

April 8, 2008

FINANCE COMMITTEE REPORT

A Finance Committee meeting was held Tuesday, April 8, 2008 at 3:30 p.m. in the County Administration Building, Quorum Court meeting Room, 215 East Central, Bentonville, Arkansas.

Committee Members Present: Harrison, Hobbs, Stephenson, Summers, Moore, Wozniak

Others Present: County Judge Gary Black, Treasurer Deanna Ratcliff, Richard McComas, Michele Anderson, Kathy Bannister

Media: Scarlett Simms – Morning News; Tom Treweek – Benton County Daily Record

JP Tim Summers called the meeting to order at 3:30 p.m.

PUBLIC COMMENTS:

None

Ed Clifford, President of the Bentonville/Bella Vista Chamber of Commerce spoke to the committee about future plans for the downtown area. He said that after the location of the Crystal Bridges Museum was announced, they began to consider other amenities which would attract tourists to the downtown area, such as a hotel, movie theater, and larger restaurants. He said it quickly became apparent that ample parking will have to be provided for these attractions. He said the City of Bentonville has approximately \$3 million available for the project, which would accommodate about 250 cars, but it needs to be large enough for 500 to 550 cars. He suggested that Benton County consider contributing \$500,000 toward the project, in return for which approximately 100 spaces could be reserved for Benton County's use. He said that the remaining \$2.5 million will be raised through private sources. JP Summers asked what the time frame is. Ed Clifford stated that they hope to have it in place in about 3 years.

1. Grants Administrator Report

JP Summers asked Grants Administrator Kathy Bannister for an update on the War Eagle Bridge renovation. Kathy Bannister stated that the Engineers are completing their environmental studies, and they hope to have the project out for bidding in September or October of this year.

2. Road Department Grant Appropriation

JP Wolf made motion to forward an ordinance request to the April 8, 2008 Committee of Thirteen agenda, seconded by JP Moore.

Kathy Bannister said they have received an Arkansas Department of Emergency Management Hazard Mitigation Funds grant in the amount of \$78,000, which will pay for half of the repairs to the Slaughter Pen Road Bridge and the Mill Dam/Sears Road Bridge, which were already on the 2008 Road Department schedule.

Motion passed by unanimous show of hands vote.

3. Road Department Loan Proceeds Appropriation

JP Hobbs made motion to forward an ordinance request to the April 8, 2008 Committee of Thirteen agenda, seconded by JP Stephenson.

JP Summers stated that this has been discussed thoroughly, and they are simply appropriating the proceeds of the loan for the Road Department equipment purchases for 2008. Richard McComas stated that they signed the note this morning, and received an interest rate of 3.16%, which is almost a whole point lower than they had originally planned on.

Motion passed by unanimous show of hands vote.

4. 2007 Unemployment Taxes Appropriation

JP Summers stated that Unemployment claims are not paid until the following year because the county pays the actual cost instead of a percentage of the payroll. Richard McComas noted that the cost for 2007 is \$66,713, compared to the approximately \$200,000 it would be if they used payroll percentage to calculate it. JP Stephenson made motion to forward an ordinance request to the April 8, 2008 Committee of Thirteen meeting agenda, seconded by JP Wolf.

Motion passed by unanimous show of hands vote.

5. Sales Tax

Richard McComas stated that this is the first month that provides a true comparison to the previous year without Bella Vista's sales tax revenue, and there was a 9% increase for the month.

6. Jail Collections

Richard McComas stated that Jail Collections are running a little ahead so far this year, which will be good when they slow down midyear as they usually do, so they should meet the projected budget.

7. 2008 Fuel Summary

Michele Anderson stated that the report shows fuel costs for the month of March, and the costs compared to March of 2007, and noted that approximately \$5,000 per month is being transferred to County Road from Other Funds for fuel usage by other departments. Richard McComas noted that costs have increased 33% over last year, and he does not believe they increased the fuel budget that much so they will probably need to make a midyear adjustment. JP Summers noted that they will also need to look at several categories in the Road Department that are affected by high fuel costs, such as asphalt.

8. Monthly Fund Summaries

Michele Anderson stated that funds should be at 25%, and noted that Department 10 is already over 50% in Services and Supplies due to the purchase of some chairs for the Jury Room and \$8,000 in Attorney Ad Litem fees. She added that only \$10,000 was budgeted for Attorney fees, so they may need a budget adjustment later in the year. Richard McComas noted that there was an extra pay period this quarter, so Personnel is at 26%, and the software purchase in the Prosecuting Attorney's office has been appropriated but is not reflected in the report. JP Moore noted that Jail Transport is at 31%. Richard McComas stated that they have had a lot of overtime transporting prisoners.

9. 1st Quarter Revenue Summary

The committee went over the Property Tax Sheet. Richard McComas stated that they have received the new property tax numbers from the Assessor's Office, which were certified to the State on March 12. He said they have adjusted the millage from the 4.9 used in the 2008 budget projections to 4.8 mills to reflect the rollback. He said he is not recommending an adjustment in the projected 2008 property tax revenue because the actual 2007 tax revenue was higher than anticipated, so there was not much difference when the rollback was taken out. He added that they have slightly increased the projected Road Department revenue. JP Summers noted that the \$8,708,255 in Tax Charge, Column 8, reflects the amount before the cities' share is subtracted; the county's portion is actually \$3,328,820.

Richard McComas stated projected revenue has been changed from \$9.1 million to \$8.7 million. He said that the projections for the Treasurer's Commission has been reduced by \$53,000, because the commissions distributed in January were lower than expected because the sales tax revenue decreased in 2007. He said the Collector's Commission has increased to \$512,000, and the Assessor's Commission is also up. He added that they may also need to adjust the Interest revenue because if interest rates continue to fall, they may not reach the projected \$100,000 increase. He summarized by saying the adjustments will result in a net decrease in revenue projections of about \$250,000.

The committee discussed the projected 2008 Budget Recap. Richard McComas stated that these are the numbers they will have if all of the current projections are met. He said the reason the ending balance is \$7.6 million is because in 2007 there was nearly \$1 million in returned appropriations, and there was about \$600,000 more in revenue last year than expected. He said the result was that they budgeted high on expenses and low on revenues, which is what they try to do every year in order to maintain the reserves. He added that there is currently close to \$2.9 million in Capital Reserves before the 2008 contribution is added, and it should be at about \$3.5 million by year's end.

Richard McComas stated that there are some upcoming issues that they need to keep in mind, such as the Bella Vista road fund lawsuit which could cost up to \$500,000, and a possible negative adjustment in sales tax revenue. JP Summers stated that he believes that they will continue to see a downturn in sales tax revenue, and the county will take another hit on sales tax revenue in 2011. He said if they had no upcoming capital needs they would be in very good shape, but they are looking at a new barracks at the Jail which will require an additional 30 people to staff it, and that will be a permanent recurring cost.

JP Summers pointed out that they have always tried to keep their personnel costs at 70% of the total budget, and if they let that number go up, there will not be money to provide other things. Richard McComas reminded the committee that there are several other expenditures that have already been approved for the upcoming year but have not been appropriated yet, such as the remodeling of the Tucker Building for a new courtroom, \$350,000 for the War Eagle Bridge renovation, the unemployment claims that were just discussed, although there will be some returned appropriations that will offset some of that.

JP Wolf stated that while they have money available at the present time, that amount will get smaller and smaller if they are not careful. Richard McComas stated that in the past they have seen the reserves increase each year, but it is possible that it may start to see a decrease. JP Hobbs asked the amount of Delinquent Taxes that are currently being carried on the books. Richard McComas stated that it usually runs about 10%. JP Hobbs asked if that included taxes from several years back that are uncollected. JP Hobbs stated that at one time the Collector had said it was about \$6 million, and asked if there is anything they can do to

help collect that. Richard McComas stated that the 10% includes both Delinquent Taxes and Exemptions, because they collect approximately 10% of the tax charge. He said for example, of the \$20 million that will go uncollected next year, probably a third of that is exempt. JP Hobbs stated that in some states they have hired people who come in and help collect the delinquent taxes. Richard McComas stated that the Collector would have to address that.

10. Other Business

JP Hobbs stated that they have talked several times about the possibility of raising the fees that are charged to the municipalities for the cost of keeping prisoners at the Jail. She said that they have been provided with a per prisoner cost of \$35, and they are currently charging \$32.50, so she believes they should consider raising the fee.

Richard McComas said he did not know how that would affect revenue because he does not have the breakdown of how many city prisoners are being housed at the jail.

The committee discussed how to proceed.

Richard McComas asked if the Sheriff should be included in the discussion. JP Hobbs stated that when she spoke to him about a year ago while touring the jail, he seemed to be in favor of an increase. JP Hobbs stated that Washington County can charge less because they have a dedicated sales tax to help cover their costs. She said that she would research the matter more, but wanted to know if the committee was supportive of the idea to raise the fees.

JP Summers suggested that they have the Sheriff come to the next Finance Committee meeting to discuss it.

JP Summers announced that the next Finance Committee meeting will be May 6, 2008 at 2:30 p.m.

After motion and second the meeting adjourned at 4:28 p.m.