

MINUTES OF COUNCIL

July 27, 2017

6:30 P.M.

The Murray City Council met in regular session Thursday, July 27, 2017, at 6:30 p.m. in the Council Chambers of City Hall with Mayor Jack Rose presiding.

Council Members Present: Jeremy Bell, Robert Billington, Johnny Bohannon, Wesley Bolin, Linda Cherry, Danny Hudspeth, Dan Miller, Jason Pittman, John Mark Roberts, Pat Scott, Jane Shoemaker, Burton Young

Council Member Absent: None

Staff Present: Ron Allbritten, City Attorney Warren Hopkins, Tom Kutcher, Chief Jeff Liles, Bennett Moore, Cathy Morris, Jim Osborne, David Roberts, and Zachary Warren, Marilyn Downey.

After a moment of silence, Pat Scott led the Pledge of Allegiance to the Flag.

Mayor Rose welcomed Council members and guests and called the meeting to order.

The Minutes of the Council Meeting of July 13, 2017 were presented for approval. **Mr. Bohannon moved; seconded by Ms. Shoemaker.** All present voted aye.

Mayor Rose recognized Chairman Dan Miller who presented the final report of the Mayor's Committee to Review Needs, Expenditures, and Revenue Sources. Dr. Miller explained to the Council how the Committee was formed, and what the original goals were. He went on to state that his goal was to get factual information to the Council this evening.

Dr. Miller then recognized James Gallimore who reported the police department and fire department findings. Mr. Gallimore listed police retention issues, and salary deficiencies as the major problems facing the department. He reported that the Committee recommends that the City of Murray increase the budget to implement a structured pay scale plan within the police department to give officers incentives to continue employment with the City of Murray.

Mr. Gallimore then addressed the Committee findings regarding the Murray Fire Department. Mr. Gallimore reported that the Committee found that facility issues were the major problem at the fire department. He went on to state that the Committee recommends increasing the fire department budget to address renovation of these facilities.

Dr. Miller then asked if anyone had questions regarding the police and fire report. Dr. Young asked Mr. Gallimore if the pay for the Murray Fire Department was equal to surrounding communities and if the fire department was having any issues retaining personnel. Mr. Gallimore stated that pay was not a reported issue in the fire department. Dr. Young questioned why the fire department had been able to keep up with competitive pay and the police department had not. Dr. Young went on to ask Mr. Gallimore if there was a guarantee that police officers would stay in Murray if they got a pay raise. Mr. Gallimore said there are no guarantees. Dr. Young stated that he does not believe anyone is arguing that the police don't deserve a raise. Mr. Gallimore reiterated that the Committee was tasked to review the problems presented to them and police pay was the biggest. Mr. Gallimore went on to state that officers love Murray but they cannot feed their families on the wage they are being paid. Dr. Young asked Mr. Gallimore if the police cannot make it on the wage they are paid then how are others who make a lower wage making it. Mr. Hudspeth advised Dr. Young that on the bottom of the report there was a pay scale that he believes was factored in. Dr. Young agreed but reiterated that there was no guarantee. Mr. Gallimore closed the discussion by pointing out the City of Murray had used all of the tools available to them to increase revenue and this tax was the last one available.

Dr. Miller then recognized Don Elias to report the Committee findings on infrastructure within the City of Murray. Mr. Elias spoke about the Committee findings on the City of Murray needs regarding the street department, traffic alleviation and sidewalks. Mr. Elias reported that the Committee recommended budget increases in each of these areas including adding additional personnel to the street department to assist in sidewalk maintenance. The Committee also recommended a traffic alleviation fund be set up to address traffic needs within the City as well as a park enhancement fund to help with capital expenditures at the park. Mr. Elias gave several examples of increasing expenses over the past

30 years. He also pointed out that revenue had only slightly increased in that same time frame. Dr. Young asked Mr. Elias how much the City of Murray Tax Base had increased over that same time frame. Dr. Young went on to point out that he felt the tax base had increased significantly and questioned where that money went. Mr. Elias advised him that the Municipal Road Aid had only slightly increased and the City rarely put in extra money for maintenance because the money just simply wasn't available. Dr. Young stated he felt the money possibly could be available. Mr. Scott asked Mr. Elias to confirm that we had recently received a \$1,000,000 grant for sidewalks. Mr. Elias said that was correct and that was an excellent project. Mayor Rose advised Mr. Scott that the money was awarded through a TAP Grant with a 20% City of Murray match. Mr. Elias pointed out that the City has always done a good job of obtaining grants for sidewalks, but once they are built they must be maintained. Mr. Bolin remarked that there were a lot more individuals driving on City streets than there were residents in the City. He could not recall the exact number the Committee had been given but it was more than the population per day. Dr. Young pointed out that the major high traffic roads through Murray were state roads and not maintained by the City. Mr. Elias stated that the Committee report dealt only with streets that are maintained by the City of Murray. Mr. Elias closed his report by addressing the Murray Calloway County Park, code enforcement and street lights. Mr. Elias outlined a variety of future major expenses in the park system and discussed current funding. Dr. Young asked who uses the park more, City residents or County residents. Jason Lovett said he felt that County residents used the park slightly more than City residents. Dr. Young then inquired about the funding ratio between the City of Murray and Calloway County as far as dollars provided to the park system. Mayor Rose advised that the City of Murray gives more than the County does and it has been that way for the last three years. Mr. Hudspeth advised that for years the City and County were at the same funding level but the Council felt like they needed to put some more money toward the parks several years ago so it was increased.

Dr. Miller then reported the steps that the City had taken to cut expenditures. He went on to address past attempts by the City to address revenue stream issues. These included elevated property tax rates, increased city sticker costs, and the alcohol regulatory tax. Dr. Miller advised the Council as a body, that in order to address the current revenue issues, they had utilized all options available other than an occupational tax. Dr. Miller closed by reporting the Committee recommends a 1% Occupational tax and a 1% Net Profits tax be implemented in conjunction with abolishing the city sticker requirement and lowering ad valorem tax rates.

Public Comment Mayor Rose reported that he had received 4 requests for public comment but one of those had withdrawn the request.

Mayor Rose recognized Greg Taylor who presented the Council with information regarding a petition against the occupational tax. Mr. Taylor advised the Council that there were 2,854 signatures on the petition and the community did not want the tax. He closed by stating that it was his belief that other solutions were available and the tax would not be a benefit to the community.

Mayor Rose recognized Whitney Bryant. Ms. Bryant advised the Council that she was a resident of the State of Tennessee. Ms. Bryant reported to the Council that the United States Supreme Court had ruled that the occupational tax was unconstitutional. She discussed intrastate and interstate commerce and provided the Council with written information for their review.

Mayor Rose closed the public comment by recognizing Ray Conklin. Mr. Conklin addressed the Council and asked them to consider the concerns of the businesses and residents in the community. Mr. Conklin then reviewed a list of questions that he provided in written format to the Council.

After closing the public comment, Mayor Rose addressed the Committee recommendation. He advised the Council that the City of Murray wanted to be business friendly and he also understood that the net profits tax could prevent businesses from giving employees raises each year. Mayor Rose then recommended that the net profits tax of 1% not be included in the ordinance if drafted. Dr. Young stated that removing the net profits tax would eventually put more of a burden on the working people. Mayor Rose advised the Council that there would be time for discussion if there was a motion.

Mr. Bohannon moved; seconded by Ms. Shoemaker that an ordinance be drafted to implement a 1% occupational tax in the City of Murray. Mayor Rose opened the floor for discussion. Ms. Cherry asked for clarification that this would take the net profits tax completely off the table. Mayor Rose then confirmed that was the case. Dr. Young advised the Council that if they take off the 1% net profits tax, they are not going to be able to meet the goals of what they were recommending. Mayor Rose advised Dr. Young that he was incorrect and that projections had been given many times in

the past confirming that. Mr. Scott asked who would be excluded from paying the occupational tax. He advised that he thought pensions were excluded but later heard that once they reach a certain level they may be taxable. Mayor Rose recognized Luke Crawford who reported that any inactive income was not taxable by statute. Mr. Crawford also discussed a variety of businesses that are statutorily exempted. Dr. Young asked Mr. Crawford if rental income would be taxable. Mr. Crawford said rental income would be subject to taxation. Mr. Crawford then clarified that it was his understanding that rental income would be taxable under a net profits tax. Dr. Young stated that is exactly why he could never support this ordinance because of all the nuances and uncertainty of who had to pay and who didn't have to pay. Mr. Crawford advised the Council that there was a model policy that the City would refer to. Mr. Bolin asked Mr. Crawford to confirm that the exemptions he discussed earlier were just from the net profits tax. Mr. Crawford explained that certain businesses are exempt from a net profits tax, but that was no longer on the table with this motion. Mr. Billington stated that the business license process would remain the same so rental income would be treated no different than it currently is. Dr. Young stated that he thought it was the recommendation of the Committee to do away with the business license. Mr. Crawford clarified that under the net profits model, the business license would have been absorbed into the businesses net profits tax payment. Dr. Young then asked for clarification again that rental income would not be taxable under the occupational tax. Mr. Crawford explained that the rental business would not be taxable but any income paid to the sole proprietor would be taxable. Dr. Young replied that it appeared citizens would need to hire an accountant. Mayor Rose then stated that it was time to move on and advised the Council that these questions had been addressed many times at open Committee meetings. Dr. Young expressed frustration that the Council was trying to pass something they did not understand. At that point a member of the audience became unruly and Chief Liles escorted him from the Council Chambers. Mayor Rose then recognized Mr. Hudspeth. Mr. Hudspeth began by stating that he had a few things to discuss and pointed out that he was going to vote against the motion. Mr. Hudspeth stated that when this proposal was presented previously it was presented to be revenue neutral. He went on to state that now the Committee says the City needs an extra 2.25 million dollars. Mr. Hudspeth advised the Council that either they were badly mistaken initially or it was a smokescreen to get the tax passed. Mr. Hudspeth stated that there are probably many folks in the audience wondering exactly why that happened. Mr. Hudspeth reported that he came to many of the Committee meetings and that was why he didn't ask any questions during the report. He said he understood that they worked with what was given to them. He recalled that many times in the past during budget season the Council would receive lists of everything each department needed and the Council would approve what they could afford and deny what they could not afford. Mr. Hudspeth said he believed the Committee received the whole list and that is what they were working with. Mr. Hudspeth stated that at one of the meetings the Committee heard from the EDC, the Chamber of Commerce, the Park Board, Murray Main Street and Tourism. Mr. Hudspeth stated that if he recalled correctly, every one of those organizations said they were doing alright but the Committee asked them what they needed. Mr. Hudspeth said he felt the numbers were a little high based off what we really need. Mr. Hudspeth went on to address police salaries. He said that seemed to be the biggest issue and everyone seemed to have high emotions about it. Mr. Hudspeth said that the Council could take care of that problem anytime they want to. He went on to state that at a recent budget meeting one of the Council members of the Mayor's Committee requested that the Council look at doing something about police salaries and Mayor Rose told him not now. Mr. Hudspeth went on to point out that one of the items on the agenda this evening is adding back in payroll for one person in the amount of \$125,000.00. He then asked the Council if they thought that money would help the police and keep them happy. Mr. Hudspeth again reiterated that the Council could help the police if they wanted to by means currently in place. Mr. Hudspeth then discussed the alcohol tax. He said he felt that was not presented correctly during the report. He stated that it was presented as if the alcohol money replaced the \$190,000 property tax increase the past few years. Mr. Hudspeth said that was incorrect because the alcohol tax money was nearly a million dollars and the Council was essentially talking about two different things. He went on to state that the Council does miss that \$190,000 per year that a property tax increase would have brought but they did not increase it because they thought they were doing alright. Mr. Hudspeth stated that he felt the Council needed to get back in a situation where they were looking at these things a little closer. Mr. Hudspeth said the Mayor's Committee was told exactly what they were put there to hear, that the City had this big bucket of needs, and as a Council they need to shake that down to what we really need. Mr. Hudspeth said he felt like the Council needed to spend more time on this and there were some things on the State level that needed to be monitored. One of those, he said, was raising the police stipend across the state from \$3000 to \$4000. Mr. Hudspeth said he felt like the Council could do something for the police and as far as other areas he felt like they needed to do what they can as that is what they have always done. He told the Council that money could be moved around and there were other things that could be done as well.

Mayor Rose then asked if anyone else had comment and Mr. Hudspeth stated he had one more thing to address. Mr. Hudspeth said that the Council heard from some big players such as the EDC and Chamber in regard to their opposition to the net profits tax and the Council bowed down to it and took it out. He went on to say that the Council was not listening

to the citizens who were going to be hurt by the occupational tax. He went on to state that he was going to vote against the motion either way but wanted to point out that the Council was not listening to the people it was going to hurt the most.

Mayor Rose then asked for any other comments. Mr. Scott then commented to Luke Crawford that it had been presented that the enforcement of the city sticker was very difficult. He advised Mr. Crawford that it appeared that a payroll tax would be much more difficult to enforce. Mr. Crawford advised that the primary enforcement arm would be through the business license. Mr. Crawford said everyone conducting business in the City of Murray would continue to be subject to a business license and they would be cross referenced and sent quarterly or monthly tax remittals. Mr. Crawford said it may entail the City hiring another accountant and manager to enforce collections. After discussion Mayor Rose called for a roll call vote.

Ayes: Mr. Billington, Mr. Bohannon, Mr. Bolin, Dr. Miller, Mr. Pittman, Ms. Shoemaker

Nays: Mr. Bell, Ms. Cherry, Mr. Hudspeth, Mr. Roberts, Mr. Scott, Dr. Young

Mayor Rose cast a tie breaking vote in favor of the motion

Mr. Pittman moved; seconded by Mr. Bolin that an ordinance be drafted to repeal Chapter 71 of the City of Murray Code of Ordinances which addresses city sticker requirements. Mayor Rose asked if there was any discussion. Dr. Young stated that he saw no need to pass something like this now as it would not take effect until next year anyway and the Council doesn't even know if the payroll tax will pass or not. Mayor Rose advised the Council that he thought it was appropriate to let the community know that they were doing what the Committee suggested. Mr. Scott asked for clarification that if this ordinance went through then no more city stickers would be sold this year. Mayor Rose advised that it would not take effect until June 1, 2018. Mr. Bell stated that he felt that this muddies the water and he agrees with Dr. Young that they need to wait and see if it passes prior to doing this. Mr. Bell also asked if this could not be included in the payroll tax ordinance. Mr. Hopkins advised that each ordinance could only deal with one chapter and various chapters could not be combined in one ordinance. Dr. Young requested to amend the motion to direct that the proposed tax be put on a ballot referendum. Mayor Rose advised Dr. Young that was not legally possible under Kentucky law. City Attorney Warren Hopkins concurred. Dr. Young stated that he felt Mayor Rose was wrong about that issue. After discussion, Mayor Rose called for a roll call vote. During the vote Mr. Bell clarified that this was just authorizing Mr. Hopkins to draft the ordinance. He went on to state that he did not think the Council should even be talking about this but he would like to see the city sticker gone.

Ayes: Mr. Bell, Mr. Billington, Mr. Bohannon, Mr. Bolin, Dr. Miller, Mr. Pittman, Mr. Scott, Ms. Shoemaker

Nays: Ms. Cherry, Mr. Hudspeth, Mr. Roberts, Dr. Young

After the vote Mr. Scott pointed out to the public that this vote did not do away with the city stickers. It simply meant an ordinance would be drafted to be voted on later.

Mr. Billington moved; Ms. Shoemaker seconded that a resolution be drafted to express the Council's intention to reduce ad valorem taxes as recommended by the Mayor's Committee to Review Needs, Expenditures and Revenue Sources. Mr. Billington clarified that this resolution would reflect the intent of the Council provided the occupational tax proposal passed. Dr. Young stated that this resolution carries no power. Mayor Rose asked if anyone else had comment or question. Mr. Roberts said he agreed with Dr. Young. After discussion, Mayor Rose called for a roll call vote. Mr. Hudspeth stated he thought a resolution was a voice vote. Mayor Rose said that based on the appearance that the Council was split he wanted to have a roll call vote. During the vote Mr. Bell stated that he felt the Council was dealing with too many issues at once and asked for clarification on exactly what they were voting on. Mr. Billington explained the motion and Mr. Bell pointed out to the public that this was just a resolution to drop the taxes. Dr. Young stated that the Council was not doing what the Committee had recommended. He went on to state that the Committee had recommended dropping the business licenses. Mayor Rose stated that was tied into a net profits tax and that was now off the table. Prior to casting his vote, Mr. Roberts stated this motion was getting the horse before the cart and it stinks.

Ayes: Mr. Bell, Mr. Billington, Mr. Bohannon, Mr. Bolin, Dr. Miller, Mr. Pittman, Ms. Shoemaker

Nays: Ms. Cherry, Mr. Hudspeth, Mr. Roberts, Mr. Scott, Dr. Young

Mayor Rose then declared at 8:15 p.m. that Council would recess for 10 minutes.

Mayor Rose called Council back to order at 8:25 p.m.

Mayor Rose recognized Tom Kutcher who gave a brief presentation on the progress of the Wastewater Treatment Plant and the clearwell project at the Water Plant.

Mayor Rose then recognized Personnel and Finance Committee Chairman Johnny Bohannon who reported on the Committee's approval of two bids at the new City Hall. Mr. Bohannon recognized David Roberts who reported that bids were received for construction at the new Murray City Hall for Council Chambers construction. David Roberts advised that the low bidder was W.D. Steele Construction at \$106,400.00. David Roberts also advised the Council that the City was negotiating to get that price more in line with Architect Josh Vernon's estimate. **Mr. Roberts moved; seconded by Ms. Shoemaker.** Mr. Bohannon called for a voice vote.

All present voted Aye.

David Roberts then discussed the Information Technology bid for the new City Hall. David Roberts reported that the low bidder was System Solutions of Paducah, KY with a bid of \$54,132.32. David Roberts also advised the Council that there was an addendum regarding existing wiring that could prove to be unusable. David Roberts reported to the Council that System Solutions had capped their bid at a cost of \$60,000.00 if wiring was found to be faulty. **Moved by Mr. Roberts; seconded by Ms. Shoemaker.**

All present voted Aye.

Ordinance Number 2017-1741 (second reading) an ordinance amending Ordinance Number 2016-1705, an ordinance which adopted the FY 2017 City of Murray, Kentucky annual budget by restating certain revenues and expenditures for the City of Murray Operations Budget. **Mr. Bohannon moved; seconded by Mr. Pittman.** Mayor Rose called for a roll call vote.

Ayes: Mr. Bell, Mr. Billington, Mr. Bohannon, Mr. Bolin, Ms. Cherry, Mr. Hudspeth, Dr. Miller, Mr. Pittman, Mr. Roberts, Mr. Scott, Ms. Shoemaker, Dr. Young

Nays: None

Ordinance Number 2017-1742 (second reading) an ordinance amending Ordinance Number 2017-1738, an ordinance which adopted the FY 2018 City of Murray, Kentucky annual budget by restating certain revenues and expenditures for the City of Murray Operations Budget. **Mr. Roberts moved; seconded by Mr. Bohannon.** Mayor Rose called for a roll call vote. Mr. Hudspeth stated that he was going to vote against the ordinance. He stated that he thought several numbers heard tonight were overstated and he felt the Mayor should post the position and wait for the budget audit to confirm if money was available for it. Mr. Scott asked what the plan was. Mayor Rose then stated that he was going to try to hire someone for the position.

Ayes: Mr. Billington, Mr. Bohannon, Mr. Bolin, Dr. Miller, Mr. Pittman, Mr. Roberts, Ms. Shoemaker

Nays: Mr. Bell, Ms. Cherry, Mr. Hudspeth, Mr. Scott, Dr. Young

Municipal Order 2017-022 an order appointing Melvin Henley to the Electric Plant Board to fill the unexpired term of Robert Etherton. Said term expires June 30, 2018. **Mr. Bell moved; seconded by Mr. Bohannon.** All voted aye.

With no other business before the Council, **Mr. Billington** moved to adjourn; **seconded by Mr. Bohannon**. All voted aye. The meeting adjourned at 8:41p.m.

Jack Rose, Mayor

ATTEST

Jim Osborne, City Clerk