

CUMBERLAND COUNTY BOARD OF COMMISSIONERS
SPECIAL MEETING - RETREAT
CAPE FEAR VALLEY MEDICAL CENTER BOARDROOM
1638 OWEN DRIVE - FAYETTEVILLE, NC
FEBRUARY 6, 2014 - 8:00 A.M.
MINUTES

PRESENT: Commissioner Jeannette Council, Chair
Commissioner Kenneth Edge, Vice Chair
Commissioner Charles Evans (departed at 10:04 a.m.)
Commissioner Marshall Faircloth
Commissioner Jimmy Keefe
Commissioner Billy King
Commissioner Ed Melvin
James Martin, County Manager
Amy Cannon, Deputy County Manager
James Lawson, Assistant County Manager
Quentin McPhatter, Assistant County Manager
Melissa Cardinali, Finance Director
Kelly Autry, Budget and Management Analyst
Julean Self, Human Resources Assistant Director
Sally Shutt, Public Information Director
Candice White, Clerk to the Board
Kellie Beam, Deputy Clerk to the Board
Press

Chairman Council called the special meeting to order and provided the invocation. On behalf of the Board of Commissioners, Chairman Council expressed appreciation to the Cape Fear Valley Health System for providing the meeting facility and food service for the retreat.

Commissioner Evans requested the removal of Items 5.A. and 5.B. from the agenda.

1. Review and Approval of Agenda

MOTION: Commissioner King moved to approve the agenda with the removal of Items 5.A. and 5.B. as requested.

SECOND: Commissioner Faircloth

VOTE: UNANIMOUS (7-0)

2. Update on County's Financial Position

Melissa Cardinali, Finance Director, introduced Kelly Autry, Budget and Management Analyst. Commissioner King acknowledged Howard Abner, Assistant Finance Director, retired effective January 31, 2014.

Ms. Cardinali provided the following PowerPoint presentation and cautioned that even though ad valorem tax collections are up 3.5% over the prior year, it is likely due to the timing of payments since late fees are not assessed until after January 6th. Ms. Cardinali stated the January numbers will give a more accurate picture, which looks good thus far.

Financial Report 12/31/13

- ⊙ Ad valorem tax
 - Collections strong for first half of year
 - 3.5% Above December 2012
- ⊙ Sales tax
 - Received 4 months
 - Slightly behind prior year
 - Holiday sales results show up in March
- ⊙ Expenditures
 - No red flags

Commissioner Keefe inquired regarding online sales tax. Ms. Cardinali reported on Amazon internet sales in North Carolina and legislative changes to sales tax on service contracts, live entertainment and prepared foods purchased on college campuses as recorded below. Ms. Cardinali stated no estimates have been received regarding the impact of online sales, and the estimates on service contracts and live entertainment have been uncertain although there will be a positive impact. Ms. Cardinali noted an educational component will be needed for businesses affected by the sales tax changes.

Revenue Impacts

- ⊙ Sales tax
 - Amazon internet sales taxed as of February 1, 2014
 - Effective January 1, 2014 full sales tax on:
 - Service contracts
 - Live entertainment

Commissioner Edge inquired regarding enforcement of the sales tax legislative changes. Ms. Cardinali stated the state has enforcement capability but the county does not, and it is anticipated there will be a gradual influx of sale tax revenue in these areas.

Commissioner Keefe noted the sales tax changes will impact numbers in the sales tax agreement with municipalities over the next ten years. James Martin, County Manager, stated there is currently a three-year sales tax and although a resolution was received from the Mayors' Coalition indicating the intention of the nine Mayors to support the ten-year agreement, no affirmative action has been taken by the nine municipal boards. Mr. Martin stated the three-year agreement will however give the municipalities the benefit of the additional sales tax revenues.

Ms. Cardinali reported the following expenditure impacts:

Expenditure Impacts

- ⊙ School funding formula
- ⊙ Phase II of pay plan
 - Implemented in September 2013
 - First full year is FY15 – will need ~ \$270,000
 - Phase III needs to be addressed but likely will not occur in FY15
- ⊙ Detention center expansion estimates
 - Salary & benefit increase for full year is ~ \$515,500
 - Operating increase for full year ~ \$530,000
- ⊙ Health insurance
 - Medical industry inflation currently 8%
 - Latest County increase 4.4% (estimated)
 - 4% due to mandates (Affordable Healthcare Act)
 - Impact of health care reform - \$700,000
 - Unfunded mandate
 - Impact of claims –
 - Possibly \$250,000 - \$750,000
 - Renewal details –
 - Mark Browder @ Finance Committee March 6, 2014
- ⊙ Workers compensation
 - Experienced large claims
 - Deductible increase from \$550,000 to \$750,000 per claim for next four years
 - Impact of increase is gradual; currently have \$2 million fund balance so can be addressed over a couple of years
- ⊙ North Carolina's Southeast
 - Economic development organization
 - Effective 7/1/14 will become a private non-profit corporation
 - Seeking \$20,000 contribution from 13 counties as the public piece

Commissioner Melvin requested information about N. C. Southeast's impact on Cumberland County. Mr. Martin stated heretofore Cumberland County has not funded N. C. Southeast but with the state's current move to the privatization of economic development, contributions are now being sought from counties. Mr. Martin also stated N. C. Southeast has been involved in a

number of economic development projects based on reports received from them, and the county is usually unaware of their involvement until after the fact. Mr. Martin stated the requested information can be provided. Commissioner Edge inquired whether the 13 counties would be considered equal partners. Mr. Martin stated the request is for \$20,000 without regard to size or financial scope of the individual county.

Ms. Cardinali stated the following expenditures are being incurred by county departments in their efforts to begin to take a proactive approach in certain areas:

- Technology needs
 - Telephones-phasing in Voice over IP (VOIP) to reduce operating expenses/create greater efficiencies
 - DSS \$595,000 (FY15)
 - Sheriff ~ \$300,000 (FY 16)
 - Ongoing – switches and servers
 - Approximately \$550,000 every 5 years; \$100,000 funding each year for 5 years to replace on an ongoing basis to keep switches and servers up to date
 - Coming to end of life on major switches

Commissioner Keefe inquired regarding what DSS will save annually by going to the VOIP system. Ms. Cardinali stated she will find out and bring the information back to the board; however, the savings will not be realized in the next year because once the money is invested, it will take a couple of years before the savings is realized.

- Central Maintenance (Fleet)
 - Approximately 1/3 of vehicles 10+ years old
 - Over 51% >100,000 miles
 - Annual need ~ \$100,000 (excluding Sheriff; contained in Sheriff's budget); looking at ways to create efficiencies in this area
- Facility Repair & Maintenance
 - Known major concerns/potential issues
 - DSS windows
 - Parking lot maintenance
 - Chiller at Law Enforcement Center
 - HVAC programming controls at DSS
 - Roof survey
 - Facilities Committee – March 6, 2014
- Bond refunding
 - February 5, 2014 – rate locked
 - Savings over 5 years - \$1,400,000 or 9.8%
 - FY 2015 impact - \$280,000

Commissioner Keefe inquired regarding the impact of the new Animal Control licensing fees. Ms. Cardinali stated \$180,000 has been collected through December 31, 2013 and \$370,000 last year.

3. Chairman Council's Items

A. Funding for Cumberland County School System

Amy Cannon, Deputy County Manager, stated her presentation will lay out the key provisions of the recommend new funding agreement and include financial charts reflecting the recommended provisions.

As a back brief, Ms. Cannon reviewed the information recorded below and stated discussions were conducted in 2012 between staff and the school superintendent about a revised funding agreement, and a presentation was provided at the Board of Commissioners' 2013 retreat. Ms. Cannon stated at that time, there was a concern regarding the percentage of the property tax revenue received by the Board of Education compared with the amount the county retained for its operations.

Agreement Terms

| Prior Agreement | Proposed Agreement |
|---|---------------------------|
| Original Agreement 2004-2007 Second Agreement Fiscal Years 2008 - 2011 | Fiscal Years 2015-2018 |
| Appropriation FY2012-2014 Board of Education held to base funding amount of \$76,220,676 (\$76.2 million) | N/A |

Ms. Cannon reviewed the calculations recorded below and stated prior agreements were based on a sharing of 50% of sales tax revenue because the agreement stated out of the county’s 88 cent tax rate, the Board of Education would retain 44 cents. Ms. Cannon stated in 2008 or the first year of the agreement, the county reduced the tax rate to 86 cent; this was the year the quarter cent sales tax was approved by referendum. Ms. Cannon stated when this occurred, the Board of Education received a little over 51% of the property tax revenues. Ms. Cannon responded to questions and stated one of the provisions that has been in the prior agreements is that should the Board of Education decide it needs additional funds beyond the agreement, the Board of Education by resolution can come back to the Board of Commissioners and request an increase in property tax revenue up to one and one-half penny.

Ms. Cannon reviewed the calculations recorded below and stated the calculations being proposed for FY2015 include an increase to the Board of Education funding by 1% based on \$76.2 million, which would be an increase of \$762,207.

1st Year Calculation/FY2015

| Prior Agreement | Proposed |
|-----------------|--|
| N/A | Increase of \$762,207 based upon 1% increase applied to base of \$76,220,676 |

Ms. Cannon reviewed the calculations recorded below and stated for FY2016-2018, a formula would be used such that the equivalent tax rate would be reduced from \$0.3755 to \$0.3406, which would give the Board of Education a sharing percentage of 46.4% of budgeted property tax compared with the prior 51% budgeted property tax. Ms. Cannon stated part of the discussions had been finding a basis for computing a new equivalent rate that would yield less than the 51%, and explained the FY2013 audited tax levy was used which yielded the sharing percentage of 46.4%.

Current Expense Budget Calculation for FY2016-2018

| Prior Agreement | Proposed |
|---|--|
| Based on Tax Equivalent Rate of \$0.3755 (or a sharing of 51% of Budgeted Property Tax) | Based on Tax Equivalent Rate of \$0.3406 (or 46.4% of Budgeted Property Tax) |

Ms. Cannon advised there are two steps involved in the calculations. Ms. Cannon stated the first step is the amount to be budgeted for the Board of Education for the fiscal year which would be based on the 46.4%. Ms. Cannon stated the second step is a sharing of actual tax revenues received that exceed the budget.

Ms. Cannon stated in the prior agreement, the Board of Education received 50% of the actual taxes collected in excess of the budget. Ms. Cannon stated under the proposed agreement, the county would retain 75% of over realized collections and 25% would be shared with the Board of Education.

Sharing of Actual Taxes Collected that Exceed the Budget

| Prior Agreement | Proposed |
|--------------------------------------|--------------------------------------|
| 50% County 50% Board of Education | 75% County 25% Board of Education |

Ms. Cannon stated one caveat to the proposed agreement is the Economic Development Incentive Agreement adjustment. Ms. Cannon explained the agreement was amended years back in which the county asked the Board of Education to participate in economic development incentive payments or grant backs, so over the past several years the Board of Education has paid their percentage of the incentive agreement. Ms. Cannon stated that the Board of Education pays 46.4% under the new agreement.

Economic Development Incentive Agreement Adjustment

| Prior Agreement | Proposed |
|--|-------------------------|
| Board of Education payment based on the actual net property tax revenues collected as a result of economic development incentive agreements. | Same as Prior Agreement |

Ms. Cannon reviewed the two steps involving the adopted current expense and settle-up adjustment as shown in the table recorded below for FY2015-2018. Ms. Cannon pointed out the Board of Education will not have the funding from the over-realized collections available for budget purposes until six months later or the following fiscal year.

Ms. Cannon stated that since the proposed agreement will not yield an increase for budget purposes in FY15 under the new terms, it is recommended that a 1% increase on the current amount of \$76.2 million be approved for year one. Mr. Cannon stated this 1% increase will provide an increase which will be available to the Board of Education for the FY15 budget. Ms. Cannon stated therefore, there will not be a sharing or settle up of the over-realized collections in FY15. Additionally, Ms. Cannon stated the 1% does not yield funds greater than the amount that would be budgeted under the new formula. Ms. Cannon stated the county will retain 100% of over realized collections in FY2015.

| School Funding Summary Proposed Funding Agreement | | | | |
|--|--------------|--------------|--------------|--------------|
| | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| Adopted Current Expense | \$76,982,883 | \$77,806,129 | \$79,517,864 | \$81,267,257 |
| Settle-Up Adjustment | NA | 670,765 | 685,522 | 700,603 |
| Gross Funding to BOE | \$76,982,883 | \$78,476,894 | \$80,203,386 | \$81,967,860 |
| Gross Funding Increase (Decrease) | \$762,207 | \$1,494,011 | \$1,726,492 | \$1,764,474 |

Ms. Cannon advised the Board of Education is conducting a special meeting at 10:00 am and the proposed agreement will be presented at that time; the belief is that the Board of Education will accept the proposal. Ms. Cannon stated the under the FY2008-2011 agreement, the Board of Education received a little over \$11 million. Ms. Cannon stated based on projections under the proposed agreement, the Board of Education will receive about \$5.7 million as opposed to

\$11 million. Ms. Cannon stated the average increase per year under the proposed agreement is about a 1.8% increase. Ms. Cannon responded to questions and a lengthy discussion ensued.

Commissioner Evans stated for the record he is interested in looking into line item issues as far as the Board of Education is concerned and talking with the Board of Education before voting on the proposed funding agreement.

Chairman Council called for a recess.

Chairman Council reconvened the meeting.

Chairman Council asked that staff schedule a joint meeting with the Board of Education. Commissioner Keefe acknowledged the Board's endorsement of the proposed plan and offered the following motion.

MOTION: Commissioner Keefe moved to direct staff to move forward with the Board of Education in negotiating an agreement.

SECOND: Commissioner Melvin

VOTE: PASSED (6-0)

B. Health Insurance Costs

Ms. Cardinali advised Mark Browder will be present at the March 6th meeting of the Finance Committee to provide a report on health insurance costs.

4. Commissioner Keefe's Items

A. Use of Technology for More Efficient Service in County Department

Commissioner Keefe stated he would like to see an increase in the technology budget for greater efficiency. Commissioner Keefe stated consideration should also be given to adding an additional position in the Public Information office. Commissioner Keefe stated the county's cell phone policy is archaic and his hope is that the money invested in phone systems will allow connectivity or forwarding of calls to employees' cell phones. Commissioner Keefe also stated computers are out of date and need to be upgraded. Commissioner Keefe stated paper public records are stored in multiple locations and the county should take the initiative to digitize all of its records. Ms. Cannon advised the county's Information Services department is working on a countywide digital system, and Board will have an opportunity for review and approval prior to the end of this fiscal year. Commissioner Edge asked that records from the former Mental Health department be included when considering the county's partnership with Alliance Behavioral Healthcare.

B. Cumberland County's Role in Crime Reduction and Detention

Commissioner Keefe stated he would like the county to take an active approach to eradicating the crime problem and he would like to see a collective approach by the courts, cities, county and school system. Commissioner Keefe stated with its influence over the courts, cities and school system, the county is the natural nucleus to assume the leadership role in this effort. Commissioner Faircloth stated the county will need to determine what it can do in the unincorporated area of county and cooperate with the cities since the county will benefit from the crime reduction efforts of the municipalities.

C. County Initiatives to Increase Economic Development

1. Grant Back Zones

Commissioner Keefe referenced the Crown Tourism Overlay District and proposed that the county establish certain zones around the county and work with the Fayetteville Regional Chamber in possibly giving better grant backs in particular areas.

2. Measurement of The Alliance

3. Job Creation and Direction from Board of Commissioners to The Alliance

Commissioner Keefe stated the county should take a more proactive stance on jobs and economic development. Commissioner Keefe also stated the county needs to give directives to the Alliance and let the Alliance know the county's expectations. Commissioner Keefe stated if the Alliance is not doing what the county directs, is not bringing success and the county cannot measure it, then the county can honestly say the Alliance is not doing the job the county asked it to do.

5. Commissioner Evans' Items

A. ITEM REMOVED FROM AGENDA

B. ITEM REMOVED FROM AGENDA

6. Consideration of Issues Explored by the Fayetteville-Cumberland Joint Committee

BACKGROUND:

At its Friday, January 17, 2014 meeting, the Fayetteville-Cumberland Joint Committee explored ways in which the city and county could work together to solve problems and deal with other issues on behalf of the community's residents. City and county officials and representatives from the Board of Education and Public Works Commission were present. Some of the specific issues explored by the committee were:

1. Revive red-light cameras
(Cumberland County Strategic Plan – Strategic Goal: Ensure a safe and healthy community by providing needed services to our citizens in a timely manner.)
2. Compare strategic plans for commonalities
(Cumberland County Strategic Plan – Strategic Goal 4: Educate, inform and engage employees, citizens, elected and appointed officials through effective and efficient communications; Objective 4: Enhance collaboration between county government and other boards, committees and commissions.)
3. Acquire a better understanding of city and county responsibilities and the roles of their elected officials
(Cumberland County Strategic Plan – Strategic Goal 4: Educate, inform and engage employees, citizens, elected and appointed officials through effective and efficient communications; Objective 4: Enhance collaboration between county government and other boards, committees and commissions.)

Committee members were asked to return to their respective boards to determine whether there is consensus to move forward on these issues.

RECOMMENDATION/PROPOSED ACTION:

Consider specific issues explored by the Fayetteville-Cumberland Joint Committee and determine whether to move forward together on all or some of the issues.

Chairman Council reviewed the issues explored by the Fayetteville-Cumberland Joint Committee and their commonality with the county's strategic plan as recorded above. Discussion followed. Commissioner Faircloth stated the only impediment or constraint to the county working together with any municipality is that the county functions according to its mandates and statutory obligations. Commissioner Faircloth stated because the county's focus is on its statutory responsibilities, this can give the appearance that it is not willing to collaborate or cooperate.

7. Closed Session Pursuant to N.C.G.S. §143.318.11(a)(1) and §143-131(a) to Receive Proposals from County Manager Search Firms

MOTION: Commissioner Keefe moved to enter into closed session pursuant to N.C.G.S. §143.318.11(a)(1) and §143-131(a) to receive proposals from county manager search firms.

SECOND: Commissioner Edge

VOTE: UNANIMOUS (6-0)

MOTION: Commissioner Edge moved to reconvene in open session.

SECOND: Chairman Council

VOTE: UNANIMOUS (6-0)

8. Other Matters of Business

There were no other matters of business.

9. Adjournment

MOTION: Commissioner Melvin moved to adjourn.

SECOND: Commissioner King

VOTE: UNANIMOUS (6-0)

There being no further business, the meeting adjourned at 12:51 p.m.

Approved with/without revision:

Respectfully submitted,

Candice White
Clerk to the Board