STAFFORD
Virginia

Finance, Audit & Budget Committee
Meeting Agenda

December 13, 2016 – 12:00 Noon
Conference Room A/B/C - Second Floor

Committee Members: Chairman Jack Cavalier, Wendy Maurer and Bob Thomas

	Agenda Item
1.	Monthly Report Director Human Resources Shannon Wagner
2.	FY2016 Year-end Results ▪ Auditors report ▪ R-Board Financial update

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STAFFORD Virginia

Memorandum

Human Resources

To:	Finance, Audit and Budget Committee
From:	Shannon Wagner Director Human Resources
Subject:	Human Resources Update
Date:	December 13, 2016
CC:	C. Douglas Barnes

Proposed Changes to the County's Holiday Policy

A subgroup of the Leadership Team has been and continues to review the County's leave policy. As we discussed at the Finance, Audit, and Budget committee meeting on November 22, 2016, we would like to request the Committee move forward with consideration for a change to our holiday pay policy to address when a holiday falls on a weekend. If you are inclined to support this recommendation, we would be able to implement it prior to the Christmas and New Year holidays which are both on a weekend. All other leave policy recommendations and edits will be brought to the Board when the subgroup has finalized the proposed changes.

The County's policy currently stipulates that a holiday which falls on a Saturday will be observed on the previous Friday and a holiday that falls on a Sunday will be observed on the following Monday. Employees who work the County's *observed* holiday receive pay and premium pay (1/2 of the employee's hourly rate) for hours worked on that day in addition to 8 hours of holiday pay which is paid to all full-time employees. Our current policy does not provide premium pay to employees who work on the actual holiday when the holiday falls on the weekend.

We would like to recommend that employees who work the actual holiday and are away from their families receive recognition in the form of premium pay for those hours worked.

<u>Option One: Cost Neutral</u>

Option one for implementation would be to provide premium pay to those employees working on the actual holiday but not to employees who work the observed holiday. This option is cost neutral because we would simply be shifting the premium pay from one day to another. All employees would continue to receive pay for hours worked plus 8 hours of holiday pay. The additional 8 hours of holiday pay may also provide the employee with overtime pay, depending on that employee's work schedule and FLSA status.

<u>Option Two:</u>

Option two would provide premium pay for employees working *both* the actual holiday and the County's observed holiday. This additional premium pay will cost the County approximately $35,000 - $40,000 for each holiday that falls on a weekend.

In FY2017, two holidays fall on a weekend and would result in an approximate cost of $80,000.

In FY2018, one holiday will fall on a weekend and would result in an approximate cost of $40,000.

FLSA Audit – Exempt and Nonexempt

A federal judge has issued a preliminary injunction against the Department of Labor's (DOL) proposed changes to the Fair Labor Standards Act (FLSA) scheduled to take effect on December 1, 2016. The courts will work to decide whether the DOL has the authority to issue the proposed changes or whether it would need to pass through Congress.

Although the changes regarding exempt employee compensation is on hold, the FLSA audit continues to be important to enhance the County's defensibility regarding position classifications. I intend to put this project on hold for 90 days to get a better idea of how changes to the FLSA, if any, could impact the project. To my knowledge, this type of audit has not been done in Stafford; therefore, a third-party review of the positions most likely to be at risk for misclassification is a worthwhile endeavor.

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STAFFORD COUNTY ADMINISTRATION
MEMORANDUM

To: Finance, Audit and Budget Committee

From: Keith C. Dayton
Deputy County Administrator

From: Maria Perrotte
Chief Financial Officer

Subject: **R-Board FY2016 Audit**

Date: December 8, 2016

This memorandum is provided to be responsive to the Board's request for continuing information related to the Rappahannock Regional Landfill, and offers a summary of the results of the recently completed FY2016 audit.

The Rappahannock Regional Landfill (Landfill) is operated by joint agreement between Stafford County (County) and the City of Fredericksburg (City). General management oversight is provided by the Rappahannock Regional Solid Waste Management Board (R-Board), with support for financial, personnel, and other matters provided by Stafford County. One of the functions supported by the County is the annual audit, completed concurrently with the County's audit. The FY2016 R-Board audit is nearly complete, and should be available next Tuesday. Staff does not expect the preliminary numbers reported herein to differ from the final version. The audit was prepared by RSM, LLP concurrently with the County audit. Key findings are summarized below.

<u>Operating Results (less closure/post closure, depreciation, etc.)</u>
Operating revenues increased in FY2016, largely due to the implementation of flow control requirements effective May 1, 2016, whereby commercial solid waste companies were required to dispose of solid waste from the City and County at the Landfill. While the ordinance became effective on May 1st, the two largest commercial service providers began compliance immediately after passage of the ordinance in November. This, combined with a full year of revenue generated from resident disposal fees, resulted in the operating surplus shown in the chart below.

	Budgeted	Actual	Difference
Revenues	$ 6,014,675	$ 5,468,625	($ 546,050)
Expenditures	$ 6,014,675	$ 3,465,781	<u>$2,548,894</u>
Net Results			**$2,002,844**

The Board is reminded that $1,067,000 of the revenues included in the budget was planned for withdrawal from the reserve fund. With the increase in commercial revenues, <u>no</u> draw from reserves was required in FY2016.

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The operating performance shown above excludes the effect of calculated depreciation ($671,834) and increases in closure/post closure liabilities ($1,363,911), OPEB ($123,516), and the net pension liability ($54,799) on the overall financial performance for FY2016.

The audit reports that operating expenses in FY2016 were within $10,000 of FY2015 results.

Reserve Fund
The R-Board has nearly $7.4 million in deposits and investments, up from $6.5 million reported in FY2015.

Summary of Net Position
The audit noted an increase in Total Net Position of $3,822,237, to $8,115,243 million as a result of completion of Cell F2. However, when combined with the increase in liabilities from depreciation, closure/post closure, pensions and OPEB, there is a reported decline in the Unrestricted Net Position of over $650k million, to ($3,324,717). This value factors all possible current and future obligations of the R-Board into the analysis. A summary of the factors influencing the Unrestricted Net Position is provided below.

FY2016 Activity		
Depreciation	$	(671,843)
Closure/Post Closure	$	(1,363,911)
GASB68	$	(54,799)
Operation Results	$	1,304,010
Other Results	$	136,157
FY2016 Sub-total	$	(650,386)
FY2015 Unrestricted Net Position	$	(2,674,331)
FY2016 Unrestricted Net Position	**$**	**(3,324,717)**

The FY2016 audit accurately reflects the current financial status of the R-Board. Recent actions by the R-Board, Board of Supervisors, and City Council to construct Cell F-2, support resident user fees and the flow control ordinance should result in a continuation of the improved financial outlook in FY2017. The auditors reported revenue of nearly $620,000 from resident fees in FY2016, and staff estimates the revenue increase from flow control at over $900,000. Cell F2 is expected to provide solid waste disposal capacity, and the resultant revenue, for another five years or more, allowing the replenishment of reserves in advance of the capital cost for construction of another cell.

KCD:kd