URBAN COUNTY COUNCIL

BUDGET & FINANCE COMMITTEE SUMMARY

MARCH 25, 2008

Dr. Stevens chaired the committee meeting, calling it to order at 1:00 pm. All committee members were present.

I. General Fund Revenue Update FY 2008

Commissioner Koch stated the February numbers were a little better than they expected. She stated the good news is the year to date last year over year to date this year they are still seeing some increases. She stated the problem is that the increases aren't as strong as they need to be to make budget. Commissioner Koch stated they are still expecting revenue to be about $5 million short this year. She stated right now they think we will end the year in a positive situation.

CM Beard asked where we are compared to the state's budget.

Commissioner Koch stated they have been in contact with the state level people and they feel the slow down in revenue could last up to 18 months. She stated while we trend the state in that their revenue and ours has slowed down there are a lot of other factors in the state that we will never deal with because of the difference in the tax structure.

CM Beard asked if when speaking of slow down she is saying we aren't accelerating as fast as we thought we would have.

Commissioner Koch stated that is correct.

CM Beard stated it looks like we are accelerating. He stated anything ahead of last year would be accelerating.

Commissioner Koch stated if that is the definition then we are accelerating.

Dr. Stevens stated looking at the net profit tax graph that the biggest month for net profit tax is April. He stated we don't have that yet so do they think that will bring it up to the projected revenue for that category.

Commissioner Koch stated their projection overall is that everything is going to be slightly under budget and the totality of the under budget is about $5 million. She stated they met earlier in the week with the Finance Task Force and will be looking to them to help institute some additional models to be able to forecast revenue.

Dr. Stevens stated the Finance Task Force is examining the revenue sources of LFUCG at this time. He stated hopefully they will get around to looking at expenditures and try to correct the problem of the cycling revenue pattern.

Commissioner Koch stated that even if they had the sales tax option right now it would be slowed as well because it is at the state level.

CM Stinnett asked if we have bonded anything in the FY08 budget.

Commissioner Koch stated we have not yet.

CM Stinnett asked what is the total of the bond payments that we haven't paid.

Commissioner Koch stated they re appropriated some fund and used the debt service to be able to do the re appropriations. She stated she believed it was $1.7 million and there is still a few hundred thousand dollars left of debt services. She stated right now they hope to retain that in the budget and let it go to the bottom line to help put us in a positive position.

CM Stinnett asked if we are going to bond those items that we were supposed to bond with the FY09 budget now.

Commissioner Koch stated the debt service will be in the FY09 budget. She stated she is meeting with the financial advisors now and hope to get to market before the end of the fiscal year.

II. Presentation of 2008 Consolidated Plan

Paula King, Director of Community Development, gave a brief overview of the Consolidated Plan.

Dr. Stevens stated this will not be handled as a regular item in the budget because the budget will be presented on April 8th. The recommendations will be considered for first and second reading on April 10th and 24th because she has to report to HUD the middle of May which is before our budget will be finalized.

Ms. King stated that is correct.

Ms. King informed the committee of comments that were made at the public hearing last night from some agencies that were not funded. She stated they did move the deadline up so some applicants missed the deadline.

CM James asked how does council receive formally the input from the public hearing.

Ms. King stated they summarize the comments and put them in the final document. She stated if they would like to see them before then they can have them to the committee tomorrow.

CM James stated that would be helpful. She asked what is the purpose of the public hearing.

Ms. King stated it is a required policy and procedure to get the comments and include in the final document.

CM James stated it is her thought that they will hear from people who want to amend this and believe there should be some amendments. She asked if they have to have full committee or council discussion to amend or do they just present their suggested amendments to Ms. King for implementation.

Dr. Stevens stated they should hear from the groups that are present today so they will get some information today. He stated if the committee feels there are some changes they would like to make they can make that motion today and if it passes then carry it to full council for their consideration.

Ms. King gave a verbal summarization of comments made at the public hearing. She stated she will provide the committee with a hardcopy summary from the public hearing as well. Ms. King stated that if council makes a change to services remember they are limited to 15% so if they increase one fund they have to let her know which fund to reduce.

CM James asked if they talk to engineering and find out that Shawnee should be next can that be revised.

Ms. King stated they can include Shawnee in the final plan and not allocate a dollar amount.

CM James asked if the road projects could be done in a bond.

Ms. King stated sure.

CM James asked how they can utilize this money to do that.

Ms. King stated CDBG money can't be used to pay the bond debt.

CM James asked is there enough money to complete the road projects every year. She stated if the estimates they have are lower than the actual cost of the road projects we will never have within that year the money to complete that project.

Ms. King stated engineering has to negotiate and try to figure out how they get down to the amount they have.

CM James asked how she can expedite that to occur.

Ms. King stated for her to talk to engineering because they have to continue to move and accept the next bid.

CM James asked about the FY08 HUD Consolidated Plan under CDBG Housing Rehab Operations/Staff if that is all Community Development.

Ms. King stated it is for staff and costs that are associated with the rehab programs.

CM James asked for a stronger breakdown of that money.

CM Stinnett asked if there is a list of everyone who requested funding but didn't receive it.

Ms. King stated yes.

CM Stinnett asked Ms. King to provide the committee with that list.

CM McChord asked Ms. King to walk them through the process.

Ms. King explained the process to the committee.

CM Myers asked Ms. King to explain the 3% decrease of the funds.

Ms. King stated Congress' allegation of CDBG money decreases every year. She stated all Federal programs continue to decrease. She stated they haven't changed the formal allegation of the money yet.

CM Myers stated some Home Funds are used to rehab existing houses.

Ms. King stated he was correct.

CM Myers asked if there isn't a mechanism that says once housing stock improves the funding is decreased.

Ms. King stated not yet.

CM Myers asked about her vision of the commission interacting with Community Development now that they no longer make the recommendation on how to fund.

Ms. King stated the commission will meet with them because they still have to do the 5 year Consolidate Plan which will set the goals and objectives for the community. She stated the plan will be due in May 2010. She stated they are also working on a 10 year plan to end homelessness and will present it to the Housing and Support Commission for their review.

CM Myers asked if there is a timeline as to when they will begin their work and if they are going to just be reviewing what the other groups did or do they get to work on the plan as well.

Ms. King stated she doesn't look at it as a review. She stated they will get the group together and see how they want to participate.

CM Myers asked what was the process like this year when they decided how this funding would be spent relative to the Loudon project and things like that.

Ms. King stated she doesn't really know that it was any different. She stated they always come at the wrong time of the year. They come during budget season and everyone is busy thinking about the general fund budget. Ms. King stated they want to start working on how all this can be brought together and be looked at with the general fund dollars. She stated they can bond some of it and see where they can get the best bang for the money.

CM Myers stated that is a role the commission could play an integrate part in. He asked Ms. King to work with the appropriate people in the administration to come back after the budget cycle with an action plan on how the commission can be involved in the process early on.

Ms. King stated that is fine and asked CM Myers for any ideas he may have as to what he would like the commission to do.

CM Blevins asked about the $820K to engineering for them to oversee a project on Highland Park and Meadows Park. He stated if he understood Ms. King correctly their estimate to complete that project is $1.3 million.

Ms. King stated it is $1.150 million.

CM Blevins asked what happens to the $820K if they don't get the money to complete the project. He asked have they delegated their authority to engineering to spend it somewhere else or how does that work.

Ms. King stated it hasn't been delegated. She stated they tell them what they have available and they will have to determine what they can do with $820K on Highland Park Dr. so they can break the bid down. Or they can look at Shawnee which is next on the list and see how much they can get done there.

CM Blevins stated engineering has to make the tough decision.

Ms. King stated she can add Shawnee as an eligible street in the plan. She stated it doesn't increase the cost any.

CM Blevins stated he is a little uncomfortable giving decision making to engineering. He stated he hoped Ms. King would keep a close eye on this.

Ms. King stated she can't tell engineering how to decide what projects to do.

CM Blevins stated he thinks it is because if engineering doesn't find the money to do the project then settling for less should be Community Developments decision.

Ms. King stated the reason she says it isn't her decision is because they have to do it the way it is most feasible. She stated they have a plan as to how they are going to accomplish this in this area. Ms. King stated the decision for her was the next area they were doing was Meadows/Northland and Arlington that was the public's decision to do that next. She stated that her decision is that she can only give them a certain amount of money because she is limited on her dollars.

CM Blevins asked who has made the decision as to what is going to be done with the $820K or $1.15 million in the Highland/Meadows area.

Ms. King stated the Division of Engineering made that decision.

Major Ashcraft, Salvation Army, stated the proposed consolidated plan recommends that Salvation Army receive $12,688 in ESG funds and no CDBG funds. She stated last year they received $85K CDBG funds which was a one time only windfall because usually the funding is less. Major Ashcraft stated they can't understand going from funding $85K last year to nothing this year. She stated she was informed by phone they didn't receive any CDBG funding because they were late with their application. Major Ashcraft read a letter from Major Steve Ashcraft regarding the deadline being changed. Major Ashcraft asked the committee to allow their proposal to be considered for funding.

CM Blevins asked if the Salvation Army's application was considered in its entirety or was it rejected because it was late.

Ms. King stated it wasn't considered at all.

CM James asked about the letter from Major Steve Ashcraft where it stated a phone call was made and he was instructed to get his proposals in by Friday. She asked if that was with the assumption they would be considered.

Major Ashcraft stated they discovered they missed the deadline and made a phone call. She stated they were told to get them in by Friday and that they would be take upstairs. She stated at no time were they told they wouldn't be considered.

A motion by CM Lane to allocate $31,051 from CDBG Support Services to Salvation Army by reducing the allocations to other entities by 10%, seconded by CM Gorton, was amended by substitution. The substitute motion, by CM Myers, seconded by CM McChord, to send Salvation Army's proposal back to the administration for them to look at the application as if it had made the deadline and consider them for funding, passed without dissent.

CM Blevins asked what is exactly 15% of total services budget.

Ms. King stated 15% would be $344K but what happens when you get to 15% it puts them at risk of being over when they do the annual performance report. She stated they can take it approximately another $20K but anything else gets to close.

CM Blevins asked if any listed under supportive services are new programs that haven't been funded in previous years.

Ms. King stated those are listed at the bottom of the document.

CM Myers asked what happens to the buffer money if it is not needed and the money is sitting there.

Ms. King stated the buffer money is allocated somewhere else.

CM Myers asked if the money is already allocated then if they bump it up where are they taking the money from.

Ms. King stated they would have to tell her where to take it from. She stated last year they had an organization that didn't want to receive half of their requested amount so that left additional money on the table that the committee chose to give to Salvation Army. She stated the last eight years they have received as low as $30K and as much as $40K.

CM Blevins asked what was Salvation Army's actual request this year for CDBG funds.

Major Ashcraft stated it was $100K based on the additional people they are serving.

CM Blevins asked what was the ESG amount that was requested.

Major Ashcraft stated it was $20K.

CM Blevins asked how much ESG funding has Salvation Army received the last few years.

Ms. King stated around $12K.

CM Blevins asked about a friendly amendment to CM Lane's motion to move $10K from $820K infrastructure line and move it to support service to give Salvation Army approximately $40K.

CM Lane accepted the friendly amendment.

CM McChord stated two years ago they found out that Bluegrass ADD has some money for Salvation Army so there may be some other opportunities out there for them. He stated he has difficulty with the motion because there are other agencies coming behind Salvation Army to request funding also.

CM James stated she does support the 10% suggestion by CM Lane but is having difficulty with the increase from that because they need to hear from the others that are here to speak. CM James asked where the $820K infrastructure money is that CM Blevins is talking about.

CM Blevins stated it is in packet top of page 5 states: infrastructure: Meadows/Northland/Arlington.

CM James stated they were just talking about that was not enough money to complete the project. She stated that is not a good idea. She stated she is very supportive of Salvation Army.

CM Myers stated the real issue is that the Salvation Army didn't get its application in on time because they weren't notified the deadline had been moved up seven weeks. He stated as Chair of the Outside Agency Sub Committee they have worked hard with the administration to come up with a plan for allocating the money that doesn't destroy the process. He stated he is in favor of Salvation Army receiving money. CM Myers stated they need to send this back to the administration and let them make the recommendation based on the fact that Salvation Army didn't know the deadline was moved up.

CM Myers asked for a date certain that they will come back with a recommendation.

Commissioner Koch stated they will reconsider and what they have before them on April 8th will be their recommendation.

CM Stinnett asked how much Salvation Army received from Outside Agency pool last year.

Major Ashcraft stated $160K.

CM Lane asked what their annual budget is.

Major Ashcraft stated cash for the shelter is $1.2 million and another $700K that is in kind donations.

Yolanda Bradford, Executive Director of Road to Homeownership, stated her concerns of the process.

III. Update on Internal Audits

Bruce Sahli, Director of Internal Audit, went over the summaries of two internal audits that have been completed.

CM Gorton asked for clarification on the ambiguities in sick leave and vacation.

Mr. Sahli stated that Section 22-59 (1) ordinance and other ordinances that deal with sick leave and vacation should be looked at as a whole and establish what the exact intent is.

CM Gorton asked if the administration is going forward with the bank card.

Mr. Sahli stated he believes the administration is going forward with this.

CM Stinnett asked what prompted internal audit to look at accounting.

Mr. Sahli stated he had some communication with the Director of Accounting she stated they had become aware that journal vouchers may have been posted without approval.

CM Stinnett asked how many points of entries we have now.

Mr. Sahli stated he isn't for sure on that but he will get back to him with the number.

The meeting adjourned at 3:00 pm.