

BUDGET, FINANCE AND PERSONNEL COMMITTEE

August 3, 2010

2:00 P.M.

Councilwoman Berz, Chairwoman, called the meeting of the Budget, Finance and Personnel Committee to order, with Councilpersons Ladd, Gilbert, Murphy, Rico, Benson, and Scott present. Councilwoman Robinson joined the meeting later. City Attorneys Phil Noblett and Valerie Mauleug; Management Analyst Randy Burns; and Shirley Crownover, Assistant Clerk to the Council, were also present. Attorney Crystal Freiberg joined the meeting later.

Also present were Joe Ferguson, Dan Johnson, Randy Ray, Richard Beeland, Lee Norris, Susan DuBose, Donna Kelley, Doug Kelley, Steve Leach, Mark Keil, Bill Payne, Paul Page, Chief Flint, Daisy Madison, Fredia Kitchen, and Mayor Littlefield. Vickie Haley, Larry Zehnder, John Van Winkle, and Gary Hilbert joined the meeting later.

Chairwoman Berz called the meeting to order, noting that Ms. Madison had the “hot seat”. She jokingly noted that in her absence last week, the Council was “bad”! She stated that the purpose of this meeting was because the Capital Budget was not passed last week, and we need to move forward and find out the issues—that one issue is the parking lot, which some have questions concerning; also there are questions about the \$5 million dollars in the Water Quality Fund, and it seems now there might possibly be more. She asked if there was anything else to be discussed, stating that she hoped the Capital Budget could be passed next week.

Adm. Leach noted that there was also the Boat Slip issue. Councilman Gilbert mentioned the Wilcox Tunnel issue. Councilman Murphy stated that he did not know how Councilman McGary feels, but there are no constituents asking for the Police Precinct. Councilwoman Scott mentioned repair of neighborhood streets and dedicated money for this purpose.

Chairwoman Berz asked if the Council wanted to discuss the Boat Slip issue first?

Councilwoman Scott stated that she thought we should look at prioritizing of infrastructure needs that we have—that the Boat Slip issue is not as high up in priority as are roads; that some neighbors’ water lines access their homes without fire hydrants, making their insurance rates higher than normal than other residents who do have fire hydrants. She noted that we had money allocated for fire hydrants for annexed areas but have not allocated money for people who have been waiting for many years, and this should be a higher priority than a Marina Boat Dock.

Chairwoman Berz stated that she was hearing we should take care of promises before we start any new projects. She asked if the Council wanted to talk about the Wilcox Tunnel issue?

Councilman Benson stated that his issue was the TVA Parking Garage.

Chairwoman Berz stated that one of the things we are talking about is prioritizing in the area of infrastructure, communication and public safety. She stated that all of these issues are good things and asked if our funds are limited? Ms. Madison quickly answered “of course they are”; that we have to have the ability to pay Debt Service. Chairwoman Berz noted that we are retiring debts but our funds are still limited—that we are talking about prioritization.

Councilman Rico stated that there was not enough money for Wilcox Tunnel.

Councilman Gilbert stated that we have been talking about this for 30 years, and there is never enough money. He asked Ms. Madison why we had not used bond money for this? She responded that that was not a fair question for her. Mayor Littlefield responded that it is so expensive to have it widened; that we had used funds to repair it—that it had been cleaned and painted, but it needs to be made bigger. Councilman Gilbert asked why it had not been maintained? Mayor Littlefield responded that we **do** maintain it—that we have replaced the lighting—that it is an old tunnel and too small. Councilman Gilbert stated that we could set aside (x) amount of money—Bond money. Mayor Littlefield still maintained that we have used a significant amount for repairs. Councilman Gilbert asked what it would cost to fix it?

Councilman Benson stated that we had discussed this in 2005 and 2006—that this was the best built tunnel going through the ridge.

Councilman Gilbert still maintained that we needed to use bond money to make sure it is fixed. Mayor Littlefield responded that the tunnel was built for an earlier age—that he had forgotten the last estimate, but it would take tens of millions of dollars. Councilman Gilbert questioned why we did not set aside this money—that now TVA was wanting a Parking Lot that would cost \$13 million—that we could use \$8 million to fix the tunnel.

Bill Payne stated that there were two numbers—that one is just to remove the sidewalks and paving, which would take \$1.5 million; that it would take at least \$20 million for a new tunnel.

Mayor Littlefield stated that this was a budget decision that the Council has to make—Downtown parking or Wilcox Tunnel.

Councilman Gilbert stated that we had been wrestling with the Tunnel for a long time—that talk was cheap, and this tunnel was not safe.

Mayor Littlefield stated that the ultimate solution is improvement of Wilcox and Shallowford to Hamilton Place with four lanes to the Wilcox Tunnel—that this will become a “bottleneck”; that over the years we had tried unsuccessfully to get the State to take over, and they had declined—that this is a big project that will take a lot of money—that it is a priority that the Council will have to set.

Councilman Benson stated that development precedes infrastructure, which is not the best thing. He stated that there were eight other districts and one of the reasons we don’t have more money is lack of annexation and Councilman Gilbert voted against annexation, which will bring in development. Councilman Gilbert maintained that we have development happening, mentioning Federal Express and improvements in other areas. Councilman Benson still maintained that we don’t have the money for Wilcox Tunnel, with Councilman Gilbert noting that they had been waiting 30 years.

Mayor Littlefield again stated that we have repaired it—that we need a bigger tunnel or a parallel tunnel, which is the next step to take; that we need to do an Engineering Design on whether to make this tunnel bigger or to have a parallel tunnel; that we need a larger diameter for pedestrian and bicycle facilities.

Councilman Murphy stated that Mayor Littlefield was right—that there needs to be a parallel tunnel, with Mayor Littlefield retorting—“Do another ridge cut!” Councilman Murphy went on to say that it would take \$1.5 million to remove the sidewalks and someone needs to look at this—that we could “bore” this tunnel out, even mentioning a double deck tunnel—that we could fix the one we have by “boring” it out; that thousands of people use this tunnel, and it is objectionable to them—that they are saying it is about class and race, and this never seems to float to the top of the priority list.

Ms. Madison noted that there was \$750,000 in the Wilcox Tunnel fund.

Councilman Murphy went on to say that the Corker Study was madness; that the plan that Public Works has now is sensible, and we are already one half the way there.

Councilman Rico questioned how long the tunnel would be out of commission? Councilman Murphy responded 6-9 months.

Mayor Littlefield stated that we need to spend the money on Engineering Design—that a fix is short-term—that the tunnel still is too small and to resolve this issue, it would take a second tunnel.

Councilman Benson stated that when we last talked about this—taking the sidewalks out, that the community came in fussing and fighting, with Mayor Littlefield adding that we posted “No Pedestrians allowed” and all ignored it.

Councilman Gilbert stated that the community is of one accord—that they want to get this repaired and then think about getting the other side fixed—that he and Councilmen McGary and Murphy are for this. Mayor Littlefield reminded him that it takes five votes, with Councilman Gilbert responding “we are working on it”. Councilman Murphy added that we were only \$750,000 away. Councilman Gilbert stated that we at least needed to get it fixed and not pay for a parking garage.

Chairwoman Berz confirmed that one of the priorities is Wilcox Tunnel; that before we venture into new areas, we have people who have been waiting.

The next issue that was taken up was the Water Quality issue and the \$5 million dollars.

Mayor Littlefield questioned Cliff Hightower of the Chattanooga Times Free Press as to where the \$5 million dollar figure came from? Mr. Hightower responded from Daisy Madison. Mayor Littlefield stated that it could have come from Mike Price and Councilman Benson—that he wanted to know the origin of the \$5 million dollars; that we were not sitting on a pile of money that no one knew about—that \$5 million dollars had been mentioned and Councilman Benson and Mike Price said the figure did not come from them; that he wanted to dispel any feelings of suspicion that everything was not on the table.

Ms. Madison stated that she was not sure of the origin of the \$5 million dollars; that Mr. Hightower talked to her on Friday, and she was not careful of correcting him on the amount. Mr. Hightower reminded her that he also talked to her on Tuesday and that he could go back to his notes. Ms. Madison noted that the Financial Statement from 2009 shows cash on hand of \$3.6 million; that the discussion about the Water Quality Rate was for FY 2010 and was not approved until after the Fiscal Year started; that \$3.6 million for an Enterprise Fund is not excessive—that it is cash on hand, and we typically have funds in place to operate independently; that we never recommend that all of the cash reserve be spent; that we had exceeded the capacity to issue any more debt and from this reserve we would allocate money for urgent needs; that it was \$3.6 million, and if it had been \$5 million that would not have been excessive; that the \$3.6 million had accumulated over 15-16 years at \$230,000 per year; that the money was not just sitting there unspent. She offered her apology to Mr. Hightower if she misled him with \$5 million dollars; that we have an audited statement of \$3.6 million and \$2.5 million in liabilities.

Chairwoman Berz confirmed that we always have reserves and asked about a second \$5 million?

Ms. Madison stated that \$3.6 million is the reserve on hand and additional dollars that came into the City as a result of the stormwater fees and unfilled positions amounting to \$8 million, which means other dollars in the reserve now; that we did not have this much in reserve at the time the Stormwater Fees were being discussed.

Mayor Littlefield added that the money is for staffing and projects that have been discussed such as the St. Elmo pipe, which will be very expensive.

Chairwoman Berz responded then it is not a “true reserve”—that it is just money allocated but not spent.

Councilman Murphy stated that he had asked at the time this was being discussed as to how much we had set aside for people who had not been hired—that we had an \$8 million dollar overage for that year, and the rate got set by this answer.

Mayor Littlefield responded “different dates and rates”.

Councilman Murphy again stated that he had noted that we had not hired people and wanted to know how much their salaries would represent and had asked to be given an answer.

Mr. Payne responded that new positions were not hired; that there is \$8 million dollars currently in State Street Aid; that this was not associated to Water Quality until after April; that it was converted to Water Quality when the Council passed the final rate.

Councilman Murphy noted that we made this an Enterprise Fund, questioning the State Street Aid Fund for the Fiscal Year. Mayor Littlefield responded that the money is there, and it is still an option—that there might be legal restraints in making a reverse connection. Ms. Madison added that this is just terminology—that it is really cash on hand.

Mayor Littlefield stated that if you took a snapshot of any Enterprise Fund there might be ups and downs; that right now we are in a comfortable position for Water Quality, with a list of needs and projects to meet the Permit requirement—that this enables us to move forward.

Ms. Madison apologized for any mis-statements—that we have reserves or cash on hand; that she thought it might have been perceived that Administration was trying to hide something, and she should have been more careful.

Councilwoman Scott stated that she would like to ask the Legal Department to determine if there is any reason why we can't do what has been suggested in moving funds to State Street Aid? Attorney Noblett responded that you can't take stormwater fees for other purposes—that it has to be Water Quality purposes.

Councilman Murphy stated we were funding from the General Fund—that this could be paid back to this fund, and we could do more State Street Aid; that if we moved one half million dollars, we could get more roads done.

Mayor Littlefield responded that this would trigger a lot of legal problems, but they would look into it.

Chairwoman Berz stated it was worth looking into and asked the Attorney to see if these funds could leave Water Quality.

Chairwoman Berz stated that we still had the Parking Deck and Boat Slip to discuss; that priorities are different from the Parking Deck and Boat Slip as compared to repair of streets and fire hydrants.

Councilman Benson stated that we needed someone from Parks and Recreation to tell us how the Boat Slip will return investments.

Chairwoman Berz stated that perhaps this would change our priorities.

Councilwoman Scott stated that she did not think the Council could change their priorities but reflect on priorities.

Councilwoman Ladd stated that she would like to know the cost if fire hydrants need to be put in? Chief Flint responded that numbers had been presented before. Councilwoman Scott noted that the Council asked for an assessment and had been told it was done; that it was not for the City to put water mains in but to pay for the hydrants sitting on the mains; that it was \$5,000 per fire plug; that at least a portion of this could be funded in the five-year plan—that it could not all be done in one year and has to be apportioned out. Chairwoman Berz stated that we needed a figure as to what it would cost.

Mayor Littlefield stated that going back in history that years ago the Water Company worked with us and put in 30 fire plugs per year, but we got in a “flap”, and we lost that relationship with the Water Company; that no area should be unserved, and we needed to sit down with the Fire Department and work out a R & R Fund and come up with a schedule and put in an R & R Budget.

Chairwoman Berz stated that we needed to know what the amount is and then come up with a Plan. Mayor Littlefield stated that we should look at the areas that need this the most. Councilwoman Scott stated that Mayor Littlefield was talking about the total picture; that there should be some prioritizing according to how long people had been waiting. Chairwoman Berz indicated that she was uncertain about making a decision until we know what we are talking about. Chief Flint agreed to fill in where we have gaps. Chairwoman Berz asked him to also come up with a cost for the Plan. Chief Flint stated that he would check with the Water Company.

Mayor Littlefield mentioned prioritizing over risks that involved life and safety.

Chairwoman Berz questioned if roads were on our list of priorities, and if we had a list of those that needed to be repaired. Mr. Norris responded that we were in our last phase. Chairwoman Berz asked when this would be ready, with Mr. Norris stating in the spring time. Ms. Madison interjected that we do bonds every two years. Councilwoman Scott noted that next spring is in the 2011 Fiscal Year, and we are talking about this Budget. Chairwoman Berz stated that she could make no decision without information, and we won't have the information until spring. Councilwoman Scott stated that this was a long ongoing issue and Public Works already knew what roads needed to be repaired and could come up with several million dollars. Mr. Payne stated that \$5 million dollars was requested for this year and that they anticipated data by this winter, prompting Councilwoman Scott to say “then we are on track”. Chairwoman Berz stated that she thought it would “jive”.

Chairwoman Berz stated that the next issue was the Parking Deck, which was a large issue.

Mayor Littlefield stated that he would leave this in the hands of the Council, but he wanted them to know the story—that it was well covered in Sunday's newspaper, which outlined why we are here with the Parking Deck question; that it goes back to the 1970's when the TVA Complex was built; that they planned to build a second TVA Complex but there was an unused tunnel under 12th Street and plans changed; that they had leased out space and CIGNA leasing was on a large scale and CIGNA is moving and TVA is leasing out the rest of the space; that TVA was convinced to purchase the building and stay downtown; that we need them for growth expansion, and they are a big item in downtown commerce; that the Trade Center was built with the intention of a Parking Deck, which was never added.

Mayor Littlefield explained that this space would provide a dual service—that it could be used at night for events at the Trade Center—that it was a win-win situation. He went on to say that he had met with three TVA people and all had been wrestling with this issue, and it was his intention to follow through with this commitment; that we could use two times as much parking; that we do not own the Civic Forum Block—that it is owned by Jim Berry; that perhaps the Civic Forum Block could be used for a new Federal Building—that this might never happen because there are too many restrictions, and it is not large enough. He stated that we had some basic designs for the Civic Forum Block—that there could be retail on the first floor, mentioning a downtown grocery; that this was an opportunity to provide parking for Patten Towers—that there were multiple reasons for needing the parking area for downtown functions and to move forward, we needed to get on with this; that we had backed off to one-half of the cost, and we would have others to join us for the rest of the \$6.5 million in the form of a private or public entity; that we need to make our step first.

Councilwoman Scott stated that she had several questions, mentioning the Letter of Intent of January 2008—that it says the agreement is non-binding and expired in 2008. She questioned what kept it from going forward then; that she did not know if the Chattanooga Deck is maximum use. She questioned why TVA could not build on the street that they already own—that it would be a more convenient place. She stated that she was not sure the taxpayers should subsidize a parking deck for a Federal agency; that they have conventions during the day, and it would be leased out Monday through Friday from 8:00 a.m. to 5:00 p.m. and questioned how this served our needs? She stated that decks don't finance themselves; that we would have to borrow the \$6.5 million dollars in bond money, and the debt would be around \$1 million dollars a year for 20 years and questioned what the final figure would be for this from the taxpayers—that it could turn out to be a \$26.5 million dollar parking deck.

Ms. Madison agreed that we would have to add financing costs. Councilwoman Scott stated that it would be \$6.5 million and the additional associated cost, which was a very dear amount of money.

Mayor Littlefield stated that \$15,000 per space is the average cost of a parking deck; that \$13.5 million goes beyond what they need. He questioned what “grassy knoll” Councilwoman Scott was talking about? He noted that TVA was leasing space in the Chattanooga and some in the Power Board and quite frankly we needed to induce more private investments to support the redevelopment of Patten Towers. He stated that the traffic arrangement will be done before we go forward; that we will look into the financing; that we need to focus on the future of the Southside, which depends on the availability of more parking.

Chairwoman Berz stated that our figure is \$6.5 million but the full cost will be \$6.5 million plus. Ms. Madison confirmed that \$6.5 million is our current cost share. Chairwoman Berz asked about the debt service?

Ms. Madison responded that \$1 million is really high—that it could be less than \$600,000; that every year you delay the \$600,000 goes up each year.

Councilman Benson stated that when this commitment was made, it was only with the understanding that the County join us; that he would not vote for this unless the County joins with us; that our citizens would be paying twice. Councilman Rico noted that the Mayor had already stated that the other \$6.5 million would come from other sources; however Councilman Benson stated he wanted it to come from the County.

Chairwoman Berz stated that we would meet again at 2:00 p.m. next week.

The meeting adjourned at 3:10 P.M.