

*****July 11, 2011*****

The Signal Mountain Town Council held its regular monthly meeting on Monday, July 11, 2011, at 6:30 p.m. in the Town Hall. Those present were:

Mayor Bill Lusk
Vice Mayor Susan Robertson
Councilmember Annette Allen
Councilmember Bill Wallace
Councilmember Dick Gee

Also present were: Town Manager Honna Rogers
Town Recorder Mark Johnson
See attached list for others present

Mayor Lusk led the pledge of allegiance. Stacey Seals, Fire Chaplain, gave the invocation. The roll was called.

Minutes

The minutes for the June 20th regular meeting and June 27th agenda meeting were discussed. With no additions, deletions, or corrections, all minutes were approved.

Citizen Comments

Mayor Lusk invited comments from the audience.

Dun Monroe, Cherokee Lane, referred to the proposed budget and asked if there would be a grant for the budgeted water meter purchase. Ms. Rogers said there would not. Mr. Monroe said that it seems unusual that the Town would spend so much on this project in light of a potential budget shortfall. He asked why there is such a rush to purchase the meters and said that they aren't necessary.

Bruce Caldwell, Fairmount Avenue, spoke against the tax increase in the proposed budget. He said that Council members had stated before that cuts were sought, but after reviewing the budget he noticed that there are payroll increases for various departments. He said that the amount of money being considered is minor compared to the entire budget and that the fund balance should be drawn upon instead of increasing taxes. He said that the Town is considering increasing taxes when citizens have no way of taxing others for their own pay increases.

George Davenport, Creekshire Drive, said that rather than speaking against the tax increase, he questioned the process by which it had been proposed. He said that the altered second budget reading on June 27th left many people out. He also said that it's hard to believe that there are only two options for dealing with the shortfall. Mayor Lusk

explained that it was never the Council's intent to limit citizen participation in the budgetary process and that the reason the budget was presented for a third reading was because it did change materially on the 27th as a result of his changing his vote. He explained that all budget meetings were open, advertised meetings and that citizens are always welcome to attend any workshops.

Tom Francescan, Crown Point Road, said that he appreciated the Council's explanation of the budget position, but he disagreed with the tax increase. He said that raising taxes seems to usually be the first course of action, and it seems to be present in all levels of government. He suggested forming a citizen committee to examine the budget.

Ordinances

1. "AN ORDINANCE TO ADOPT THE RATE OF TAXATION ON ALL TAXABLE PROPERTY IN THE TOWN OF SIGNAL MOUNTAIN HEREINAFTER KNOWN AS THE "FY 2011-2012 BUDGET ORDINANCE" TO PROVIDE REVENUE FOR THE TOWN OF SIGNAL MOUNTAIN DURING THE FISCAL YEAR BEGINNING JULY 1, 2011 AND ENDING JUNE 30, 2012, AND APPROPRIATING SAME TO THE PAYMENT OF THE EXPENSES OF THE MUNICIPAL GOVERNMENT DURING SAID FISCAL YEAR; FIXING THE RATE OF TAXATION ON ALL TAXABLE PROPERTY IN THE TOWN OF SIGNAL MOUNTAIN FOR FISCAL YEAR 2011-2012 AND THE TIME TAXES AND PRIVILEGES ARE DUE, HOW THEY SHALL BE PAID, WHEN THEY SHALL BECOME DELINQUENT; AND PROVIDING FOR INTEREST AND PENALTIES ON ALL DELINQUENT TAXES AND PRIVILEGES OWED TO THE TOWN OF SIGNAL MOUNTAIN AND APPROPRIATING SAME TO THE PAYMENT OF THE EXPENSES OF THE MUNICIPAL GOVERNMENT DURING SAID FISCAL YEAR." Vice Mayor Robertson moved and Mayor Lusk seconded that the ordinance be approved. Councilmember Wallace said that the Council members had received much e-mail on this subject from citizens. He explained that there are two basic options – raise property taxes by \$.15 per hundred of assessed value to balance the budget or raise taxes to continue accelerated high school debt payments. He said that the school loan is currently virtually interest-free. He said that this is not the right time to raise taxes.

Mayor Lusk said that he had hoped he would never have to raise taxes during his tenure, but he did not want to change the portion allocated to the school debt on moral grounds. Citizens voted in a referendum to tax themselves to pay for the new schools. He said it does not feel right to divert a portion of that tax from the debt service that it was voted to address for another purpose such as balancing the budget. However, he

said that other options to balance the budget would involve tough choices, such as eliminating or privatizing most or all of the Town's recreation, library, and MACC services or eliminating the Town-provided SRO, but he felt that these were not viable options, given public input and consideration of what most residents find attractive about the Town. He noted that one citizen who contacted him was in favor of privatization, but this can't practically be done within the current, limited time frame. He noted that property taxes had not been raised, aside from the school debt tax, since 2001. He also noted that aside from school debt service, the Town's costs are on par with Collegedale, which just raised taxes to fund the library. He said that without factoring in the debt-restricted portion, the Town's property tax rate is still lower than East Ridge - which also has a garbage fee - and Lookout Mountain. He said that Town staff and Council have diligently searched for ways to lower costs without eliminating services in this and recent years. He suggested that if the Council wished to consider a creative solution, the \$431,000 earmarked for constructing a fire station for the annexed subdivisions could be used as an option to cover the deficit since the last MTAS study indicated that the fire hall wouldn't be needed immediately. He cautioned, however, that using those funds would only defer funding problems.

Mr. Noblett said that using funds earmarked for the fire hall could be problematic because an annexed citizen could claim that such action violates the Town's guarantee of future service and could demand to be de-annexed. Councilmember Allen said she thought that the terms of service called for a fire hall *study*, not necessarily actual construction. Mr. Noblett said that while that is true, this was an issue that was discussed during the annexation case, and it should be approached with care. Vice Mayor Robertson asked how long it might be before a new station is needed. Ms. Rogers said that the current recommendation from MTAS is to review the need for a fire station again in 2015. The determining factor will be whether or not the annexation will cause a decline in the Town's ISO rating. If so, the need for the fire station will become immediate. Mayor Lusk said that if we use the money now to cover the deficit, we would only be deferring costs, and that either increasing taxes or lowering the portion restricted to debt service would be a longer-term solution.

Vice Mayor Robertson asked if redirecting money from the school loan would in fact be a tax increase that citizen would have to pay. Ms. Rogers said it would. Mayor Lusk agreed, saying it would be a backdoor tax increase. Councilmember Wallace said he only proposed this to avoid a tax increase and that the Council should work to develop and consider alternative solutions, such as the ones proposed above by Mayor Lusk.

Vice Mayor Robertson said she had been impressed with Councilmember Gee's comments during the campaign regarding consideration of what kinds of services citizens want and their willingness to pay for them.

Mr. Noblett noted that there are up-front costs associated with annexation and related property taxes would only start arriving in October 2013 at the earliest. Vice Mayor Robertson asked what the costs of annexation totaled. Ms. Rogers said that she would need to calculate that, but during the first two years the costs will create a deficit of about \$275,000, and it will take about five years to begin breaking even. She also noted that some of these costs don't represent actual cash outlays, but inherent costs of service. Mayor Lusk noted that the annexed property taxes would be partially restricted to the school debt.

Councilmember Allen asked Ms. Rogers what the medium to long-term financial impact would be of using the fire hall money. Ms. Rogers said that she would be concerned if such a decision did not involve significant discussion. She said that keeping the money would be a great benefit, because it would prevent further borrowing. Mayor Lusk asked if it would cost more to construct the fire hall than the level of assigned funds. Ms. Rogers said there would probably be some additional costs, but the \$431,000 total should substantially cover the cost of a satellite station.

Councilmember Gee asked when the fire hall money was assigned. Ms. Rogers said it was done over a period of years beginning around 2001.

Vice Mayor Robertson reiterated that the three choices now before the Council were to raise taxes 15 cents, lower the portion of property tax restricted to school loan debt service from 30 cents to 19 cents, or use the money assigned to constructing a fire hall. She asked Ms. Rogers for her opinion on the best long-term choice. Ms. Rogers said that the Council should vote for whatever option they feel is best for the citizens.

Councilmember Allen said she agreed with Mayor Lusk regarding the moral issue of lowering the tax restricted to the school debt. She asked Mr. Noblett if the ballot language was intended to only allow for reassessment-based adjustments. Mr. Noblett explained that the original \$.35 restriction was deemed to be the most any citizen should pay for the school and it would be allowed to fluctuate if interest rates remained low. He explained that Hamilton County's most recent reassessment had reduced the 35 cents to 30 cents.

Rick Morris, an audience member, proposed the idea of publishing detailed financial information on the website, saying that some citizens could offer suggestions. He said that there are several spending items that aren't known, such as what could be outsourced and payroll costs. Ms.

Rogers said that publishing every financial detail on the website would cause a burden, but that any document is public record and could be requested by filling out the proper form. Mr. Morris said that he couldn't imagine that the records would be so intrusive as to cause a problem. Mayor Lusk said that website publication would be researched. He also said that contracting services is always considered and any large projects must be bid.

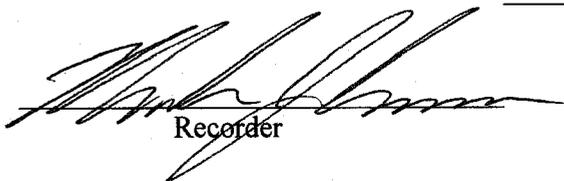
Alden Perry, Cool Springs Road, asked why, during a time when the Federal Government is facing large deficits, the Town is concerned with accelerating payments on the school note. Mayor Lusk said that some of the Council members have an ethical objection to changing the use of the restricted tax. Mr. Perry asked if citizens would have a reassessment to reflect this. Mayor Lusk said that only the County has the power to reassess. Mr. Perry noted that many citizens live on a fixed income and it is being eroded. Mayor Lusk said that the Town is facing the same income erosion. He also said that when the school debt is retired it would bring taxes back down to the level of the late 1990's. Mr. Perry said that he hated to think of what the current federal administration will do regardless of what is done within the Town, and the Council's consideration of that would be appreciated.

Mayor Lusk called for a roll call vote. The motion to approve the budget was approved by Mayor Lusk, Vice Mayor Robertson, and Councilmember Allen. Councilmembers Wallace and Gee did not approve the motion.

Discussions

The Council discussed the log cabin on Timberlinks Drive, currently used for Town storage. Ms. Rogers noted that the cabin could be sold, possibly online through GovDeals, and asked if the Council would want to sell. Mr. Noblett explained that any sale must be public and using GovDeals would satisfy that requirement. Councilmember Wallace asked if the Town could set a minimum price. Ms. Rogers said it could. She mentioned that potential buyers monitor GovDeals heavily. Councilmember Allen said she thought it should be sold online. Councilmember Gee moved and Councilmember Allen seconded to declare the log cabin surplus property and to take steps to sell the building. The motion passed unanimously.

There being no further business, the meeting was adjourned.



Recorder



Bill Lusk, Mayor