

FINANCE COMMITTEE REPORT

December 03, 2015

A Finance Committee meeting was held Thursday, December 03, 2015, at 5:00 p.m. in the Quorum Court Room, Benton County Administration Building, Third Floor, 215 East Central, Bentonville, Arkansas.

Committee Members Present: JPs Allen, Moore, Jones, Chiocco, Slinkard, Moehring*

Others Present: JPs J. Harrison, K. Harrison,** Adams, Sandlin, Leadabrand, Meyers, Comptroller Brenda Guenther, Human Resources Director Barbara Ludwig, Administrator of Public Services Jeff Clark, Executive Director of Ozark Regional Transit Joel Gardiner

Media: Tom Sissom – Northwest Arkansas Democrat-Gazette

JP Allen called the meeting to order at 5:05 p.m.

Public Comments:

Mike Clifford of Bentonville spoke out against giving a one-time lump sum merit-based pay to employees maxed out on the pay scale; he stated that the proposed merit bonuses is just another name for longevity bonuses and he does not support it.

Discussion:

Ozark Regional Transit

Joel Gardiner, Executive Director of Ozark Regional Transit, expressed thanks for the help in 2015. He stated that they are not requesting any financial increases in 2016. He feels that they have done their due diligence in working with the extended areas - the areas that are more rural as opposed to Rogers and Bentonville, but also in increasing services within Rogers and Bentonville. They have three forms of services: fixed route services, ADA Paratransit and demand response. In all of the smaller cities and rural areas of Benton County, they went from 450 rides in 2014 to over 600 rides in 2015. In Bentonville, they increased their non-ADA demand response service by almost 1,000 rides. In Rogers, they decreased their non-ADA demand response service by 1,000 rides. One of the things they did in Rogers this year was to implement another fixed route that is being sponsored by Ozark Mountain Poultry. That moved a lot of the demand response rides over to the fixed route; this added about 7,000 rides in the City of Rogers for 2015. He feels that they are doing really well despite running on limited funds.

JP Allen asked for an update on the matching program for this year.

Comptroller Brenda Guenther stated that they budgeted \$15,000 specifically from the county and then they matched an additional \$9,000 from other communities.

JP Allen asked what the experience has been with the smaller communities that are coming on board.

Joel Gardiner said that, though it is supposition on his part, the smaller communities look to the Benton County Quorum Court for leadership. If the Quorum Court is not fully investing in a program, then the smaller communities do not feel compelled to invest in the program, either.

Brenda Guenther listed the city matches as follows: Pea Ridge for \$3,000, Gravette for \$2,500, Avoca for \$1,000, and Centerton for \$2,500.

JP Moore stated that they are keeping the budget match option open for this budget cycle.

Fund Summary:

2015 Monthly Fund Summary through 11/30/15

Comptroller Brenda Guenther reported that the target for the General and Road fund is 91.67% overall and they are at 85.49%. For payroll, the target is 92.31% and they are at 88.4%. The only one over target is the Quorum Court, which will be addressed later in the Finance Committee agenda. Supplies spent is at 83%, Other Services is at 75%, and Capital is nearly maxed at 95%. She foresees a little left over there but not a lot. For Other Funds overall and the total of All Funds, they are at 87% of Personnel with a target of 92.3%. They are just under 80% on their target of 91% of Other Funds. She reported that, overall, everything looks reasonably well.

JP Moore asked for a guess on turnback.

Brenda Guenther stated that she thinks they will have \$2 million in expense turnback.

JP Allen asked what the reason is for being significantly under on Personnel.

Brenda Guenther said that part of it is vacancies. She also feels like everyone has done a good job controlling the overtime. She believes the savings on Personnel is from positions not being immediately filled after they've been vacated; unemployment is also low. She figured if they were at 95% spent of Supplies and Other Services; that is almost a million dollars. The personnel side is 3.9% lower right now than the target which would also be about a million dollars. She extrapolated from that to arrive at her estimated \$2 million in expense turnback.

2015 vs. 2014 Comparison through 11/30/15

Brenda Guenther reported that Personnel is 0.47% higher than it was a year ago. They did 3% raises so this shows that they have saved some money there. They have spent 12% less this year on Other Services. Capital is higher because they budgeted higher. Overall, they have spent \$2.8 million more this year than a year ago on the General and Road. On All Funds, they are just barely 1% higher on Personnel, 25% higher on Supplies, 12% lower on Services and almost \$1.4

million more on Capital Outlay, with a total overall of \$1.6 million, most of which is made up of the capital purchases. They are running about 3% higher this year than last year on expenses.

*JP Moehring entered the meeting.

Monthly Reports:

Overtime & Premium Pay Analysis

Comptroller Brenda Guenther stated that the target this time of year is 92.31%. Overall, actual 2015 is about \$500,000 of overtime; they budgeted a target of \$428,000. They are definitely running higher on overtime than what was budgeted but, because of being under on Personnel, she thinks they are going to be ok. She said that the coroner's amount of calls have been high but he is down an employee so, overall, it has worked out. They are over on Jail Ops and Maintenance and they have determined that it is due to the certificate pay. She explained the Sheriff's Department certificate pay; if they have earned certain certifications, they get additional pay added to their base.

JP Allen stated that this was a big point of contention when it was instituted. He said that there was concern about being able to quantify it and being able to budget for it. He wants to keep a close eye on it. He also asked about turnover, particularly in the jail. He said that one of the reasons for the certificate pay is that education makes the turnover go down. He wants to see data on whether or not turnover is down due to certificate pay.

Grants Administrator Report

Brenda Guenther stated that, since last month, numbers 4-7 on the Grants Administrator Report have been submitted. They have submitted Community Corrections and they did the NEBCO resolution last month and that one has been added to list. They have been awarded the Alternative Dispute Resolution for \$10,000 and should see that money next year. She is going to review all of these on the budget for next year to make sure nothing has been missed.

JP Moore asked who the grants administrator is.

Brenda Guenther stated that it is Glenda Downing from her department. She said that she is not a grant writer. She would like to make their process better to get more grants for next year.

Fuel Analysis

Brenda Guenther reported that they are at 55% of budget on the Sheriff/Jail and 50% on Road. Last year they were at 92% of budget at this same time. The price per gallon has decreased 10% on unleaded and 30% on diesel. The price of gas is currently very favorable and this is accounting for a lot of the savings in the 2016 budget.

Sales Tax Numbers

Brenda Guenther reported that sales taxes are up \$121,795 this month over a year ago so for the year they are \$550,000 over and above last year at the same time. She stated that, at 8.11% and extrapolating for one more month (the rest of the year), it will come to \$8,084,298 if it continues at the same pace.

JP Allen stated that he wants to discuss what can be put into Capital Reserves at the budget portion of the meeting.

Jail Collections

Brenda Guenther reported that they are at \$2.6 million versus the budget of \$1.5 million. This next year they have budgeted \$3 million to come in. According to the Sheriff's Department, the payments being received from the state are from August so they are three months behind.

JP Allen stated that the population is down and he questioned how this would affect the revenue stream going forward.

Brenda Guenther stated that the detention work to add 33 new beds added \$51,000 in cost. One of the area judges is not sending them at all but all the others are sending them like they should be.

JP Allen said he understood that they really needed that space, however, it is not full.

JP Moehring said that there is a misdemeanor amnesty program.

JP Jones stated that it is for non-violent misdemeanor warrants.

JP Moehring questioned if this has any impact on the population. One of the reasons they added it was so that there would be extra space for short-turnaround misdemeanors.

JP Leadabrand said that there is some psychology at play here. He said that, when there was not enough space, people knew that they could not be held but now that they do have the space, they may be less likely to commit a crime. He stated that it does not hurt to have the extra space.

**JP K. Harrison entered the meeting.

Ordinance Requests:

Quorum Court - Appropriation

Comptroller Brenda Guenther stated this is to appropriate additional monies for Quorum Court expenses for the rest of FY 2015. This appropriation includes \$4,000 additional for salaries, \$500 for social security, and \$2,000 for travel for a total of \$6,500.

JP Jones made a motion to forward this appropriation ordinance request to the December 08, 2015 Committee of the Whole agenda, seconded by JP Slinkard.

Motion passed by unanimous show of hands vote.

Road – FEMA Appropriation

Comptroller Brenda Guenther stated that this appropriation is a request to transfer \$1.5 million from the General fund to the Road fund due to the delay in FEMA funding reimbursements for the 2013 storm damages. This is a simple revenue to revenue transfer.

JP Allen asked when they expect the FEMA reimbursements to come through.

Brenda Guenther said they have done a submission of over \$1.9 million dollars. It could come in this year but it may not and, if doesn't, they will be in a tight spot. They are transferring the bare minimum to make it work.

JP Jones asked if that FEMA money is designated to a specific fund.

Brenda Guenther said that goes to the Road fund.

JP Jones asked how they can get that money back.

Brenda Guenther said it can be used for whatever it needs to be used for. She stated that she anticipated not receiving it so that she would have really solid numbers for 2016.

JP Jones asked if they should correct it to make sure it is back in the General fund balance.

Brenda Guenther stated that it is a wash because General and Road are together.

JP Moehring asked what is causing the delay.

Brenda Guenther said that part of it is the Federal Government delay but some of it is related to turnover in the department. Some additional things had to be submitted that were thought to have been submitted already. She said that the funding will likely come in right on the line between this year and next year but they cannot end the year on a negative balance.

JP Jones made a motion to forward this appropriation ordinance request to the December 08, 2015 Committee of the Whole agenda, seconded by JP Chiocco.

Motion passed by unanimous show of hands vote.

Health Department – Appropriation

Comptroller Brenda Guenther said this is to transfer \$9,200 from Supplies to Capital Outlay for the purchase of a vaccine refrigeration system.

JP Moehring made a motion to forward this appropriation ordinance request to the December 08, 2015 Committee of the Whole agenda, seconded by JP Chiocco.

Motion passed by unanimous show of hands vote.

Sheriff Aviation Fund – Appropriation

Comptroller Brenda Guenther stated that this appropriation is to cover a cash shortfall of \$2,000 for FY 2015.

JP Jones made a motion to forward this appropriation ordinance request to the December 08, 2015 Committee of the Whole agenda, seconded by JP Moehring.

Motion passed by unanimous show of hands vote.

Sheriff's Commissary – Appropriation

Comptroller Brenda Guenther stated that this appropriation is for \$50,000 in medical, dental and hospital but it is a wash because it is moving from Jail Operation & Maintenance and into the Sheriff's Commissary. A short discussion was had regarding the necessity of this appropriation.

JP Chiocco made a motion to forward this appropriation ordinance request to the December 08, 2015 Committee of the Whole agenda, seconded by JP Jones.

Motion passed by unanimous show of hands vote.

Other Business:

Discuss 2015 Turnback going to Capital Projects Reserves

JP Allen stated that they would move this agenda item to the budget portion of the meeting.

JP Allen called a recess at 5:53 p.m.

2016 Budget Committee:

JP Allen reconvened the Finance Committee as the Budget Committee at 6:06 p.m.

Budget Follow-Up Road Department – Capital

Administrator of Public Services Jeff Clark presented a cost analysis for purchasing versus renting a track-hoe for dirt pits from the dashboard. He reported that by owning a track-hoe and based on a cost of dirt of \$2/CY (cubic yard), the savings would be \$178,566. Based on this, a new track-hoe would pay for itself in 1.88 years. He stated that they have also looked into purchasing used equipment since the last meeting. He stated that buying used equipment is a liability and, beyond that, they have not found anything suitable to meet their needs in used equipment. He said that they are at the same place they were at the last Budget Committee meeting – they need the new track-hoe.

JP K. Harrison asked about the life expectancy of the track-hoe, the low-boy and the tractor.

Jeff Clark stated that they estimate it to be 6-8 years on the track-hoe and about 8 years on the truck.

A lengthy discussion was held about the potential benefits of buying new or used versus renting equipment, the cost of the equipment needed, and if a track-hoe could be found for less than the estimated price of \$335,365.

JP Jones suggested that, since they have a set amount of money in the capital side, if there is a decrease on the operating side they should show that decrease and then move it into capital. They would still be down probably \$250,000 but it is additional money that could be moved into capital and then the Road Department can spend it as best as they can. If they can show those line items and the decrease, he would be okay with increasing the capital that much because they should have savings if they buy this machine.

JP Adams stated that if they buy this excavator and use it for seven years, it would not have much value in a fleet trade-out situation.

Jeff Clark said they would eventually like to get all of their equipment on rotation to be able to maximize the equity in the equipment; that is something that they are looking to in the future. But for this track-hoe in question, they intend to use it for the whole of its useful life-span.

The JPs discussed how this request might be funded and whether or not to take money out of capital reserves to pay for it. They also discussed where in the Road Department budget cuts might be made to fund this request.

JP Chiocco called attention to Line Item 2027 – Gravel, Dirt & Sand in the Road Department budget. She noted that they budgeted almost \$100,000 more for this coming year at the same price but, in 2013 and 2014, they did not even come close to actually spending the amounts that they budgeted.

Jeff Clark explained that they did not do as much new construction in the years 2013 and 2014 as they have done in 2015. In 2016, they are going to be doing 31-32 miles so the dirt will increase more.

JP Chiocco argued that they will be paying less for the dirt.

JP K. Harrison suggested moving some of the cost savings in the fuel analysis for FY 2015 over to a different line item that they are not going to spend.

JP Allen said it will officially go into reserves at the end of the year.

Brenda Guenther stated that the track-hoe would have to be purchased and placed into service by December 31, 2015 to be paid for in the FY 2015 budget.

JP Moore stated that they gave them the charge after the last meeting to make cuts and they did not make any additional cuts. He believes they need to take \$50,000 off of the increase on the Gravel, Dirt & Sand line before the budget goes to the Committee of the Whole.

JP Allen stated that they can revise the budget based on the dirt reduction, move forward with the budget at it is, pass the budget, work on finding to find a way to pay for the track-hoe and then amend the budget in 2016.

JP Moehring made a motion to move the 2016 Budget appropriation ordinance forward with the additional \$50,000 added back in for the dirt adjustment on line item 2027 and asking Jeff Clark and his team to go back and find the savings and to bring it to the Finance Committee for a potential budget amendment after the budget has passed, seconded by JP Jones.

After a brief discussion on where the \$50,000 would go, Brenda Guenther stated that she will make a specific line item for the \$50,000 savings to be held for the Road Department with the intention of using it toward the track-hoe in 2016.

JP Adams stated that he will be calling a transportation meeting at a later date to get some more clarification on this issue.

Motion passed by unanimous show of hands vote.

Other Budget Discussion

Comptroller Brenda Guenther gave a brief summary of the budget; she stated that it currently stands at a \$101,776 surplus, not including the \$50,000 line item transfer adjustment for the Road Department. This surplus is from savings found in fuel across the various departments, a slight change to lower legal fees, a small change in the Sheriff's small equipment, and added revenue of \$11,000 for the tablets that they are getting from the grant that will arrive next year. The \$50,000 Road Department savings does not affect the \$101,776 surplus and is not included in it.

JP Allen stated that it is important to have a cushion in case they overspend during the course of the year.

Human Resources Director Barbara Ludwig presented language that she would like to add to the 2016 Budget appropriation ordinance concerning one-time lump sum merit pay for employees who have reached the maximum salary range. A brief discussion was held concerning the reason for this lump sum pay and how it will work.

JP Jones made a motion to add this language to the 2016 Budget appropriation ordinance, seconded by JP Chiocco.

Motion passed by unanimous show of hands vote.

Public Comments

Mike Clifford again spoke out against the Finance Committee's support of merit-based one-time lump sum pay for employees maxed out on the pay range. He feels very strongly that this is unnecessary and that it is essentially just longevity pay.

JP Allen stated that he respectfully disagrees; this will only go to high-performing employees who are maxed out on the pay range. He stated that, if they had made this a COLA raise, they would not be discussing this at all because the ranges would have moved up. This is necessary because they decided to do a merit raise only this year; this is a way for elected officials to reward high-performing employees who would not otherwise receive a raise this year.

2015 Turnback

Comptroller Brenda Guenther projected that there will be \$2 million in expense turnback; she also estimates that there will be an additional \$1 million in revenue. If everything goes the way she thinks it will go, there will be a total of \$3 million in turnback in 2015.

JP Jones made a motion to have a resolution drafted for the December 08, 2015 Committee of the Whole agenda setting aside 100% of the 2015 turnback into capital reserves, seconded by JP Moehring.

Motion passed by unanimous show of hands vote.

Appropriation Ordinance Request – 2016 Budget

Comptroller Brenda Guenther reviewed the Year 2015 Budget Recapitulation from the dashboard.

JP Jones made a motion to forward the 2016 Budget appropriation ordinance request to the December 08, 2015 Committee of the Whole agenda, seconded by JP Moehring.

Motion passed by unanimous show of hands vote.

Announcements:

JP Allen announced the next Committee of the Whole meeting on Tuesday, December 08, 2015 and the next Quorum Court meeting on Thursday, December 17, 2015.

JP Allen declared the meeting adjourned at 8:04 p.m.