

CUMBERLAND COUNTY BOARD OF COMMISSIONERS
August 20, 2007, 4:00 PM
SPECIAL MEETING

PRESENT: Chairman Kenneth Edge
Commissioner Jeannette Council
Commissioner John T. Henley, Jr.
Commissioner Billy King
Commissioner Ed Melvin
Commissioner Diane Wheatley
James Martin, County Manager
Juanita Pilgrim, Deputy County Manager
Cliff Spiller, Asst. County Manager
Amy Cannon, Asst. County Manager
Sara VanderClute, PIO
Grainger Barrett, County Attorney
Howard Abner, Assistant Director of Finance
Todd Hathaway, Accountant II
Kelly Autry, Accountant I
Tim Holverson, CCBC
Bill Scarlett, Department of Social Services Director
Shirley Harris, Department of Social Services
Marie Colgan, Deputy Clerk

Chairman Edge called the meeting to order at 4:05 p.m. Commissioner King arrived at 4:50 p.m.

County Manager Martin distributed and reviewed the proposed agenda stating that Amy Cannon would give a briefing on the effects of the Medicaid Swap and how it affects Cumberland County.

I. Review of Financial Implications of the Medicaid Swap

Ms. Cannon provided a power point presentation stating that numerous hours had been spent trying to understand the complexity of the Medicaid Swap and that she will be showing how the State's projections differ from Cumberland County's projections. The differences relate mainly to different assumptions about projected growth rates for the Medicaid program and for sales tax revenues, change in distribution of sales tax basis, and timing of recognition of revenue. In FY 08, however, an additional factor is that the County did not budget the full projected Medicaid expense estimated by the state; instead, it designated but did not appropriate a \$1.5 million reserve from "one time" moneys. She explained that the State computes sales tax on a cash basis and the County uses an accrual based accounting which results in a difference. Mrs. Cannon advised that the State is beginning to analyze these differences specific to each of the 100 counties and that it will develop a formal system to track Medicaid expenditures and sales tax. The basis for calculating the \$500,000 hold harmless savings inserted into the legislation is also unknown at this time. Ms. Cannon advised that the Medicaid Swap will be a positive for Cumberland County as the rate of Medicaid growth exceeds

the rate of sales tax growth; however she cautioned members to keep in mind that the future year projections of Medicaid Swap savings is very risky due to the following: actual Medicaid expenditures, actual sales tax growth, impact of point-of-delivery versus per capita, and State cash basis accounting versus county modified accrual basis. Mrs. Cannon referred members to the Medicaid Swap Summary sheet listing the State and County projections for FY 2008 through FY 2012 as the State phases in assumption of the Medicaid program. The State projects a savings over a five year period of \$8,434,140 and the County projects the savings at \$4,235,039 which is based on historical data. Mrs. Cannon discussed each year separately and answered questions regarding calculations.

II. Review of County Debt Service and Operating Projections

Mrs. Cannon referred members to the Summary of Capital Projects Under Consideration handout and reviewed the various projects which had previously been presented and considered by the Commissioners. An additional item was listed for renovations to the Arena and Theatre of \$5,000,000 on a “pay as you go” basis. Commissioner King suggested that dollars for sewer projects should be considered in the future.

III. Discussion of Referendum for New Revenue Options

Mrs. Cannon referred members to the Estimated Additional County Revenue Authority handout advising that the estimated revenue gain for Cumberland County based on the quarter cent sales tax which has been presented as an option for the Medicaid Swap would be \$8,141,461 and that a .4% land transfer fee would be \$5,911,688. Mrs. Cannon advised members that if a new sales tax referendum is passed, it could be enacted the first day of any calendar quarter with a 60 day notice to the NC Department of Revenue. Discussion ensued regarding placing the quarter cent sales tax on the next ballot (November, 2007). Members were advised that if this item is not decided upon at this meeting that the September 4th meeting would be the last opportunity for approval to ensure the quarter cent sales tax referendum gets on the November ballot. Commissioner Melvin stated that he would be in favor of putting the quarter cent sales tax on the next ballot, but with a reduction in property taxes. Commissioner King stated that he was concerned about the General Assembly reaction to reducing taxes and thought it was premature to discuss a property tax decrease at this time, but would be willing to talk about it at a later time. Commissioner Edge voiced his concern about decreasing property taxes next year that may result in cutting services later if funds are not available to meet commitments already made. County Attorney Barrett reminded members that September 4th would be the latest date a decision could be made on the referendum and reported to the State Board of Elections, and to submit a 60-day pre-clearance notice to the Federal Department of Justice, which tightens the timeline for the referendum.

A short break was taken at this time.

Generally, commissioners were agreed that a new Health department Building, a new western area library, and additional school facilities were their top priorities for use of additional revenues for capital projects. Additional discussion ensued whether the

Board should commit to a two cent reduction in the property tax rate for the FY 09 budget.

MOTION: Commissioner King moved to place the decision on the quarter cent sales tax Referendum on the September 4th Board of Commissioners' agenda.

SECOND: Commissioner Council

VOTE: Voting in favor of the motion were Commissioner King and Commissioner Council. Opposed to the motion were Commissioner Edge, Commissioner Henley, Commissioner Melvin and Commissioner Wheatley

Discussion continued regarding an agreement of the wording of a resolution for the referendum in order to bring it before the 6:45 pm regular meeting following this special meeting.

MOTION: Commissioner Henley moved to include in the resolution that we as a body agree that the Cumberland County Board of Commissioners resolves to reduce the property tax rate by 2 cents in the '08 – '09 budget and in addition the remaining revenue from the quarter cent sales tax will be used to pay the debt service on the Western Branch Library, the Health Department and additional schools, provided that reserves are sufficient to fund the capital needs of the budget and the recurring operational budget.

SECOND: Commissioner Melvin

No vote taken as it was agreed to vote at the 6:45 p.m. regular meeting to place this item on the agenda in order for further discussion to be held with Commissioner Blackwell in attendance before taking action.

IV. Review of Unfunded County Budget Requests – no discussion

V. Other Items of Discussion – no discussion

Meeting adjourned at 6:35 pm