scott noted that we also needed to change the date. She also asked how this would be communicated to people who need to know about this. Councilman Murphy suggested that it could go on employment sites, with Mr. Millsaps adding that it could go on the City’s website, too. Councilman McGary suggested personnel manuals, with Councilwoman Scott mentioning it being part of the orientation to a job.

Attorney McMahan noted that the two changes of Policy and Procedure coming to the Council for approval and the effective date of July 1<sup>st</sup>, would be added.

Chairwoman Berz stated that we would go forward and make this official tonight with these two amendments.

The second topic of discussion was distribution of the 2010-11 Budget. Chairwoman Berz noted that we had been working on this for a month or more; that this was a condensed version of the Budget—that the “big” notebook could be made available, as well; that there would be five meetings to talk to Department Heads and Administration was requesting that these meetings be scheduled through Administration.

Mr. Johnson asked that we use common sense—particularly in areas where Councilmembers are all interested in one thing; that the Department Heads and their own budget people will have all the resources available—that to meet one on one with each councilperson would be atrocious. He asked that councilmembers come through his office to make an appointment through either Marie or Anita or e-mails could be sent; that the e-mails should also go to Daisy Madison’s office.

Councilman Gilbert clarified that if councilmembers had questions about Public Works, they would all be heard at the same time.

Chairwoman Berz asked if there were any concerns about the process? She noted that Councilmembers could make an appointment to talk with the Mayor; that normally agencies came before the Council, and they had called her, and she had told them to contact all of the Councilmembers, with the understanding that this is the Mayor’s Budget and there would be nothing to talk about in between now and May 18<sup>th</sup>, and they could contact each of the councilmembers. She again asked if there were any questions about the process. There being none, she turned the meeting over to Daisy Madison.

Ms. Madison stated that the books being handed out were the condensed version and not really a thick book—that they had to get \$300 million dollars into this book; that they had major funds in the books, as well; that hopefully the Budget would be passed in June. She explained that the Community Development Block Program was not in here because it had already been acted on. She noted that this represented a lot of time for people in the Budget Dept., and she publicly thanked them for their hard work as we start this process. She acknowledged that it might be hard for councilmembers to maneuver through these books without page numbers but there was a systematic way to find things; that tabs would show each department, using the Finance Dept. as an example of maneuvering with first a Department Summary, which would be consistent with each department. She then went over each colored tab and what they represented.

Chairwoman Berz noted that a lot of discussion had to do with agencies and that Randy Burns had prepared a detailed spread sheet, which is made a part of this minute material. Mr. Burns noted that this was already in the Budget Book, with Ms. Madison acknowledging that Mr. Burns’ worksheet had other information.

Ms. Madison went on to say that there were not a lot of highlights; that there were no funds for salary increases; that they would restart longevity for 100% and mentioned pay as you go funding of \$2 million dollars.

Councilman McGary asked if we were going to have a property tax discussion; that the Council being able to operate with a full deck would be helpful. He asked if this discussion would occur in the near future.

Ms. Madison stated that this would be the Council's decision upon recommendation of the Mayor; that in this Budget they asked each department for three scenarios—Staying as they are with the exact dollars; What a 5% reduction would mean; and a fully funded operative with 17% over last year, which would make the Budget go from \$162 million to \$190 million and then if we add the \$2 million to this. She added that post employment benefits were not dealt with in the \$6 million. She went on to say that this information would guide the Council if they felt it necessary to fund a fully funded Budget or we could do a 5% reduction and still have compensation for employees and a fully funded pension plan. She noted that last year we did not fully fund the Pension and were allowed a five-year period to do this; that the General Pension had gone up and also the Fire and Police.

Councilman Benson stated that during these times, he did not hear Ms. Madison say what were just the essentials to keep this house going; then go over things that we really need to do and then the desirables on top of this—that we should not just be thinking about property taxes, but there were other sources. He wanted to know how much it would cost just to keep us going.

Ms. Madison responded that this was actually what the departments had been doing for the last 4-5 years, and we were asking them to go back and do just the bare essentials. She stated that this was explained in the Executive Summary what the impact would be of staying where we are, but we had reached the saturation point.

Councilman Benson still maintained that there were a lot more sources than just property taxes. Ms. Madison noted that we had re-vamped, with Councilman Benson stating that maybe we needed to re-vamp again, mentioning the wheel tax. Ms. Madison agreed that there were other options.

Councilman Gilbert asked if we had developed an increase for a Police Academy. Ms. Madison noted that the Mayor would bring his Budget on May 18<sup>th</sup> and would propose to the Council whatever source of funds he thought most appropriate, and it could be a wheel tax or additional annexation funds or the fees that we have raised. Councilman Gilbert asked if this was just a “wish list”?

Ms. Madison responded that it was requests and not a “wish list”; that we need and want more police officers in the Budget; that the new firehall has to be funded with additional people; that Parks and Recreation has expanded programs which have some impact on the community; that this is not necessarily a “wish list” but just showed that departments were listening to the Council.

Chairwoman Berz agreed that this is a very conservative Budget and not a “wish list”. Ms. Madison noted that it was 17% from last year and not much of an increase.

Councilman McGary noted that the word “stagnant” had been used. He mentioned the water tax and the same rate for so many years and then “the dam broke”; that it had been eight years since we had had a tax increase. He asked “if the dam was broken” or if we could continue on an eight-year old tax rate. He stated that we needed a realistic discussion with all the variables on the table of where we have been and where we need to go and how the best way to do this is; that we need to ask ourselves if we have to do something now. He wanted to know if information is available of where we need to go?

Ms. Madison responded that we have a five-year projection on where we will be given the current level of operation; that we have taken cuts, and we feel reasonable. She mentioned employee compensation as being the biggest dollars, stating that employees cannot go multiple years without a pay adjustment; that we need to bring our people back to the current market and take the revenue and see what is necessary to fund this gap. She added that the Council had the wisdom to re-vamp our health insurance, which was another major cost; however this cost can not stay at the same level—that because of these savings, it had allowed us to be able to operate with a reduction in revenue.

Councilman McGary asked when the five-year projection would be finished? Ms. Madison stated that it should be ready when the Mayor finishes his Budget.

Councilwoman Robinson questioned what Chattanooga will look like in five years, and the influx we will see with Volkswagen. She asked if this had been incorporated?

Ms. Madison responded to the extent that there will be a lot of businesses; that the City operates on property taxes and sales taxes. She mentioned that a large part of new businesses were given PILOTS, and it would take five years out to see the impact; that as the economy returns, we have a sales tax return, and this is to the extent that businesses continue to come, and we don’t receive their full level of tax; however this could be replaced by new houses.

Councilwoman Scott stated that the thing that worried her the most—that the economy will turn around—but her greatest concern was that the economy is like a battleship—that there are better things ahead for us, but the backend of the battleship will be people affected by what this Council does; that she was mindful of the fact that there is no requirement for the Council to look at every single department; the Council has the option of increasing or decreasing the Budget—that it is not just 5% up or 5% down.

Councilman Gilbert noted that the proposed Budget looks at the beginning salary the mid range salary, and the top out salary—that a person could be 80 years old before they reached the top out—that it takes so many years to get to this level.

Ms. Madison stated that Donna Kelley needed to speak to this; that some employees hover at the mid-point and other people move at a more rapid pace; that she felt like this moved people up faster than the old step plan.

Councilman Gilbert stated that he felt like one who has been here and dedicated his life should make more than someone just coming in, but in many cases the older employees are making the same as those coming in or even less—that this needs to be balanced out.

Ms. Madison explained that there is longevity in place to reward those that have been here a long time and are people we want to keep around; that the other side of the coin is that there are people who are much more motivated to excel; that there are certain individuals who excel and bring other dimensions; that we have this flexibility with merit and longevity both being brought into consideration.

Councilman Gilbert mentioned that a Captain could be on the job five years and a new one brought in who would be making the same amount of pay. Ms. Madison responded that the Police Dept. is a whole “different animal”—that Donna Kelley and the Mayor are addressing this. Chief Rawlston agreed that overlapping was being addressed.

The meeting adjourned at 3:50 p.m.