

CUMBERLAND COUNTY BOARD OF COMMISSIONERS
APRIL 18, 2011– 3:30 PM
COURTHOUSE - 117 DICK STREET - ROOM 564
SPECIAL MEETING FOR FY 2011-2012 BUDGET PLANNING

PRESENT:

- Commissioner Kenneth Edge, Chairman
- Commissioner Marshall Faircloth, Vice-Chairman
- Commissioner Billy King
- Commissioner Jeannette Council
- Commissioner Ed Melvin
- Commissioner Charles Evans
- Commissioner Jimmy Keefe
- James Martin, County Manager
- Amy Cannon, Deputy County Manager
- James Lawson, Assistant County Manager
- Rick Moorefield, County Attorney
- Sally Shutt, Communications and Strategic Initiatives Manager
- Howard Abner, Assistant Finance Director
- Kelly Autry, Finance Department
- Marie Colgan, Clerk to the Board
- Candice White, Deputy Clerk to the Board

Chairman Edge called the special meeting to order and stated the purpose of the meeting was to receive a financial report, not a proposed budget. James Martin, County Manager, called on Deputy County Manager Amy Cannon to provide a preliminary look at the FY 2012 requested budget.

Ms. Cannon explained there are three steps to the budget process: the requested, the recommended, and the adopted. Ms. Cannon stated her report during the meeting would only include the requested step of the budget process. Ms. Cannon further stated the hope is to move to the recommended phase in the next five to ten days and, if the proposed budget schedule is approved during the evening meeting, to present the county manager's recommended budget on May 31st and then to move on to the adoption phase.

Ms. Cannon reported the 2011 projected year-end results as follows and stated the expectation is for a \$9.9 million deficient at year end, \$9.4 million of which is a planned-use balance.

- Results of FY2011 operations- expect to have a deficit in the range of \$500,000 (changes weekly; best projection as of April 18, 2011)
- One-time expenditures \$9.4 million
 - Hope VI
 - Transfer Detention Center expansion

- FY2011 adopted one-time expenditures
- FY2010 encumbrances and re-budgeted grants

Ms. Cannon then reviewed the 2012 preliminary expenditure budget as follows:

- Base or “target” budget \$281,905,401
 - Fully funds all current authorized positions
 - Operating at FY2011 levels
 - No reductions in service levels
 - County schools and FTCC budgeted at FY2011 adopted amount
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Ms. Cannon stated based on an earlier meeting with the FTCC Board of Trustees, the requested budget will need to be revised an additional \$320,000 in operating funds for a classroom scheduled to come online this year. Ms. Cannon reminded the Board that the numbers in the preliminary/requested budget are very fluid.

Ms. Cannon stated the Board of Education is not required to submit their budget to the county until May 15, 2011 and the current year budget amount was plugged in as a placeholder.

Ms. Cannon explained departments are allowed to make supplemental budget requests for amounts that can not be met within the target budget. Ms. Cannon reviewed the figures below and stated approximately fifty percent of the \$1.4 million for foster and childcare is offset by federal or state revenue. Ms. Cannon also explained Social Services is seeing an increase in the number of children who need to be placed in foster care, and placement “in county” or “out of county”, as well the funding source under which a child is classified, affects the cost of the service. Ms. Cannon then explained how the FTCC capital figure was derived and stated FTCC’s needs as expressed during an earlier meeting were over \$3.5 million. Ms. Cannon stated FTCC does not have the luxury of waiting and it may be possible to finance the \$3.5 million in a five to seven year period and divert some of the capital money back to the debt service and interest.

- Departmental supplemental recurring requests \$3,726,852
 - Fuel \$326,969
 - Contracted Services \$399,560
 - Foster & childcare \$1,431,630
 - FTCC capital \$945,000
- Departmental supplemental new positions \$331,622
 - 5 – Health Department
 - 3 - DSS
 - 1 - Sheriff
 - 1 – Finance
- Departmental supplemental one-time requests \$1,946,608
 - Furniture & equip \$213,277

- Municipal elections \$224,989
- Vehicles \$526,739
- Other capital \$454,783

Ms. Cannon then reviewed the 2012 preliminary revenue budget as follows:

- Ad valorem taxes \$157,701,138 (will continually be updated)
 - Increase \$2,311,319
 - Tax rate 74.0 cents
 - 0.6 cents to Detention Facility expansion
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Ms. Cannon spoke briefly to complications involved with sales tax projections.

- Sales taxes \$34,833,928
 - Increase \$250,632
 - Based on 2010 census, the County's population in comparison to the State declined 0.20%
 - Within the County, the total population of the County in comparison with the municipalities increased 0.71%
- Intergovernmental \$60,221,371
 - Increase \$1,205,496
 - Sales tax hold harmless \$5,795,707
 - Ft Bragg census effects -\$561,072
- Licenses & permits \$2,082,009
 - Decrease -\$326,992
- Sales & services \$8,904,890 (total fees generated by county departments)
 - Increase \$1,099,323
- Miscellaneous \$4,638,944
 - Increase \$83,465
 - Interest income \$163,870
 - CFVH \$3,451,897

Ms. Cannon then reviewed the 2012 preliminary fund balance amounts that are assigned/reserved as of the end of the fiscal year:

- Tax software \$1,175,000
- Former Health Dept renovations \$3,882,892
- Detention Center expansion \$2,391,868
- Renovations & maintenance \$2,258,117

Ms. Cannon explained revenues and expenditures will be tracked for the following funds so the fund balance can be segregated or assigned.

- Economic development incentive \$2,392,949
- W&S industrial expansion \$4,825,275
- Property revaluation \$439,884

Ms. Cannon then reviewed the following item as it relates to the 2012 preliminary or requested budget:

- Health insurance
 - \$500,000 budget deficit to fully fund claims
 - Employee pharmacy program
 - Expected savings \$500,000

Ms. Cannon reviewed revenues and expenditures associated with the preliminary or requested FY 2012 budget and stated the deficit assumes all supplemental requests will be funded, although she can not recall a year in which all supplemental requests were funded. Ms. Cannon explained another piece that relates to the deficit is that it does not include the fund balance projection that will be incorporated into the upcoming year's budget. Ms. Cannon further explained the deficit does not reflect the effect of the State budget and other things that have to be factored into the deficit figure.

- No Crown Center transfer \$ 683,000
 - Total expenditure budget \$287,910,483
 - Total revenue budget \$281,814,823
 - Deficit \$ 6,095,660
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- Budget includes 100% of department requests
 - Staff in the process of reviewing all supplemental requests
 - Tangible effects of State budget still unknown
 - Available fund balance has not been allocated

Ms. Cannon stated the Detention Center expansion is another item to consider even though it does not affect the FY 2012 budget. Ms. Cannon further stated the Sheriff's Office has indicated eighty-four additional personnel will be needed for the new 316 beds at a recurring cost of \$3.7 million and operating costs will be \$900,000. Ms. Cannon also stated as the county moves forward with its 2012, 2013 and 2014 budgets, thought needs to be given to the increased operating costs for the Detention Center.

Ms. Cannon stated the Facilities Committee at its April 7, 2011 meeting recommended moving forward with the \$15.2 million Detention Center expansion project. Ms. Cannon further stated during the committee meeting staff reported their recommendation was to use the \$2.3 million from the prior year's audit, use dedicated tax of \$1.2 million, use the \$1.8 million transfer from the Health Department, and use the \$3.8 million set aside for renovation of the former Health Department building; this would leave the county \$1.9 million short of the \$15.2 million. Ms. Cannon stated this would keep the county from having to issue debt

for the Detention Center expansion because the \$1.9 million could be obtained from other sources.

Mr. Martin, Ms. Cannon and Howard Abner, Assistant Finance Director, responded to questions. Comments and discussion followed.

Commissioner Keefe asked whether the county was in a position to make any additional capital improvements within the next couple of years. Ms. Cannon responded if the \$3.8 million set aside for renovation of the former Health Department building is used, and if the county does not have to issue any debt, the Detention Center project will deplete the county's reserves. Ms. Cannon stated the next challenge will be to fund the operation of the Detention Center. Ms. Cannon further stated the county's next capital project should probably not be on the horizon for about ten years or so. Ms. Cannon advised by that time, debt principal payments will have been reduced by about 75% or \$15 million and reserves will hopefully have been rebuilt so that the county could possibly cash flow a portion of another project.

Commissioner Faircloth asked whether county departments had been asked to cut back their budgets. Ms. Cannon responded departments were asked to build their 2012 budgets based on their 2011 budgets and then put in their supplemental requests. Mr. Martin stated departments were also asked to identify both a 5% and a 10% reduction to their budgets although these reductions were not requested in writing.

In response to a question from Commissioner Keefe, Mr. Lawson stated the general direction given to departments was not to consider any new reclassifications, although there may be a need to consider a few. Additional questions followed.

There being no further business, the meeting adjourned at 4:45 p.m.

Approved with/without revision:

Respectfully submitted,

Candice H. White
Deputy Clerk to the Board