

CUMBERLAND COUNTY BOARD OF COMMISSIONERS
MAY 25, 2017 – 7:00 PM
117 DICK STREET, 1ST FLOOR, ROOM 118
SPECIAL MEETING – FY18 PROPOSED BUDGET PRESENTATION
MINUTES

PRESENT: Commissioner Glenn Adams, Chairman
Commissioner Charles Evans, Vice Chairman
Commissioner Michael Boose
Commissioner Jeannette Council
Commissioner Marshall Faircloth
Commissioner Jimmy Keefe
Commissioner Larry Lancaster
Amy Cannon, County Manager
Melissa Cardinali, Assistant County Manager
Tracy Jackson, Assistant County Manger
Sally Shutt, Assistant County Manager
Rick Moorefield, County Attorney
Vicki Evans, Finance Director
Deborah Shaw, Budget Analyst
Heather Harris, Budget Analyst
Bob Tucker, Accounting Supervisor
Ivonne Mendez, Financial Specialist
Jody Risacher, Library Director
Randy Beeman, Emergency Services Director
Brenda Jackson, Social Services Director
Joe Utley, Tax Administrator
Jeffrey Brown, Engineering and Infrastructure Director
Eric Redrick, Veteran Services Director
Rob Robinson, CEO Alliance Behavioral Healthcare
Kelly Goodfellow, CFO Alliance Behavioral Healthcare
Candice White, Clerk to the Board
Press

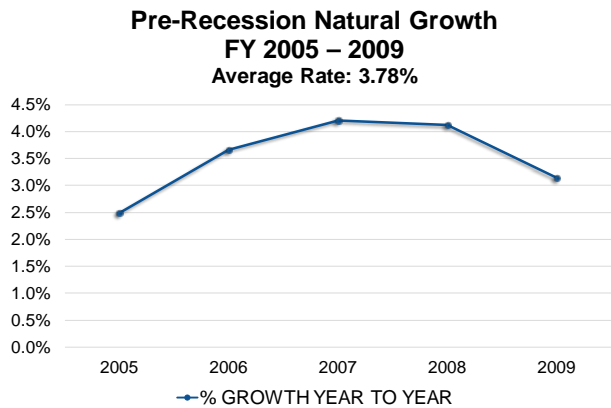
Chairman Adams called the meeting to order and stated the purpose of the meeting is for presentation of the FY2018 recommended budget. Commissioner Lancaster provided the invocation followed by the Pledge of Allegiance to the American flag led by Commissioner Keefe.

Chairman Adams called on Amy Cannon, County Manager, who thanked the Board of Commissioners for the opportunity to submit the recommended annual budget for FY2018. Ms. Cannon stated this year's budget process began with some significant and historic challenges that precipitated a deviation from the normal budget strategy and process. Ms. Cannon stated the FY18 budget was prepared from the perspective of long-term sustainability and included in the budget are preliminary budget reduction strategies. Ms. Cannon stated this is step one of a multi-year process to include further budget reductions as the process moves forward, and is the launch for future organizational restructuring and efficiencies.

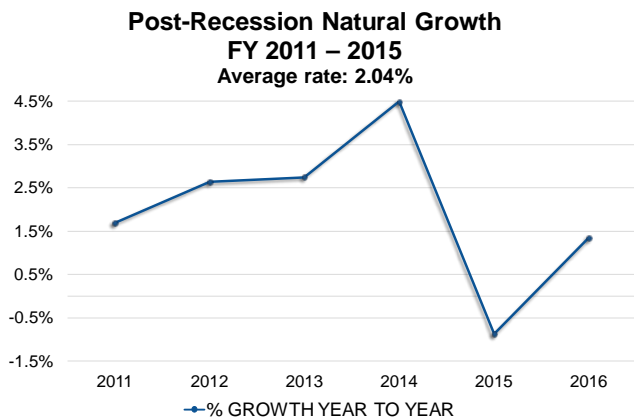
Ms. Cannon stated other counties in North Carolina have seen significant growth in local property and sales tax; however, Cumberland County has been faced with significant challenges that may be attributed to the following:

- Weak local economy
- Fort Bragg workforce reduction
- 2017 Revaluation resulted in \$4.8 million value loss
- Limited natural growth in property and sales tax

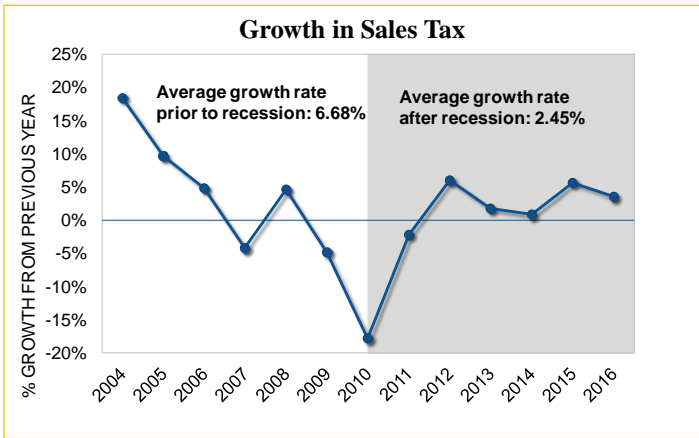
Ms. Cannon reviewed the Pre-Recession Natural Growth graph for real property values below stating the average rate of natural growth for the years prior to the recession, which began in 2008, was 3.78%.



Ms. Cannon reviewed the Post-Recession Natural Growth graph for real property values below stating the growth dropped to an average of 2.04% which has reduced the tax dollars available to balance the budget. Ms. Cannon stated this equates to a \$680,522 loss per year or over a five-year period a little over \$3 million.



Ms. Cannon reviewed the chart below stating there was also a drop in sales tax; the average rate of growth in sales tax for years prior the prerecession was 6.68% and after the recession the average rate of growth was 2.45%. Ms. Cannon stated sales tax is the second largest revenue source in the County’s general fund which equates to a recurring average annual loss of \$1.88 million or a five-year loss of \$9.43 million.



Ms. Cannon stated in addition to revenue challenges, the County has faced expenditure challenges. Ms. Cannon stated over the past five years, the County has added over \$16 million in recurring expenditures to its budget. Ms. Cannon provided the following examples:

- Detention Center Expansion
 - 77 new positions/operational \$ 3.30 million
 - 8 new Jail Health Positions .53 million
- West Regional Branch Library 1.17 million
- Education funding increases 6.10 million
- Classification/Pay Study 2.68 million

Ms. Cannon stated funds have also had to be added to the budget in response to mandates. Ms. Cannon provided the following examples:

- Foster Care board expenses \$ 1.21 million

- New Positions: 1.42 million
- Core/Mandated Services
 - Social Services
 - Health
 - Animal Control
 - Emergency Services

Ms. Cannon stated the County faces ongoing challenges and has identified the following as impediments to balancing the budget:

- Potential state, federal legislative changes
- Increased demand in mandated services
- Deferred maintenance on County infrastructure
- Drawdown of Mental Health reserves
- Funding pressures in Jail Health program
- Employee recruitment and retention
- Departmental budget requests; exceeded the available funding and current budget levels

Ms. Cannon stated these challenges led the County to deviate from its normal process. Ms. Cannon provided an overview of the initial strategies to bridge the FY18 budget deficit presented at the April 24 special meeting:

- Initial projected deficit = \$27.3 million
- Implemented a hiring freeze
- Notified agencies receiving community funding of potential reductions
- Asked departments to submit three levels of potential strategies
- Outlined potential reductions/strategies to address the potential deficit

Ms. Cannon stated the following parameters were established to guide the development of the FY18 recommended budget and future budgets:

- Maintain solid financial position and honor fiscal policies
- Focus on core, mandated services
- Make strategic and sustainable budget decisions
- Limit the reduction of filled, full-time positions to the extent possible
- Base program cuts on return on investment (ROI)
- Create solutions that fully address shortfall in current budget
- Continue focus on providing quality services while being fiscally responsible
- Parameters create foundation for this budget and years going forward
- Long-term identification of efficiencies
- Organizational restructuring/outsourcing
- Efficient allocation of County dollars has to be the goal
- Step 1 – strategic budget reductions for right-sizing the budget

Ms. Cannon provided the following overview of the recommended FY18 budget:

- Balanced with both additional revenue and reductions in service levels and positions
- Includes revenue-neutral tax rate of 78.2 cents
- Includes tax increase of 4 cents for mandated and core services
- Recommended total tax rate = 82.2 cents
- General Fund total = \$328,042,177
- Total General Fund increase = \$757,289; 0.23% over FY17
- Includes more than \$5.9 million in expenditure reductions

Ms. Cannon stated the County follows N. C. General Statutes in calculating the revenue-neutral tax rate. Ms. Cannon reviewed the following:

NCGS 159-11(e) defines revenue-neutral calculation:

- The rate estimated to produce revenue for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred.
- Two components of revenue-neutral tax rate
 - What tax rate would produce same amount of revenue as current year (FY17)?
 - Calculation of average growth rate from the last 7 years

Ms. Cannon stated the 4 cent tax increase can be summed up as the dollars of sustainable funding needed to continue to provide core functions and mandated services and prevents deep cuts that would sacrifice levels and quality of services the County has been providing to its citizens.

Ms. Cannon highlighted the core focus of the recommended increase above revenue-neutral:

- Strategic, sustainable decisions
- Limit reduction in full-time filled positions
- Providing quality services while being fiscally responsible
- Demands of mandated services

Ms. Cannon reviewed strategies implemented in the FY18 recommended budget as follows and stated expenditure reductions totaled \$5,901,150; departmental requests were reduced by \$3,070,621 and today’s current service levels were reduced by \$2,830,528.

- 90 positions - 41 full-time; 49 part-time
 - 53 filled; 37 vacant
- Significant cuts in five areas
 - Administrative/Internal Services
 - Social Services
 - Public Health
 - Library
 - Community funding

Ms. Cannon detailed positions to be eliminated by departments as follows and stated it is believed that most of the employees in these positions may be able to move to other vacant positions in their respective departments. Ms. Cannon stated in the area of part-time, the recommendation is to eliminate 49 part-time positions, the majority of which are filled positions in the library.

	Part-Time		Full-Time		
Department	Vacant (PT)	Filled (PT)	Vacant (FT)	Filled (FT)	Total
Administration			1		1
Finance		1*			1
Health			3	7	10
Human Resources		1*			1
Landscaping			2		2
Library	2	43	1	1	47
Planning			1		1
Public Utilities			1		1
Social Services		2*	21		23
Tax Administration and Revaluation			3		3
Grand Total	2	47	33	8	90
* includes rehired-retirees					

Administrative/Internal Service Departments

- \$462,743
- 10 positions
- 8 of 10 are vacant; 2 filled by rehired retirees

Social Services

- \$333,501
- 23 positions
- 20 time-limited income maintenance positions, 1 vacant housekeeper, 2 part-time filled by retirees

Public Health

- \$669,832
- 10 positions
- 7 of 10 positions are filled
- Most of these employees likely to be placed in other sections
- Dental Clinic
 - Not required, must provide access to services
 - Reduced client volume does not support continuation

- Other community providers for Medicaid and uninsured patients
- \$5,000 included in budget to continue school dental screenings
- \$30,000 recommended for evening clinics
- Consider partnership opportunities for limited clinic hours
- Adult Health Clinic
 - Not required, must provide access to services
 - 684 patients (240 served by Cumberland HealthNET)
 - Two community clinics; 1 with capacity to take up to 800 patients
 - \$70,000 included for 1 additional day of coverage by Cumberland HealthNET at the Public Health Center, with capacity to see 240 more patients

Public Library

- \$724,518
- 47 positions
- 45 part-time; 2 full-time
- 3 vacant; 44 filled
- No closures
- Reduce service hours by 67 per week across the system
- Analysis of usage patterns, workload indicators, public comments and requests
- All branches affected
- About half of FY2002 reduction in hours

Community Funding

- \$1 million requested
- \$671,460 recommended
- No new agencies nor additional requests funded
- 15% reduction to agencies receiving funding in FY2017

Ms. Cannon stated the following chart illustrates the FY18 requests that are included in the recommended budget. Ms. Cannon stated the 2% COLA is balanced with asking employees to do more with less and is recommended for mid-year implementation. Ms. Cannon stated the County is having a significant problem with recruitment and retention and is losing well-trained employees to the private sector and other local governments due to base pay considerations. Ms. Cannon stated the Department of Labor conservatively estimates the cost to replace an employee is 30% of the employee’s salary and based on the number of positions that were vacated/recruited for the year ended December 31, 2016, it cost the County \$2.7 million. Ms. Cannon stated this cost is significantly higher than a 2% COLA.

Vehicle replacement	\$ 900,018
Capital outlay	775,762
Minor Repairs & Maintenance	1,054,700
Technology upgrades	746,384
Mental Health	4,528,149
Foster Care Board payments	547,000
Board of Education	1,329,751
FTCC	544,592
2% COLA (mid-year)	916,955

Ms. Cannon reviewed other positions:

- Departments requested 60 new positions
- 29 recommended are all in mandated areas
- 16 are applicable only if Health Department continues to provide Jail Health Program
- 13 remaining positions - no increase in staffing or County dollars
 - Cape Fear Valley will house, pay for 2 DSS staff
 - 7 DSS positions in Adult Medicaid are offset by elimination of 9 time-limited positions
 - 4 Health Department nurses funded by Medicaid

Ms. Cannon provided highlights of Solid Waste fees and the Public Safety Task Force as follows. Ms. Cannon stated the Solid Waste enterprise fund is required to generate revenue to fully cover the annual cost of operation, capital replacement and future construction. Ms.

Cannon also stated the Public Safety Task Force was reactivated during FY17 and there was discussion at a recent meeting about revaluation and how it would affect revenue for the fire district. Ms. Cannon stated the projected loss is about \$250,000.

Solid Waste fees

- Enterprise fund
- Restructured Solid Waste fee schedule
- Increase Household Waste Fee by \$8; from \$48 to \$56 annually
- Fee has not increased since 1991
- \$56 remains lower than surrounding counties

Public Safety Task Force

- \$200,000 - short-term measure to mitigate revaluation loss
- \$50,000 from the Fire Chief’s Association fund balance
- Task force recommendations due in 2018 for a long-term sustainable and equitable funding formula
- Performance standards for contracts
- Sustainable and equitable funding formula

Ms. Cannon stated the recommended FY18 budget contains some preliminary strategies for the process that needs to continue July 1 and in future years. Ms. Cannon highlighted the following opportunities/strategies for upcoming fiscal years:

- Realign social services group homes
- Consolidate social services and public health into one human services agency
- Divest county property
- Explore merger of county functions (technology, human resources, public information, facilities maintenance)
- Consider outsourcing options
- Continue to analyze positions as they become vacant
- Continue investment in technology
- Prioritize business process review/improvement
- Continue development of capital-financing model
 - Future major projects
 - Reduce funding pressures on General Fund

Ms. Cannon concluded her presentation by stating the budget was prepared from the perspective of long term sustainability because she believes the County is at-risk for future financial costs to be passed down from the state and federal level. Ms. Cannon stated cost reductions and cost effective strategies have been implemented in this process and they need to be continued through future organizational restructuring and downsizing. Ms. Cannon stated the recommended budget is a launch to the ongoing pursuit of efficiencies with a focus on rightsizing the organization to stabilize and protect it financial position in order to create resiliency.

Ms. Cannon reviewed the upcoming FY18 budget meeting schedule:

Budget Meeting Schedule			
May 30	5:30 p.m.	Work session	Room 564
June 5	7:00 p.m.	Public Hearing/ work session	Room 118/564
June 8	5:30 p.m.	Work session/Department Appeals	Room 564
June 13	5:30 p.m.	Work session if needed	Room 564
June 14	5:30 p.m.	Work session if needed	Room 564

Ms. Cannon concluded her presentation and stated the FY2018 recommended budget is also available on the County’s website at co.cumberland.nc.us. Ms. Cannon thanked department heads who willingly provided input and budget reduction options, and acknowledged budget

staff who committed many evenings and weekends to provide information for management's review and consideration.

Chairman Adams provided closing remarks.

MOTION: Commissioner Lancaster moved to adjourn.

SECOND: Commissioner Council

VOTE: UNANIMOUS (7-0)

There being no further business, the meeting adjourned at 7:40 p.m.

Approved with/without revision:

Respectfully submitted,

Candice H. White
Clerk to the Board