

February 2024

From the Finance Department:

## Sales Tax Referendum on the March Ballot

The Finance Department was created through the passage of a referendum on the 2018 ballot. The Department began operations in May 2020. For the fiscal years 2021/2022 and 2022/2023, the State Comptroller's audit of our financial records produced No Findings. That means our financial books and records are maintained accurately and in accordance with standard and internal policies and procedures.

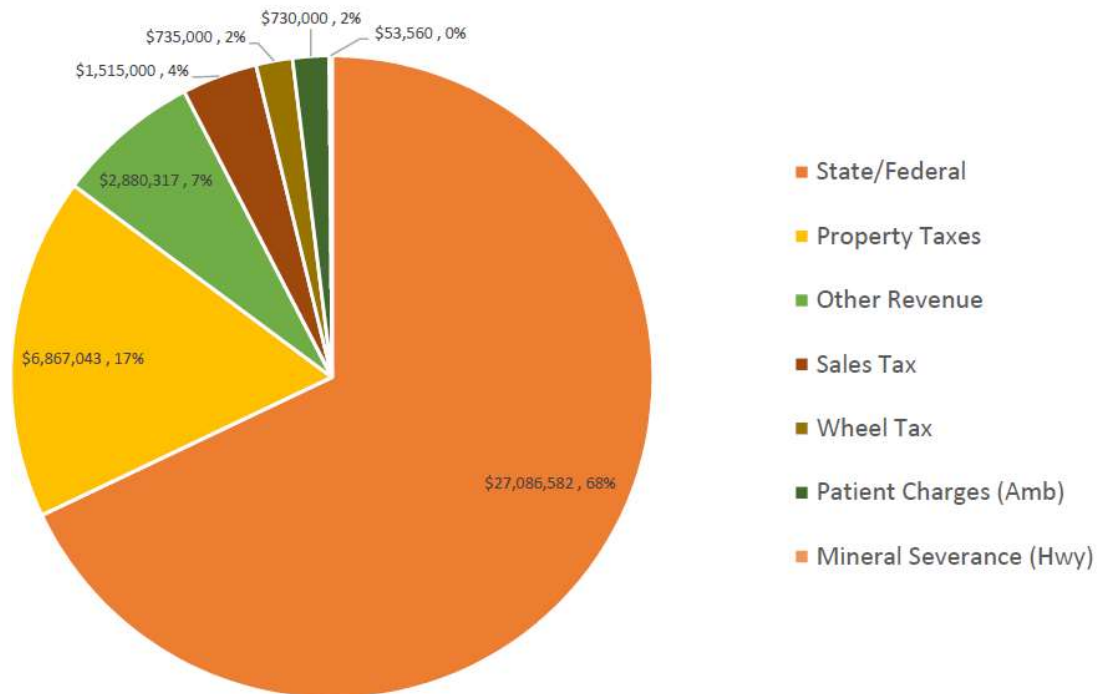
Having a centralized Finance Department allows for a holistic overview and proper management of the county's financial assets and operating needs. That coupled with 2 years of clean audits (demonstrating good fiscal controls) has raised the County's bond rating twice – which lowers the interest rate the county will pay when borrowing money.

Finance Staff continually review and assess the operating budgets and needs of the various departments. We run and rerun future income and expense projections. There are many variables in a county budget – even in a small county.

For the 23-24 Fiscal Year, property tax revenue is estimated at \$6,867,043. Just 17% of overall \$39,867,502 revenue.

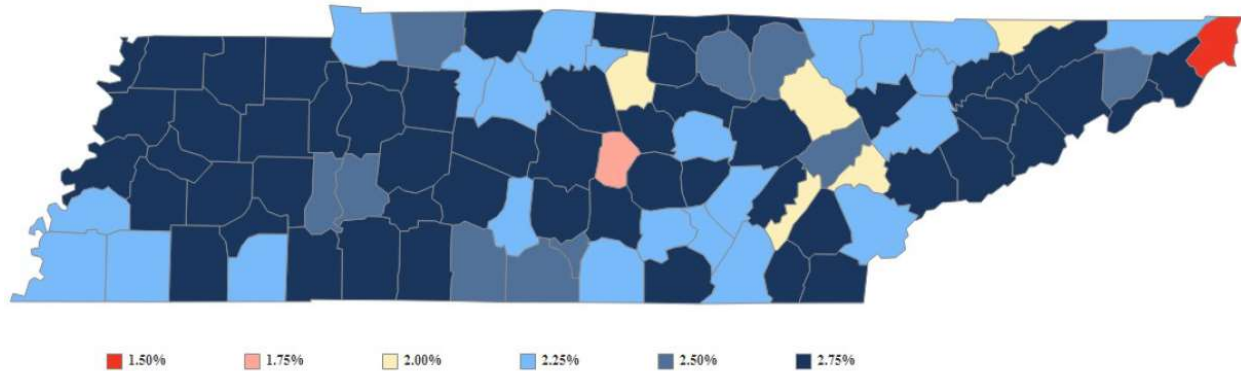
Federal and State revenues for the same period are estimated at \$27,052,375 providing 68% of revenue.

Sales tax is estimated to generate \$1,515,000 or just 4% of revenue.



Statewide, the general sales tax rate for most tangible personal property and taxable services is 7%. Then the local government sets the rate on top of the 7% to generate sales tax revenue for local use. The aggregate maximum sales tax rate allowed by the State is 9.75%

Cannon County has the 2<sup>nd</sup> lowest aggregate sales tax rate in the State at 8.75%: 7% to the State, 1.75% to be used locally.



The difference between what Cannon County currently collects in sales tax and what would be collected if the Sales Tax Referendum passes is \$1.3 million. The equivalent of 29 pennies of property tax or 19% of property tax.

The budget process begins in January of each year. By then we have enough revenue and expense data to draft departmental budgets. Those drafts are revised as we get updated needs and costs.

Currently we are in the 2023/2024 fiscal year. Property tax assessments have been the same since the 2019/2020 fiscal year. The Finance Department has run the budget for this 5 year period without property tax increases by better budgeting, better planning, better purchasing and through growth.

During this 5 year period growth of new homes and growth of new retail vendors have generated the additional property and sales tax revenue needed to meet our budget and balance sheet objectives.

The timing of the March 2024 Sales Tax Referendum will allow the Finance Department to plan how we will meet the 2024/2025 budget. Should the Referendum pass, those revenues will be worked into the budget. Should the Referendum fail, the revenues needed to meet the budget will be sourced elsewhere or the expense side of the budget will be adjusted.

### **Roofs, Furnaces, Parking Lots, Restrooms**

For most of the past twenty years, the County has budgeted on average \$35,000 per year to maintain the majority of all County owned (non-Board of Education) properties. That small sum is all that was available annually to maintain the Courthouse, the Adams Building (old hospital), Fairgrounds/Ballfields, Community Center, Health Dept, Ambulance Service, Fire Halls, Extension Service and numerous other properties. When the \$35,000 was expended, maintenance ceased until the next budget cycle.

Upon adoption of the 1981 Financial Management Act, the newly staffed Finance Department advocated for a larger “building repairs” allocation in efforts to begin to address long deferred maintenance.

There are parking lots, roofs, restrooms, furnaces and fences that have had no maintenance for decades. The consulting engineer estimated in their 2020 report that there was \$1.5 million in ADA (Americans with Disabilities Act) deficiencies that by law are required to be corrected.

Through June 2022 the Board of Education budgeted \$350,000 annually to maintain and improve 7 school properties – classrooms, labs, kitchens, roofs, HVAC, parking lots, restrooms, playgrounds and the list goes on. With the sale of 2 school sites and the shuttering of a 3<sup>rd</sup>, maintenance efforts are more focused but are still on a shoestring.

Overall property management has been historically neglected. Funds and staff to support property maintenance had not been planned for. Property tax collections and cash reserves have been insufficient to meet the needs. Repairs can’t be budgeted and effected if the dollars don’t exist.

Melanie Sissom was hired in May 2022 becoming BOE’s first property manager. Her attention to detail, ability to manage a wide range of contractors and mechanical systems has saved the school system much more than the cost of her salary. This is a significant step in the right direction

Significant one-time Covid era federal grants and one-time grants from the Governor’s office received in the last 4 years are funding initial efforts to regain control of our infrastructure. Some of those dollars have also been directed toward the purchase of major equipment – ambulances, sheriff vehicles, and highway machinery.

Roughly speaking, \$6 million of one-time grant money has temporarily bailed out the County’s and Board of Education’s buildings and facilities.

These physical assets are the property of the citizens of Cannon County. If they are to continue to serve the community, they need the same care and upkeep as we give our personal homes.

### **Use it up, Wear it out, Make it Do or Do Without**

On first and second reading in October and November 2023, County Commissioners voted unanimously to put the Local Sales Tax Referendum on the March 2024 ballot.

The Referendum gives Cannon voters a voice in how the Finance Department will pay the county’s bills. If passed by voters, sales tax will supply a bigger percentage of overall revenue to the County, Town of Woodbury and Auburntown.

Cannon’s local sales tax rate is 1.75%. The local rate combined with the State sales tax rate of 7% brings us to our current 8.75%. If passed, the new sales tax rate in Cannon would be 9.75% matching the tax rate of 54 other TN counties – including all 6 that border Cannon.

Passage of the Local Sales Tax Referendum will increase revenue to 5 government accounts as estimated below:

<b>Gen Purpose Schools</b>	<b>\$ 665,131</b>
<b>Cannon County Solid Waste</b>	<b>\$ 168,206</b>
<b>County General</b>	<b>\$ 168,206</b>
<b>Town of Woodbury</b>	<b>\$ 313,126</b>
<b>Auburntown</b>	<b>\$ 15,594</b>
	<b>\$ 1,330,263</b>

**\$ 1,001,543** combined to Cannon County Govt

If the Referendum is rejected by voters, the dollars needed to maintain government facilities, equipment and operations will need to be found elsewhere. Presumably from property tax.

Use it up, Wear it out, Make it Do or Do Without. That Depression era phrase represents the frugality of Cannon County Department heads who have made-do with antiquated and often times second hand equipment and declining facilities. At some point that evolves into doing without. Doing without heat and air conditioning, doing without reliable fire trucks, doing without safe playgrounds.

The Commission and County Finance Department have been able to manage the annual budget without an increase in property tax since 2019. An increase in investment income coupled with growth of new property tax payers and new retailers generating sales tax had kept up with inflationary budget pressures.

That is no longer the case. New dollars are needed in order for the county to maintain adequate reserves, maintain infrastructure and meet our ongoing financial obligations.

A majority of voters approved the creation of the Finance Department through a referendum. A majority of voters can also approve the Sales Tax Referendum putting the County on track to be proactive about its finances.

***Early voting begins February 14 and runs through February 27. March 5 is the Primary.***