

*Scotland County Board of Commissioners budget work session
May 22, 2012, 507 West Covington Street, Laurinburg, NC*

**MINUTES
Scotland County Board of Commissioners
May 22, 2012 Budget Work Session/Reconvened Meeting
507 West Covington Street, Laurinburg, NC**

At 8:30 a.m. Chairman Bob Davis reconvened the meeting for the purpose of a budget work session. Commissioners in attendance: Chairman Davis, Vice Chair Joyce McDow and Commissioners John Alford, John Cooley, Carol McCall and Guy McCook. Commissioners not in attendance: Commissioner Clarence McPhatter. Staff in attendance: County Manager Kevin Patterson, Finance Officer Charles Nichols and Clerk to the Board Ann W. Kurtzman. Commissioner Davis opened the meeting with a prayer.

Health Department Budget Amendment: Approve receipt of new funding for summer food programs in the amount of \$4,486, and authorize the Finance Officer to make the necessary arrangements to receive and expend the money. No County dollars involved.

Health Department Budget Amendment: Approve receipt of additional funding for motivational interviewing training in the amount of \$2,115, and authorize the Finance Officer to make the necessary arrangements to receive and expend the money. No County dollars involved.

Motion was made by Vice Chair McDow and duly seconded by Commissioner Alford to approve the Health Department budget amendments in the amount of \$4,486 and \$2115. Vote: Motion unanimously approved.

Surplus a 2003 Crown Vic VIN# 2FAHP71W43X173574

Motion was made by Commissioner Alford and duly seconded by Commissioner McCall to Surplus a 2003 Crown Vic VIN# 2FAHP71W43X173574. Vote: Motion unanimously approved.

Presentation of the Scotland County Schools FY 2012-2013 budget

School Finance Officer Jay Toland presented the 2012-2013 school budget, which reflects a reduction of \$312,000 in ADM. Total budget is \$12.9 million. \$10,075,654 would be the county appropriation. Capital outlay, which totals \$1.3 million, includes \$155,000 in Fines and Forfeitures, \$600,000 in ADM/restricted sales tax and \$550,000 from the education lottery. Mr. Toland discussed how the funds would be used for capital projects.

Superintendent Rick Stout said he is not aware of a teacher salary increase at this time although the State might require a 2 percent increase at some point.

Chairman Davis said County employees have not had a cost of living increase in years, and it gives him "heartburn" to think the State might require the County to fund COLAs for the school system. Chairman Davis asked if the COLA might be gleaned elsewhere within the school budget.

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Superintendent Stout said the schools try to ensure that only personnel with the lower salaries are paid locally. He said the School Board did a lot of cutting last year and only hired positions considered essential.

Commissioner Cooley acknowledged the County and schools are in the same boat budget-wise. He said the Commissioners are looking for fairness because the State asks the County to spend more but gives the County less.

Commissioner Alford left at 8:50 a.m.

Mr. Toland said the school fund balance is a little under \$3 million, but it is required to have at least \$700,000 on hand at all times.

The Commissioners then asked questions about local supplements paid to assistant principals and five directors. Mr. Stout said most salaries are paid by the State while the salary supplements locally remain the same.

Chairman Davis asked if the schools would consider cutting its travel budget since it includes a lot of travel dollars. Mr. Stout said the school makes every attempt to limit travel, but the Department of Instruction has certain travel requirements.

Commissioner Cooley said the County has the perception that the schools pay more per student than other counties. He suggested that if Scotland County Schools trimmed its budget the perception would no longer be fulfilled.

Superintendent Stout said the numbers and data show the County's academic performance indicate the funds are put to the best use in comparison to other counties. Mr. Stout added that the \$10 million local appropriation provides tremendous support for the schools, but it won't save the budgetary problems the schools and the County face.

Commissioner McCall said it is difficult to reconcile when the County's ability to pay the local appropriation is ranked 98.

Mr. Stout said when industries look to site operations in Scotland County, the performance of the schools is important in the decision making process.

Chairman Davis said County employees have not had a salary increase in five years and this year positions were eliminated and all other employees took a 2.5 percent salary reduction. Chairman Davis said he didn't see any school personnel taking a reduction in salary.

Superintendent Stout said the schools move funds to areas where it will be put to the most efficient use. He thanked the Commissioners for their questions and said the dialogue between the two entities is important.

A Resolution Asking the Governor to Secure Funds to Pay the Unpaid Principal of the Federal Unemployment Tax Act Loan Made to the State of North Carolina

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WHEREAS, the Federal Unemployment Tax Act (FUTA, 26, U.S.C. ch. 23) imposes a federal employer tax used to help fund state workforce agencies which employers report annually via Internet Revenue Service Form 940. FUTA covers the federal share of the costs of administering the unemployment insurance and job service programs in every state. It also pays one-half of the cost of extended unemployment benefits (during periods of high unemployment) and provides for a fund from which states may borrow, if necessary, to pay benefits; and,

WHEREAS, states that exhaust unemployment insurance accounts have the opportunity of turning to the federal government for loans to pay unemployment benefits. Loaned unemployment benefits must be paid back by the state(s) with interest; and,

WHEREAS, the State of North Carolina received its first advance in February 2009, interest began to accrue in January 2011 on the unpaid principal, and the State currently owes more than \$2.5 billion. The State made its first interest payment of \$78.8 million in September 2011; another payment of approximately \$106 million is due in September 2012. The State will be penalized since the unpaid principal has not been paid in full and that will trigger a 0.3% reduction of the FUTA tax credit annually until the debt is paid; and,

WHEREAS, in these difficult economic times, the State has forwarded letters to North Carolina businesses passing along the 0.3% per employee charge with the payment deadline of January 31, 2012. This greatly disappoints business operators who have been struggling during the economic downturn.

NOW, THEREFORE, BE IT RESOLVED that the Scotland County Board of Commissioners, while steadfastly supporting its local businesses in this dire economy, calls upon the Governor of the Great State of North Carolina and its General Assembly to immediately prepare a plan to furnish the funds to pay the principal on the unpaid loan and to retract the payment directive issued to businesses throughout the State as these businesses must maintain viable operations and jobs to support the families of this State.

BE IT FURTHER RESOLVED that copies of this resolution be forwarded to the Honorable Beverly Perdue, NC Governor; the Scotland County Legislative Delegation to the NC General Assembly, the North Carolina Association of County Commissioners, and to the other 99 NC counties with our invitation to join us by adopting resolutions of their choice to support the businesses of North Carolina by retracting the mandate.

Adopted this 22nd day of May, 2012.

Motion was made by Commissioner McCall and duly seconded by Commissioner Cooley to approve a Resolution Asking the Governor to Secure Funds to Pay the Unpaid Principal of the Federal Unemployment Tax Act Loan Made to the State of North Carolina. Vote: Motion unanimously approved.

Scotland County tax card

The Commissioners discussed whether to continue printing a portion of the tax levy on the tax card as “school tax.” County Manager Patterson said there is one additional line of information available on the tax card. For more complete information, the size of the tax card would have to increase and the postage also would increase.

The Commissioners shared opinions on whether to continue with the wording. Commissioner McCook said since the County doesn’t list how tax levy supports everything that is done, the schools should not be

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put out there. Commissioner McCall said she would rather see all allocations listed and the words “school tax” changed. Commissioner McCall said it would be a good thing for taxpayers to know where the money is spent. Commissioner Cooley said if you ask taxpayers to pay thousands of dollars, it would be worth it in return to let taxpayers know what their tax dollars pay for.

The Commissioners agreed to continue the discussion May 24 when Commissioner Alford would be present to participate.

Fire tax and capital needs of the fire districts

County Manager Patterson said as of June 30, 2011, \$572,000 was in the fire fund. One cent of the two-cent fire tax raises \$130,000. The 14 fire trucks, purchased in the 90s, are beginning to age out. All have about a 15-year life expectancy. The fire tax does not bring in enough revenue to pay for fire truck replacements.

Chairman Davis, who also serves on the Fire Commission, said the Fire Chief and the Fire Commission are asking the Commissioners to consider increasing the fire tax from two cents to four cents. Chairman Davis said aging equipment affects accreditation that would cost more for home owners in insurance.

Mr. Patterson said the current two cents would not cover the cost of fire truck replacement over the next 15 years and the cost of the equipment is expected to increase annually by eight percent. Mr. Patterson said after fire tax distribution is made, the fund accumulates about \$60,000 annually. The County Manager said if the fire tax was increased, it would not increase operating funds.

Commissioner McCook asked staff to bring a plan to the May 24 meeting, which would address replacement based on need.

(A break was called, and the meeting resumed at 10:10 a.m.)

Finance Officer report on revenues, expenditures and fund balance

Finance Officer Charles Nichols distributed the RFP for audit services. The Commissioners agreed to review the proposals and discuss them further at the May 24 budget work session.

Mr. Nichols said \$37.5 million in revenues was received as of April 30, which is \$200,000 above sales tax projections. Mr. Nichols said the school debt service is due in May and June when the revenues slow down. Overall projected revenues will be \$37.6 million to \$37.2 million in expenditures. Mr. Nichols reminded the Commissioners that July, August and September sales tax revenues will be backed into this fiscal year. He said it is projected that the new WalMart in Bennettsville will impact sales tax revenues in the negative by \$150,000.

Mr. Patterson said the current fiscal budget is not balanced and has a \$517,000 shortfall. He said all departments are working to achieve a net neutral position. Mr. Patterson said the increase in the cost of motor fuels caused EMS, Sheriff and Jail expenditures to go over budget by an estimated \$80,000.

The County Manager said he is investigating the benefits of using a motor fuel card. Mr. Patterson said the County also received an unexpected maintenance invoice in the amount of

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\$68,000 for work done at the fueling station. The County pays half the fueling station maintenance cost according to an agreement with the City of Laurinburg.

Commissioner McCook suggested the Commissioners look at the possibility of reducing the number of vehicles used by the County and that the County Manager discuss conservation measures with the Sheriff and EMS. Commissioner Cooley suggested staff also look at the number of County vehicles going home.

The Commissioners agreed to follow up on the subject of County vehicles at the May 24 meeting.

County Manager report on FY 2012-2013 budget

Mr. Patterson showed a grid of what cuts departments would have to make to eliminate the \$500,000 revenue shortfall.

On the sales tax revenue side it is conservative, budgeted at \$5,150,000. Current property tax projections are \$18.3 million, which is budgeted at 99 percent of what the County expects to collect. Mr. Patterson said property tax collections also are budgeted conservatively going forward.

Commissioner McCook asked for an accounting of prior year tax collections going back three to five years.

Commissioner Cooley said the 2012-2013 budget should be a realistic one so the County does not go back during the year to make adjustments.

Chairman Davis asked if a tax increase should be considered. Mr. Patterson said an additional three cents on the tax rate would eliminate the \$500,000 shortfall in the current budget. Mr. Nichols said a three cent increase would not address the \$600,000 requested by the schools for capital projects.

Commissioner McCook asked what it would take to restore longevity and eliminate employee furlough. Mr. Patterson said he would work on those figures and email them to Commissioners.

Mr. Patterson said non-mandated services include Transportation (the County contribution is one-third of that budget), Cooperative Extension, Soil and Water Conservation, Parks and Recreation, Library and Veteran Services. The County budgets \$18,000 for Historic Properties and provides Hospice with a match for the Home and Community Care Block Grant. The County pays membership to the Council of Governments and Southeastern Economic Development Commission.

Vice Chair McDow asked the County Manager to develop a budget with a \$1.02 tax rate rather than make additional cuts.

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The Commissioners again discussed the request by the schools for an additional \$600,000 in capital funds. Chairman Davis asked if the lottery funds could serve as the capital and there would be no additional funding beyond that.

County Manager Patterson explained the agreement between the schools and the County calls for restricted sales tax to pay current debt service with the remainder held for debt service in the following year. He said the agreement was made so tax would not be levied to pay for debt service. Mr. Patterson said any funds that remained were appropriated to the schools for capital. He explained that in the past several years, with a weak economy, there are no funds left for school capital. Mr. Patterson said when revenues from sales tax was good, the schools were getting more and when sales improve, capital will not be an issue.

Commissioner McCall said the County would need to know what the tax rate would be if it was to fund the schools \$600,000 capital request. Commissioner McCook asked Mr. Nichols to check the lottery numbers.

Report from the Fort Bragg Regional Alliance

Fort Bragg Regional Alliance Executive Director Greg Taylor provided an update on the activities of the Regional Alliance. He discussed grants received for education, workforce development and agriculture and grants that specifically benefitted Scotland County. He said in education alone, Scotland County was the recipient of \$500,000 in grants.

Commissioner Cooley left at 12:15 p.m.

Mr. Taylor said the Regional Alliance can be an asset for economic development locally. He said it also could assist with future opportunities for Camp Mackall and Laurinburg-Maxton Airport. He said the \$10,000 membership in the Regional Alliance delivered that return on investment. Mr. Taylor said if the Regional Alliance did not exist and advocate for the region all the calls would be going to Fayetteville.

Motion was made by Commissioner McCook and duly seconded by Commissioner McCall to recess to 8:30 a.m. Thursday, May 24, at 507 West Covington Street. Vote: Motion unanimously approved.

Ann W. Kurtzman
Clerk to the Board

Bob Davis
Chairman