



SUMNER COUNTY, TENNESSEE
DEPARTMENT OF FINANCE
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MEMORANDUM

TO: Sumner County Budget Committee
FROM: David Lawing, Certified Public Accountant
DATE: November 3, 2014
RE: Overview of Sumner County Finances and Possible Funding Scenario

I. Executive Overview

Even though the Sumner County Primary Government's and Sumner County School Department's fund balances have been relatively stable and the budgets are balanced as defined in state statute, there are growing issues with long-term sustainability, i.e. the current level of services with the current funding levels.

The concern with sustainability is the result of the following factors.

- The disparities between budgeted revenues and appropriations for the County General Fund and for the General Purpose School Fund have increased to in excess of \$19 million, which will create significant issues for fiscal year 2016 and beyond.
- The un-funded liabilities in Sumner County's Self-insurance Fund of approximately \$2.4 million, which will be a substantial issue in January.
- The number and size of projects that have been initiated without identified revenue sources. To continue, these projects will require an additional \$1.6 million of funding for fiscal year 2016. In addition, an additional \$1.4 million of funding will be required in subsequent years.
- A complete lack of major capital improvement funding.
- Inflationary rates factored with the county's current growth rate and the tax structure (property tax does not capture inflation).

To continue with the current level of services, my recommendation would be to approve a tax rate of a least \$2.50 for the fiscal year 2015 in lieu of the state certified rate of \$2.0807. The benefits of increasing the millage rate for 2015 are listed below.

- Prevent depletion of needed fund reserves and place the county in a stable financial position and ready for long-term growth.
- Considerably narrow the disparity between budgeted revenues and appropriations for the County General Fund and for the General Purpose School Fund, which would allow for the continuation of initiatives and minimize the risk of a disruption to services.
- Fund the un-funded self-insured health program's liabilities.
- Fund necessary premium increases in the self-insurance OJI and liability program.
- Fund already approved but un-funded initiatives.
- Create a long-term capital improvement plan and allow needed capital improvements to commence timely.

II. Recommended Rate

<u>Fund</u>	<u>State Certified Rate</u>	<u>Recommended Rate</u>	<u>Change</u>
General	\$ 0.4903	\$ 0.5511	\$ 0.0608
General Debt Service	0.1735	0.3542	0.1807
Highway/Public Works	0.0173	0.0173	-
General Purpose School	1.2764	1.4539	0.1775
Capital Projects	0.1232	0.1235	0.0003
Total	<u>\$ 2.0807</u>	<u>\$ 2.5000</u>	<u>\$ 0.4193</u>

*Net budgeted per penny

Current Property Taxes	\$ 391,476
Payments in Lieu of Taxes	3
Pmt in Lieu Taxes-Local Utility	<u>2,341</u>
Total Per Penny	<u>\$ 393,819</u>

Property Tax Division

<u>Fund</u>	<u>Prior Year Rate</u>	<u>Recommended Rate</u>	<u>Change</u>
General	22.33%	22.04%	-0.29%
General Debt Service	10.89%	14.17%	3.28%
Highway/Public Works	0.83%	0.69%	-0.14%
General Purpose School	60.03%	58.16%	-1.87%
Capital Projects	<u>5.92%</u>	<u>4.94%</u>	<u>-0.98%</u>
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

Corresponding Local Revenues

	Courthouse						Total
	General	& Jail	Debt	Capital	Highway	Schools	
Local Taxes							
Current Property Tax	\$ 21,574,248	\$ -	\$ 13,866,083	\$ 4,834,730	\$ 677,254	\$ 56,916,710	\$ 97,869,025
Trustee Coll.-Prior Years	270,145	-	131,691	71,592	10,056	726,154	1,209,638
Trustee Coll- Bankruptcies	11,836	-	5,770	3,137	441	31,816	53,000
Clerk & Master Coll.-Prior Year	303,674	-	148,033	80,477	11,305	816,281	1,359,772
Interest and Penalty	70,511	-	34,373	18,686	2,625	189,533	315,728
Pick Up Taxes	-	-	-	-	-	-	-
Pmt in Lieu Taxes-TVA	153	-	98	34	5	404	694
Pmt in Lieu Taxes-Local Utility	134,111	-	86,195	30,054	4,210	353,808	608,377
Pmt in Lieu Taxes-US Gov	3,305	-	-	-	-	-	3,305
Hotel/Motel Tax	515,307	-	-	-	-	-	515,307
Litigation Tax-Special Purp.	111,534	-	-	-	-	-	111,534
Business Tax	1,700,000	-	-	-	-	-	1,700,000
Mixed Drink Tax	10,500	-	-	-	-	340,000	350,500
Bank Excise Tax	346,926	-	-	-	-	-	346,926
Beer Tax	555,000	-	-	-	-	-	555,000
Beer Privilege Tax	2,669	-	-	-	-	-	2,669
Local Option Taxes							
Sales Taxes	-	-	7,460,341	-	-	14,922,921	22,383,262
Litigation Tax-Special Pur.	-	371,318	-	-	-	-	371,318
Litigation Tax-Special Pur	-	-	145,822	-	-	-	145,822
Wheel Tax	-	-	-	-	1,905,243	4,445,567	6,350,810
Miscral Severance Tax	-	-	-	-	132,979	-	132,979
Adequate Facilities Tax	-	-	1,716,717	-	-	-	1,716,717
Interstate Tele. Tax	-	-	6,148	-	-	12,299	18,447
Total	\$ 25,609,919	\$ 371,318	\$ 23,601,274	\$ 5,038,710	\$ 2,744,117	\$ 78,755,492	\$ 136,120,830
Licenses and Permits							
Marriage Licenses	\$ 5,881	\$ -	\$ -	\$ -	\$ -	\$ 5,881	\$ 11,762
Cable TV Franchise Fees	457,387	-	-	-	-	-	457,387
Beer Permits	950	-	-	-	-	-	950
Building Permits	167,444	-	-	-	-	-	167,444
Rezoning Permits	1,500	-	-	-	-	-	1,500
Helping Schools	-	-	-	-	-	2,450	2,450
Total Licenses and Permits	\$ 633,162	\$ -	\$ -	\$ -	\$ -	\$ 8,331	\$ 641,493

III. State Certified Rate

<u>Fund</u>	<u>Prior Year Rate</u>	<u>State Certified Rate</u>	<u>Change</u>
General	\$ 0.4513	\$ 0.4903	\$ 0.0390
General Debt Service	0.2200	0.1735	(0.0465)
Highway/Public Works	0.0168	0.0173	0.0005
General Purpose School	1.2131	1.2764	0.0633
Capital Projects	0.1196	0.1232	0.0036
Total	<u>\$ 2.0208</u>	<u>\$ 2.0807</u>	<u>\$ 0.0599</u>

*Net budgeted per penny

Current Property Taxes	\$ 392,382
Payments in Lieu of Taxes	3
Pmt in Lieu Taxes-Local Utility	2,924
Total Per Penny	<u>\$ 395,309</u>

Property Tax Division

<u>Fund</u>	<u>Prior Year Rate</u>	<u>Current Year Budget Rate</u>	<u>Change</u>
General	22.33%	23.56%	1.23%
General Debt Service	10.89%	8.34%	-2.55%
Highway/Public Works	0.83%	0.83%	0.00%
General Purpose School	60.03%	61.34%	1.31%
Capital Projects	<u>5.92%</u>	<u>5.92%</u>	<u>0.00%</u>
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

Corresponding Local Revenues

	Courthouse						Total
	General	& Jail...	Debt	Capital	Highway	Schools	
<u>Local Taxes</u>							
Current Property Tax	\$ 19,238,468	\$ -	\$ 6,807,820	\$ 4,834,141	\$ 678,820	\$ 50,083,581	\$ 81,642,830
Trustee Coll.-Prior Years	270,145	-	131,691	71,592	10,056	726,154	1,209,638
Trustee Coll.-Bankruptcies	11,836	-	5,770	3,137	441	31,816	53,000
Clerk & Master Coll.-Prior Years	303,674	-	148,035	80,477	11,305	816,281	1,359,772
Interest and Penalty	70,511	-	34,373	18,686	2,625	189,533	315,728
Pick Up Taxes	-	-	-	-	-	-	-
Pmt in Lieu Taxes-TVA	164	-	58	41	6	426	694
Pmt in Lieu Taxes-Local Utility	143,359	-	50,730	36,023	5,058	373,207	608,377
Pmt in Lieu Taxes-US Gov	3,305	-	-	-	-	-	3,305
Hotel/Motel Tax	515,307	-	-	-	-	-	515,307
Litigation Tax-Special Purp.	111,534	-	-	-	-	-	111,534
Business Tax	1,700,000	-	-	-	-	-	1,700,000
Mixed Drink Tax	10,500	-	-	-	-	340,000	350,500
Bank Excise Tax	346,926	-	-	-	-	-	346,926
Beer Tax	555,000	-	-	-	-	-	555,000
Beer Privilege Tax	2,669	-	-	-	-	-	2,669
<u>Local Option Taxes</u>							
Sales Taxes	-	-	7,460,341	-	-	14,922,921	22,383,262
Litigation Tax-Special Pur.	-	371,318	-	-	-	-	371,318
Litigation Tax-Special Pur.	-	-	145,822	-	-	-	145,822
Wheel Tax	-	-	-	-	1,905,243	4,445,567	6,350,810
Mineral Severance Tax	-	-	-	-	132,979	-	132,979
Adequate Facilities Tax	-	-	1,716,717	-	-	-	1,716,717
Interstate Tele. Tax	-	-	6,149	-	-	12,298	18,447
Total	\$ 23,283,398	\$ 371,318	\$ 16,507,506	\$ 5,044,096	\$ 2,746,533	\$ 71,941,785	\$ 119,894,635
<u>Licenses and Permits</u>							
Marriage Licenses	\$ 5,881	\$ -	\$ -	\$ -	\$ -	\$ 5,881	\$ 11,762
Cable TV Franchise Fees	457,387	-	-	-	-	-	457,387
Beer Permits	950	-	-	-	-	-	950
Building Permits	167,444	-	-	-	-	-	167,444
Rezoning Permits	1,500	-	-	-	-	-	1,500
Helping Schools	-	-	-	-	-	2,450	2,450
Total Licenses and Permits	\$ 633,162	\$ -	\$ -	\$ -	\$ -	\$ 8,331	\$ 641,493