

**COMMITTEE
MEETINGS
MINUTES**

Claiborne County Public Budget Committee Meeting

Wednesday, January 22, 2025

Members present: Zachary Bunch, Haley Barker, Timothy Shrout, Anthony Rowe, Mitchell Cosby, Rosemary Barnett, Sherry McCreary, and Quinton Rogers

Members absent: Dustin Wilson

Others present: Joe Brooks, James Estep III, Eric Pearson, and Letha Peters

The meeting was called to order at 6:02 p.m.

The Committee proceeded to elect a chair and vice-chair. The floor was opened for nominations for chair. Rosemary Barnett nominated Mitchell Cosby and Zachary Bunch nominated Haley Barker. No other nominations were presented. Sherry McCreary moved to cease nominations, seconded by Anthony Rowe. The roll call results were:

Member	Vote for Chair
Zachary Bunch	Haley Barker
Haley Baker	Haley Barker
Timothy Shrout	Mitchell Cosby
Anthony Rowe	Mitchell Cosby
Mitchell Cosby	Mitchell Cosby
Rosemary Barnett	Mitchell Cosby
Sherry McCreary	Mitchell Cosby
Quinton Rogers	Mitchell Cosby

Haley Barker received two votes and Mitchell Cosby received six votes. Mitchel Cosby was elected as chair of the 2025-2026 Budget Committee.

Next, the election of the vice-chair was opened for nominations. Rosemary Barnett nominated Haley Barker, seconded by Mitchell Cosby. No other nominations were presented. Anthony

Rowe moved to cease nominations, seconded by Zachary Bunch. Haley Barker was elected as vice chair of the Budget Committee by voice vote.

Motion made by Quinton Rogers to approve the minutes from May 20, 2024 Committee meeting, seconded by Zachary Bunch. Motion approved.

Line Item Budget Amendments

Mr. Pearson provided Fund 101 and Fund 116 line item budget amendments for the current fiscal year budget to the committee for review and approval. Timothy Shrout moved to approve the line item budget amendments as presented, seconded by Haley Barker. Motion passed unanimously.

Calendar for Budget Meetings

There was discussion on the calendar and timeline for the budget to be approved. The following dates are set for future budget meetings at 6 o'clock in the large courtroom. Timothy Shrout made a motion to approve the following schedule for budget meetings and Zachary Bunch second the motion. Motion passed unanimously.

- February 6th – Review draft 2025-2026 budget
- February 25th – Review and approve budgets
- March 4th – Review and approve budgets
- March 11th – Review and approve budgets
- March 18th – Review and approve budgets
- March 25th – Final Committee meeting, approve proposed budget, forward to County Commission

Other budget adoption and amendment meetings:

The proposed budget should be able to be submitted to the Claiborne Progress for public advertisement in early April or early May. The Budget Committee can hold a public hearing on the budget at either the April or May County Commission meeting. The County Commission can take up the proposed budget at either its April or May meeting. Budget adoption may occur in either May or June, with the adopted budget submitted to the State Comptroller for approval.

The Budget Committee will also meet on April 21, May 19 and June 26 to adopt other line item amendments for the current year budget.

Items for Discussion were presented by Eric Pearson

Background on the Budget

Mr. Pearson provided background information on the budget process, proposed budget advertisement, proposed budget public hearing, proposed budget, continuation budget, and appropriations and amendments. He also discussed state requirements for the budget, including required state approval of the county budget, requirement for a balanced budget, required budget submittal forms, required funding of official's salaries per statutory requirements. Mr. Pearson also summarized the state comptroller's recommendations on the budget, including adopting the budget prior to the beginning of the fiscal, having a structurally balanced budget, and providing for cash liquidity and adequate reserves. Mr. Pearson provided information on the state mandated maintenance of effort requirements (MOE), that the county must meet, including the Education MOE, Sheriff Law Enforcement MOE, Highway MOE, Election Commission MOE, Assessor minimum staffing, Public Library MOE, 911 Board MOE, and Mayor MOE.

Mr. Pearson then reviewed the required and optional county services for county governments under state law, as follows:

Required Services for County Governments

- Ambulance (one ambulance service must be available within a county)
- Education
- Emergency Management
- Courthouse and Courts (including judges)
- Constitutional Officers and Fee Officials
 - Mayor
 - County Commission
 - Assessor
 - Trustee
 - County Clerk
 - Register of Deeds
 - Clerk and Master
 - Circuit Court Clerk
 - Sheriff
- Growth Management Policy
- Health Department
- Law Enforcement
- Jail facilities
- Medical Examiner
- Roads and Bridges

- Solid Waste (convenience centers and site for batteries, used motor oil and tires)
- Elections

The FY 2025 Fund 101 budget includes approximately \$16.2 million for these required services, or about **94.6%** of the budget.

Optional Services for County Government

- Animal Control
- Code Enforcement
- Fire protection
- Transit
- Recreation
- Sewer and water systems
- Support for non-profit/charitable organizations
- Workhouse
- Zoning

The FY 2025 Fund 101 budget includes approximately \$922,000 for optional services, or about 5.4% of the budget.

Budget Structure

Mr. Pearson noted that it is important for the Committee to understand how the budget is structured as required by the State chart of accounts, including by fund, by function within each fund, and the expenditure and revenue objects within each function. The County uses cost centers to better track specific expenses, such as grant.

The County budget has multiple funds

- Fund 101 – General Fund
- Fund 116 – Solid Waste/Sanitation
- Fund 122 – Drug Control
- Fund 131 – Highway/Public Works
- Fund 176 - Highway Capital Projects
- Fund 171 – General Capital Projects
- Fund 151 – General Debt Services
- Fund 127 – American Rescue Plan
- Fund 141 – General Purpose School
- Fund 142 – School Federal Projects
- Fund 143 – School Central Cafeteria

The FY 2025 adopted General Fund budget illustrates the budget structure. The property tax was the largest revenue in the 2025 budget and is the largest discretionary revenue for the

county. The Sheriff, including both the Sheriff's Office and the Workhouse, is the largest function. Salaries and benefits make up the largest expenditure category of the budget.

Fund Balance and Tax Rates

Mr. Pearson also reviewed historical data and trends on fund balances and tax rates. The cash in each fund is restricted to that fund, with the exception of the general fund. Each fund should retain sufficient fund balance for cash management, contingency (emergency or unanticipated expenses), planned future expenses and some level of reserves.

Mr. Pearson reviewed historical data on the general fund that compared revenue and expenditure trends. It is important to know that the general fund runs an operating deficit for the first and last third of the year. The primary reason is that expenditures are consistent each month but the majority of revenues come in the second third of the year, due to property tax collection. This requires adequate fund balance at the beginning of the fiscal year and the end of the fiscal year to fund the operating deficits.

Mr. Pearson also reviewed historical tax rates and fund balance withdrawals for the County funds. This provided the Committee with information on how large withdrawals from fund balance to balance the budget were not sustainable, made the tax rate artificially low, reduced the General Fund cash position, and resulted in the need for property tax increases in FY 2024 and FY 2025.

Given this information, Mr. Pearson recommended that the Committee approach the FY 2026 budget with specific goals to ensure responsible financial management, such as adopting a structurally balanced budget with no withdraw from fund balance in any tax-levy supported fund (unless part of a planned withdraw) and setting the tax rate to maintain or increase the general fund year-end fund balance. Mr. Pearson noted that he would work with the Financial Management Committee to develop fund balance policies with minimum target amounts established.

In addition, Mr. Pearson identified several items that could affect the FY 2026 budget, including:

1. Reliance on the property tax because of the failed referendums on the wheel tax and sales tax increases
2. The cost of ADA improvements, which are not yet final
3. Other Highway, Landfill, or county borrowings needed for FY 2026
4. Landfill Equipment needs
5. The cost of closing the current landfill and opening the new landfill

6. Debit Service Fund is no longer supported by the wheel tax, which may impact the property tax needs for the fund
7. Opioid Funding for two positions added during the 2025 fiscal year
8. School Funding, as it has a maintenance of effort requirement, with potential cost increase
9. In the prior state legislative, there was a proposed cap on property tax increases and a proposed reduction on the reappraisal cycle; if these are proposed again and adopted they will impact the County
10. Appraisal issues, in that the next ratio study will affect the FY 2027 budget, and the next reappraisal and certified tax rate will affect the FY 2028 budget, so setting conservative tax rates in FY 2026 and FY 2027 is important
11. Funding for items not currently in the budget, such as a dedicated IT person for county (to work in part on cybersecurity); an electronic roll call voting system for County Commission; funding for warming shelters; and the CDBG waterline extension match

The Committee needs to be aware that the property tax is the County's the largest and most stable revenue and generally funds an increase in appropriations. Other revenue options are limited, given the referendums rejecting increased wheel tax and sales tax, and the state restrictions on other revenues.

The Committee will also need to address issues involving employee costs and benefits, such as salary increases and allocating medical cost increases. The Committee should also understand the limitations in current benefits, such as medical insurance does not include coverage of spouses and there is no cost of living adjustment provided in TCRS pensions for county employees.

Other discussion items

Mr. Pearson informed the budget committee that the department's budgets are due to the Finance Department by January 27. The plan is to develop a consolidated draft budget based on the requests and provide to the committee prior to their next meeting on February 6.

The February 6 meeting will focus on reviewing the draft 2026 budget. The draft is based on preliminary estimates and projections and these numbers will change during the budget process. The Budget Committee should identify questions on specific line items or for which they want additional data or information. The Committee should also determine which department heads it wants to have appear at future committee meetings. Sheriff Bobby Brooks requested his budget review to be presented at the first available budget committee meeting.

Haley Barker requested information on the new maintenance of effort such as the Mayor MOE to be provided to the committee.

Joe Brooks presented to the budget committee information on the local sales tax option.

Next meeting is scheduled for February 6 at 6 o'clock. Mr. Pearson will e-mail out information to members on line item budget amendments and draft budget prior to the meeting.

Motion by Haley Barker to adjourn at 7:51 p.m., seconded by Timothy Shrout. Motion to adjourn adopted unanimously.

Claiborne County Public Budget Committee Meeting Minutes Monday, May 20, 2024

Members present: Zach Bunch, Haley Barker, Tim Shrout, Zach Mullins, Mitchell Cosby, Rosemary Barnett, Sherry McCreary, Quinton Rogers, and Dustin Wilson

Others present: Joe Brooks, James Estep III, Eric Pearson

Mitchell Cosby called the meeting to order at 5:44 pm. All present except for Tim Shrout. Mr. Shrout joined the meeting later.

Motion carried by aye vote to approve the agenda.

Motion made by Zach Mullins, second by Zach Bunch, to approve the minutes from the April 9, 2024 budget committee meeting. Minutes approved.

Budget Amendments: Fund 101 (General Fund) and Fund 116 (Landfill)

The Finance Director provided the Committee with a list of budget amendments for Fund 101 and Fund 116. The Director noted that these are transfers between line items within department budgets and are needed to provide funding on the correct lines.

Motion made by Sherry McCreary, second by Rosemary Barnett, to approve the line item budget amendments for Fund 101 and Fund 116. Amendments approved.

Public Hearing on FY 2024-25 Budget

Mitchell Cosby announced the start of the public hearing and asked the Finance Director to provide some remarks. The Finance Director provided background and summary information on the FY 2025 budget.

Adopting the annual County budget involves three separate resolutions:

- Appropriations Resolution: sets the appropriations for each of the funds and departments
- Tax Rate Resolution: sets the tax rate needed to provide funding for adopted appropriations
- Charitable Contributions Resolution: establishes specific contribution amounts for specific non-profit charitable organizations

These three resolutions are on the Commission agenda for its meeting following this public hearing.

Claiborne County's budget process is governed by State law. The County's budget process started in January with the Finance Director asking departments to submit requested budgets. Each County official and department head submitted a request for funding necessary to support their operations in the 2025 fiscal year.

These requested budgets were consolidated into a draft budget that was presented to the County Budget Committee. The Budget Committee has one Commissioner from each district. The Committee reviewed the budget requests, voted to approve or make changes to the budgets, and then adopted a proposed budget that was submitted to the full Commission.

Budget requests were received on February 8. The Budget Committee held six meetings from February 15 through April 9 to review the budget. The Committee approved a proposed budget on April 9.

State law requires that the Commission do the following:

- Adopt an annual budget
- Adopt a balanced budget
- Levy a property tax rate
- Meet State funding requirements for mandated services

The State has to approve the budget adopted by the Commission; these State requirements have to be met. The State will not approve the budget unless it meets these requirements.

Regarding the State funding requirements for mandated services, State law requires County governments to provide certain services. These mandatory services are the majority of the County budget, about 95% of the General Fund budget.

Certain services are discretionary, which means that Counties are not required to provide the services. Some of the discretionary services funded in the FY 2025 budget include:

- Contributions for fire departments, for the animal shelter and for charitable organizations
- Funding for the Library, Senior Citizen Assistance, Veterans Services

State law also establishes what are called Maintenance of Effort requirements; these are mandates to provide local funding for specific services. Some Maintenance of Effort requirements include Sheriff's Office, Highway Department, Elections, Property Assessor, and 911 Services. For example, the Sheriff Maintenance of Effort means that the Commission cannot adopt a budget that reduces the salaries or number of employees in the Sheriff's Office, without the Sheriff's consent.

State law also mandates the minimum salary amounts for elected and appointed officials. The Commission has to fund any increases in these salaries. The increase for 2025 is 5%.

County also faces cost increases, both from inflation and from contractual agreements, utility price increases, and other factors. One measure of inflation is the consumer price index, and this measure for our region for the year ending in April is about 4%.

The bottom line is that State mandated service and funding requirements combined with inflation result in higher costs to provide County services.

The FY 2025 proposed budget totals \$101.7 million. The property taxes need for this budget total \$16,192,000, an increase of \$625,600 or 4% from FY 2024. The property tax increase is in line with inflation. The tax rate is \$2.4383, an increase of \$0.1348 from FY 2024. The FY 2024 tax rate is \$2.30.

The property tax increase is primarily the result of increased costs for mandatory services and a decrease in assessed value from a mandatory ratio study.

Most of the property tax increase is the result of cost increases for mandatory or required services, including:

- Ambulance Service, increase of \$365,000. The County is required by State law to provide ambulance service
- Mandated salary increase for County Officials, which is about \$58,000
- Increases in insurance premiums for Medical, Property and Casualty, and Workers Compensation of \$202,650. The County, like a business, needs to maintain various insurance policies. The cost of these policies is projected to increase.

These three increases total about \$625,000, and account for all of the property tax increase of \$625,000. If these cost increases were not required, the property tax revenue needed in FY 2025 would not have increased from FY 2024.

Regarding the ratio study, this is a mandatory study conducted by the State. The study adjusts assessed values for personal property and public utilities for equalization purposes. This study resulted in a required decrease in assessed values, which accounts for \$0.0459 of the tax rate increase, or about one third. Excluding the ratio study, the proposed tax rate increase is \$.0942.

The decrease in assessed value from the ratio study was about \$23.8 million. The increase in assessed value from new construction and other additions was about \$9.1 million. The net reduction in assessed value was about \$14.7 million.

For reference, maintaining the FY 2024 property tax rate of \$2.30 requires either budget cuts of \$918,490.

This concluded the Finance Director's remarks. The Chair then opened the meeting to questions and comments from the public.

There were several questions from the public.

There was a question on the fund balance estimated for the Fiscal Year 2025 budget. The Finance Director stated that the current projection is to have a starting FY 2025 fund balance in the General

Fund of about \$3 million. If the Commission adopts a balanced budget for the General Fund, the FY 2025 year-end fund balance will be the same, about \$3 million.

There was a question regarding the payments for the theft at the Circuit Court. The County Attorney and the Finance Director both responded. The County's insurance will provide a payment of about \$136,000, which will go to the Circuit Court to offset the loss from the theft. The insurance only covered losses during the time period covered, so it does not cover all the losses as they extended over seven years. The County General Fund will make a payment to the Circuit Court of about \$481,000 to offset the remaining loss from the theft. These payments have to be made to the Circuit Court to make their books and accounts whole. After this the Circuit Court will make a payment to the General Fund for fees, fines and judgment revenue that were owed but not paid due to the theft. The payment from the Circuit Court should be about the same as the County pays to the Circuit Court, so there will be no net loss to the County from these payments.

There was a question on the General Fund balance regarding how much monthly expenses are covered by the \$3 million estimated fund balance. The Finance Director stated that the average monthly expenses of the General Fund are about \$1 million, so this provides about three months of expenses. The operating deficit for the first four months of the year will likely be around \$2.5 million, so the fund balance should be adequate to support operations.

There was a comment from the public about the large surplus in the State Government and the possibility of the State sharing some of this surplus with local governments. There is some proposed legislation that could result in more revenue to the County. The County should support this legislation and other efforts to increase the State funding for County government.

There was a question regarding whether there was any change in funding for charitable organizations or the volunteer fire departments. The Finance Director responded that the only change was removing the \$11,000 contribution for the vehicle maintenance pit that was being considered by the Fire Departments. There was no change to the regular contributions to the fire departments.

Adjournment

Motion made by Tim Shrout, seconded by Zach Mullins, to adjourn. The Committee adjourned at 6:11 pm.

Claiborne County Audit Committee Meeting Minutes

Tuesday, January 28, 2025

Members in attendance: Carolyn Brooks, Rosemary Barnett, Zach Bunch, Dennis Cook, Steve Brogan

Others in attendance: Joe Brooks, Eric Pearson

Carolyn Brooks called the meeting to order at 5:32 pm.

Motion by Zach Bunch, seconded by Dennis Cook to approve the agenda. Agenda approved unanimously.

Motion by Rosemary Barnett, seconded by Zach Bunch, to elect Carolyn Brooks as Committee Chair. Motion approved unanimously.

Minutes from the 5/14/2024 Audit Committee meeting were distributed to Committee members. The Committee approved the minutes unanimously.

Eric Pearson gave a summary of the audit.

The audit has an unmodified audit opinion, meaning that the financial statement fairly present the respective financial position of the County's governmental activities and funds as of June 30, 2024. There were no major deficiencies, errors or corrections needed.

There was one finding, involving the County Trustee.

The Claiborne County Trustee did not have an official surety bond for the period of April 15, 2024 through June 30, 2024. If the County chooses to obtain an official surety bond in lieu of insurance, Tennessee Code (section 8-19-101 through 8-19-122) requires the bond to be executed not later than 30 days from the beginning of the term of office, approved by Mayor, filed with county clerk and recorded by register of deeds. Trustee obtained an official surety bond effective beginning September 1, 2024, and recorded by register of deeds on September 30, 2024. The recommendation is that the Trustee should ensure she is properly bonded and has sufficient surety bond coverage in compliance with State statutes. The Trustee experienced problems with getting information from the bonding company that had the bond on the prior Trustee, and the Trustee contacted a different bonding company to get an adequate bond.

If not for this one finding, the County would have had a clean audit.

Highlights from the audit are an improvement in net position. Net position is a measurement of the net equity of the government; assets less liabilities result in net equity, or net position. The net position for both the County and the School increased in FY 2024 from FY 2023. This is a positive financial result for both governments.

All the major funds had increases to their fund balance. This contributed to the improvement in net position. In general, the funds had actual expenditures less than budgeted appropriations, and actual revenues in excess of budgeted revenues. The unspent appropriations and surplus

revenues lapse to fund balance, and resulted in an increase in fund balance for the major funds. This improved the County's financial position.

Mr. Pearson noted that if there were specific questions about any other issues or items he would attempt to provide an answer.

Carolyn Brooks asked about the Chumley theft at the Circuit Court office. Mr. Pearson stated that the insurance payment for the loss was received in FY 2024 and there was a payment from the County to the Circuit Court clerk and then a payment from the Circuit Court to the County General Fund. The Circuit Court could not make payments of revenue due to the County because the theft had left them without sufficient cash in their bank account to make the revenue deposits. Once the insurance payment was made, the Circuit Court was able to make these payments. These one-time payments of revenue contributed to the surplus revenue in the General Fund, as these amounts were not part of the FY 2024 budget. Mayor Brooks provided additional information relating to the court case against Ms. Chumley. Mayor Brooks also noted that the Comptroller changed their auditing procedures as a result of the Chumley case to improve their ability to detect financial problems.

Carolyn Brooks asked if there were any other questions or concerns from the Committee. There were none.

Motion made by Steve Brogan to adjourn the meeting, seconded by Rosemary Barnett, and unanimously approved. The Committee adjourned at 5:51 pm.

