

Budget Committee
Minutes
City of Jackson
01-19-2021

I. Call to order and welcome

Chairman Paul Taylor called the meeting to order. In attendance for the Go-To-Meeting were committee members Andrew Long, Paul Taylor, Ron Tharpe, Mark Johnstone, and Ross Priddy; absent was Doug Roth. In attendance from the city were Bobby Arnold, Tawanika McKinney, Mayor Conger, Alex Reed, and Sandy Maxwell, recorder of the minutes. The meeting's full video can found at <http://www.youtube.com/CityofJacksonTN731> (#'s below are a time-frame reference).

II. Approval of Minutes

December 10 regular and December 30, Special Call Meeting minutes were not approved since a quorum was not accounted for at the beginning of the meeting. They will be approved at the next regularly scheduled meeting on February 11, 2021.

III. Business

a. FY21 Q2 Financial Report (Bobby Arnold) (00:45 – 15:29)

Report: Mr. Arnold explained there are a summary and a detailed spreadsheet that he will reference. He said the good news is that the positive trend line regarding revenues and expenses experienced in the first quarter has continued in the second quarter of the FY – 21. That looks very good compared to the budget for the first six months of the year. We did have a slow start to the collection of property taxes. December was an excellent month in the Revenue Office, and I want to commend the staff; they did a great job of getting everything done. So all of that effort puts us year-to-date ahead of our property-tax collections compared to the prior year. We anticipated in the budget the property-tax to be up due to the valuation assessment being higher. So when we complete the year, we will have a favorable outcome compared to the budget and prior year. Mr. Arnold cautioned everyone that the variance is not likely to change throughout FY – 21. Sales-tax, state-shared revenue, hotel-tax continue to trend favorably compared to budget numbers. The only revenue category that might be lagging from the budget is city fees and permits. Overall good news on our revenue variances. A review of some of our expenses items at the department levels; seems to be in good shape at this point of the year. We will have to work hard in the last six-months to maintain those good results. There are four areas/categories of expenses, Cost of Tax-Sale, Re-appraisal, Repairs for Stormwater, and our Health Plan with a variance of a minimum of \$100,000 per month, and

these expenses are not directly attributable to a department level. We will need to work and monitor these areas. First, cost of tax-sales; this will be challenging to control and difficult to predict. In how often, how many sales taxes, how many pieces of property to purchase, etc. So far this year, there is an unfavorable variance on that line item. Second, re-appraisal cost, the mayor and I learned earlier this fiscal year that the city had a balance due on tax re-appraisal services that the county property assessor's office provides. We were unaware but have since reconciled those numbers, so we are now current, so there is an unfavorable variance on that line item. Third, repairs for Stormwater; everyone may remember that we committed to repairing some Stormwater damage at the Pilot Truck Stop. This project hit at the end of FY-20 and transitioned into FY-21. We did our best to estimate the cost, but that project has now gone over budget. We need to monitor this to see if we can make up the difference through the rest of the year. Finally, our health claims, the cost of our health plan. Currently, we are slightly ahead in claims from what we projected. So when you look at the big picture – total revenues and total expense, we are in a good spot compared to budget. Please remember we budgeted a deficit in the General Fund for this year. So when we speak in terms of favorable revenue and expense – the result should reduce the actual budget. Mr. Arnold added for the group's benefit; he would like to speak of the timing issues pertinent to this particular month. One issue is for the entire year. Due to limitations, the city evenly spreads the budget throughout the fiscal year. So from month to month, creating some significant timing issues. He said that Property tax is a great example. It is our biggest revenue line item. From a budget standpoint, it accounts for 50% through December, but we have already collected about 75 – 80%, so that number will change over the next six months. Grants are another example; they differ each year, both in the number and timing. There are three areas with a kind-of timing related to this fiscal year. One is the CARES Act and COVID expenses. We are allocated a little over a million dollars, and we have filed for the entire amount. We have filed for some additional reimbursements if there are some surplus dollars from the state. We have received about \$415,000 through December. In January, we received a little over \$500,000; this money is not in these numbers. We are still a little short, about \$90,000 on our allocated dollars from the CARES Act. Now on the expense side, some expense has been incurred, and are reflected in these numbers. For clarity, the plan had been to wait for all funds to be received and make the budget amendments. But now, some of those amendments will be on the February City Council agenda, so keep in mind those variances. In some other situations, we passed some other budget amendments earlier in the year. One was a legal settlement, so that is in these numbers. Another amendment was for the proceeds of the JFD lease-purchase agreement; I will confirm exactly which pieces of equipment have been received. Once again, these expenses have been reflected and spread throughout the budget year. The final timing difference is those shared expenses with Madison County; most of the expense occurs in the last half of the year.

Chairman Taylor asked what expenses do we see on tax-sales. Mr. Arnold said it is the property's cost that the city and county incur to purchase the properties. Mr. Taylor asked about the re-appraisal, does the county bid that out, and we pay them quarterly or annually. Mr. Arnold said the county does work with the state, and the re-appraisal is an ongoing process

over a four-year period. There are also Board Equalization Hearing and Appeals that impact those numbers. Historically, the city has paid in arrears on that cost. We were behind, but we are now caught up and need to decide how to pay that cost moving forward. Mr. Taylor then asked about the nearly \$90,000 still owed from the CARES Act, how are those disbursements coming in quarterly, monthly, or just here and there. Mr. Arnold said the disbursements have been very unpredictable; they are paid here and there but expect the \$90,000 disbursement soon.

b. FY 22 Budget Calendar Submission (15:30 – 19:41)

Planning Session with Mayor and Council on January 21, 2021

Chairman Taylor said that he and Mr. Arnold have put together a working document and emailed it to everyone. One of the first objectives of this budget year is to do some planning, which is coming up on Thursday (1-21-21). The planning session will be with the Mayor's Office and City Council. MTAS will facilitate that planning session for us. This will be a good opportunity for the Council to weigh-in early on in the budgeting process to seek some alignment between everyone. As you look through the document, you will notice that we will need to initiate an updated five-year capital plan. As we move into February, the Budget Committee will be looking at the capital plan. Reviewing the budget itself in March and April, all with the goal, as usual, to have the budget to pass in June. The goal is also to spread this work over six- month period rather than the final month that it is due. Chairman asked if Mr. Arnold wanted to add anything to his comments. Mr. Arnold said that was a good summary. He added that he tried to take a very simple and straightforward approach to propose this calendar, and it has some flexibility in these proposed dates. One significant change will come with the Budget Hearings, when the mayor, council, and department directors meet to review their proposed budgets, which has been moved back to the middle of April instead of last year when it happened in June.

**c. RFP for External Audit Services / Evaluation and Recommendation Process
(19:45 – 21:07)**

Chairman Taylor said that he and Mr. Arnold has been working with Mrs. Susan White in purchasing to develop the RFP for hiring our external auditor. One of us will be sending out

information for the Budget Committee to review, and then we will make a recommendation to the Council.

d. FY20 Corrective Actions Update and Plan Development (21:09 – 26:46)

Chairman Taylor asked Ms. McKinney to introduce herself to the committee. Ms. McKinney said she is excited to be here and thanked everyone for the opportunity to come on board with the city on December 14, 2020, and looks forward to working with everyone. She has met with Mr. Hubbard and his team and discussed in detail the finding of the State of TN Comptroller's Office. She stated that she was able to observe some of the processes and give some strong recommendations for corrective action. She has gotten with the IT Department to ensure the safeguarding of passwords won't be an obstacle going forward. In regards to the issue with recorders retention, Mr. Hubbard stated that storage is the main issue, so they are in the process of looking for ways to solve the issue. Ms. McKinney said that the Indigent Forms are being used now. They will be reviewed through a sampling to confirm the continued use of the forms. She added that the City Court team is receptive, attentive, and gave input on how to resolve the issues.

There is another meeting set up for January 22, 2021, to review more corrective action plans. We will be reviewing them every 30 days to ensure the action plan is being implemented and the action plan we are putting into place, accountability, allowing everyone to know who is responsible for which duties. She added that she is very optimistic that the issues can be cleared up quickly. The City Court team stated that being short-staffed and lacking storage are their two main obstacles; Ms. McKinney said they would be working on solving those issues. Mayor Conger Thanked Ms. McKinney for hitting the ground with these issues. He also said that MTAS would be coming in to do some training on court operations with the City Court team. He added that they are still doing a lot of work paper-based, so getting updated software will help implement some department's efficiencies. So extra staff may not be necessary if some changes inefficiencies are made. Chairman Taylor asked Ms. McKinney to submit a written report for next months to this group, who will pass it on as a recommendation to the Council.

Update (26:51 – 27:55)

Chairman Taylor said we are in the middle of selecting a solid-waste provider or extending the contract, which will have some impact on our Solid-Waste Fund. He said that he and Mr. Arnold have been conversing about some of the additional costs that are in solid-waste. Also, I will be updating the metrics that we have looked at last year with our audited numbers for this year. This will allow us to look at the areas that we have improved upon, allowing us to move some orange to green items within the metrics.

e. Regular meeting time – 2nd Thursday of the Month @ 11:00 AM, February 11, 2021 (27:56 – 28:19)

Chairman Taylor reminded everyone of our next regularly scheduled meeting.

IV. Adjourn (28:26)