



## Tioga County Legislative Worksession Minutes March 22, 2018 – 10:00 a.m.

### Legislators Present:

Legislator Hollenbeck  
Legislator Huttleston  
Legislator Monell  
Legislator Roberts  
Chair/Legislator Sauerbrey  
Legislator Standinger  
Legislator Sullivan  
Legislator Weston

### Legislators Absent:

Legislator Mullen

### Guests:

Matt Freeze, Reporter, Morning Times

### Staff Present:

County Attorney Peter DeWind  
Legislative Clerk Maureen Dougherty  
Deputy Legislative Clerk Cathy Haskell  
Sheriff Gary Howard (*departed @ 10:47 a.m.*)  
Public Works Commissioner Gary Hammond (*departed @ 10:47 a.m.*)  
ED&P Director LeeAnn Tinney (*departed @ 10:47 a.m.*)  
Personnel Officer Bethany O'Rourke  
Chief Accountant/Budget Officer Rita Hollenbeck

### Call Meeting to Order –

Chair Sauerbrey called the meeting to order at 10:02 a.m.

## Car Servicing Chargebacks –

Per Chair Sauerbrey's request, Chief Accountant Hollenbeck explained how the topic of car servicing chargebacks arose, the purpose of expanding the current practice to include labor charges, and the process for such.

Historically, Ms. Hollenbeck reported vehicle maintenance chargebacks to internal County departments have only been for parts on the vehicles assigned to their respective Departments and not for labor costs incurred by the Public Works mechanics. However, Ms. Hollenbeck reported vehicle maintenance chargebacks to outside entities have included parts, as well as a low hourly labor rate.

Ms. Hollenbeck reported this topic arose as part of a discussion with Venesky & Company, contracted vendor responsible for preparing the County's annual Cost Allocation Plan. Ms. Hollenbeck reported Venesky & Company identified Personnel, Information Technology, Treasurer's Office, and Law Department as the County's centralized departments to cost allocate services provided to other departments for the County's Cost Allocation Rate for Countywide Services (A-87). Ms. Hollenbeck reported these centralized departments exist to serve other County departments. Ms. Hollenbeck reported the purpose of the Cost Allocation Plan is to maximize revenue for the County for the departments that can claim reimbursement. In the process of preparing this Plan, Ms. Hollenbeck reported Venesky & Company raised the question as to why the County is not cost-allocating centralized garage services to the Departments for the county fleet. Ms. Hollenbeck reported Public Works is not a department that exists solely for servicing other County departments so it cannot be included in the Cost Allocation Plan, therefore, Public Works should be doing direct chargebacks for the services provided to County departments. Ms. Hollenbeck reported Venesky & Company further indicated the methodology used needs to be the same for both internal and external entities. Ms. Hollenbeck reported the County should be enhancing or maximizing revenue for the County in any way possible.

In regards to the established labor rate, Ms. Hollenbeck reported the initial calculated labor rate only included the mechanics costs. After further discussion at the committee level, it was determined the current rate was extremely low in comparison to other servicing garages in the area. Upon further discussion with Venesky & Company, Ms. Hollenbeck reported it was determined the County should consider including a percentage of the Public Works building operational costs and overhead, as well as a percentage of the Public Works supervisory and administrative staff in calculating the labor rate. Based on inclusion of all three components: mechanics costs, administrative costs, and building/operational costs, Ms. Hollenbeck reported Venesky & Company established a new hourly labor rate in the range of \$76.00. Legislator Roberts and Public Works Commissioner Hammond reported they were under the assumption the labor rate was in the range of \$67.00 and not \$76.00. Ms. Hollenbeck will verify the labor rate established by Venesky & Company and email Legislators with a definitive rate.

Chair Sauerbrey inquired as to how this change in practice will affect the Departments. Ms. Hollenbeck explained the General Operating Fund and Road Machinery Fund are two different funds independent of each other on the books. Ms. Hollenbeck reported General Operating Fund does fund Road Machinery Fund to some degree, but only after the revenue is applied against the expenses. Ms. Hollenbeck reported vehicle chargebacks, regardless of whether it is for a County department in a different fund or to an outside entity, goes only against their fund so it offsets all their costs. In regards to General Operating Fund, Ms. Hollenbeck reported departments that have assigned County cars already have vehicle maintenance charges whether Public Works or an outside vendor is performing the work.

Historically, Ms. Hollenbeck reported the Sheriff's Office has been purchasing their own parts whereas Public Works purchases parts on behalf of the departments and doing direct chargebacks. Ms. Hollenbeck reported the new approach will now require Departments to incur labor charges, in addition to, parts purchases. This will directly affect departmental budgets that have assigned vehicles. Ms. Hollenbeck reported this is a wash in regards to what transpires internally with the County, but between different funds, it is not a wash. For instance, the Department's General Operating Fund will increase for the added expenses and the Road Machinery Fund will increase in revenue for the services charged back.

Mr. Hammond reported Public Works would need to spend the money initially and be reimbursed through the chargeback process; therefore, his budget will need to be increased to accommodate the upfront costs that will be offset by revenue intake during the chargeback process. Administratively, Mr. Hammond reported this change would now require the mechanics to track their hourly time and operate similar to a standard garage in order to invoice the labor rates, however, stated he doesn't foresee this as being an added burden to his Department.

ED&P Director Tinney reported her department maintains the vehicles for the County Office Building currently being utilized by nine different departments. Ms. Tinney reported she has no issue with continuing to manage and pay for vehicle maintenance providing the Legislature is agreeable to increasing her Department's annual budget to accommodate the additional expense.

Ms. Hollenbeck reported the County is not following the proper fiscal practice in that the County should be maximizing revenue for the County and allocating costs consistently both internally and externally. Ms. Hollenbeck reported the initial Legislative decision was to implement this new practice as of April 1, 2018 with the intent to notify Department Heads at the last Leaders Meeting of the implementation date and disclaimer of being held harmless for additional increases in their 2018 budgets and Mr. Hammond providing proper notification to the outside entities.

Legislator Roberts inquired as to whether there is any harm in delaying this decision until the next budget cycle, as it appears this will create departmental budget issues requiring additional work to request transfers of funds.

Legislator Sullivan reported the question at hand is whether the Legislature is interested in implementing this new accounting practice of charging back for both parts and labor costs.

Legislator Roberts reported the idea of shared services is not having one department or entity carrying more of a burden than another one. Currently, the County is carrying more of a burden by not charging back the labor costs at a fair rate.

Ms. Hollenbeck reported the State and Federal reimbursement is exclusive to DSS, however, currently they are only paying for parts, therefore, the reimbursements are only for parts. By charging for parts and labor services, the County would receive additional reimbursement.

Mr. Hammond reported the Department of Public Works is undercharging for our services at this time.

Legislator Roberts reported there is no profit to the County, as we are just covering our costs.

Legislator Sullivan reported pursuing this new accounting practice with the outside entities will allow the County to recover more costs, as well as increased reimbursement for DSS. However,

the Legislature will need to continue to approve increased budgets to accommodate those Departments with an assigned fleet.

Chair Sauerbrey reported implementing this new accounting practice this year would provide the Legislature with a better sense of increased costs for next year's budget.

Ms. Tinney reported the Legislative trend has been zero based budgets, therefore, inquired as to whether there will be a negative impact for requesting additional budgeted funds to accommodate the increased vehicle expenses. Legislator Sullivan reported if the Legislature agrees to pursue changing our current practice for vehicle maintenance chargebacks then budget increases will need to be taken into consideration for those Departments that have an assigned County fleet.

Sheriff Howard reported his budget would increase \$40,000 with the newly proposed implementation.

Legislator Sullivan requested clarification regarding Road Machinery Fund versus General Operating Fund. Ms. Hollenbeck reported it is an expense to the General Operating Fund for the parts charged back and a revenue to the Road Machinery Fund for the labor rates. Normally, the Road Machinery Fund would not be reflecting any revenue with the exception of the labor and parts billed to outside entities. The only other avenue for revenue for Public Works is occasional scrap and/or auction sale. Ms. Hollenbeck reported the Road Machinery Fund expenses are offset by revenue and the General Operating Fund will have a slight increase in their repair line, as Departments are already paying for parts in their budget lines.

Legislator Weston inquired as to how the \$76.00 hourly rate was calculated. Ms. Hollenbeck reported blended rate of mechanics hourly rate, administrative rate (percentage of 2 supervisors and 2 clerical staff salary and fringe), and operational cost (percentage of building operational costs).

Legislator Roberts reported this is basic overhead costs without profit; therefore, the established rate is fair.

Chair Sauerbrey reported she spoke with Gary Grant regarding the DSS claiming rate of 50% in relationship to actual dollars. Chair Sauerbrey reported, according to Mr. Grant, this equates to approximately \$3,000 annually. Mr. Hammond reported, based on 2016 and 2017 actual costs to DSS, the amount was approximately \$6,600; therefore, the 50% claiming rate is \$3,300 per year. Mr. Hammond reported these numbers are relatively low, as they have a newer fleet.

Chair Sauerbrey reported the primary purpose of implementing this change is to ensure billing is equal for both internal and external entities, as well as enhancing and maximizing County dollars. Chair Sauerbrey reported the Sheriff's budget is going to increase \$40,000 and they are not eligible for claiming reimbursement, therefore, resulting in increased budget and costs.

Ms. Hollenbeck reported we have external entities that are contributing to the revenue in the Road Machinery Fund, as well as internal entities. The General Operating Fund will continue to be an expense regardless of whether the work is performed in-house with Public Works mechanics or another outside vendor garage.

Legislator Weston recommended tabling this discussion until the next budget cycle to allow ample time to better understand how this will work. In addition, the extra time will allow each Department to review how this is going to affect their budgets in real dollars.

Legislator Sullivan inquired as to how much of the Road Machinery Fund currently supports this operation. Ms. Hollenbeck reported 20% supported through use of their own revenue from vehicle auctions and smaller revenue intake from outside entities with the remaining 80% supported by the General Operating Fund through inter-fund transfer. Going forward, Legislator Sullivan inquired as to whether the inter-fund transfer from the General Operating Fund to the Road Machinery Fund will be less and will offset the expenses for a total wash. Ms. Hollenbeck concurred this is correct for internal charges. Legislator Sullivan inquired as to how this affects county taxpayers and whether it requires increasing taxes. Ms. Hollenbeck reported this does not require additional tax increases to our citizens.

Mr. Hammond reported the only entities that are going to be negatively impacted by this is the external entities that utilize the Public Works garage for services such as the law enforcement agencies and Soil & Water, as they will now be paying more for the services rendered.

Legislator Monell reported the external entities are affecting the County, as they are getting more of a benefit with the undercharging of the County services. Mr. Hammond concurred this was correct.

Legislator Weston inquired as to whether notification has been given to the outside entities regarding this proposed change and whether there has been any indication they will or will not continue to do business with Public Works for vehicle maintenance.

Mr. Hammond reported the outside entities have not been notified at this time, with the exception of larger entities such as Soil & Water, Owego Police Department and Waverly Police Department. Mr. Hammond reported he has received positive feedback from these entities that they would continue to utilize County services at the increased rate, as the increased rate is still lower than using an outside vendor due to zero profit margin. In addition, the parts costs are less, as there are no markups like using another garage. In regards to the implementation date, Mr. Hammond requested May 1<sup>st</sup> instead of April 1<sup>st</sup> to allow ample time for proper notification to all outside agencies providing the Legislature is in favor of changing the County's current practice. Mr. Hammond reported internal departments are aware of this potential change.

Chair Sauerbrey inquired as to whether there is Legislature support to change our current practice and follow Venesky & Company's recommendation to begin cost allocation of parts and labor to both internal and external entities for the purpose of maximizing or enhancing County revenue.

On a straw poll vote, Legislators Monell, Roberts, Standinger, Huttleston, Hollenbeck, Sullivan, and Sauerbrey were in support of changing the current practice and proceeding with Venesky & Company's recommendation with Legislator Weston abstaining and Legislator Mullen being absent.

Chair Sauerbrey inquired as to whether there is Legislature support to establish May 1, 2018 as the implementation date.

On a straw poll vote, Legislators Monell, Weston, Roberts, Standinger, Huttleston, Hollenbeck, Sullivan, and Sauerbrey were in favor of establishing May 1, 2018 as the implementation date for vehicle maintenance chargebacks for both parts and labor to all entities and holding departments harmless for their current and future budgetary increases to accommodate these additional charges with Legislator Mullen being absent.

Legislator Sullivan inquired as to who is responsible for re-validating the hourly labor rate on an annual basis. Ms. Hollenbeck reported Venesky & Company established this year's rate, however, is not going to continue providing in-kind services for rate calculations. Ms. Hollenbeck reported she would be responsible for re-validating the annual rate with the assistance of Mr. Hammond providing Public Works operational and administrative cost information.

Chair Sauerbrey identified the following responsibilities and next steps:

1. Mr. Hammond will give proper notification to the outside entities regarding the newly established labor rate for all vehicle maintenance services effective May 1, 2018.
2. Chair Sauerbrey, with the assistance of Mr. Hammond and Ms. Hollenbeck, will draft an email to the Directors regarding the Legislature's decision to change the current vehicle maintenance chargeback process effective May 1, 2018 to include labor charges and holding departments harmless for their current and future budgets to accommodate the increased expenses.
3. Ms. Hollenbeck will verify the established hourly labor rate and email Legislators.
4. Mr. Hammond will continue to calculate what each Department is accountable for from an hourly standpoint.
5. Ms. Hollenbeck, with the assistance of Mr. Hammond providing necessary information, will be responsible for annually re-validating the hourly labor rate.

### **Approval of Worksession Minutes – March 8, 2018:**

Legislator Monell motioned to approve the March 8, 2018 Legislative Worksession minutes as written, seconded by Legislator Hollenbeck with Legislators Hollenbeck, Huttleston, Monell, Roberts, Sauerbrey, Standinger, Sullivan and Weston voting yes with Legislator Mullen being absent. Motion carried.

### **Action Items:**

There are currently no action items at this time.

### **Other:**

→ **Outside Agencies Annual Reports –** Chair Sauerbrey reported every year the Legislature requests all outside supported agencies to provide ten (10) copies of their annual reports, which includes their financial statements for the Legislative Clerk and each Legislator. Chair Sauerbrey proposed changing this request to one (1) annual report shared amongst the Legislators with the copy residing with the Legislative Clerk to be microfilmed and filed. Legislators were in agreement with this proposal. Legislative Clerk Dougherty offered to scan and email the annual reports to the Legislators.

Starting in 2019, Ms. Dougherty will request one (1) copy of the outside supported agencies annual reports to be scanned and emailed to the Legislators.

→ **Energy Tax Exemption –** Ms. Dougherty reported she previously emailed the Executive State 2018-2019 Budget County Impact Summary to all Legislators. Ms. Dougherty reported there is a section in this document that addresses the elimination of energy services company sales tax exemption. Ms. Dougherty reported the following statement raised some concern to her so she spoke with Treasurer McFadden and County Attorney DeWind for further investigation:

*For counties that apply a local sales tax on residential energy, repealing the exemption is expected to increase local sales tax collection by \$38 million in 2019 and \$76 million in 2020.*

Ms. Dougherty reported our current resolution for local sales tax includes residential energy sources and services shall be subject to the taxes imposed by this enactment at the rate of 3%, but exempt from additional taxes imposed at the rate of 1%. Based on this information, Ms. Dougherty inquired if this proposal passes, as part of the State Budget is it mandatory for the County to update our local law, which would most likely behoove us to do so if it results in an increase in sales tax. Ms. Dougherty reported the Senate has rejected this proposal, but the Assembly is in favor.

Legislator Roberts inquired as to what type of energy is included and Ms. Dougherty referenced heating oil.

Ms. Hollenbeck reported the County charges 3% and heating oil is exempt from the 1% whereas everything else in the County is at 4%. Based on this information, Ms. Hollenbeck reported it is her understanding that 3% in residential consumed energy costs are exempt from the 1% and the State is suggesting to increase this across the board to 4%, which increases sales tax revenue for counties and towns.

Legislator Sullivan reported it is important to determine whether we are mandated to change this to 4% or if we can elect to stay at 3%.

Chair Sauerbrey reported this is just a proposal so it is just a point of interest and awareness at this time.

Mr. DeWind reported the sales tax exemption is for gas and electric service associated with purchases from an energy service company (ESCO). Mr. DeWind reported the State provided a tax break incentive years ago to assist developing third party energy suppliers for electrical and gas and this proposal addresses the incentive is no longer necessary as the ESCO market is vibrant. Mr. DeWind reported this topic is on his calendar to revisit in June. In the event this proposal is passed as part of the State Budget, the County will need to re-visit our local law to ensure it complies with State law. Mr. DeWind reported usually when the State budget is passed NYSAC distributes highlights and requirements for local counties.

The Legislature determined further discussion on this proposal would transpire in the Finance/Legal Committee meetings with Treasurer McFadden and County Attorney DeWind.

### **Executive Session -**

Motion by Chair Sauerbrey, seconded by Legislator Sullivan to move into Executive Session to discuss an individual personnel matter. Motion carried to go into Executive Session at 11:01 a.m. County Attorney DeWind and Personnel Officer O'Rourke remained in attendance. Executive Session adjourned at 11:10 a.m.

Meeting adjourned at 11:10 a.m.

Next worksession is scheduled for Thursday, April 5, 2018 at 1:00 p.m.

Respectfully submitted by,  
Cathy Haskell, Deputy Legislative Clerk