CITY OF SHEPHERDSVILLE SPECIAL MEETING

Thursday, September 15, 2011

Special meeting of the City Council to have second reading and public hearing on Ordinances setting the 2011 Real and Personal Property tax rates.

The Pledge of Allegiance was recited.

In attendance were Council members Bernie Brown, Don Cundiff, Larry Hatfield, Corky Miller, Faith Portman and Alan Wetzel.

Mayor Ellis called the meeting to order at 6:30 and asked City Attorney Joe Wantland to have the second reading and public hearing on Ordinance 011-086 establishing the real property ad valorem taxes and providing assessment, equalization and collection pursuant to the provisions of KRS 92.280, Et Seq. Don Cundiff made motion to approve. Alan Wetzel 2nd.

Discussion followed:

Faith Portman stated she had received a call from some business owners who asked to meet with us and talk to us before we raise this tax and she would like to see if everyone else was interested in meeting with these folks. We could wait until at least Monday to vote on this ordinance until they have time to solicit businesses in the City for donations to help the City raise funds.

Bernie Brown asked who the company was that called.

Faith Portman stated she didn't know if she should say.

Larry Hatfield stated he had also received a call from a large business owner that thinks if we could put together some numbers of what we think we need they could maybe go to the business community and get money instead of us raising the property tax. He stated he did not get the call until last evening.

Faith Portman stated she had not gotten the call until last evening either.

Larry Hatfield stated whatever pleased the Council was okay with him – we can vote on it tonight it didn't make him any difference.

Faith Portman stated we can try to wait a couple days and see if the Mayor can meet with these people and come back on Monday and vote on it.

Corky Miller stated there were only a couple reasons he would be in favor of waiting if they could come up with the money; that would be because people were hit pretty good with the sewer hike, and he stated he thinks a lot about the people that are going to suffer with this tax, although its not much for most of it, is people that own apartment houses, people that rent houses, they are going to pass that money up to the people that are renting, which he thinks at this time is a hardship on those people. They may have to get out and look for another place to stay if they crank up the amount of rent they pay. He stated he thinks something like that says something to the community that we're trying everything we can do to possibly not raise taxes. He stated he knew that if they don't come up with the money we have to raise taxes.

Faith Portman asked how the Council felt, are you opposed to this or ...

Bernie Brown asked what happens if they don't come up with the money.

Faith Portman stated then we have to vote on Monday.

Bernie Brown stated we committed to take the maximum amount allowed.

Alan Wetzel stated we didn't think they are going to be able to get this done by Monday. He stated he didn't know where these folks are but if they're going to talk to us and see what we need, how much money we need to raise or whatever, and then go around and solicit from the business community to get an equal amount of money, that's going to take a long time.

Don Cundiff stated he did not personally like the idea but he didn't know who we're talking about.

Larry Hatfield stated he would go ahead and tell you who called him. It was Mr. Rice with Flynn Group. Mr. Hatfield stated he did not think Mr. Rice would have a problem with that. Mr. Hatfield stated their concern, and of course they are big developers and have brought a lot of business in this community. Their concern is not so much what it's going to do to homeowners; it's what it's going to do to some of these businesses who have \$3, \$4, \$5 million property assessments. When you're trying to bring in a company that is, let's use Amazon.com as an example, if they were to come to Bullitt County and build a million square foot warehouse. Mr. Hatfield stated the business people have never came, since we've been in this situation nobody has ran to us to try to help us. It's been pretty much that we've had to do what we've had to do and maybe it's not. He stated he did not want to do anything unless you all agree to give it a shot; if you don't agree, I'll go either way.

Bernie Brown asked Faith if she was saying they can come up with the money between now and Monday?

Faith Portman stated they are saying that. If we can give them the numbers they could possibly come up with the money.

Bernie Brown stated it's not a lot of time. Larry Hatfield stated no its not. Faith Portman agreed no its not.

Don Cundiff stated you know my problem with this whole deal is the one thing we've gotten criticized for is not having a plan. We got Marty Brown, the one thing he told us over and over and over again was you need to quit monkeying with our tax rate on property and lowering it because you're just hurting your citizens. And that's exactly what we're talking about doing again. We get a plan and we back off of it. We don't have the backbone to standup and do what we're supposed to do. Now I have a problem with that.

Bernie Brown stated in order to get the general obligation note I think we're committed to taking the maximum amount allowed by House Bill 44.

Don Cundiff stated he doesn't know if everybody else was in the same meeting he was but he heard that over and over again; every time Marty Brown talked to us.

Bernie Brown agreed he did too.

Don Cundiff stated he said you all have partly gotten yourself in this mess because you've continuously reduced your property taxes.

Alan Wetzel stated he thinks one of the interesting things, in the last 30 years back in 1981 the rate was .22 cents and in 2009 in was at its lowest point at .142 cents, now we're at .143 cents. He stated we are basically at the lowest point we've been at in 30 years and we haven't raised, we've been dropping for almost 10 years. Mr. Wetzel stated he thinks we're committed to it and he feels it's a reasonable think we're trying to do here.

Faith Portman stated she feels its putting a burden on the tax payers. But that is her opinion.

James Smothers stated he lived in Shepherdsville and asked the Council if anybody did any calculations on how much money this increase would generate yearly in taxes.

Larry Hatfield answered roughly \$250,000. From 2005 to 2010 our rate has went from .1449 to .143 without raising taxes we've generated an average income of \$120,000. From 2009 to 2010, without raising the tax, because of the tax base, because of the industrial growth we've generated \$195,000.

George Miller asked what he meant by extra.

Larry Hatfield answered above the yearly. He stated from 2005 up to date our tax rate has roughly stayed the same but our revenue has increased because of the industrial base the City of Shepherdsville has been lucky enough to have. We've had increase revenue.

James Smothers: So I understand that \$250,000 would be roughly an assessment of about \$350 million.

Mayor Ellis stated the amount to be generated from this tax increase from last year is \$400,000 not \$250,000.

James Smothers stated he had one more question. Are any of the warehouses on Highway 480 in the City limits included in that assessment?

Larry Hatfield stated he did not think so. Some of them will start paying property tax in two or three years but they do not pay it right now. He stated he thinks they have a free tax assessment for 10 years.

City Attorney Wantland stated that some not all, but some, pay what is referred to as a payment in lieu of taxes which is called a PILOT. It is a payment made to the Revenue Cabinet by the property owner. The Revenue Cabinet does distribute that money back to the locality. So particularly in the area of schools, the schools in effect get a double dip. The property is not assessed for the school purposes but the school gets the tax revenue that would be generated. At the same time, so everybody understand how House Bill 44 works, because these big companies aren't being assessed, they're not paying a tax per se but everybody in this room because the assessment is not included pays a little bit more on each and every tax bill to make up for it. In other words even if you put in these big companies generally speaking the assessments got up but the amount of the tax you can generate is still just \$1.6 million. You can't generate any more than that so it does bring the rate down marginally but that's what happens. You and I pay more tax in this case to the schools and the schools get revenue in the form of what they call a PILOT. Now that's what's been happening. I know some of them are expiring and that goes through Mr. Johnson's office, PVA.

George Miller asked when those agreements expire will the tax base of the City go up.

City Attorney Wantland answered yes it will go up. And then what happens is though it doesn't do a whole lot of good because the rate goes down and the same amount is being collected. You're just collecting it from another tax payer.

James Smothers: So possibly there is some opportunity to what Larry and Mrs. Portman's been asking by other businesses here. You go to those businesses and see if they would voluntarily, even though you have an agreement that they're tax base won't go up, perhaps they could contribute something to make up as far as \$400,000. Perhaps there is some opportunity there.

City Attorney Wantland: The opportunity might be there and it is "a window." However I want to take up, the City Council did make a commitment to creditors who were willing to lend the City money as I understand it, for the City to do certain things. One of the things, the Sheriff had to collect the taxes, one of

them was we had to raise the occupational tax, the other, as I remember and correct me if I'm wrong, was that the City was to take the amount of money which would be the highest it could take as a compensable rate under House Bill 44. For those people, those banks, whatever it is, to lend us that money.

Bernie Brown stated Mr. Wantland was absolutely right.

City Attorney Wantland stated that way to pay the \$3.5 million for the sewer, I believe. We did make that commitment as a Council. The real pressure on the Council is now. We've got to set a tax rate. If we don't set this tax rate we need to set another one because the tax bills are going to be prepared. They are getting ready to go out. We are not the only taxing authority involved in this. We've got the County doing the same, Fire Districts, Schools; everybody has got to set these tax rates. That's were we are.

Bonnie Enlow addressed the Council saying you do need to pass this today. She stated Don is exactly right. We made promises. Make a decision. You don't have special meetings in quick order to back up and say no I don't want to do it. That's been the problem all along. She stated I know you all don't like my opinion sometimes but you all make a decision then turn around and say oh wait a minute. Just stick with the decision and move on. The citizens are right. They are waiting on you all to do something. She urged the Council you've got to get it done. This is hardly nothing of a raise. It needs to go more. She stated she has been talking to citizens too. They said although nobody wants their taxes raised they more don't want to lose their services. They are already paying for services and they are not getting as much as they were getting. I'd like to see you do this rate and then turn around and do another one and have a public forum so you can let people speak so you can inform them how much money it's going to take to maintain the fire and police. How much money it takes to pay their wages, salaries and benefits. I think its \$1.5 - \$1.6 million to maintain police wages and benefits. \$800,000 to pay fire department wages and benefits. Raise it enough through these taxes to pay these two items. Everything else should fall into place. You should be able to operate with the rest of your budget for the rest of the stuff. I don't mind paying more taxes; I still own a home here. I have property; I'm still going to be paying occupational taxes. I'd much rather give more to make sure the fire department is going to respond to my home with the proper working equipment or it someone is breaking into my house somebody gets there to rescue my daughter. Have enough men on to show up and not be somewhere else because we only have two on. We didn't pay for all that training to ship all these officers to other departments. A lot of money just went out the door and its going to close a lot more money to keep replacing them. A lot more money than you want to spend. Decisions are hard to make. Don't worry about getting elected again, right at this point, I don't think any of you need to worry about coming back. I don't know how you'd want to at this point. We're all at fault. I admit I am. I am at fault I didn't catch what was going on and I apologize again. I'm sorry. But I am willing enough to stand up and say let's do something now. Get it done. Get it over with and move on. You paid for sewer advice and you didn't go completely with it. You paid for money advice and you didn't follow that completely. You paid for Qk4 to give you advice and you haven't bothered to follow that completely. It's all a waste of money. Do what you're experts tell you to do. Basically don't get somebody else to make those decisions when you can't make those hard decisions on your own. I wish I could still be up there but I had no choice. But I'm still going to be here and I'll help you in anything you have.

Daryl Lee: There's one thing I think you should take into consideration. The big boxes and the development that you've had through the years, part of it could be contributed to that your tax rate was low. And that encourages people to come here. It encourages families to build homes. I was at two different places, one in Louisville and at Bernheim and I had two different people come up to me and one thing they could not understand. You have run that sewer line out to Beam and you have a lot of vacant land that one day will be developed. You need to go get that land. You need to have it here when businesses come. You have a golden opportunity to go at 1020. There's land out there and if you don't go get that piece of land, Hillview is going to come get if for you and you won't have the opportunity. Now the little truck that goes around and sits at everybody's homes has been in Shepherdsville for this past week. So everybody's assessment on their home generally is going to go up. I just want to put that out there. And one other thing, if business people have

reached out to some of the Council saying they want to help, you don't necessarily want to shut that door before you hear what they have to say. I don't know that its necessary to make your vote tonight; however if that's what you choose to do nobody can stop you, but just stop and think because we've got to have some type of vision for the next few years.

Jim Enlow: The thing I want to say is sometimes we make decisions in a bad way. Just like the short term I was police chief, they wanted to trade and get a different brand of car. It doesn't seem like much, they were cheaper, but the cages that do in these cars, we would have to replace all of them. I thought about it and said this is not going to be a cost savings. Same way with the fire department. We had scot air packs that only had 2218 psi and I wanted to go with one that had 5000 but I couldn't because they weren't interchangeable. So we had to make a major change but to make that major change we had to have a plan. Don was there. Larry was there and this is what I wanted. Where we got out of line on this thing I had proposed for me and my departments when we got ahead I said Joe this is what we're doing and how we're doing it. We're going for ten years. I showed the guys and let them work on the budget with me but one day we decided we were going to break ground on a new building and I said at that time I'm not going to be part of this because I knew we couldn't pay for it. I was there when Larry took over the City and we were flat broke. He told me I had to get permission from him to buy a gallon of gas. That's sad. And the other thing was that I was thinking about. How many times have I went to Frank Simon, when he was alive, God Bless his soul, and say look I want to change my Scot air packs over. He asked me if we had the money. I said no we're in a mess and I'm trying to help straighten it out. He gave me the money because he believed in me and he believed in the men. And now I find out Nick Simon gave us some more money again. Larry you gold me one time a long time ago we're going to have to stop doing this. I don't like it. I don't like begging for money but I also don't like not having what we need and we're not asking for a whole lot. That's why I asked Tammy to show what our tax rates have been. We're not asking for that much. It's not going to make that much difference. But I don't think you should put the burden always on the businesses.

Larry Hatfield: The City has stepped up to the plate giving them tax breaks to get here. And now it's a little bit lean I don't feel bad asking for help.

Jim Enlow: They should but so should everybody else. It shouldn't always have to come from the businesses. You guys have to bite the bullet sometimes. I hope you pass this. You have a good police department and a good fire department. Go ahead and do it. We've thought about it enough.

Glen Fleming stated he's been coming to these meetings and listening to people who say pass this. The only people that say pass this have a direct link to this City. Taxpayers do not want this.

Steve Larimore stated that's not true, he has no link to City government and he pays taxes.

Faith Portman: I can tell you the calls I've received today and last night were totally against this and it was from young people that received their water bill recently and said they have three children, five in the family that are taking baths. They can't even pay their water bill now and if we add more taxes to them it's adding more burden.

Tom Rosselli: I'm a firm believer when you give your word you made a prerequisite already to promise the banks monies. They set some conditions you ought to keep your word. You borrowed that money and by George you ought to stick to it. All this hunky dory. What I said last time, yes Mayor that was the only thing you said or anybody said for quite a long time that I agree with that made any damn sense to get off your butts and do your damn job and let's move on with it. Let's bite the bullet, whatever, and stop crying about this. We need the funds, whatever. I'm not a guy saying I want to raise taxes but you already promised the banks what you all were going to do and right now you have one in the hand and two in the bush. By George you know the old saying; you only have what you have, one in the hand to guarantee a price increase. But Monday you're going find out maybe if the companies are going to do this or do that. You've got yourselves

so confused, or the Council does. I've been coming to these for a long time, I know all you guys. By George, make a damn decision.

Larry Hatfield: Well I can tell you that you all know where I stand on this and the reason I stand on it is I did not make a promise I'd raise taxes. I made a promise that we'd either get the income or we'd reduce the revenue or decrease the expenses. And when it comes to my vote I will be voting absolutely no.

Member of audience: You say you got calls. I'm against it. You know why. Because you didn't come to us first. The people that vote. I work here, I live here and I shop in Shepherdsville. Sneaking around behind people's back. There may be a few people who say hey year let's go ahead and do it. Let's ask the people if they can do it. Me and my wife make good money. That don't mean that we want to pay more taxes. It's not right that you do this without letting us know. You just raised the sewer. What's the next tax that will come next month?

George Miller: It's been 10 weeks since I was up here and you voted to raise sewer rates 66%. I still maintain on me it was 366%. Anyway you just had raised occupational tax. It was 10 weeks since I was here. I made a statement then that these taxes, maybe you did need to raise taxes; they would go over a lot better if the public could see some serious cuts. You haven't made any serious cuts. Everything is not out on the table. I understand the employees in the fire department are concerned for their benefits and their salaries and their future. But there's other ways to provide services and the fire protection needs to be explored. Is it possible to contract out the fire protection and in the contract maybe these people could be taken care of. What's the budget for the fire department?

Larry Hatfield: \$1.4 million.

George Miller: That's what I thought. That's one thing that needs to be explored but it seems to be taboo and nobody wants to talk about it. I'm not against the firemen. If I was a fireman and the City is in the shape it's in, I'd want them to have a back up plan. They may not pay you at all or maybe you don't get paid anymore but I think the firemen it would be in their interest to have a back up plan and maybe they could be provided employment by another agency that the City contracts with. That would save, based on \$1.4 based on tax base that would save about half million dollars a year and guess what if you didn't have the fire department you wouldn't need this building. You could take your police department and move back to the old facilities. You would have plenty of room Guess what you could sublease this building or you could sell this building. You owe \$1.6 million. You could sell it for more than that and all you gotta do is pay it off or you could sublease it. But getting rid of this building, the payment and the maintenance on this building is another half million according to your own budget. That's \$1 million a year, not just one year but each and every year you'd have to work with. Firemen would be taken care of in some sort of agreement if someone would even be interested in taking it over. They might be. But it needs to be on the table. It's not out there on the table and that's why people are upset you're raising their taxes. Maybe you do have to raise them but you know it's just take money from the people who pay. What about the unpaid tax bills? I never got an answer on those. They're good for 8 years. Has anything been done about collecting them?

City Attorney Wantland: I think there are things being done to collect them.

George Miller: Where are the tax bills?

Mayor Ellis: In the clerk's office.

George Miller: Do they go back 8 years?

City Clerk: 2004 I think.

George Miller: Have they been offered to investors? Investors buy them. I'm just saying folks the reason people are upset is because you've had an occupational increase, sewer rate increase, property tax increase, and people could understand and be sympathetic but they don't see you cutting anything. Yeah you cut out the coffee bill. It took you 4 meetings to do that. Anyway I'd ask you to table this and put all the cost cutting measures on the table. Send somebody to talk to the fire departments. See if they're interested. They may not be I don't know but it needs to be looked into. And if I was a fireman I'd want you looking into it. I'd be worried about my future the shape the City's in.

Corky Miller: The only thing I again would like to say is when I came here this afternoon I was for passing this tax. But, I'd hate to sit here and not wait until Monday in case somebody was going to give us some money and then we could always pass it Monday. I would vote for it Monday. But I do kind of like the ideal of somebody going to them and say, okay you want to do this for us, we need \$400,000 but we're got to know Monday whether you're going to give it to us or not.

George Miller: You'd rather take a handout than cut costs.

Faith Portman: That's not a handout.

Don Cundiff: What is it then?

Faith Portman: Well, what we've offered them; we've offered them a lot of things.

Steve Larimore: There's just one question I need to ask. If the businesses gave us \$400,000 tomorrow and we don't take this increase do we have enough money to meet our budget. Because my understanding is, even though it's the max we can take, we're still not quite there.

Larry Hatfield: Just on property tax. We don't know what the insurance tax is going to bring in. We don't know what the 1/2% occupational tax is going to bring in. We've increased sewer rates 66%. The sewer rate doesn't affect the City but the 1% insurance tax and the ½% occupational tax on all businesses now will come to this City. Even if they were awarded a ten year 1% less they still will be paying ½% and we do not know what that number is.

Steve Larimore: So Larry you just told me you all passed a budget and don't have any idea what your revenue is.

Larry Hatfield: No, we passed a budget on assuming revenue. That's the only way you can do it. To go off what your last year's numbers were.

Steve Larimore: Let me ask you this, same question, different way. Based on your assumed revenues and your assumed expenses that you passed the budget on, is this enough money to meet your budget.

City Clerk replied yes, if we pass this.

Steve Larimore: I think you guys are doing exactly the same thing you've done for 8 or 9 months.

Larry Hatfield: Well I disagree with you 100% Mr. Larimore. No hard feelings.

Steve Larimore: I'd just like to finish what I have to say.

Larry Hatfield: There's a whole lot of things I've worked for and this Council's worked for and I'm telling you straight up.

Steve Larimore: You guys have been financially irresponsible for the last 8 months. You let people come in and ask for \$7100 here, they come in and ask for a couple thousand here and you give away money to things.

Larry Hatfield: We haven't given away any money yet.

Steve Larimore: What did you give the YMCA?

Larry Hatfield: I voted against it.

Steve Larimore: Larry you're a part of the Council and the Council voted. I'm not attacking you personally. You guys have failed to make decisions for 8 months and come up with a plan that moves the City forward. Finally I have to say thank you Don, I appreciate what you said. Finally somebody said let's get something done. The fact that previous years we've kept this tax base, at some point we should have figured that out. And the citizens are responsible for that too because we're the ones who makes the decision who sits on the Council. We've not been paying enough attention to what's going on. So we have to take part of that blame too. But the bottom line is we're in this situation and if we don't make hard and tough decisions now we're going to be doing this next month and the next month and the next month and we'll be doing it again two years from now. If this is the thing that we agreed with the banks to do and the financial advisers recommend we do it, and we spent all that money to have that advice given to us, then we either wasted the money we paid Mr. Brown or we need to vote this thing and get it done.

Mayor Ellis asked for any more discussion from the Council.

Don Cundiff stated he was not going to be available at all next week for a meeting.

Mayor Ellis called for a vote. Vote was 3 in favor; 3 opposed. Mayor Ellis stated you know looking at how this is; it's a difficult decision for anybody up here to make. If you don't do it, you get yourself in a pickle like were in right now, that we've been in forever. We have lowered taxes many years. Taxes in 1981 were .22 cents and the last time it was raised in 1993 it went from .18 cents to .20 cents. That's where it raised any substantial amount. I know that we made an agreement with the bank when we took that money. And I know I'm the one that signed those notes. My vote tonight is yes. My name is on those docs and I'm not going to get myself in trouble for it.

City Attorney Wantland had second reading and public hearing on Ordinance 011-085 levying personal property, and property of public service companies ad valorem taxes and providing assessment, equalization and collection pursuant to the provisions of KRS 92.280, Et Seq. Motion by Alan Wetzel to approve. Don Cundiff 2^{nd} .

Jimmy Smothers again addressed the Council: Now that you voted and you had 3 no and 3 yes and you broke the tie with a yes, the increase has been approved. I would like to see this Board stand up to its financial fiduciary responsibility and appoint a committee to look at all aspects how you could tighten the budget and how you can make things work.

Mayor Ellis stated we already have a Committee of folks who do that.

Jimmy Smothers: You already have a Committee?

Mayor Ellis: Yes, we have a Financial Committee.

Jimmy Smothers: As an analogy I would use that each and every one of us have a checkbook. We have so much money that we earn or get a month. And we don't write more checks that we have money for and we need to learn to manage that budget and manage it for the people of this Community.

Mayor Ellis: I will tell you with this Administration here, since January 1st, you can ask either of my two department heads that are here tonight, spending has been cut. (Both agreed.) When you have a Governor in Frankfort that the only way he balanced the budget was by pulling money out of the State Retirement fund to balance the budget his 4 years. He pulled money out of there, therefore our state retirement in Shepherdsville, Bullitt County, anywhere else in the Commonwealth has tripled to pay back what money has been taken out. That's a big problem in any municipality. Any county when you're in the State retirement fund. And that is a big expense for anybody that's involved in any kind of government and that's a big expense for the City of Shepherdsville.

Jimmy Smothers: But given that expense and you know that's there, I think you should explore every possibility and every avenue. I'm not saying cut the police. I'm just saying to look at everything in general. That would be all that I would ask.

Mayor Ellis: And I completely understand but I was a fireman six years in the City and I remember when we took 5 minutes from the time the pagers went off that we had to respond to the fire station. And then you were looking at another 5-10 minutes, maybe 15, depending on traffic, before you arrived on scene at a car accident, a house fire, or a child locked in a car on a 100 degree day. In a car accident from the time of impact you have the golden hour. You have that hour to get that patient out of that vehicle, from the point of impact, to get them to the hospital; if it's a real trauma situation. Me cutting a paid fire department would be extremely difficult for me to do. And me cutting a paid police department would be extremely difficult to ever justify to these people. People are not going to be happy with the decisions we make any time. They're not. But if someone's house catches on fire tomorrow, and our guys roll out of here within two minutes from when the tones drop; when that gets that response to those peoples houses for whatever reason it is, car accident or anything, that gives me a good feeling because I know where we use to be and the reason we're where we are now is because we have paid gentlemen who are sitting in this room right now.

Jimmy Smothers: Again I want to say, I'm not dwelling on any two departments. I'm dwelling on the City's financial responsibility as a whole for all departments.

Mayor Ellis: And we do have a Committee that is looking at that.

Jimmy Smothers: Believe me I've had my share of fiduciary responsibility where I worked being vice president of the company with a \$30 million a year budget. So I understand what you're up against and I understand about being accountable.

Mayor Ellis called for vote: Motion carried 4 in	favor-2 opposed.
Larry Hatfield made motion to adjourn. Faith Po	ortman 2 nd . Motion carried 6-0.
Meeting adjourned at 7:33 p.m.	
	Attest:
R. Scott Ellis III, Mayor	Tammy Richmond, City Clerk