

Budget and Audit Committee

Minutes

City of Jackson

12.16.21

I. Call to order and welcome

Chairman Paul Taylor called the meeting to order. Committee members Johnny Dodd, Ron Tharpe, Ross Priddy, and Paul Taylor were present, Andrew Long, Fancher Sargent, and Mark Johnstone were absent. In attendance from the City were Bobby Arnold – Finc. Dept., Tawanika McKinney - Internal Auditor, Mayor Conger, and Sandy Maxwell recorded the minutes. The full video of the meeting can be found at

<http://www.youtube.com/CityofJacksonTN731>.

II. **Approval of Minutes:** were approved as presented.

III. Information

a. **FY21 Revenue Report - Bobby Arnold**

Chairman Taylor asked Mr. Bobby Arnold to give a run-down of the numbers.

Report: Mr. Arnold explained that property tax collections through week-ending December 10 were up 4.8% compared this week same week last year. The sales tax for November is up in local sales tax \$10.1 million this year (up 11.5%) compared to last year's \$9.1 million last year. The state sales tax is up 16% above the prior year. Mr. Arnold said the Hotel-Motel tax is \$2.1 million through October, compared to \$1.78 million from 2019 and \$1.48 million from 2020. He noted that October 2021 was a record-setting month for Hotel/Motel tax.

Mr. Taylor asked Mr. Arnold when he would close the month and give a second-quarter update. Mr. Arnold said they try to get the month closed ten working days into the following month. But because of the holidays and the external audit, he is not sure that they meet that schedule for January. Mr. Taylor asked if we could get an update during the February meeting; Mr. Arnold said sure.

b. **Update on FY21 Audit - Bobby Arnold**

Chairman Taylor asked Mr. Arnold to give an update on the external audit. Mr. Arnold said it is still a work in progress. He reminded everyone that we do have a new audit firm. He

expects a draft of the audit statements tomorrow (12-17-2021). He said the final audit is due at the state comptroller's office by December 31, 2021. They will present the audit findings to us in January or February. He said he did not anticipate any surprises and that the report would be done on time. Mr. Taylor asked if the finding could be presented to the committee before presenting it to the Council; Mr. Arnold said the audit firm would do whatever and whenever needed.

c. Internal Audit Update - *Tawanika McKinney*

Chairman Taylor asked Ms. McKinney to update the board on items she has been working on. Ms. McKinney said that she has been working with several departments, mainly with JTA, Mr. Franks and the staff, to ensure compliance with the city charter and prepare a corrective action plan. Some of the non-compliance issues were purchasing procedure, execution of contracts, and financial reporting; this is an ongoing project.

Chairman Taylor shared that a new committee is being formed to review the City of Jackson Municipal Code and Ordinances. He stated that he and Ms. McKinney would be serving on that committee; this would be a long process.

IV. Business

a. JMCSS Educational Foundation Distributions

Chairman Taylor explained a little bit of the purpose and funding of this Foundation. Per the by-laws of the Jackson Madison County Education Fund (JMCEF), the sole purpose of the Education Foundation is to achieve the educational priorities for JMCSS. According to the settlement agreement from 2017 (Chancery Court Doc# 75594), once the city and the county collected over \$6.0 million each (a total of \$12 million) for the local sales-tax collection, the excess amount is given to the Foundation, but cannot exceed \$500,000 per year. The city and county will contribute through 2027. Mr. Taylor said after reviewing the local sales tax reports from Mr. Arnold's office, we owe \$138,014 from 2019, \$68,904 from 2020, \$500,000 from 2021, and anticipate another \$500,000 for the 2022 fiscal year; he added that he is not sure when those funds need to be distributed. Mr. Arnold said the agreement does not state

payments are made in a fiscal year or a calendar year, but he suggests after the 2021 audit is complete; confirming the local sales tax revenues.

The mayor further explained some history of the board and how it was formed (9 trustees, three-city, three-county, three-JMCSS). He also how the revenue is divided; half for operation and a half for an endowment. Mr. Taylor asked if the Foundation requests the money or is it sent automatically by the City and County, if so when on a calendar or a fiscal year-end basis. Mr. Ross Priddy asked if we (the city) have been budgeting to pay these funds. Mr. Arnold said no. Mr. Taylor said we would budget the funds starting in the 2022 budget. The mayor said he thinks the first step is for the JMCEF board to determine what is supposed to happen (answer the who, what, when, and why).

b. FY23 Budget Calendar Discussion

Mr. Arnold began by reminding everyone this was a draft, similar to last year's calendar. He said kicking it off in January by doing an internal department head meeting; reviewing the process with everyone. In March, doing an MTAS lead work session, just like last year. Then in April through June, have the Budget Committee review the proposed changes. That will take us to the Budget Hearing set for June 7 and 14, 2022. Chairman Taylor suggested aligning the dates with the already scheduled meetings for Budget Committee and/or City Council; Mr. Arnold said sure. The mayor suggested adding a work session day in March and not cramming everything into one day. Mr. Arnold will update the calendar with the changes.

c. 5-Year Capital Plan Update

According to the budget calendar, Chairman Taylor said, Mr. Arnold has that topic set for January 11, 2022. He said that we start to build out the capital plan; there are a lot of components to that plan (Capital, ARPA, Infrastructure Bill planning, etc.). Mr. Arnold agreed and said some planning had been done, but this process is still very fluid.

d. American Rescue Plan Local Government Distribution Planning – *Mayor Conger/Paul Taylor*

Chairman Taylor said he hates to sound like a broken record, but we are still waiting on the final guidelines. Mr. Taylor said he and Lauren Kirk have been writing a preliminary resolution/spend plan on spending the money for the first installment of \$6.9 million. He said they had broken it down into five major categories; public health and safety, economic recovery and resiliency, infrastructure, and operational support. He said it would be presented to the Council in January.

V. Adjourn