

FINANCE COMMITTEE REPORT

July 7, 2016

A Finance Committee meeting was held Thursday, July 7, 2016 at 6:00 p.m. in the Quorum Court Meeting Room, Benton County Administration Building, Third Floor, 215 East Central, Bentonville, Arkansas.

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

Others Present: JPs J. Harrison, Adams, Sandlin, Anglin, Leadabrand, Meyers, County Judge Bob Clinard, Assessor Linda Hambrick, Circuit Judge Brad Karren, Circuit Judge John Scott, Circuit Judge Doug Schrantz, Prosecuting Attorney Nathan Smith, County Collector Gloria Peterson, Comptroller Brenda Guenther, Administrator of General Services John Sudduth, Human Resources Manager Barbara Ludwig, Administrator of Public Services Jay Frasier, Major Jeremy Gyll, Major Bob Bersi, Captain Lynn Hahn, Director of Information Technology Eddie Mahar, Financial Administrator Melsine Carter, Assessor-Elect Rod Grieve, Hight-Jackson President Brian Jackson, Hight-Jackson Project Manager Lorrie Smith, Stephens Senior Vice President Kevin Faught, Stephens Vice President Bo Bittle, Dewberry Director of Design Michael LeBoeuf.

Media: Tom Sissom – Northwest Arkansas Democrat-Gazette.

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

Public Comments:

None.

Discussion:

Courthouse Renovation Update (Hight-Jackson)

Hight-Jackson President Brian Jackson and Project Manager Lorrie Smith gave a short presentation on the historic courthouse renovations, including many before-and-after photos of the project. Brian Jackson stated that the project is on budget, on schedule, and set for completion in September. Short discussion was held about the progress on the project.

Prosecuting Attorney Nathan Smith announced that his office plans to move back into the courthouse the week of September 26th. He then discussed his appropriation request, on the

agenda under “ordinance requests.” He stated that they are getting to the end of managing the grant money that they have. He said that there are a couple of items that they hoped the grant would be able to pay for. One of these is the security for a deputy sheriff to sit at the site when work goes on in the evening. The second item is for electrical improvements made to the exterior square area to enable first Friday events and things like that. The cost of these two items is estimated to be \$40,000. He stated that, at this point, they have to decide how to spend the surplus that they have from the grant. He would like to see the remaining money be put into the building itself. Specifically, one item that he really wants to do is put an entire wood casing around each of the windows to make it look nice. The landscaping will also have to be paid for. They cannot do both – they can either include security and electrical in the grant, or they can ask the Quorum Court to appropriate the money some other way and put the grant money into the building. This is what he would like to do. He is asking the Quorum Court to consider appropriating \$40,000 to cover the cost for a deputy to monitor the security of the site, as well as the electrical work that will take place in front of the courthouse at the square.

Short discussion was held about this request, and the intended use of the grant.

JP Allen stated that this would be considered with the rest of the ordinance requests later in the meeting.

Justice Facility Financing (Stephens)

Stephens, Inc. Vice President Bo Bittle presented potential financing options for the new justice facility to the JPs from the dashboard. He stated that it is a unique year in Benton County, as there is a reappraisal taking place. He said that the summary information presented focuses on an initial growth estimate for that reappraisal. Particularly, it considers the growth of the county’s five general mills based on estimated reappraisal growth from 2011-2016. The focus behind this analysis was to determine if this project can be done without any new tax on the books with the assessment growth. The answer is that it is feasible. Looking at the \$1,500,000 estimated revenue growth on the five mills, just that revenue alone would allow them to do a 15-year bond issue based on the current market, and pay it back without doing a new tax. He said that he further continued the analysis to look at what kind of options there are for the county to finance it without having to get voter approval. He said that they would be utilizing Amendment 78 financing, whereby the county pledges their general fund as security for the bond fund. There are three different price points that have been arbitrarily picked: \$17,500,000, \$15,000,000, and \$12,500,000 with an average annual debt service of \$3,708,210, \$3,178,560, and \$2,649,070 for each of those. In running the numbers, they considered that the cost of issuance of the bonds would be about 2% of the total and they assumed the bonds would have an A+ credit rating. He stated that this is cumulative revenues and is considering money that has been used for other allocations in past years. The rate volatility in the market could affect the analysis. However, in the five year payback period, rate volatility is not very sensitive to this financing. He added that the analysis that they ran was prior to the United Kingdom leaving the European Union.

Short discussion was held about the numbers presented, as well as how the UK leaving the European Union affects the US bond market.

Fund Summary:

Comptroller Brenda Guenther reported that for the General and Road fund, with the original 2016 budget, the beginning cash was just under \$21 million and since January 1st, they have paid previous year expenditures of almost \$600,000. After reviewing the appropriations year-to-date, they will end the year at \$17 million, assuming all monies are expended. She said that there is a net \$250,000 in FEMA disaster monies but they are spending the money right now because they will get the cash. At this point, they are around \$300,000 in the hole versus \$101,000 to the positive. In the Capital Projects fund, they started the year at \$2.8 million. Based on the original budget of expenditures and revenues, they would end the year with cash in the amount of \$1.98 million. But, so far, year-to-date including the turnback appropriation to the Capital Projects fund, they would end the year at \$2.57 million.

JP Allen asked where they stand when adding all of the reserves together.

Brenda Guenther stated that it is about \$20 million.

2016 through 06/30/16

Comptroller Brenda Guenther reported that everything seems to be right on target. They are at 47% of total personnel because they are halfway through the year. They are at 50% on personnel and 50% at all other costs. General and Road is at 49% with a target of 50%. They are at 38% of Other Services and 43% of supplies. She said that there are a few of the personnel accounts that are just barely over and it is because of workman's comp. For Other Funds, looking at all funds together, they are at 47% of personnel versus 50%, and 45% of overall expenditures versus 50%.

2016 vs. 2015 Comparison through 06/30/16

Comptroller Brenda Guenther reported that they have spent about \$166,000 more than last year, with \$900,000 more spent in the capital expenditures area. They have saved quite a bit of money in Other Services. They have spent \$2.2 million more this year versus last year, with 1.875% due to capital expenditures in the Road versus the same time last year.

Monthly Reports:

Overtime & Premium Pay Analysis

Comptroller Brenda Guenther reported that they are \$53,000 less than a year ago through the General fund and \$62,000 overall versus a year ago. Jail Transport being over was discussed; Brenda Guenther stated that she would provide a detailed report on this at next month's meeting. JP Jones asked for her to also look at Juvenile Detention, Jail, Jail Ops & Maintenance, and Cencom as they are all high.

Fuel Analysis

Comptroller Brenda Guenther reported that they are at 35.85% of the budget for Sheriff/Jail and 25% of the Road. Last year they were at almost 50% on Sheriff, and 28% on Road. She said that the price of gas has gone down since a year ago. She stated that she did not report the usage versus what has been purchased but she will have that information for next month's report.

Sales Tax Numbers

Comptroller Brenda Guenther reported that sales tax revenue is down a bit this last month. They are less than half a percent where they were a year ago at this same time.

JP Allen argued that they were not down just a little.

Brenda Guenther stated they were down 8% for the whole month but versus last year it was down just a little.

Jail Collections

Comptroller Brenda Guenther reported that they have collected \$1.258 million with a budget for the first six months of \$1.5 million. They are running behind the budget of \$3 million in jail revenues. However, last year they collected \$945,000 at this same time so they are \$312,000 higher than they were a year ago.

JP Allen stated that the State's budget that they passed is less than the previous year for jail reimbursement to counties; it is down 1.5% statewide.

JP Moehring said that he is a little mystified because every story out of Little Rock talks about how felony prisoners in county jails is way down; but it still shows that it is up for our jail. He does not know why or even who to ask about it.

JP Meyers stated that the governor said that they are not going to spend any more money on jails in the budget next year; they are anticipating the prisoner population to go up a fair percentage, and they are forecasting that it will continue to rise. Basically, prison expenditures will go up but no more money will be allocated to that, so the county will have to eat some of the costs.

JP Allen stated that overall that is what he is anticipating.

Convenience Center Data

Comptroller Brenda Guenther stated that this is the second time that they have showed this report; it goes through May and shows how all the sites are doing.

Administrator of General Services John Sudduth said that the main thing is comparing the numbers for two full clean-ups with three and a half months of the other sites. He stated that he has had no complaints, and that people really appreciate the new program.

Grants Administrator Report

Comptroller Brenda Guenther reported that they have submitted a couple of grants for Hickory Creek and the NEBCO Fire Department as well as the Edward Byrne JAG grant that went out last

week. They have been awarded the septic system grant for \$150,000. They have received notice that they did not receive the courthouse security grant or the Wal-Mart child seat grant.

Ordinance Requests:

Personnel Requests – Recommendation from Personnel Committee

Human Resources Manager Barbara Ludwig reviewed in detail all of the reorganizations and wage adjustments as presented at the June 21st Personnel Committee meeting. She stated that, as it stands right now, these combined requests would have a \$28,165 impact on the budget but she thinks that some of that may be absorbed.

JP Moehring made a motion to forward all of the reorganizations and wage adjustment requests to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Slinkard.

Motion passed by unanimous show of hands vote.

Barbara Ludwig then reviewed all of the personnel requests in detail as they were presented at the July 21st Personnel Committee meeting.

Discussion was held about the jail expansion and the required staffing for the expansion.

JP Moehring made a motion to approve the request for six Jailer I positions for the remainder of the FY 2016 budget with a start date of August 1st and with the department absorbing the cost of three of those positions for this year, and to forward it to the July 12, 2016 Committee of the Whole meeting, seconded by JP Jones.

Motion passed by unanimous show of hands vote.

JP Allen reminded the committee that the remaining positions have not been addressed. He invited the department heads to speak to their requests.

Administrator of General Services John Sudduth reviewed the information presented at the June 21st Personnel Committee meeting by Custodian Supervisor Sharon McDaniel, regarding his request to change a part-time janitor to a full-time position.

JP Moehring made a motion to approve changing the part-time janitor position to a full-time janitor position and to forward this to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Chiocco.

Director of Information Technology Eddie Mahar reviewed his personnel requests as presented at the June 21st Personnel Committee meeting.

JP Allen asked how it would affect his department if they were to only approve one of his two requested IT Support Specialists.

Eddie Mahar stated that this would be a big win for providing service to the elected officials; it would be a big help.

JP Jones added that they denied about 3/4ths of the personnel requests for last year, and said they would take another look at mid-year. He said that the IT department and the Road Department have been making the case for their staff requests for a long time.

JP Jones made a motion to forward one IT Support Specialist Grade 14 and the Welder/Mechanic II position to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Chiocco.

JP Moehring stated that he struggles with these two positions a bit more because the budget was the budget; he would prefer that some offsets occur.

*JP Slinkard left the meeting.

After a short discussion about the need for these two positions, a show of hands vote was recorded as follows:

4 in favor: Sheridan, Jones, Chiocco, Moehring

1 against: Allen

2 absent: Slinkard, Moore

Motion to send these two positions to the July 12, 2016 Committee of the Whole agenda, passed.

JP Allen stated that the Finance Committee would take no further action on the rest of the new position requests.

Chair called a five minute recess. Finance Committee reconvened.

District IV (Judge Scott) – Appropriation

Comptroller Brenda Guenther stated that this is Circuit Judge John Scott's appropriation request. She said that it is a FY 2016 request for two months of pay to train a state-funded position to replace a retiring trial court administrator. She said that the total cost is \$6,530 for 45 days at \$16.74 an hour.

Circuit Judge John Scott said that his trial court administrator had planned to retire at the end of this year so this would have been addressed in his budget for next year. Her personal plans changed and she is now retiring on September 1st. This is a state-funded position and the state will not fund this position until her vacation and sick time accrue have passed. This appropriation is to

fund this position for August for training purposes and for September until the state payroll will pick it back up at that time.

JP Jones made a motion to approve this request and to forward it to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Moehring.

Motion passed by unanimous show of hands vote.

Courthouse Security – Appropriation

Comptroller Brenda Guenther stated that this is a request to appropriate expenses for the courthouse security and electrical work not budgeted in the historical Benton County courthouse grant. She said that this is what Prosecuting Attorney Nathan Smith spoke about earlier in the meeting. She said that this appropriation will increase the cost of the building expenses so it would deplete a small amount of the capital projects fund.

Lengthy discussion was held about this request, what the grant should pay for, and how the money should be appropriated.

JP Jones said that, if this gets approved and the \$60,000 is there, if something comes up and they go over the \$2.9 million total grant, they will be paying for that anyway.

JP Allen said they will be paying for it out of the same fund.

JP Jones made a motion to utilize the grant money to pay for these requests as opposed to taking it out of capital reserves, and to forward this request to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Moehring.

Motion passed by unanimous show of hands vote.

*JPs J. Harrison and Leadabrand left the meeting.

Collector & Collector's Automation – Appropriation

Comptroller Brenda Guenther stated that this is requesting a transfer from the collector's fund to the collector's automation fund for \$250,000, as well as asking to transfer from Small Equipment to Machinery & Equipment for purchases over \$5,000 with a net effect of zero. She said that, when they did the budget last year, they did an increase in the allocation expense but they did not do a match to transfer from the collector's fund to the automation fund.

JP Moehring made a motion to approve this request and forward it to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Jones.

Motion passed by unanimous show of hands vote.

Sheriff's Insurance Claim – Appropriation

- **Gate Repair**
- **Vehicle Replacement**

Comptroller Brenda Guenther stated that this request is related to insurance claims as there were some claims on Sheriff's officer vehicles and damage to the Benton County jail gate. She announced one small change to this request. She said that they are budgeting a net difference of zero between insurance proceeds to be received against expenses. She would like to request to eliminate the Machinery & Equipment repair line and put it all into Vehicles. This would allow them to replace the vehicle that was totaled with the funds that remain in the Capital fund. She said that this is to replace Harold Gage's vehicle as it was completely totaled in an accident.

JP Jones made a motion to approve this request with the changes noted and forward it to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Moehring.

Motion passed by unanimous show of hands vote.

Sheriff's Random Drug Test – Appropriation

Comptroller Brenda Guenther said that the Sheriff would like to start random drug tests.

Human Resources Manager Barbara Ludwig said that they do have it in the policy that they do random drug tests to promote a drug-free workplace. She said that the current Sheriff and his command staff requested to set it up. For the remainder of this year it is \$3,328 split between the Jail and the Sheriff's office and will be absorbed into the current budget. The amount for FY 2017 will be \$6,656 and also split between the two budgets. She noted that the AAC pays for the random drug testing in the Road Department. They are looking into covering random drug testing for all law enforcement, so this may be absorbed sometime next year or the year after.

JP Moehring made a motion to approve this request and forward it to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Jones.

Motion passed by unanimous show of hands vote.

Justice Facility Phase II – Recommendation from Public Safety Committee

Comptroller Brenda Guenther stated that this request is for the Phase II conceptual study by Perkowitz & Ruth.

County Judge Bob Clinard stated that the Perkowitz & Ruth/Cromwell/Dewberry team has done the Phase I Needs Assessment Study. They are asking to move forward with financing for Phase II which includes two sites to be considered in their original proposal. He announced that he will approve it if one of the sites considered is the Highway 102 site.

Dewberry Director of Design Michael LeBoeuf gave a presentation to the JPs from the dashboard that outlined the scope of work for Phase II.

JP Sheridan made a motion to approve the appropriation request for \$119,500 to study the Highway 102 site and a downtown location to be determined, and to forward it to the July 12, 2016 Committee of the Whole meeting agenda, seconded by JP Jones.

JP Jones stated that, as part of the discussion at the June 7th Public Safety Committee meeting, the architects mentioned that they will have workshops during the project. One of these is to be a kick-off meeting to have an in-depth discussion about site, courtrooms, etc.

Lengthy discussion was held about which sites to consider downtown and if more than one downtown site should be studied.

Michael LeBoeuf made the committee aware that they have a budget of \$17,000 for reimbursables which covers their travel to and from the meetings and workshops and that this would be on top of the \$119,500 quoted cost.

JP Jones made a friendly amendment to JP Sheridan's motion to allocate \$178,000, which would be the cost to include a downtown unattached location, a downtown attached location, and the Highway 102 site in the study. JP Sheridan agreed to the amendment.

JP Moehring said that, although he will respect where the committee goes with this, they owe it to the taxpayers to consider how to get this done as modestly as possible. He supports one downtown site consisting of the current site and an expansion. He said that, if they go for a tax increase and it fails, they will have done a disservice.

JP Anglin asked Circuit Judge Doug Schrantz to give information about the number of judges.

Judge Schrantz stated that he is administrative judge for the six circuit judges and, in this position, he speaks for the judges. He said that they are concerned about this being delayed any more. He then read information about population growth from the June 24, 2016 Northwest Arkansas Democrat-Gazette that said that Benton County is number one county for growth. He then read from a document from the Legislative Audit – they have six judges in the county and the per capita population per judge is over 400,000. The next county, Madison and Washington Counties (the two counties that make up that division), is second behind Benton County at roughly 33,800. The point is that this number means more to him than anything else. He said that they are on the edge of a crisis in the judiciary of Benton County, come the next financial hiccup. He said that they cannot wait if they are really serious about planning. The judges do not care where it is; they just want a secure, adequate facility that is expandable. He suggested they look at all four of the proposed sites.

Lengthy discussion was held about the future needs of the courts, the process that the architects would follow, and the sites that should be considered.

JP Allen said that, if they build eight or nine courtrooms and do not get the judges, they can always make them into offices and retro-fit them later. He said that, one thing that he wants to make sure that this process includes, is that there are considerations and pros and cons on both sides. Some of it is about the surrounding amenities. Highway 102 is a clean slate to build but it also means that employees will have to go somewhere for lunch and will have to fight that traffic. He said that Highway 102 is just as bad for traffic as downtown. Downtown has shops, restaurants, and trails. He thinks that these things need to be incorporated into the study. He said that they are also going to have to come to the realization that JP Moehring is most likely going to be the County Judge on January 1, 2017 unless something happens that has never happened before in a Benton County election. He stated that they need to be leery of how they decide to spend money because he does not want to spend money on something that is not going to happen because the incoming County Judge has the opposite viewpoint as the current County Judge. He said that he thinks they need to look at expansion from where they are now. He then reiterated that the amended motion is for \$178,000 (including the reimbursables) to do the Phase II evaluation for a Highway 102 location, using the current building, and a free-standing building. It considers all the sites that have been proposed previously except for the Dave Peel Park site.

JP Jones added that that this will come out of Capital Projects and be sent to Committee of the Whole on July 12, 2016.

Motion passed by unanimous show of hands vote.

Other Business:

JP Jones announced that he will call a Public Safety Committee meeting in early August to start discussing specific variables to discuss in the kick-off meeting.

JP Adams announced the Transportation Committee meeting on July 11, 2016.

JP Allen declared the meeting adjourned at 10:40 p.m.