

October 2, 2007

FINANCE COMMITTEE REPORT

A Finance Committee meeting was held Tuesday, October 2, 2007 at 2:30 p.m. in the County Administration Building, Quorum Court meeting Room, 215 East Central, Bentonville, Arkansas.

Committee Members Present: Harrison, Hobbs, Summers, Moore, Wolf

Others Present: JP David Hill, JP Frank Winscott, County Judge Gary Black, Travis Harp, Richard McComas

Media: Scarlet Simms – Morning News; Jennifer Turner – Benton County Daily Record

JP Tim Summers called the meeting to order at 2:30 p.m.

PUBLIC COMMENTS:

None

1. County Attorney/Grants Administrator Reports

Grants Administrator Kathy Bannister stated that the Piney Point Fire Station grant was not funded, but Rural Services grants are funded two to three times per year. She said there are so many applications that it normally takes several tries before receiving funding. Kathy Bannister gave a recap of the War Eagle Bridge project. She said that in March of 2006, Garver & Garver Engineering performed a comprehensive structural analysis of the War Eagle Bridge, and the Court received three estimates for varying degrees of rehabilitating the bridge. She said that the Quorum Court voted to go with Option #2, which increases the load rating to H-10, allowing for the passage of emergency vehicles. She said that county officials met with the Arkansas Highway Department in September of 2006 to discuss the administrative procedures for a special appropriation for War Eagle Bridge in the amount of \$640,000. She said that to move forward at this point, they are asking for a contract to be executed with Garver Engineering. Kathy Bannister went over the breakdown of the \$640,000 in Federal funds, explaining that they are able to receive 20% of it annually, and by the end of 2009 they will have accrued \$640,944. She said that after the Federal Obligation Limitation fee is subtracted, they will receive \$555,324. She said the county is required to provide a 20% match, and after applying the \$104,000 in state money secured by Representative Hutchinson, the local match will be approximately \$34,000. Kathy Bannister stated that the March of 2006 estimate for Option #2 was \$915,975 and after deducting the cash available at the end of 2009, they will need an additional \$256,651. She said the engineering contract before them is in the amount of \$220,586, and includes an environmental study which is required by the state.

Assistant County Administrator Travis Harp stated that the overall appearance of the bridge cannot be changed because it is on the National Historic Registry, and they estimate that it will be closed between 4 to 6 months during the rehabilitation.

JP Summers stated that this has been in discussion for a long time, but has not been budgeted, so they will need an additional appropriation. He said that they are basically getting two dollars for every one dollar they will spend, and the condition of the bridge is becoming a safety issue. JP Stephenson made motion to forward an ordinance request to the October 9, 2007 Committee of Thirteen agenda, seconded by JP Moore. Motion passed by unanimous show of hands vote.

2. D.E.M.: Appropriation for Wal-Mart Donation

Comptroller Richard McComas stated that Emergency Services has received a \$50,000 donation from Wal-Mart and they will need an ordinance to appropriate the money. JP Hobbs made motion to forward an ordinance request to the October 9, 2007 Committee of Thirteen agenda, seconded by JP Moore. Motion passed by unanimous show of hands vote.

3. Sales Tax Numbers

Richard McComas stated that sales tax receipts were down 2% from the same period in 2006, which reduced the net gain by approximately \$60,000, from \$330,000 to \$270,000. He noted that the cities of Bentonville and Rogers both experienced increases in their city sales tax receipts, but the county saw a decrease in theirs. He said that no one is sure why, but it may be due to a timing difference in reporting. JP Summers stated that we will probably still make the 2007 projections, but only because the first two months' receipts included Bella Vista's portion. He noted that they should keep in mind while budgeting for 2008 and 2009 that Bella Vista's portion of the sales tax will most likely double, and that will further reduce the county's share by approximately \$3 million to \$4 million. He said that the 2011 budget will definitely see an impact.

4. Jail Collections

Richard McComas stated that the D.O.C has caught up on their payments, so they are close to the revised projection of \$1 million in collections.

5. Monthly Expenditures

Michele Anderson stated that the General Fund is at 74.74%, County Road is at 77%, and the overall budget is at 65%. She noted that Department 10, Judge Duncan is a little over because a bill for some furniture purchased in 2006 recently came in, and Emergency Services is over in Capital and Supplies, but the Wal-Mart donation will cover those expenses as soon as the ordinance is passed.

JP Summers noted that the Jail and Sheriff's Department are just about even on their personnel budgets, whereas they are normally quite a bit below budget. Richard McComas stated that is probably due to the amount of overtime incurred, and also because most of the positions are filled, which has not been the case in the past.

6. Fuel Analysis

Michele Anderson stated that the report shows fuel usage from January to September. She noted that County Road is showing the entire amount purchased, but \$6,200 has been billed

back to other departments. Assistant County Administrator Travis Harp explained that they try to purchase fuel when the tank is nearly empty, because the rate is cheaper for larger amounts. JP Summers stated that they may need as much as \$100,000 in additional appropriations at the end of the year to cover the Road Departments fuel costs.

7. 2008 Budget

Comptroller Richard McComas went over the history of the county's tax charges for the last 8 years and the expected tax charge for next year, and explained that this is what he uses to estimate tax revenue for next year. He said total taxes collected for County General totaled \$13,297,000 in 2006, and they are estimating \$14,995,686 for 2007.

He said they are estimating \$17,056,789 for 2008, but that could change before it goes to print next February. He said they are using the number that is actually collected, which is usually about \$2 million less than what is actually charged, due to exemptions and delinquent taxes that are never collected. He noted that the percentage of the tax charge that they have been able to collect has declined steadily over the past few years, and they are estimating 88% next year.

Richard McComas explained that the county keeps 100% of the millage collected from unincorporated areas, and 50% of what is collected in the cities, with the exception of Rogers, Siloam Springs, and Bentonville, where the county only gets 10% of what is collected. He said that leaves a total charge of approximately 33% of what is collected. He explained that the county is still involved in a lawsuit over the percentages in 2 of the 3 cities mentioned, and those taxes are being held in an escrow account which now totals a little over \$2 million. He said that Bella Vista will receive \$473,000 next year, further reducing revenue with no reduction in expenditures. He said he is projecting a 13% increase in County General, and a 4% increase in County Road. JP Summers noted that they have to supplement County Road from County General, or they would barely have enough money to pay for fuel.

Richard McComas went over the spreadsheet illustrating projected revenues for 2008 and adjustments that have been made. JP Summers stated that due to the sales tax situation, they will see almost no growth in revenue next year, and reminded the committee that they will see a significant decrease after the 2010 census. Richard McComas noted that the county has already received the turnback in excess funds from the state in the amount of \$292,000, and it is shown in the adjustments, along with the increase in the state turnback funds that the county receives each year. JP Hobbs asked for an explanation of the liquor tax fees. Richard McComas stated that they have been decreasing steadily and he would find out why and report back at the next committee meeting.

Richard McComas stated that they adjusted interest income downward in anticipation of spending some of the reserve. He said that if they do not spend any of the money, the interest will be more than they have projected.

The committee discussed permit fees in the Planning Department and the reduction in the number of permits issued. JP Stephenson asked if they are planning a reduction in personnel. Richard McComas stated that he is aware that it has been discussed in the past.

The committee went over County Road revenue. Richard McComas noted that the county received reimbursement from FEMA for ice storm damage which occurred early in 2007, and it is included in the \$126,000 in miscellaneous reimbursements.

Richard McComas stated that property tax relief increased because of the increased millage, but if a rollback occurs, they will lose \$400,000 for each tenth of a mill that the rate is rolled back. He said that County Clerk Mary Lou Slinkard has told him that she will not be able to compute that until the first of November, after the tax levy rates have been received from the cities.

Richard McComas presented the summary for 2008 Budget Requests, and stated that they will receive the line item requests at the next budget meeting. He explained that the budget is divided into four sections—Capital, Supplies, Other Supplies, and Personnel. He said that the personnel section does not include new positions requested, because no decision has been made on those yet. JP Summers noted that the budget contains an approximate 8% increase without any additional personnel. Richard McComas stated that two exceptions to that are the Election Commission, because there are at least 3 statewide elections next year, so they know they will be using additional personnel, and Quorum Court personnel costs were increased because of the increase in the number of meetings this year.

Richard McComas stated that the General Fund budget contains a 2.1%, or \$1 million increase from last year, and Other Funds increased \$570,000. He noted that they have met with the Elected Officials and Department heads, and have already made several cuts in budget requests. He noted the 2008 Capital Requests, and the Summary of loans that will be paid off next year, including the fiber optic project for Information Systems, CenCom upgrades, and the 2003 road grader purchase.

Richard McComas went over the 2007 Budget Recapitulation, and the anticipated 2008 Budget Recapitulation, and summarized by saying that as it stands right now, there are \$1.5 million more in budget requests than there is in expected 2008 revenue, and that does not include any additional personnel. JP Summers stated that they have always in the past tried to match the revenues to expenses. Richard McComas noted that the 2008 budget contains several large capital requests, including a new barracks for the Jail. JP Summers noted that if they build a new barracks, they will have to add personnel to staff it, and the Sheriff has already requested 9 new positions to meet current needs.

Richard McComas stated that at the next meeting, they will have line item requests for each department, and distributed packets of information from the Sheriff's Department with details of the proposed new barracks.

8. Other Business

Richard McComas stated that the deadline is Monday, October 8th for making a decision regarding the purchase of land on Highway 102 and JoAnn Road to relocate the Road Department. JP Stephenson stated that they do not have any information regarding the appraised value of the current site. Assistant County Administrator Travis Harp stated that they do not have the survey yet, and without it they cannot get the appraisal. He said that they have an offer in hand that he would not go into at this time, which they need to respond to. JP Summers stated that they need to decide whether they want to obligate the county to the purchase of this land. JP Stephenson asked the size and price of the property. Travis Harp stated that it is 20.06 acres, and the asking price is \$320,000. JP Wolf stated that she does not have enough information to make a decision. Travis Harp stated that they have already received an extension on the offer.

JP Summers stated that they were waiting on an appraisal and they do not have it, so they cannot make a decision. He said without that in hand, they do not know if they can sell the

present site for enough money to purchase the land and construct a building, and that was the objective he remembers. Travis Harp stated that they do not have an appraisal, but they do have an offer. JP Harrison asked when the appraisal will be ready. JP Harrison stated that if they get the appraisal in the next couple of days they could bring it to the Committee of Thirteen scheduled for Thursday night. JP Wolf stated that she cannot make an informed decision, so she would not vote for it right now. JP Winscott stated that since he is not on the Finance Committee he does not know very much about it, but as a member of the Quorum Court, he would have to have a lot more information. He said he did not know how he could vote for it until he has a long range plan in his hands, and has had time to digest it, and see what their needs are for the next 10 years. He said he is opposed to selling any land on Highway 102, because it is an ideal location to look at for expanding the county government facilities. He said after hearing last month that the sheriff's office transports 66 prisoners a month to the court system, he thinks they need to centralize their operations because that is a tremendous workload.

JP Moore stated that they will need to discuss it at the Committee of Thirteen meeting Thursday, October 4, and requested aerial photos of both the current Road Department facility and the proposed site. Travis Harp stated that he could provide those. He added that if any of them have not looked at the current Road Department facility, they need to go out there. JP Wolf stated that it is not a matter of whether the new facility is needed, it is a matter of not having the information that they need in order to make a decision. JP Stephenson said if something is to be submitted to the Court, then all of the facts and figures need to be there, and he will not vote for anything until they are. Travis Harp stated that he is tired of taking things to the committee and not having any action taken.

JP Summers stated that they will need to discuss the Legislative Audit Report at the October 9th Committee of Thirteen meeting. He said that if anyone has a question about a specific area, they should let Richard McComas know so that the Elected Official responsible can be available to answer questions.

Richard McComas stated that the Finance Committee will need to make some sort of recommendation regarding personnel at either the second or third Budget meeting. JP Summers stated that right now they do not have the dollars to do anything. Richard McComas stated that would depend on what they want to spend the money on, because they currently have \$5.3 million in reserves. JP Summers stated that they cannot spend more dollars than they have in revenue coming in. Richard McComas stated that legally, they can spend 90% of the reserves, plus the expected revenue, and they are required to keep \$4.3 million in reserve. JP Summers stated that if you spend more money than you have coming in, then someday there will not be anything left but the reserves, and when they lose that in 2011, how will they cover payroll. Richard McComas stated that he understood that was JP Summers' opinion, but that is not what the law says.

JP Summers announced that the next Finance Committee meeting will be Tuesday, October 9th at 2:30 p.m., a special Committee of Thirteen meeting will be held Thursday, October 4th at 6:00 p.m., and the regular Committee of Thirteen meeting will be Tuesday, October 9th, at 6:00 p.m.

JP Summers stated that there will be a public meeting tonight at 7:00 p.m. in Rogers concerning the relocating of the JDC to the St. Mary's hospital building.

After motion and second the meeting adjourned at 4:22 p.m.