

## FINANCE/BUDGET COMMITTEE REPORT

October 28, 2010

A Finance Committee meeting was held Tuesday, October 28, 2010 at 4:00 p.m. in the County Administration Building, Quorum Court meeting Room, 215 East Central, Bentonville, Arkansas.

Committee Members Present: Moore, Wozniak, Allen, Douglas, Winscott, Stephenson

Others Present: JPs Sandlin, Millager, and Harrison, County Judge David Bisbee, Comptroller Richard McComas, Accounting Manager Michele Anderson

Tom Sissom – Benton County Daily Record

### **PUBLIC COMMENTS:**

None

### **2011 Budget**

JP Moore called the meeting to order and recognized Comptroller Richard McComas to present an overview of the 2011 Budget book. Comptroller Richard McComas stated that he would give them an overview of the 2011 Budget books and go over some high-points of the budget and how it was prepared. He stated that since there are several Capital projects in progress, this is merely an update as of October 18, 2010. He stated that the current Capital Projects balance was \$4.1 million with funding for several projects yet to be spent, including \$32,002 for the Center For Nonprofits, \$260,748 for War Eagle Bridge, \$96,349 for Juvenile Justice Center engineering costs, and \$1,229,047 for the Jail expansion, \$1 million of which will be reimbursed by the jail fines that are collected. He stated that after all of those deductions are taken out, there will be a balance of roughly \$3.5 million in Capital Projects to carry over for 2011.

Richard McComas stated the projected total budget for 2011 is \$39,592,602, and the difference in projected revenue and expenses is \$19,671 to the good, for a beginning balance of \$11,025,000. He said that the projected expenses include the \$4.8 million we are required by law to have in statutory reserves, and that the figures were also based on the following:

- a) No change in the millage rate
- b) No salary increase for employees, Elected Officials, or Justices of the Peace
- c) \$189,000 for poll books requested by the Election Commission
- d) \$370,000 for two new pumper trucks for Rural Fire Services
- e) \$34,000 for the HIV Clinic in Washington County
- f) \$100,000 for Rural Ambulance Services
- g) \$105,000 for Common Area Fees for the Rogers Center For Nonprofits
- h) \$15,000 transfer to the Sheriff's Aviation Fund from General Fund
- i) \$625,000 transfer to Capital Projects from General Fund
- j) \$405,000 transfer to Capital Projects from Jail Maintenance Fine Fund.
- k) Does not include approximately \$150,000 for Unemployment Taxes
- l) Does not include \$800,000 to \$900,000 needed for additional staff for the Jail Barracks or to fund two Drug Court positions which were previously grant-funded
- m) Does not include the possible \$500,000 donation from the Circuit Clerk.

Richard McComas added that the 2011 sales tax projections account for a 19% decrease due to the 2010 Census, although the county will collect at the 27.8% rate for the first three months of 2011, which will amount to approximately \$500,000 to \$600,000. He said that with the \$500,000 donation from the Circuit Clerk, funding the new positions, and adding the Unemployment Taxes for one year, the county will just about break even. He added that they will start 2012 \$1 million in the hole because the sales tax will not be there, and since they cannot count on the money from the Circuit Clerk, if the county sees a 5% hit on 2012 property taxes the deficit will be \$2 million; in the event of a 10% hit it would be \$3 million.

He added that he has budgeted a 2% increase in sales tax each year through 2016, and we are about \$200,000 ahead of projections for 2010.

Discussion was held on the Elections Commission's \$189,000 request for electronic poll books. Richard McComas stated that he would ask the Election Commission to make a decision on whether or not to keep the \$189,000 in their proposed budget.

Richard McComas stated that he wanted to point out that the \$11 million does not include the \$4 million that has been put back for Census reserves or the mandatory \$4.8 million reserves. He added that the reserves are about \$15 million, with \$10 million unrestricted.

Richard McComas explained the comparison of the two revenue charts showing a possible 5% or 10% decrease in property tax revenue. He stated that the revenue over the next four to five years is going to decline and then flatten out, but he is still projecting 2% growth in sales tax each year. JP Douglas pointed out that the projected revenue for 2011 is more than the projected revenue for 2016. JP Moore noted that the revenue charts show that the last seven years that the county has enjoyed a steep rise in revenues. Richard McComas stated that there was tremendous growth from 2003 to 2009 which the county will likely never see again.

Richard McComas explained tax revenue projections for the General and Road Funds for 2009, 2010, and 2011. He stated that there is not much growth from 2009 to 2011, and that in 2012 revenue collections could be going the other way. He stated that another thing that hurts the county is that of the \$8 million collected in road taxes, the county only gets to keep about \$2.9 million, or about 33% to 35% of what is collected, because the rest goes to the various cities. JP Moore stated that the three largest cities get the greatest portion of the tax generated. Richard McComas stated that Rogers, Bentonville, and Siloam Springs get to keep 90% while the county gets 10%, and the rest of the cities split 50-50 with the county. He said that the county only gets to keep 100% of what is collected in the unincorporated areas of the county. JP Winscott questioned if that was established with a state statute. Richard McComas stated that although the state statute set the distribution at 50-50, special legislation was adopted for those cities collecting 90%, which was the basis for the lawsuit that Benton County lost.

Richard McComas explained the Revenue section of the Budget book, and went over the Fund Summary section.

Richard McComas noted that the Personnel section does not contain any personnel requests at this time, although the Personnel Committee is meeting on Monday, and he expects several requests to be forwarded from that committee, including staff for the new jail barracks, a request to fund the two Drug Court positions in Judge Finch's office, and a request from the Historical Society for a clerical assistant. He stated that he anticipates the total cost for all of the requests to be between \$800,000 and \$900,000. JP Allen asked Richard if he knew how many people the Sheriff is asking for. Richard McComas stated that it is fifteen or sixteen people. JP Winscott stated that when the Sheriff first made his proposal for the jail barracks, he said he would need eight people.

Richard McComas there are \$2 million in Capital Requests – \$1 million from the General Fund, \$500,000 from the Road Fund, and \$500,000 from other funds.

JP Winscott asked if we purchase new fire trucks every year. Richard McComas stated that up until two years ago the county would buy one fire truck and repair another one, because we were still paying off the note for the purchase of eleven trucks at one time. He said when the note was paid off, they put money in the budget to buy two trucks and repair one.

The committee discussed grant funds, and Richard McComas stated that all of the grant funds were pass through grants. He added that the Circuit Clerk and the Assessor have separate funds. JP Stephenson questioned why the Road Department has a heavy machinery and truck request. Richard McComas stated that the Road Fund, Fund 020, is funded by road tax turn back funds, property taxes, and the contributions from the General Fund. JP Stephenson asked if this request is in addition to the three pickups that were purchased this year. Richard McComas stated that is correct, and that those three pickups purchased last year were the only equipment purchased for the Road Department in 2010. JP Moore asked if they want three more pickups, making a total of six. Richard McComas stated that is correct.

Richard McComas stated that they would go over line item requests for each department in the General Fund and All Other Funds at the next meeting.

Richard McComas went over the Leases and Loans section. He added that he anticipates there will be some discussion regarding the Election Commission because their lease runs out the end of this year. He added that the only loan that the county currently has is the one for the Road Department which will be paid off in 2013. He added that they checked into paying it off early, but they would have had to pay a fine because the loan was obtained under the provisions of Amendment 79.

County Judge David Bisbee spoke concerning the overall projections for revenue in the future. He said that they made budget cuts two years ago to get ahead of the shortfall, but he did not think anyone could accurately predict what that shortfall will be. He said that the shortfall will be due to the reapportionment of the population by the 2010 Census, and the resulting loss of sales tax revenue. He added that no one could have anticipated the real estate market downturn. County Judge David Bisbee stated that the shortfall he is talking about now is different from the one they have already adjusted for. He added that this Quorum Court did a wonderful job two years ago in adjusting for the downturn in sales tax, but they are now facing a new shortfall due to the downturn in real estate, and we do not know if it is going to be 5% or 10%. He stated that when the Assessor did a statistical re-assessment in 2009 and lowered all the residential property an average of 4% across the county, that put the county a little ahead because we have already taken some depreciation. He said that the Assessor doing that mid-stream adjustment will help lessen the amount of loss that we have. He added that what he and Richard McComas wanted to emphasize to the Quorum Court is that this not a downward spike or a downturn in the economy that we will recover from next year or the year after and see revenues come back up. He said that 2011 is a re-appraisal year in the county and because Benton County did not see 15% growth over the past 3 years, it will be 5 years before another re-appraisal is done. He added that this is a downturn which will then flatten out. He stated that because of the Quorum Court's hard work, Benton County is in good shape, and has cash in the bank. He stated that if they spend that cash in the bank for general operations, then it will be gone, and the County will be in the same spot that they are in today. He stated that the court needs to start cutting the budget today, and that the budget needs to be cut for this year and for next year to match the county's income. He stated that if the reserves are spent, the county will be in the same spot when it is all gone. He stated that is the policy that has kept the State of Arkansas out of trouble, adding that Arkansas is one of only four states in the nation that is not in financial trouble.

County Judge David Bisbee stated he is not going to talk about building or not building the Juvenile Justice Center because that is a policy decision of the court. He added there are reasons to build it, and also reasons not to build it, and that the court will debate that at the proper time.

County Judge David Bisbee stated that one other thing that he wanted to talk to the committee about was county employees, who have gone two years without a pay increase. He said that he had contacted the Department of Finance Administration, and that they are estimating a 1.9% cost of living index increase for 2011. He said if there is any way possible, even if it means cutting the government, which we have cut a lot without laying anyone off, but through attrition. He stated there are departments that have not cut a thing, and those departments need to be looked at seriously, not because they do not need the people, but because they are going to have to do with less. He asked the court to please at least look and try to find some way to give the county employees something. He stated that there are about 600 employees in this county that work hard, and three years without a pay raise is pretty hard to take. JP Stephenson stated that the employees are in the same boat as many others in not getting pay increases and noted that people on Social Security or disability have gone without increases also. He added that employees are still getting increased retirement benefits and have kept their jobs in tough times. He added that he does appreciate the efforts of the county employees.

JP Douglas asked Richard McComas for figures on a 1% and 1.9% raise and how that would affect the budget. Richard McComas stated that a 1% increase would cost about \$310,000. JP Moore stated that there could be a one-time option, which would be a one-time bonus that would not be a percentage increase and would not affect the payroll for next year.

Richard McComas stated that one thing that the court needs to address is the Elected Officials' salaries. He said they need to specifically state a dollar amount if they do not want it to increase, because the way it is presently written in the budget, they are going to receive a percentage of a the state's maximum, which is set every two years by the legislature, and that maximum is going to change this year. He said that they need to spell out an exact salary that the Elected Officials are going to be paid. JP Douglas asked if an ordinance needs to be drafted to say that. Richard McComas stated that it can be taken care of in the budget process. He stated that they will need to eliminate the language in Schedule 4 that states that Elected Officials are going to be paid 95% of the state's maximum range, and put in a specific dollar amount if they do not want Elected Officials salaries to increase.

JP Moore announced that the next Finance/Budget Committee meeting will be Tuesday, November 2, 2010 at 4:30 p.m.

### **Adjournment**

After motion and second the meeting adjourned at 5:34 p.m.