

FINANCE COMMITTEE REPORT

January 07, 2016

A Finance Committee meeting was held Thursday, January 07, 2016 at 6:00 p.m. in the Quorum Court Room, Benton County Administration Building, Third Floor, 215 East Central, Bentonville, Arkansas.

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

Others Present: JPs Shadlow,* J. Harrison, K. Harrison, Adams, Sandlin, Anglin, Leadabrand, Meyers, County Judge Bob Clinard, Comptroller Brenda Guenther

Media: Tom Sissom – Northwest Arkansas Democrat-Gazette

Finance Committee chair JP Allen called the meeting to order at 6:00 p.m.

Public Comments:

None.

Discussion:

JP Allen addressed Mike Clifford's concern about the 2016 budget ordinance (O-2015-69) and the non-recurring merit salary adjustment that was included in the ordinance. He stated that he has exchanged emails with Mr. Clifford on this subject, as well as spoken with Benton County Attorney George Spence. He said that Mr. Clifford's complaint is that this was not discussed at the Committee of the Whole or the Quorum Court. He said that George Spence's opinion is that they followed proper procedure. They have reviewed the minutes and there was not much of a discussion at the December 08, 2015 Committee of the Whole, however, it was discussed at the Finance/Budget Committee meeting on December 03, 2015. He reiterated that they made the entire raise merit in 2016 and by doing so, those that were at the maximum of the pay range would not get any kind of an increase because they were maxed out. The concern that Barb Ludwig brought forth to the Budget Committee was that it was not the intent to not reward someone who is doing well just because they are at the max. Had they decided to do a COLA, it would have raised all of the ranges accordingly; therefore that person who was maxed out would have gotten an increase. This is why this language was included in the budget ordinance. He then read aloud the wording that was added to the ordinance. He stated that he appreciates Mr. Clifford's concern and wishes more people were as engaged in the county government as he,

however, he said that they have a difference of opinion on the subject. He opened up the floor for discussion about this issue, but there was none.

Shared Services – Allocation of Expenses

Comptroller Brenda Guenther stated that she was asked to put this item on the agenda for tonight's meeting. She reviewed the Allocation of Expenses document from the dashboard. She said that this is something that is allowed under Arkansas Code 14-21-101(a) and it is also discussed in depth in the County Financial Management System Manual, which is produced by Legislative Audit. The key concept of the Allocation of Expenses is to develop line items on an office and departmental basis. She stated that it can be misleading when trying to determine actual costs. It causes the county to absorb certain costs and expenses that can be properly allocated to other taxing units as an operating cost. It provides a better and more proper accounting of operating costs – particularly in the offices of Assessor, Tax Collector and County Treasurer, providing monetary relief in the operations of the county to the extent that all of the taxing units share in the cost of operating these particular offices. She stated that they have done a re-analysis of the allocation of expenses and the areas that they allocate are: Accounting (based on a percentage of budget), Human Resources (based on percentage of employees), Information Technology (based on budget, minus any small equipment that they specifically need divided by the number of users in the county), security officers (based on percentage of square footage of the building) and maintenance (a percentage of square footage of the specific buildings they are in, based upon utilities, property insurance, leases and personnel). As part of the process, she wanted to give the Finance Committee a simple overview to let them know that they are following Arkansas Code in allocating the costs that the county is incurring in relation to these four areas. She stated that they should consider adopting an ordinance with an agreed-upon methodology for allocating and prorating for the various offices based upon reasonable and equitable basis. She reported that they are working on a memorandum of understanding with the elected officials and their offices. In the past two years, they have done an annual billing but they would like to go to a quarterly billing so that everyone can get regular feedback on where they are at.

JP Allen stated that the idea of an ordinance is a great idea.

Brenda Guenther said that she could probably have one drafted by the February Finance Committee meeting.

JP Leadabrand asked for clarification on the document presented. A short discussion was had on the logistics of the allocation of expenses in the various departments, and what should be included in the ordinance draft.

Fund Summary:

2015 Monthly Fund Summary through 12/31/15

Comptroller Brenda Guenther presented the Monthly Fund Summary from the dashboard. She reported that they had a budget of \$50 million overall and had spent \$45 million. Right now, they are at \$4.6 million in turn back. Last year they had approximately \$700,000 in expenditures that occurred between January and February for the prior year. She does not think it will be as much this year because part of last year was from the storm damage repair. The shortfall on the revenue side was approximately \$1 million. If they net that, it will be around \$3 million to \$4 million in turn back. For the next few months, they will still recognize additional expenditures that were incurred in 2015. She stated that last month, they allocated an additional \$1.5 million transfer to the Road Department. They did not get the FEMA reimbursement but they only spent \$770,000 of the \$1.5 million. They left approximately \$25,000 in the Road Department and kept the rest with the General Fund. In Other Funds, the ones that spent over 100% will be addressed later in the meeting in the budget clean-up ordinance.

JP Allen asked County Judge Bob Clinard to give a dollar amount estimate of damage from the recent flooding.

Judge Clinard said that Benton County needed to get to \$820,000-\$830,000 to meet Benton County's threshold for a disaster. The federal number for all the counties involved in the state of Arkansas is \$4.3 million and he thinks they will get to \$4.3 million. The last he saw, there were thirteen counties included in the disaster declaration by the governor. As for the amount in this county, he has heard as high as \$2.3 million or as low as \$1.5 million. They will far exceed the \$800,000 number in Benton County but they don't know the number yet. FEMA officials will be in Benton County tomorrow at 9:00 a.m. to assess damage at 10 selected sites. If they agree with the county's estimates for those ten, they will agree to the estimates for an additional twenty-six sites.

JP Adams requested to add this discussion as an agenda item to the Transportation Committee meeting on January 21, 2016.

Judge Clinard stated that they have repaired all of the damage temporarily. There are hardly, if any, permanent repairs that have been made because they are waiting to see if they get a Presidential disaster declaration. If they get the Presidential disaster declaration, 87.5% of that gets reimbursed to the county, in which case it would make sense to sub-contract out as much as possible so they can keep their people working on what they have budgeted for this year. He said, if they do not get a Presidential declaration and have to fix it themselves then it will strain their time and equipment. He believes they will get the Presidential declaration, however. The estimated damage cost range he has given includes the cities. It does not include War Eagle Bridge. To their knowledge, there was no flood damage to the bridge. Stagecoach Bridge had some damage that was not detected until the state came in and inspected it. War Eagle Bridge's problem is not with flooding; it is with carrying capacity and width.

2015 vs. 2014 Comparison through 12/31/15

Brenda Guenther reported that, for Personnel, they were 0.3% higher than last year looking at all of the funds. They had \$1.3 million more expenditures in Supplies, \$60,000 more in Other Services and a \$1.7 million more in Capital. This year versus last year, they have spent \$3.1 million, or 7.5% more. The majority of the increase is in the Road Department of \$2.3 million. A lot of this is still road damages that they had to do at the beginning of the year and a lot of it is capital. It is \$2.1 million versus \$700,000 the year before and most of that is because they approved the motor grader in purchases.

Monthly Reports:

Overtime & Premium Pay Analysis

Comptroller Brenda Guenther reported that there was \$589,500 budgeted and they spent \$695,000 which is approximately 17-18% more than what was budgeted. Some of it was made up through vacancies and things like that but also reimbursements of salary of \$114,000 between STEP, DEA, HIDTA and the Park Patrol. The biggest month of overtime was March, followed by May, and they were at about 9% in December, mostly due to the Thanksgiving Holiday that falls into the December pay period.

Grants Administrator Report

Brenda Guenther reported that the Spanker Creek grant was not selected for the funding, however it has not officially been declined. They liked the project but they do not have the funding available. Last month they had the Rocky Branch GIF Fire Department grant submitted. They were awarded three different grants through the office of the courts of \$30,000, \$140,000 and \$10,000 all through Petie Cobb and Michelle Barrett. They received information about the grant on the War Eagle Bridge. They were awarded \$5,000 for the Arkansas Department of Environmental Quality E-Waste grant and \$10,000 for the Alternate Dispute Resolution grant. She reported that they received the funds to pay for some of the tablets for the Sheriff's office from the Edward Byrne grant. The funds were received in 2016 but the tablets were purchased in 2015.

Fuel Analysis

Brenda Guenther reported that, in December of 2013, the average unleaded price was \$2.91 per gallon; in 2014 it was \$1.78 per gallon, and last year it was \$2.11 per gallon. There was a 6.53% from the year-to-year on the diesel. For the year, they budgeted \$525,000 and \$1.2 million; they expended 53% versus 2014 for the Sheriff/Jail and 55% in the Road Department.

JP Moore reminded the committee that one of the reasons why the price of unleaded gasoline is higher in 2015 than in 2014 is because they are buying ethanol-free which is more expensive.

Brenda Guenther reported that the average per month for Sheriff/Jail was \$26,000 and the Road Department was \$55,000 for fuel expenses. The average price of gasoline for the year was \$2.08 for unleaded and \$2.00 for diesel.

Sales Tax Numbers

Brenda Guenther reported that they are at \$8.13 million which is very good. In general, they are \$652,000 better than a year ago. This is up 8.72% for year and they were up 15% for the collected month of October. They have budgeted \$8 million for 2016.

*JP Shadlow left the meeting at 6:38 p.m.

Jail Collections

Brenda Guenther reported that total number of days served in the jail was 194,000. Medical costs were \$681,000. In 2015, they collected \$2.775 million on a budget of \$1.5 million. The prior year, they collected \$1.535 million. They are \$1.240 million over what they were a year ago.

A short discussion was held concerning a newspaper article in which the governor stated that there has been a decline in the number of state inmates in county jails and the impact this might have on Benton County.

Ordinance Requests:

FY 2015 – Budget Clean-Up Appropriation

Comptroller Brenda Guenther stated that this appropriation ordinance request is to bring all of the department categories out of the negative. Anything that could be done by county court order, such as transfers between Other Services and Supplies and vice versa, has been done, but the items in this ordinance require Quorum Court approval. She then explained the individual line items in the ordinance to the committee.

JP Slinkard made a motion to send this appropriation ordinance request to the January 12, 2016 Committee of the Whole agenda, seconded by JP Chiocco.

Motion passed by unanimous show of hands vote.

Other Business:

County Judge Bob Clinard stated that part of the cost included in the damage assessment will be mitigation. They will pay the county not only for the damage that has been done, but if it can be determined that it can be prevented from happening again, that will be included in this cost they are asking for. He also reported that he signed paperwork for the Road Department today. It is not 100% final, it is about 98% final, but they got the excavator, five graders, and all the

equipment they needed and they will be under budget. They bought five graders from Caterpillar that have 250 hours on them, which is about three months. They got a full, four-year warranty on them and they were about \$40,000 less each. The plan was to buy new graders but they could not turn this offer down. They will take the purchase agreement to Brenda Guenther tomorrow to be absolutely sure they are covered. Once she approves it, they will send out the order, and Brenda will have the numbers at the next Finance Committee meeting.

Announcements:

JP Allen announced a Transportation Committee meeting on January 21, 2016 at 6:00 p.m.

JP K. Harrison announced a Legislative Committee meeting on January 25, 2016 at 6:00 p.m. He stated that this would be an organizational meeting to put together an agenda for the entire year of things that they want to accomplish in 2016.

JP Moore announced a special Committee of the Whole meeting on January 11, 2016 at 6:00 p.m. and a regular Committee of the Whole meeting on January 12, 2016 at 6:00 p.m.

JP Allen declared the meeting adjourned at 6:53 p.m.