

CUMBERLAND COUNTY BOARD OF COMMISSIONERS  
THURSDAY, FEBRUARY 4, 2016 – 8:30 AM  
CROWN COLISEUM – 1960 COLISEUM DRIVE – SECOND FLOOR BOARDROOM  
SPECIAL MEETING / WORK SESSION  
MINUTES

PRESENT: Commissioner Marshall Faircloth, Chairman  
Commissioner Glenn Adams, Vice Chairman  
Commissioner Jeannette Council  
Commissioner Kenneth Edge  
Commissioner Charles Evans (arrived 8:40 a.m. / departed 10:50 a.m.)  
Commissioner Jimmy Keefe (arrived 8:35 a.m.)  
Commissioner Larry Lancaster  
Amy Cannon, County Manager  
James Lawson, Deputy County Manager  
Melissa Cardinali, Assistant County Manager  
Tracy Jackson, Assistant County Manager  
Rick Moorefield, County Attorney  
Sally Shutt, Governmental Affairs Officer  
Vicki Evans, Finance Director  
Deborah Shaw, Budget Analyst  
Heather Harris, Budget Analyst  
Tammy Gillis, Director of Internal Auditor and Wellness Services  
Joe Utley, Tax Administrator  
Jeffrey Brown, Engineering and Infrastructure Director  
Mark Browder, Mark III Employee Benefits  
Tracy McCarty, Mark III Employee Benefits  
Candice H. White, Clerk to the Board  
Kellie Beam, Deputy Clerk to the Board  
Press

Chairman Faircloth called the meeting to order.

1. Approval of Agenda

MOTION: Commissioner Edge moved to approve the agenda.  
SECOND: Commissioner Lancaster  
VOTE: UNANIMOUS (5-0)

2. Introduction of Interim Solid Waste Director- Jim Blackwell, P.E.

Melissa Cardinali, Assistant County Manager advised that Jim Blackwell, Interim Solid Waste Director, experienced weather-related travel delays and was unable to return to North Carolina to attend this meeting. Ms. Cardinali stated Mr. Blackwell will be introduced in the near future.

Ms. Cardinali introduced Deborah Shaw and Heather Harris, Budget Analysts of the Budget Division.

3. Health Insurance Plan Review by Melissa Cardinali and Mark Browder

BACKGROUND:

Mark Browder of Mark III Employee Benefits will be providing an update to the County's health insurance plan. Included in the presentation will be a review of historical and current year claims trends. Additionally, preliminary results of the bid process for plan administration will be presented.

An update to the budget division's initial review of the health insurance fund, which was presented at the October finance committee meeting, will be provided. Preliminary options for funding the plan in Fiscal Year 2016-17 will also be presented. These options continue to be developed as this agenda is being published and will be available at the work session. No decision from the Board of Commissioners regarding the health insurance plan design or funding of the plan is expected at this meeting.

**RECOMMENDATION:**  
Presentation is for discussion of preliminary funding options of the health insurance plan in FY 2016-17. No decision is expected at this work session.

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Ms. Cardinali stated at the October 2015 meeting of the Finance Committee, the Committee was informed that one of the initiatives undertaken by the Budget Division was the review of major expenditure drivers for the County, and included in that review was an assessment of prior year funding of health insurance. Ms. Cardinali stated it was also reported to the Committee that health insurance costs were budgeted across requested positions instead of adopted positions which resulted in underfunding of the health insurance fund. Ms. Cardinali stated there was also a significant finding of weak coordination and communication between multiple parties involved in the budgeting and the management of health insurance. Ms. Cardinali stated the Committee was also informed that the impact of these items appeared to be up to \$1.4 million because at that time she believed she had the complete picture. Ms. Cardinali stated she later found she did not have the complete picture because since October 2015, it was discovered that the current year claims trend had not been included in the next year’s budget. Ms. Cardinali stated this means that when claims are higher than budgeted, there are not enough funds to cover the claims. Ms. Cardinali stated claims are running significantly higher from FY15 and FY16 and continued high claims will continue to put significant pressure on health insurance funding. Ms. Cardinali stated additionally, the Fund Balance of the health insurance fund has diminished to approximately \$600,000. Ms. Cardinali stated her proposal is to report health insurance claims and funding to the Finance Committee on a quarterly basis to keep everyone informed. Ms. Cardinali stated a multi-year plan to restore stability to the health insurance fund is also needed. Ms. Cardinali stated once the FY15 audit was completed, a General Fund balance of \$3 million was identified to begin the process of replenishing the shortfall. Ms. Cardinali stated her two recommendations are: 1) the \$3 million of General Fund Fund Balance is moved to the health insurance fund at the next Board of Commissioners’ meeting; and 2) funds are identified annually until the goal of \$2.5 million Fund Balance can be maintained in the health insurance fund thereby creating the stability that is needed.

Mark Browder, Mark III Employee Benefits, provided the following presentation as a medical plan reivew and stated it is important to remember that many initiatives have gone well:

- The average claims (medical and pharmacy) over the last six years has been 3.7% or well below normal trend.
- The plan has remained very competitive with other County Governments in the area.
- Multiple wellness strategies have slowed the decline of some major health categories.
- Like the struggles of the Medical Community, other population health categories have yet to be impacted.
- In the end, it is the health of the population and claims that drives current and future cost.

Mr. Browder then reviewed Health Care Reform costs or external factors that are outside of the County’s control and stated since the benefits came about in 2013-2014, the County has seen an impact to its plan of approximately 10.04% additional cost per year.

Health Care Reform Costs	
Health Care Reform Costs	
Dependent coverage for adult children up to age 26 - 2%	2.00%
100% coverage for preventive services in network - 2%	2.00%
No lifetime or annual coverage limits on essential benefits - 1.5%	1.50%
No pre-existing condition exclusion for children - .2%	0.20%
Women's Health Benefits - 1%	1.00%
Elimination of all pre-existing condition limitations in 2014 - .2%	0.20%
Fee for Comparative Effectiveness Research Agency - July 31, 2014 - \$1 per Member	0.02%
Transitional Reinsurance Fee - 2014 - 2016 - First Payment Due Jan. 15, 2015 - \$63 per Member	1.27%
Medical Copays Apply to Out of Pocket Maximum - 2014 - 2015	1.85%
<b>Additional Cost Per Year</b>	<b>10.04%</b>

Mr. Browder then reviewed the plan history, funding increases and plan changes, and the wellness history and other initiatives:

Plan History:

- 2010 – 2011: No funding increase due to plan changes
- 2011 – 2012: 9% funding increase – **no plan changes**
- 2012 – 2013: No funding increase and **no plan changes**
- 2013 – 2014: 6% funding increase – **no plan changes**
- 2014 – 2015: 2% funding increase – **no plan changes**
- 2015 – 2016: No funding increase due to plan changes

Wellness History and Other Initiatives:

- 2010 – 2011: Employee Screenings by Cape Fear with a premium incentive
- 2011 – 2012: Employee Screenings/Premium Incentive, added County Pharmacy, and Clinic
- 2012 – 2013: Employee Screenings/Premium Incentive
- 2013 – 2014: Employee Screenings/Premium Incentive
- 2014 – 2015: Employee Screenings/Premium Incentive and implemented **2014 – 2015 Incentive Qualification** for 3 out of 4 factors: blood pressure, cholesterol, blood sugar and weight.
- 2015 – 2016: Clinic Change to Novant, Employee Screenings by Novant, Performed Dependent Eligibility Audit, Spousal Eligibility Change, with a future **potential savings of \$793,000**.
- 2016 – 2017: Suggested Weight Incentive for the upcoming year as a earned benefit.

Mr. Browder reviewed the top health risks for Cumberland County employees as outlined below and reiterated that it is the health of the population that drives the cost. Mr. Browder stated the County and Mark III are constantly seeking a way to manage and improve the health of the population.

- Weight - Cardiovascular Disease, Hypertension, Diabetes
- Cholesterol - Coronary Artery Disease, Stroke
- Blood Pressure - Heart Disease, Stroke, Heart Failure, Kidney Disease

Mr. Browder reviewed the top 15 episodes for the 2014-2015 year and stated the table below represents the top claims activity and the average cost of treating those claims.

Top 15 Episodes

Episode	Claimants	Allowed Amount	Allowed Amount/ Claimant	Allowed PMPM
<b>Ischemic Heart Disease</b>	<b>184</b>	<b>\$2,176,462</b>	<b>\$11,829</b>	<b>\$47.47</b>
<b>Diabetes</b>	<b>495</b>	<b>\$1,376,138</b>	<b>\$2,780</b>	<b>\$30.02</b>
<b>Hypertension</b>	<b>1,314</b>	<b>\$1,186,349</b>	<b>\$903</b>	<b>\$25.88</b>
Malignant Neoplasm - Breast	46	\$668,192	\$14,526	\$14.57
<b>Chronic Renal Failure</b>	<b>69</b>	<b>\$637,331</b>	<b>\$9,237</b>	<b>\$13.90</b>
Joint Degeneration - Back	261	\$539,625	\$2,068	\$11.77
Septicemia	21	\$492,543	\$23,454	\$10.74
<b>Obesity</b>	<b>510</b>	<b>\$484,098</b>	<b>\$949</b>	<b>\$10.56</b>
Adult Rheumatoid Arthritis	34	\$471,960	\$13,881	\$10.29
Pregnancy with Delivery	27	\$452,159	\$16,747	\$9.86
Routine Exam	1,481	\$447,824	\$302	\$9.77
Other Minor Perinatal Disorder	21	\$400,243	\$19,059	\$8.73
<b>Joint Degeneration - Knee/Lower Leg</b>	<b>176</b>	<b>\$391,746</b>	<b>\$2,226</b>	<b>\$8.54</b>
Mood Disorder, Depressed	293	\$338,433	\$1,155	\$7.38
<b>Malignant Neoplasm - Pulmonary</b>	<b>10</b>	<b>\$333,974</b>	<b>\$33,397</b>	<b>\$7.28</b>

Mr. Browder reviewed strikes above the County’s normal trend line:

- Overall claims increased in 2014 – 2015 by 17%.
- Pre-65 Retiree costs are a significant concern.
- 2014 – 2015 Pre-65 Retiree trend was up 34%.

- 2015 – 2016 Pre-65 Retiree continues an upward trend.
- High claimants are up and some of those claims are outside of the plan’s ability to control.
- **2015 – 2016 claims are up 12% putting pressure on the health plan and the budget**

Mr. Browder stated the increase in claims is a result of:

- Increase in high claimants above \$150,000 by **37%**. Some of these high claimant increases are outside of the Plan’s ability to influence or control.
- The health of the Cumberland County population is **41% worse** than the average BCBSNC group (public sector). Significant health issues are matched by significant claims.

Mr. Browder reviewed the following and stated some health issues have been stabilized and other health challenges persist:

	Employee Prevalence		
	2012 - 2013	2014 - 2015	Change
Hypertension	49%	49%	100%
Back & Joint Disorders	31%	34%	110%
Hyperlipidemia	31%	24%	77%
Diabetes	19%	19%	100%
Obesity	14%	18%	129%
Depression	12%	13%	108%
Coronary Artery Disease	8%	8%	100%
COPD	6%	6%	100%

Mr. Browder stated because it was known that this would be a difficult renewal with claims and cost increases for the 2016-2017 plan year, the plan was bid and the following payors responded:

- BCBSNC
- CIGNA
- First Carolina Care
- MedCost
- UnitedHealthcare
- UnitedHealthcare provided the most competitive bid and ultimately saved the County almost \$1,200,000 from the initial BCBSNC renewal; an aggressive fixed cost bid for administration and stop-loss

Mr. Browder provided the following comparison of the best responses and stated the reason he worked so hard with BCBSNC was that it was in the County’s best interest to remain with BCBSNC in order to eliminate disruptions with physicians and medication. Mr. Browder stated at this point, BCBSNC has done everything it can possibly do and the County is in a positive place following the bid process.

	BCBSNC 7/15 - 6/16	BCBSNC 7/16 - 6/17	BCBSNC 7/16 - 6/17	UnitedHealthcare 7/16 - 6/17
	Current	Renewal: Original	Renewal: Option 1	Option 2
Plan Administration Fee	\$28.56	\$29.00	\$22.00	\$18.00
Specific Stop-loss - \$150,000	\$66.93	\$70.28	\$48.03	\$49.25
Total Administration Fees (A)	\$95.49	\$99.28	\$70.03	\$67.25
Monthly Fixed Fees	\$249,324.39	\$259,220.08	\$182,848.33	\$175,589.75
Monthly Fixed Cost Savings		-\$9,895.69	\$66,476.06	\$73,734.64
		-\$118,748.28	\$797,712.72	\$884,815.68
Fixed Cost	\$2,991,892.68	\$3,110,640.96	\$2,194,179.96	\$2,107,077.00
2016 - 2017 Claims Expectation		\$20,801,180.30	\$20,801,180.30	\$20,801,180.30
PCORI		\$7,970.56	\$7,970.56	\$7,970.56
Reinsurance Fee		\$69,345.00	\$69,345.00	\$69,345.00
Clinic, Wellness, and Pharmacy		\$1,200,000.00	\$1,200,000.00	\$1,200,000.00
2 Month Fee Holiday				\$93,966.00
Wellness Dollars for 3 Years				\$100,000.00
Total Funding	\$20,140,923.90	\$25,189,136.82	\$24,272,675.82	\$23,991,606.86

Savings over the Initial Renewal from BCBSNC				\$1,197,529.96
Savings over BCBS				\$281,068.96
Change in Dollars		\$5,048,212.92	\$4,131,751.92	\$3,850,682.96
Change in Percentage		125.06%	120.51%	119.12%
Claims Discount		49%	49%	52%
Discount Guarantee			No	Yes
				\$200,000 At Risk Full Payment at 46%
				7 Nurses Assigned to the County
Administrative Fee Guarantee			3 Years if CPI is less than 5%	5 Years
			\$30,000 for BCBSNC Wellness Programs	
Wellness Dollars for 3 Years				\$100,000.00
CEO Satisfaction Guarantee				\$50,000.00

Mr. Browder reviewed the following and stated if there are no plan changes, the County is looking at about a 20% plan increase to renew with BCBSNC. Mr. Browder stated part of the plan increase is the increase in expected claims and excepted claims costs have been bumped up to match accelerated trends. Mr. Browder stated the dollar change to \$4.1 million is not doable so other options have to be considered.

	BCBSNC 150k - 7/15 - 6/16	BCBSNC 150k - 7/16 - 6/17
	Current	Renewal
	In-Network	In-Network
Primary Care Physician Visits	\$30	\$30
Specialist Physician Visits	\$60	\$60
Well Baby Care	100%	100%
Immunizations/Injections	100%	100%
Physical Exams	100%	100%
Pap Smears/Mammograms	100%	100%
Age 26 Adult Children	Yes	Yes
Health Savings Account	N/A	N/A
Deductible	\$1,500	\$1,500
Deductible - Family Maximum	\$4,500	\$4,500
Coinsurance Limit	\$2,000	\$2,000
Coinsurance Limit - Family Max	\$6,000	\$6,000
Hospital Services	Deductible/20%	Deductible/20%
Emergency Room	Deductible/20%	Deductible/20%
Pharmacy	\$10/\$55/\$70/25%	\$10/\$55/\$70/25%
Lifetime Maximum	Unlimited	Unlimited
Percentage Change	N/A	120.5%
Dollar Change		\$4,131,751.92

Mr. Browder reviewed Options 1 and 2 as outlined below. Mr. Browder stated to mitigate the renewal plan, Option 1 changes the deductible for single and family, increases the co-pay, increases the out-of-pocket maximum and places a front-end deductible of \$150 on pharmacy which means individuals who have claims will be paying more. Mr. Browder stated any benefit change creates employee dissatisfaction. Mr. Browder stated pharmaceutical trends are running in the 20% range which is extremely high and are increasing faster than normal trend lines; this is a function of the pharmaceutical industry raising their costs which results in an increase of 11.5% increase or an increase of about \$2.3 million.

Mr. Browder stated one of the recommendations is the implementation of a Health Savings Account (HSA); however, the adoption the adoption of an HSA is typically slow. Mr. Browder compared the PPO and HSA plan designs recorded below with implementation of the HSA planned for 2017-2018. Mr. Browder stated the HSA breeds consumerism and allows individuals to save for future health care costs. Mr. Browder stated the HSA is not a replacement or an effort to move people into a plan they do not want; it is a choice as part of a dual-option strategy with economic recognition for individuals that have no claims. Mr. Browder stated traditional within his client base is that the County puts \$750 into the HSA; this is part of the claims cost built into the plan and is accounted for in the underwriting. Mr. Browder stated the \$2.3 million is the same dollar increase for the PPO and the HSA due to slow adoption of the HSA and complexities in the HSA’s application. Mr. Browder stated an HSA is the best qualified money going because not only can it be used for unreimbursed medical expenses today, it can be saved for unreimbursed medical expenses in the future. Mr. Browder stated HSA funds are put in a bank account, are cumulative and upon retirement, the funds can be used for unreimbursed medical expenses or taken out and taxes paid; there is no forced distribution of an HSA.

	BCBSNC 150k - 7/15 - 6/16	BCBSNC 150k - 7/16 - 6/17	
	Current	Option 1	
		PPO	HSA – 2017 – 2018
	In-Network	In-Network	In-Network
Primary Care Physician Visits	\$30	\$40	Deductible/20%
Specialist Physician Visits	\$60	\$80	Deductible/20%
Well Baby Care	100%	100%	100%
Immunizations/Injections	100%	100%	100%
Physical Exams	100%	100%	100%
Pap Smears/Mammograms	100%	100%	100%
Age 26 Adult Children	Yes	Yes	Yes
Health Savings Account	N/A	N/A	\$750
Deductible	\$1,500	\$2,000	\$1,500
Deductible - Family Maximum	\$4,500	\$6,000	\$3,000
Coinsurance Limit	\$2,000	\$3,000	\$2,000
Coinsurance Limit - Family Max	\$6,000	\$6,000	\$2,000
Hospital Services	Deductible/20%	Deductible/20%	Deductible/20%
Emergency Room	Deductible/20%	Deductible/20%	Deductible/20%
Pharmacy	\$10/\$55/\$70/25%	\$150 Deductible \$10/\$55/\$70/25%	Deductible/20%
Lifetime Maximum	Unlimited	Unlimited	Unlimited
Percentage Change	N/A	111.5%	111.5%
Dollar Change		\$2,319,068.77	\$2,319,068.77

Mr. Browder stated Option 2 is a more aggressive approach; however, the HSA is the same as under Option 1. Mr. Browder stated the difference is that specialist services apply to the deductible and co-insurance; the employee will pay an average cost of \$200 per visit to a specialist in this area until the deductible is met. Mr. Browder stated if an employee is in the PPO plan and has a Flexible Spending Account, the employee can budget and spread those costs throughout the year. Mr. Browder stated employee responses will include that they cannot afford to go to the doctor and they did not know why they went back to the specialist except that they were told to go. Mr. Browder stated Option 2 is a cost share to individuals who are using the plan and employees will be unhappy just as they will be with other benefit changes being recommended. Mr. Browder stated Option 2 does have an impact and is painful but in this difficult budgetary environment, it reduces the increase down to 7.5% or by \$1.5 million. Mr. Browder stated this is not unheard of in county government or with groups with whom they work. Mr. Browder noted Option 2 also places a front-end deductible of \$150 on pharmacy.

	BCBSNC 150k - 7/15 - 6/16	BCBSNC 150k - 7/16 - 6/17	
	Current	Option 2	
		PPO	HSA – 2017 – 2018
	In-Network	In-Network	In-Network
Primary Care Physician Visits	\$30	\$30	Deductible/20%
Specialist Physician Visits	\$60	Deductible/20%	Deductible/20%
Well Baby Care	100%	100%	100%



Immunizations/Injections	100%	100%	100%
Physical Exams	100%	100%	100%
Pap Smears/Mammograms	100%	100%	100%
Age 26 Adult Children	Yes	Yes	Yes
Health Savings Account	N/A	N/A	\$750
Deductible	\$1,500	\$2,000	\$1,500
Deductible - Family Maximum	\$4,500	\$6,000	\$3,000
Coinsurance Limit	\$2,000	\$3,000	\$2,000
Coinsurance Limit - Family Max	\$6,000	\$6,000	\$2,000
Hospital Services	Deductible/20%	Deductible/20%	Deductible/20%
Emergency Room	Deductible/20%	Deductible/20%	Deductible/20%
Pharmacy	\$10/\$55/\$70/25%	\$150 Deductible \$10/\$55/\$70/25%	Deductible/20%
Lifetime Maximum	Unlimited	Unlimited	Unlimited
Percentage Change	N/A	107.5%	107.5%
Dollar Change		\$1,513,431.81	\$1,513,431.81

Mr. Browder stated historically most groups use “sticks” which are inexpensive when it comes to incentives and are typically premium differentials; in other words, if an employee does what he/she is supposed to and accomplishes the goals, they pay a lower rate. Mr. Browder stated the waist circumference incentive is all about reward and is based on what the medical community recommends. Mr. Browder reviewed the weight incentive plan below and stated is gives Novant clinic staff a way to encourage the employee population to meet the goals and earn their reward. Mr. Browder stated the \$200 cash for the HSA will be given on a tax-free basis and go on top of any contribution the County will provide.

Employee Health Improvement Initiative  
2016 – 2017 Weight Incentive Plan

Risk Factor	Moderate Control
Waist Circumference	Waist Measurement < 40” Male or 35” Female
<i>Alternative method to qualify</i>	<i>Or improve by 5%</i>

- If employees meet these criteria, they will receive the below **incentive in 2017 – 2018:**
- \$250 in Cash or HSA
- This is an earned incentive.

Mr. Browder outlined the preliminary recommendations outlined below for implementing BCBS Option 2 for 2016 – 2017. Mr. Browder stated in this plan design change and funding increase, there is an expectation to increase the premiums employees pay. Mr. Browder stated the County is protecting employees based on what they pay in premiums and it is time to start changing the cost-share strategy.

- Discontinue retiree health insurance for new hires – July 1, 2016
- Implement the HSA in 2017 – 2018
- Add a \$250 weight/waist incentive in FY2017-18
- Consider premium increase for dependents in 2017 – 2018

Questions and discussion followed. Mr. Browder explained under Option 2, the deductible for the HSA is reduced; the claims difference is made up with no co-pays so the member is initially paying the full cost to include pharmacy. Mr. Browder stated cash flow is the challenge early on with the HSA because the employee has to go through the deductible and pay 20% of the cost up to the next \$2,000 before the plan pays 100%. Mr. Browder stated the reason for the cost differential is the cost share impact the member is going to be bearing that they do not bear today under the current plan. Mr. Browder stated Option 2 will have the financial impact the budget needs but will be negative to the membership. Mr. Browder stated this is difficult and challenging but Cumberland County is not the only group facing this issue. Commissioner Keefe asked whether a rate stabilization fund had been considered.

Chairman Faircloth stated his concern is over options that may prevent employees from seeking medical care when they need it due to costs. Mr. Browder stated high claimants will probably have to set up a payment strategy and after the deductible and co-insurance are satisfied, the member will not pay anything more for the remainder of the year. Mr. Browder stated reports on

plans with this strategy indicate members are getting the care they need even though it is creating a greater burden.

Discussion turned to retiree coverage. Mr. Browder stated there are a variety of different strategies that can be employed; however, the recommendation to end retiree coverage from a plan perspective is the prudent thing to do. Mr. Browder stated the challenge prior to Health Care Reform was that retirees could not get coverage coming off of the county’s plan; however, today coverage is available. In response to a question posed by Commissioner Edge, Mr. Browder stated in 2014-2015, retiree costs were double the active population costs on a per individual basis, and the 50 to 60 age bracket is where most of the significant claims activity is seen. Mr. Browder also stated this will not impact the retiree benefits existing population today and is really more of a long term strategy. Mr. Browder spoke briefly about Other Postemployment Benefits (OPEB) liability or recognition of future costs as it relates to retiree coverage.

Amy Cannon, County Manager, stated health insurance will be taken up again at the March 3 meeting of the Finance Committee. Commissioner Edge asked whether the County would stay within its policy once the \$3 million of General Fund Fund Balance is moved to the health insurance fund. Ms. Cardinali responded in the affirmative. In response to a question posed by Commissioner Council, Mr. Browder spoke to the benefits to the County of being self-insured/funded which includes avoiding approximately \$1 million in taxation.

4. Known Budget Impacts for FY2017 by Melissa Cardinali

BACKGROUND:

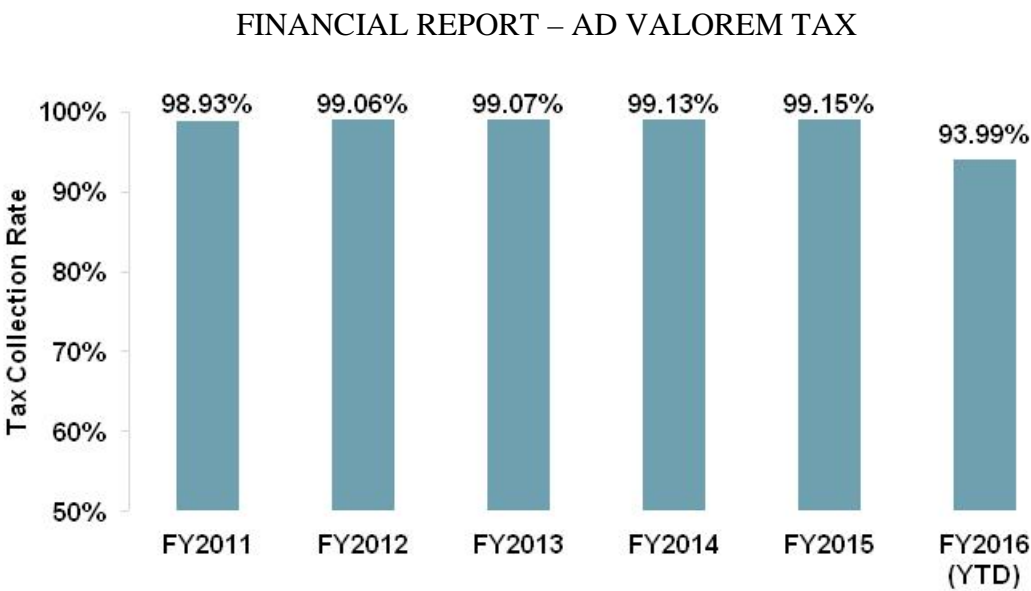
As preparation for the upcoming Fiscal Year 2016-17 budget, staff will present items that will have an impact on budget planning and decisions for the upcoming fiscal year.

RECOMMENDATION:

No action needed. Information is for budget planning purposes only.

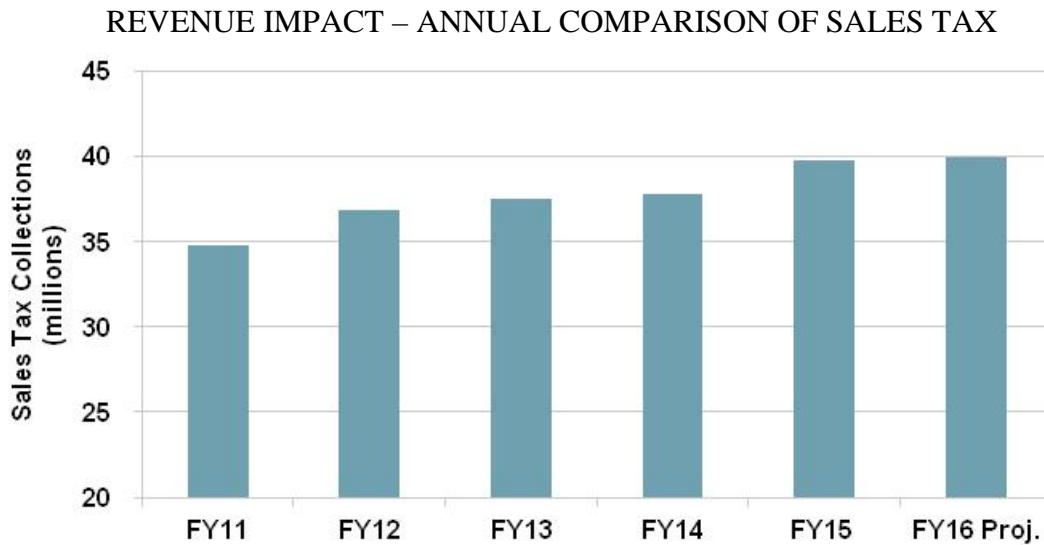
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Ms. Cardinali provided a presentation of known items impacting the FY2017 budget as recorded below. In lieu of a monthly financial report, Ms. Cardinali reviewed the graph below and stated ad valorem tax collections remain strong. Ms. Cardinali stated the 94% collection rate for January is not reflective of the complete month and there is nothing at this point in time that would indicate the collections of ad valorem tax are not on target.



Ms. Cardinali also reviewed the graph below and stated the expectation for sales tax collection is to be exactly where the County was in FY15. Ms. Cardinali stated due to the significant lag, the report on sales tax collections is for only about four months.





Ms. Cardinali reviewed expenditures impacting the FY2017 budget as recorded below. Ms. Cardinali stated the Federal Labor Standards are being modified by the Department of Labor under the direction of President Obama to raise the minimum salary required for positions to be exempt from overtime pay. Ms. Cardinali stated this means employees who are paid a minimum salary of \$970 per week or less must be paid overtime at time and a half. Ms. Cardinali stated the current salary threshold is \$455 per week, the same rate set in 2004. Ms. Cardinali stated as of February 1, the impact date changed from March 1 to July 1 and this will probably not have a financial impact until December 2016. Ms. Cardinali stated at this time, the estimated financial impact for the County is \$125,475 and approximately 150 positions, not employees, will be impacted. Ms. Cardinali advised modifications are ever changing.

- ⊙ Health Insurance
- ⊙ Federal Labor Standards Act
  - Unfunded mandate
  - Minimum salary being established for exempt status
  - Potential FY16 impact to departments who pay overtime: \$41,825
  - Anticipated FY17 impact: \$125,475

Ms. Cardinali stated the Employer Contribution Rate Stabilization Policy was adopted to achieve predictability and stability in the contribution rate. Ms. Cardinali stated the Board set the contribution rate for the next five years with the first increase in FY2017 which means the County will have to contribute an additional 0.5% for a local government employee and an additional 0.85% for law enforcement. Ms. Cardinali stated the rate over the next four years will go up 100% and the County anticipates the cumulative impact to be just under \$877,800.

- ⊙ Local Government Retirement System Contributions
  - Unfunded mandate
  - Adoption of Employer Contribution Rate Stabilization Policy
  - Local Government Employee 0.5% increase
- ⊙ Local Government Retirement System Contributions
  - Law Enforcement 0.85% increase
  - \$514,972 increase in FY17
  - Additional 0.25% increase each year from FY18 through FY21
  - \$877,800 cumulative impact of FY18 – FY 21

Ms. Cardinali continued her review of expenditures impacting the FY2017 budget and explained that with the changes in the processing of child care subsidies, day care providers will be expected to enter their reimbursements into a system which is a model of NC FAST. Ms. Cardinali explained the state will hire a third-party vendor to take the data entered into the system and issue the check to the day care provider. Ms. Cardinali stated the anticipated date for this change is in October 2016. Ms. Cannon expressed concerns for using NC FAST to pay day care providers for the 3,750 children served by this program in Cumberland County. Ms. Cardinali stated the financial impact of this change is not yet known. Commissioner Adams asked that legislators be advised that the system itself is a large part of the problem and out of the County's control. Commissioner Keefe asked that the challenges presented by NC FAST and the relationship with DHHS be included on the agenda for the joint meeting with the Cumberland County Legislative Delegation.

- ⊙ Potential loss of administrative reimbursements related to Food and Nutrition services

☉ Change in child care subsidy administrative reimbursements

Ms. Cardinali stated continued goals with technology are to move away from the obsolete mainframe; replace central permit software in FY2017 to move towards a more automated process and provide a central location for property information; Go Live transition to Munis for finance, payroll and Human Resources in May 2016; Go Live on the budget module in March 2016; provide an update on Business Intelligence to the March meeting of the Finance Committee; and complete a technology plan with the goal being to create a plan that looks out over three years to assist with planning as far out as possible.

☉ Technology

- Continue funding upgrades / changes in technology annually
  - Central Permits Software: \$265,000
  - Network Switches/Routers Upgrade: \$190,000
  - Hardware, Software, and Licenses: \$275,000
- More formal technology that looks out over 3 years

Ms. Cardinali reviewed the following and stated although no requests have been received to date for FY2017, the impacts still need to be part of the budgetary planning process. Ms. Cardinali advised the hybrids purchased have performed well getting about 40 MPG but the County needs to continue to monitor them from a service standpoint.

☉ Central Maintenance (Fleet)

- Approximately 1/3 of vehicles 10+ years old
- Over 32% >100,000 miles
- Annual need - ~ \$100,000 (excluding Sheriff)

Ms. Cardinali briefly reviewed future budgetary impacts beyond FY2017 as recorded below. Ms. Cannon spoke to an upcoming meeting on February 8 with Alliance Behavioral Healthcare to discuss funding and provider capacity.

- ☉ Increase in Local Government Retirement System contributions
  - 0.25% increase each year through 2021
- ☉ Future funding of Mental Health
  - Mental health fund balance \$4,633,970
- ☉ Increase in Local Government Retirement System contributions
  - 0.25% increase each year through 2021
  - Future funding of Mental Health
  - Mental health fund balance \$4,633,970
- ☉ ADA compliance for the Crown Complex within seven years - \$2,439,850
- ☉ Interlocal sales tax agreement with the municipalities
- ☉ Technology - continued movement from mainframe
  - Tax software - \$4,500,000
- ☉ Revaluation

Commissioner Keefe asked that the contracts with municipalities for tax collections be reviewed as the software is upgraded. A brief discussion followed regarding the General Assembly's further consideration of sales tax.

5. Update on the 2017 Real Property Reappraisal by Joe Utley

BACKGROUND:

NCGS 105-286 requires counties to reappraise all real property every 8 years. Cumberland County's next general reappraisal is scheduled for January 1, 2017.

The purpose of a general reappraisal is to equalize all property values to 100% of market value to ensure that all property owners are paying their fair share of the property tax burden. Simply, the task is to estimate property values at 100% of market, as of January 1, 2017.

Cumberland County uses its own in-house staff to conduct reappraisals. The tax office maintains a countywide sales file and conducts an active sales verification process. The tax office's appraisers analyze the actions of buyers and sellers in the market and use that information to determine what a property would most likely sell for.

The tax office began the revaluation process 1½ years ago in July 2014. The revaluation teams immediately began reviewing properties and analyzing sales of vacant and improved residential and commercial properties. Additionally, income surveys were mailed to owners of shopping centers, motels, apartments and mobile home parks.

In January of this year, the tax office began collecting cost data for both residential and commercial properties, which will continue into the summer. The tax office also began conducting site visits of the income properties, collecting income and expense information. In the July to September timeframe, the tax office will load and test depreciation and cost tables and establish market models.

At this point, the tax office is a long way from being able to give a projection of what values will be at the end of the year. The tax office has been reviewing properties and collecting data since July 2014 and the next 6 months are critical to analyzing and tying all of the data together.

North Carolina General Statute 105-317 requires that uniform schedules of values, standards, and rules be prepared for each revaluation of real property; one for appraising property at market value and one for appraising agricultural, horticultural, and forest land at its present-use value. The timeline for presenting both schedules of values to the Board of Commissioners is below:

SCHEDULE OF VALUES TIMELINE

October 3:	Present Schedule of Values & Agricultural Use Value to Commissioners
October 17:	Public Hearing on Schedule of Values
November 7:	Schedule of Values can be adopted by the Commissioners
Next 4 Weeks:	Newspaper notice of “Publication of Schedule of Values”
December 7:	Last day to appeal Schedule of Values to Property Tax Commission
February 2017:	Mail 2017 Assessment Notices

\*\*\*\*\*

Joe Utley, Tax Administrator, reviewed the background information and schedule of values timeline recorded above. Questions followed. Mr. Utley was asked to provide a report at the March meeting of the Finance Committee on the impact of the Builder’s Inventory legislation on the County. Mr. Utley explained the sales ratio study conducted by the state but cautioned that the study does not reflect real values. Ms. Cannon invited Mr. Utley to provide updates to the Finance Committee as appropriate during the re-appraisal process.

6. Review of Comprehensive Capital Improvement Plan by Jeffery Brown

BACKGROUND:

A five year comprehensive Capital Improvement Plan (CIP) was developed last year during the budget preparation period. The CIP is a planning document that identifies future capital costs for the necessary improvements of the County’s infrastructure. A presentation will be given that briefly reviews facilities and infrastructure needs worthy of consideration as the budget is prepared for the next fiscal year. Most of these needs have previously been addressed within the existing CIP, but new issues, such as elevator and HVAC systems, need further consideration.

RECOMMENDATION/PROPOSED ACTION:

The Board of Commissioners is not being asked to take action at this time. Staff’s intent is to review capital needs currently programmed for consideration and make the Board aware of newly identified needs prior to compiling the CIP for FY 2017 Budget.

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Jeffrey Brown, Engineering and Infrastructure Director, reviewed the background information recorded above and presented the following presentation overview:

- Review Capital Improvement Plan (CIP) Summary
  - Installment Financing Plan
  - Update on 2016 CIP Projects
  - Identified Needs for FY 17
- Additional Needs Not Included in CIP

Mr. Brown reviewed the following capital improvement projects as a summary of the General Fund and as part of an installment financing package.

- Includes FY 16 – FY 18 of the following for all funds
  - Parking Lot Repair/Resurfacing
  - Building Exterior Improvements
  - Roof Repair/Replacement
- Preliminary Schedule Developed
- Projected Approval in May 2016

CAPITAL IMPROVEMENT PROJECTS							
Projects	Prior Fiscal Yrs	FY2016	FY2017	FY2018	FY2019	FY2020+	Total Project Expenditures
GENERAL FUND							
Parking Lot Repair/Resurfacing	\$ 91,000	\$ 739,500	\$ 274,500	\$ 339,000	\$ 660,000	\$ 250,000	\$ 2,354,000
Building Additions/Renovations							
Animal Control - Expansion of Building	\$ -	\$ -	\$ 480,000	\$ -	\$ -	\$ -	\$ 480,000
DSS Carpet Replacement	-	-	280,000	280,000	-	-	560,000
Total - Building Additions/Renovations	\$ -	\$ -	\$ 760,000	\$ 280,000	\$ -	\$ -	\$ 1,040,000
Major Building Systems							
Detention Center Boilers	\$ -	\$ 198,000	\$ 198,000	\$ -	\$ -	\$ -	\$ 396,000
DSS Camera Replacement	-	-	125,000	-	-	-	125,000
Courthouse Camera Replacement	-	40,000	45,000	45,000	-	-	130,000
HVAC Replacements at C5 Building	-	-	-	136,000	-	-	136,000
Security Camera Upgrade at Detention Center	-	290,000	-	-	-	-	290,000
HVAC Replacement at Veterans Services	-	-	180,000	-	-	-	180,000
Total - Major Building Systems	\$ -	\$ 528,000	\$ 548,000	\$ 181,000	\$ -	\$ -	\$ 1,257,000
Minor Building Systems	\$ -	\$ 255,400	\$ 300,000	\$ 266,400	\$ 144,000	\$ -	\$ 965,800
Building Exterior Improvements	\$ -	1,738,440	420,480	168,240	151,440	\$ 85,440	\$ 2,564,040
Roof Repair/Replacement	\$ -	1,134,854	559,849	1,140,202	325,024	1,730,206	\$ 4,890,135
Total - General Fund	\$ 91,000	\$ 4,396,194	\$ 2,862,829	\$ 2,374,842	\$ 1,280,464	\$ 2,065,646	\$ 13,070,975

Mr. Brown then reviewed the following capital improvement projects from separate funds and pointed out that the \$250,000 for general maintenance of the Crown Complex was initially programmed into the CIP at \$1 million but is being funded in this fiscal year at \$250,000 and includes some ADA improvements.

CAPITAL IMPROVEMENT PROJECTS							
Projects	Prior Fiscal Yrs	FY2016	FY2017	FY2018	FY2019	FY2020+	Total Project Expenditures
SEPARATE FUNDS							
Public Utilities							
Bragg Estates Sewer Project	\$ 237,000	\$ 1,763,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000
Overhills Sewer Project	315,549	3,057,151	-	-	-	-	3,372,700
Total - Public Utilities	\$ 552,549	\$ 4,820,151	\$ -	\$ -	\$ -	\$ -	\$ 5,372,700
Solid Waste							
Phase IV Expansion of Landfill	\$ -	\$ 8,010,000	\$ -	\$ -	\$ -	\$ -	\$ 8,010,000
Landfill Partial Closure	-	4,575,000	-	-	-	-	4,575,000
Piggyback Expansion of Landfill	-	-	120,000	-	-	-	120,000
Parking Lot Repair/Resurfacing	-	32,000	200,000	74,500	711,000	159,000	1,176,500
Total - Solid Waste	\$ -	\$ 12,617,000	\$ 320,000	\$ 74,500	\$ 711,000	\$ 159,000	\$ 13,881,500
Crown Complex							
Parking Lot Repair/Resurfacing	\$ -	\$ 491,500	\$ 88,500	\$ 461,000	\$ 420,500	\$ 140,000	\$ 1,601,500
General Maintenance	-	250,000	500,000	500,000	-	-	1,250,000
Roof Repair/Replacement	-	1,665,360	11,550	11,550	11,550	11,550	1,711,560
Building Exterior Improvements	-	14,300	314,400	11,000	282,000	1,212,000	1,833,700
Repair/Replacement Projects	-	834,000	2,882,400	1,393,800	505,200	3,360,000	8,975,400
Total - Crown Complex	\$ -	\$ 3,255,160	\$ 3,796,850	\$ 2,377,350	\$ 1,219,250	\$ 4,723,550	\$ 15,372,160
Total County-Wide Capital Improvements	\$ 643,549	\$25,088,505	\$ 6,979,679	\$ 4,826,692	\$ 3,210,714	\$ 6,948,196	\$ 47,697,335

Mr. Brown continued his presentation with an update on 2016 CIP projects as follows:

- Major Building Systems
  - Security Camera Upgrade at Detention Center

- Approximately \$85,000 of additional funding needed
- Cabling exclusion and additional camera needs
- Detention Center Boilers
  - Engineering Firm Selected
- Courthouse Camera Replacement
  - Project projected to start by March 1st

Minor Building Systems						
Project	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020+	TOTALS
Replace air cooled chiller at Cliffdale Library	\$72,000	\$0	\$0	\$0	\$0	\$72,000
Replace Burner and Controls on Boiler at Historic Courthouse	50,000					50,000
Replace 2 Boilers at Winding Creek		75,000				75,000
Replace 90 Ton Chiller at Winding Creek		100,000				100,000
Replace 25 Ton Chiller at Winding Creek			38,000			38,000
Replace air cooled chiller at East Regional Library		75,000				75,000
Replace air cooled chiller at Spring Lake Regional Library			52,000			52,000
Replace Air Cooled Chiller at Hope Mills Library			52,000			52,000
Replace Air Cooled Chiller at North Regional Library				65,000		65,000
HVAC/Boiler Engineering Evaluation of Spring Lake FRC	7,500					7,500
Replace Electric Boiler in Courthouse			80,000			80,000
Replace CRAC units in Courthouse				55,000		55,000
AC/Sheriff Training Drainage Improvements	80,000					80,000
Contingency	22,950	25,000	22,200	12,000		82,150
Engineering Fees	22,950	25,000	22,200	12,000		82,150
Total Minor Building Systems	\$255,400	\$300,000	\$266,400	\$144,000	\$0	\$965,800

- **Minor Building Systems**
  - Replace Air-Cooled Chiller at Cliffdale and East Regional Library
    - Project complete
  - Replace Burner & Controls – Historic Courthouse
    - Project complete
  - Spring Lake FRC HVAC/Boiler Evaluation
    - Initial meeting held on January 28<sup>th</sup>
  - Sheriff’s Training Drainage Improvements
    - Project planned for Spring of 2016
- **Public Utilities**
  - Overhills Park Sewer Project
    - Working with USDA on easement documentation
    - Projected to bid in late Spring
  - Bragg Estates Sewer Project
    - Currently in design phase
    - Reviewing possible sewer routes

Mr. Brown restated the CIP is a planning document for budget purposes and reviewed the additional needs for elevator systems that were not initially included in the CIP.

- **Minor Building Systems – Elevators**
  - Not initially included in CIP
  - Recurring issues at LEC and 109 Bradford Avenue
  - Approximately \$2.6 million identified for next 5 years (see attached Elevator Assessment)

7. Time-Sensitive Committee Item

- A) Consideration of Gold Star Highway Designation

**BACKGROUND:**

Cumberland County has been asked to support the proposed Gold Star Highway designation of NC HWY 24 from Harnett County to Carteret County. N.C. Rep. David Lewis of Harnett County received the request from a Gold Star mother living in his district. Gold Star families are immediate family members of Armed Forces members killed in combat operations.

According to the N.C. Department of Transportation Division of Highways, the Road/Bridge/Ferry Naming Committee is agreeable to the idea of NC HWY 24 being designated a Gold Star Highway from Harnett to Carteret County.

In order to present this as an official request to the Road/Bridge/Ferry Naming Committee in March, resolutions are needed by the end of February from each of the counties that NC HWY 24 runs through, as well as a financial commitment of \$2,000 from each county if the designation is approved. The \$2,000 administrative fee helps offset the costs of the program. Two signs with the designation are typically placed in each county when you cross county lines.

A proposed resolution is recorded below.

**RECOMMENDATION/PROPOSED ACTION:**

Consider the request to approve a resolution supporting the designation of NC HWY 24 as Gold Star Highway and to participate in the project by paying the \$2,000 administrative fee.

**RESOLUTION BY THE CUMBERLAND COUNTY BOARD OF COMMISSIONERS SUPPORTING THE RENAMING OF PORTIONS OF NORTH CAROLINA HIGHWAY 24 AS THE GOLD STAR HIGHWAY**

WHEREAS, The United States began observing Gold Star Mother's Day on the last Sunday of September in 1936, the Gold Star Wives was formed prior to the end of World War II; the Gold Star Lapel Button was established in August of 1947; and

WHEREAS, The nation, the State of North Carolina and this county recognize the sacrifice that Gold Star family members make when a loved one dies in service to the nation; and

WHEREAS, North Carolina is home to no less than seven major military installations as well as nearly 1 million current or former military service members and is one of the most military friendly states.

NOW THEREFORE BE IT RESOLVED that the Cumberland County Board of Commissioners fully supports the efforts of the North Carolina Department of Transportation to rename portions of North Carolina Highway 24 the Gold Star Highway.

\*\*\*\*\*

Sally Shutt, Governmental Affairs Officer, reviewed the background information recorded above and stated Duplin County and Harnett County passed resolutions; other counties will consider resolutions during the month of February.

MOTION: Commissioner Keefe moved to approve the resolution supporting the designation of NC HWY 24 as Gold Star Highway and to participate in the project by paying the \$2,000 administrative fee.

SECOND: Commissioner Adams

VOTE: UNANIMOUS (7-0)

**8. Other Matters of Business**

A general discussion followed regarding sales tax and future discussions regarding the same.

Commissioner Keefe requested an update of the 2015-2016 Strategic Plan at an upcoming meeting.



Ms. Cannon provided an update on homelessness and stated County and City staff continue to meet regarding this initiative. Ms. Cannon stated the City Council agreed to share in the cost of the Data Base Manager position and to keep the data within local government and not with an outside provider. Ms. Cannon stated the City wants to put the Homeless Coordinator and housing piece out to bid through an RFP process to an outside provider. Ms. Cannon stated Assistant County Manager Tracy Jackson has also been working with Community Development to develop options in the event the Board did not want to move in the direction of outsourcing the rapid re-housing piece. Ms. Cannon stated further reports will be provided to the Board.

Ms. Cannon stated the Business Enterprise group completed its review of the Veteran Services Department and is moving to the Department of Social Services to look at the Food and Nutrition area to see if processes can be changed to assist in the timeliness factor. Ms. Cannon also briefed the Board about conversations with the Public Health Department and the Library regarding opportunities to partner and coordinate philosophies from an Information Technology perspective.

MOTION: Commissioner Lancaster moved to adjourn.

SECOND: Commissioner Council

VOTE: UNANIMOUS (7-0)

There being no further business, the meeting adjourned at 11:35 a.m.

Approved with/without revision:

Respectfully submitted,

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Candice H. White  
Clerk to the Board