

FINANCE COMMITTEE REPORT

August 2, 2010

A Finance Committee meeting was held Monday, August 2, 2010, at 2:30 p.m. in the County Administration Building, Quorum Court meeting Room, 215 East Central, Bentonville, Arkansas.

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

Others Present: JP Frank Winscott, JP Tanya Lewis, JP Jay Harrison, Comptroller Richard McComas, Accounting Manager Michele Anderson, Grants Administrator Richard Redfearn, Assessor Bill Moutray, Treasurer Deanna Ratcliffe, Properties Coordinator Marsha Graham

Tom Sisson - Benton County Daily Record

JP Kurt Moore called the meeting to order.

PUBLIC COMMENTS:

None

1. Administrator Report

Grants Administrator Richard Redfearn stated that the Grants Report now indicates the grants which require county matching funds in bold print. He stated that the Sheriff's Department grants do not show up on this report, only grants administered by his office.

1a. NEBCO Volunteer Fire Department Resolution

JP Moore stated this resolution request is to authorize an application to the Arkansas Rural Development Commission for \$15,000 for the NEBCO Volunteer Fire Department Community to purchase a 3,000-gallon tanker, and that the required match has already been raised.

JP Stephenson made motion to forward the resolution request to the August 10, 2010 Committee of Thirteen agenda, seconded by JP Douglas.

Motion passed by unanimous show of hands.

1b. Benton County Grant Worksheet

Richard McComas explained the different columns on the report showing the total budget, the amount of grant funding, the amount of county funds, and the percentage of the budget which is supplied by grant funds. He said the total percentage is 5.8% of the \$60,000,000 budget, or \$3,525,875. He said the cost to the General Fund if they had no grant funds would be approximately \$405,000. He said that there is currently \$143,803 in required matching funds, which is for the War Eagle Bridge project.

JP Winscott asked if bids had been let for the War Eagle Bridge project. Richard McComas stated that construction has already begun. Richard Redfearn stated that they are actually ahead of schedule.

JP Allen noted that there is a lot of money in grant funds, and although the money is not coming out of county funds, it is still taxpayer money from the Federal government, and he is concerned with how it is spent. He said he raised the question because he wanted to see what position the county would be in if they ever decided to do away with grant funding.

Richard McComas stated that the biggest grants are in the judicial and criminal justice systems. JP Wozniak noted that the county applies for funds on behalf of other entities, such as cities and fire departments, and might end up having to fund them at a greater level if the cities and fire departments could not obtain funding on their own.

JP Stephenson stated that he is opposed to grants because it means some government agency has surplus money, and too much of his tax dollars, but if they refuse the grant money, they will end up having to pay higher taxes to make up the loss, and fund things that are currently funded by grants. He said they need to concentrate their concerns on their state and federal legislators.

2. EECBG Recovery Grant Ordinance

Richard McComas stated that this last year we appropriated \$15,000 of the economic recovery stimulus funds for an energy audit, and we now need to put the remaining \$594,300 in the proper categories.

Richard Redfearn stated that the \$594,300 is for construction costs associated with replacing and upgrading the HVAC and boiler systems in the Courthouse and Administration Building, and for construction of the Benton County West Road Yard.

JP Douglas made motion to forward the ordinance request to the August 10, 2010, Committee of Thirteen agenda, seconded by JP Stephenson.

Motion passed by unanimous show of hands.

3. IECGP Grant Ordinance

Michelle Anderson stated that this ordinance is an ordinance transferring funds to the proper categories in the FY08 Interoperable Emergency Communications Grant, and requires no new money.

JP Stephenson made motion to forward the ordinance request to the August 10, 2010 Committee of Thirteen agenda, seconded by JP Wozniak.

Motion passed by unanimous show of hands.

4. Rural Fire Department Ordinance

Richard McComas stated that this appropriation is an insurance reimbursement for a totaled Rocky Branch fire truck, and includes some additional transfers to cover the cost to repair it.

Jimmy Thompson explained that they are salvaging parts of the truck which will be put on a rebuilt chassis. Richard McComas stated that this in essence will get them back a fire truck worth \$65,000.

JP Douglas made motion to forward the ordinance request to the August 10, 2010, Committee of Thirteen agenda, seconded by JP Stephenson.

Motion passed by unanimous show of hands.

5. BC Solid Waste District Resolution

Richard McComas stated that this resolution is asking for an increase in the county's per capita contribution to the Benton County Solid Waste District from .50 to .80. He stated that the District is seeking to offset a funding loss they have encountered due to a recent court decision which disallowed Waste Districts from collecting tipping fees from waste haulers.

JP Allen asked what services are provided by the Benton County Solid Waste District. Wendy Cravens of the Benton County Solid Waste District stated the District provides the rural recycling program, with locations in Pea Ridge, Cave Springs, Decatur, and Centerton, and that these are utilized primarily by

rural citizens who do not have curbside recycling. She stated that the District provides 100% of the funding for the Household Hazardous Waste Program, which allows the disposal of household chemicals, paints, etc. She stated that if someone files a lawsuit seeking repayment of the fees previously collected, the liability will be the Solid Waste District's, and not the county's. She added that the District had expected revenue of \$450,000, and the court decision reduced that amount by \$180,000. JP Stephenson asked how much more in funding they are asking for. Wendy Cravens stated that the County's contribution is normally \$27,000, and they are asking for an additional \$16,000. JP Stephenson made motion to forward an appropriation request to the August 10, 2010 Committee of Thirteen agenda.

Motion passed by unanimous show of hands vote.

6. Assessor Report

Assessor Bill Moutray stated that notices were mailed in July for \$70 million in assessed value for new construction. He said for comparison, \$219 million was placed on the books in 2008, and \$118 million in 2009, which is a 46% decrease. He said the \$70 million sent out this year is another 41% decrease, for a total decrease of 68% over a three-year period. He said he could recall years past when 172 new subdivisions were placed on the books, and in 2009, they have placed 19, or approximately 480 new parcels.

Bill Moutray stated that Benton County is at 65% of full value, which means that Amendment 59 is in effect for only 35% of Benton County's parcels, and explained that the law allows for a 5% increase in market value per year for residential properties, and a 10% increase for all other properties, so we only have 35% growth until the county is at full value.

He noted that the 2010 Assessor's Abstract in their packets shows that as of August 1, 2010, the total county taxing entities reflect \$4,405,823,953 in assessed value. He said that the county's 6.9% has increased almost three-quarters of one percent over last year, and there are not many taxing districts across the country that can say that in these uncertain economic times.

Richard McComas stated that that amounts to approximately \$180,000 in tax dollars, and we normally collect about 88% of that, which will be about \$160,000.

Bill Moutray noted that this amount will fluctuate during the Equalization Board hearings as adjustments are made, and added that at this time, appointments are scheduled through the third week in September. He reported that personal property is down from last year, due to the decision to use the state's depreciation schedules in keeping with the Assessment Coordination Division's recommended schedules to conform to what other counties are using.

He said the county's total tax base is up about \$33 million in assessed value. He said the state's criterion for a 3-year reappraisal cycle is a 15% growth within the cycle; if that threshold is not reached, the county will go to a 5-year reappraisal cycle. This means that the turn back funds of \$7.00 per parcel will be spread out over 5 years instead of 3 years as they are currently. He said the last reappraisal in 2008 saw a 50% increase during the 3-year cycle. He said he had spoke with ACD Director Debbie Asbury, who is going to suggest to the legislature that the law be changed to require a mandatory 3-year cycle for all counties.

Richard McComas stated that if they have to go to a 5-year cycle, the monies that the Assessor's Office will lose will be made up by the taxing entities, (i.e. the schools, cities, and the county).

JP Stephenson asked if minerals are being taxed on red dirt mines and stone quarries. Bill Moutray stated that he was not sure, but agreed that it is a depletion of those resources.

JP Douglas asked if the next appraisal will be on the 3-year cycle as scheduled. Bill Moutray stated that he believes the next reappraisal will be on a 5-year cycle, beginning in 2011.

JP Douglas asked if Bill Moutray anticipates a reduction in personnel, since the staff will have 5 years to do the reappraisal instead of 3. Bill Moutray stated that is a possibility, but they can also cross train people to do other things.

JP Stephenson asked if timber is being taxed. Richard McComas stated that timber tax is being collected; it just was not included in this report.

JP Moore asked if the county goes to a 5-year cycle, would we be stuck with the present low market values even if there is an upswing in the real estate market. JP Allen noted that once the 15% growth is attained in any year, the 3-year cycle kicks in again. Richard McComas added that the 15% is averaged over the entire 3-year period.

After further lengthy discussion, JP Allen stated that his concern is not for the county's receipts, but for the individual property owner who has had a recent appraisal with a market value increase, when no residential property has increased in value recently. He asked if that person is locked in on that assessed value for 3 to 5 years.

Bill Moutray stated that there are pockets of property in the county that have shown an increase, and the area around Beaver Lake is remaining steady. He said if a property owner has a recent appraisal which shows a lower value than what is on the books, they may take it to the Equalization Board, which is currently meeting.

Bill Moutray added that state statutes dictate market value, and the Assessor may not include foreclosures or auctions in their calculations. He said a reappraisal performed each year is the only way they will get close to an actual market value. He said property taxes are paid next year on this year's value.

The committee discussed the process of the 3-year cycle, in which the staff go out and look at properties, record improvements, and gather information on about 1/3 of the parcels each year; in the final year of the cycle, they plug the information into the market analysis to come up with the appraised value. Bill Moutray stated that the reappraisal plan was distributed to the court some time ago.

JP Winscott asked if the process should be explained, and put in written form and distributed to people who have purchased distressed properties so they do not expect to see their taxes cut by one-third. Bill Moutray stated that one thing they look at is a recent appraisal, usually required as part of the mortgage process. He cited one example in which an owner of a property went before the Equalization Board with a property they had purchased for \$80,000, but their mortgage was for \$134,000, and stated that he did not think the bank was going to risk losing \$50,000.

JP Allen stated that the property owners need to remember that they are not paying a sales tax; they are paying taxes on the value.

The committee discussed foreclosures and their effect on property values and homeowner equity.

7. Sales Tax Numbers

Richard McComas stated that sales tax receipts are down .5%, but it is not enough of a decrease to call it a trend. He said that we are still up \$70,000 for 2010, or 1.46%. He noted that we experienced increases in three months this year, and there were none last year. He said that he still has no explanation for why last month the county was up \$15%, the City of Bentonville was up 41% and the City of Rogers was down; this month, only the City of Rogers saw a decrease.

8. Jail Collections

Richard McComas stated that a large check was received from the state, so we will meet and possible exceed the budget on Jail collections for 2010.

9. Fuel Summary

Michele Anderson reviewed the Fuel Summary Report, showing a 12% increase over this time last year, and a 23% increase in diesel. He said the Sheriff and Jail accounts are close to even with last year's, and County Road is about \$100,000 over what was spent last year. Richard McComas noted that the increase in County Road is probably due to the ice storm earlier in the year, in addition to a lot of fair weather to work in.

10. Monthly Expenditure Report

Michelle Anderson stated that funds should be at 58.33%, and that the General Fund is at 56.26%. She noted that "Personnel" is slightly higher due to a third payroll in July and some Worker's Compensation costs. She pointed out that the "Services" line item in Juvenile Detention – Department 35 is at 80.41%, and reminded the committee that JDC Director Dennis Cottrell had advised them earlier that the cost for housing juveniles in other facilities, and transporting them, has seen an increase.

JP Stephenson questioned the County Judge's budget being at 78%. Richard McComas stated that it was due to several lawsuit settlements.

Michele Anderson noted several grants that are completely expended; bringing those funds to 100%, and that overall, the budget is at 42.13%.

11. Budget Process 2011

Michele Anderson stated that the 2011 budget process has started and that, packets have been distributed to all Managers. She stated that the Capital Expenditure forms are due in about three weeks.

The committee discussed the impact of the 2010 Census on sales tax revenue, and when they can expect the results to be certified and take effect.

JP Allen asked if there are any plans to place a cap on Capital Expenditures, or to consider any major expenses such as salary increases. Richard McComas stated that it is up to the court to give him direction. JP Moore stated that they should look at doing something, even if it is only a one-time bonus. JP Stephenson stated that if they do anything, a bonus would be preferable, because if they get the personnel costs above 70%, it will eat their lunch. JP Moore stated that he is not in favor of any kind of percentage, but they would have to see how the budget process pans out. JP Stephenson stated that it is not his nature to be cold, heartless, ruthless, or uncaring, but there are people right here in Benton County who do not have jobs, who are losing their homes, and cannot pay their medical bills. He said the people who work for the county are reasonably well paid, have good benefits, and a retirement plan that is probably beyond affordability, because it keeps going up every year, 13 paid holidays a year, and two weeks paid vacation.

12. Other Business

JP Moore announced the next Finance Committee Meeting will be held Tuesday, September 7, 2010 at 5:30 p.m.

Upon motion and second the meeting adjourned at 3:20 p.m.