

*Scotland County Board of Commissioners budget work session
12 p.m. Thursday, June 2, 2011, 507 West Covington Street*

MINUTES

Scotland County Board of Commissioners June 2, 2011 Budget Work Session 507 West Covington Street, Laurinburg NC

At 10 a.m. Chairman Bob Davis reconvened the meeting for the purpose of a Budget Work Session. Chairman Davis delivered a word of prayer. Commissioners in attendance: Chairman Davis, Vice Chair Joyce McDow and Commissioners John Alford, John Cooley, Carol McCall, Guy McCook and Clarence McPhatter. Staff in attendance: County Manager Kevin Patterson, County Attorney Ed Johnston and Clerk to the Board Ann W. Kurtzman.

Scotland County Schools FY 2011-2012 budget presentation

Scotland County Schools Chief Finance Officer Tony Messer discussed the upcoming FY 2011-2012 budget and how it is impacted by State funding cuts.

Mr. Messer said because ADM is down, the schools would have a reduction in that area as well as in transportation. He calculated the transportation loss at about \$800 a day. Mr. Messer said the State also increased school days by five, adding to the loss in transportation funding.

Local current expense budget is \$13,410,652, of which \$10,131,464 is the local appropriation, which is a decrease of about \$500,000 from the current year. Mr. Messer explained how fines and forfeitures are used in the budget. Mr. Messer estimated that 95 percent of the school's \$2 million fund balance would be used to balance the budget in the coming year. He said the local County appropriation will help pay for 43 teaching positions. Mr. Messer said that is a one-year fix.

Capital outlay is budgeted at \$1,475,000. Mr. Messer discussed the major upcoming capital projects. He said closing East Laurinburg School and Scotland Accelerated Academy will save the system \$1.2 million. Mr. Messer said the total budget for FY 2010-2011 was \$67 million, but he could not estimate what the FY 2011-2012 budget would be pending State budget action.

There was discussion about capital funds budgeted by the Schools that the County did not include in its proposed FY 2011-2012 budget. County Manager Patterson said because sales tax revenues were less than expected and because the State might appropriate less in school capital lottery funds, the County must use whatever sales tax revenues and lottery funds available to pay down the school debt first.

The Commissioners agreed to discuss the issue further with the Board of Education at a joint meeting June 14 at the A.B. Gibson Education Center, 322 South Main Street.

Budgetary and Fiscal Recommendations to the Board of Commissioners

Chairman Davis said he would like to deviate from the agenda to allow County Attorney Johnston to present recommendations regarding the budget, its preparation and safeguards. Chairman Davis said this would be done to address rumors in the community.

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Mr. Johnston read the following Budgetary and Fiscal Recommendations to the Board of Commissioners:

1. Appoint a Finance Officer and to do so immediately.

Chairman Davis suggested the appointment of Mr. Charles Nichols as Finance Officer since Mr. Nichols was hired three years ago with the understanding he would assume the responsibilities of the position. Chairman Davis said Mr. Nichols completed the required training and course work in order to assume the position of Finance Officer.

The Commissioners agreed this appointment should be made so it would free the County Manager, who also serves as Finance Officer, to focus on overall County administration, industrial and business recruitment and personnel issues.

2. Name a different entity to conduct the County audit.

County Attorney Johnston said this would bring in a “fresh set of eyes” to look at the budget.

Chairman Davis said that his brother-in-law was a principle in Gustaf, Lundin and Associates, the company previously performing the audits. Chairman Davis added that County Manager Patterson worked as an auditor for Lundin.

3. Require a written monthly report in the Board of Commissioners agenda package as to amounts in restricted and unrestricted fund balance.

- **State what percentage unrestricted fund balance is of the total general fund expenditures.**

County Manager Patterson provided an update on the Fund Balance in restricted and unrestricted funds and answered questions from Commissioners.

4. Require Budget Ordinance to contain explanation of how the Budget Officer made projections from revenue from:

- a) **Property Tax**
- b) **Sales Tax**
- c) **All other material sources of revenue**
- **If there are statutory limitations on a projection, state relevant limitation.**

Commissioners McCall and McCook said they would like reports at least quarterly on revenues, expenditures and Fund Balance projections.

The Commissioners discussed the recommendations at length and agreed the document needed further review.

Motion was made by Commissioner Alford and duly seconded by Commissioner Cooley to accept the recommendations made by the County Attorney and the additional

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recommendation regarding revenues, expenditures and Fund Balance projections with the intent to approve the recommendations at the June 6, 2011 regular meeting. Vote: Motion unanimously approved.

Discussion turned to the potential reduction in force (RIF) of County employees. Commissioner Alford said the County should develop a projected two-year budget or consider a policy where employees are given advanced notice if they will be part of a RIF.

County Attorney Johnston was excused from the meeting.

The Commissioners took a break. The meeting resumed at 11:50 a.m.

DSS: Current year budget as reported to the State

DSS Director Robby Hall said DSS proposed a \$2.8 million budget for FY 2010-2011, but a \$2.4 million budget for the agency was approved. Mr. Hall said he wanted to address the subject to dispel any rumors that \$400,000 was missing from the DSS budget.

Mr. Hall said there was no misuse of funds. At the time the budget was approved in June, DSS did not reconcile the approved budget to the State.

Mr. Hall attributed a typographical error to the Transportation line item, which was posted as \$25,000 when the requested amount was \$75,000. Mr. Hall said that error was corrected.

Sales tax revenue projections

County Manager Patterson said the sales tax revenue projection for 2012 is \$5.1 million, which is flat. Mr. Patterson said in 2008, sales tax revenues were \$8.3 million and has since declined 40 percent to the level the County is at now. Mr. Patterson explained that as part of the Medicaid swap, the State took the Article 54 sales tax, which is about \$850,000.

Last year, the State began redistribution of sales tax based on point of sale rather than per person. That redistribution represented a significant decline in sales tax revenue to the County. As a result, the current fiscal year sales tax revenue is \$2 million short of the projection.

Mr. Patterson said the County made its best calculation at the time factoring the swap and redistribution into the projection, but the continued depressed economy hurt. Mr. Patterson said of the \$5.1 million projection that he expects this would be the worst it will get. Mr. Patterson said sales tax projections had been budgeted at \$6.2 million for the current year.

Commissioner Cooley suggested the County budget less than \$5.1 million to ensure it does not overshoot the year. Commissioner McCook disagreed and explained that there is industrial growth and signs of economic improvement.

Tax valuation

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Mr. Patterson said the tax valuation dictated by Statute is \$1.997 billion. Collection rate on real property is 93.83 percent while the vehicle collection rate is 76.88 percent.

Tax Administrator Mary Helen Norton discussed how the vehicle collection rate has not increased despite a State law that was designed to improve the rate. She said the Zacchaeus Law firm the County contracted to handle foreclosures, has collected \$160,000 since October 2010.

Ms. Norton also explained the revenue neutral rate and business personal property collections affect the rate.

The revenue neutral tax rate is 97.35 percent, which is a five percent increase in total valuation.

Proposed budget expenditures and revenues

County Manager Patterson said the proposed budget is prepared at a 98-cent tax rate. One cent on the tax rate is \$184,000. The average house value after revaluation is \$85,000. Mr. Patterson said homes in Scotland County are valued significantly lower, which resulted in the \$85,000 average value.

Tax Administrator Norton said garnishments were more difficult this year because people weren't working, and it affected tax collections by about three percent. She said the average vehicle tax collections was 80 percent statewide in a good economic year.

Commissioner McCook asked staff to select about 12 counties similar to Scotland County to ascertain how the County compares with the collection rates.

Commissioner Cooley said the County should send a resolution to the State expressing its belief that there should be conformity on what is taxed.

Chairman Davis said a 98-cent tax rate would be \$120,000 above revenue neutral and 99 cents would be \$304,000 above revenue neutral.

Mr. Patterson said the 98 cents was used to present a balanced budget. He said after an explanation of the budget, he also will provide the Commissioners with a list of budgeting alternatives.

At 12:35 p.m., the Commissioners took a break for lunch. Commissioner McPhatter was excused so he could return to work. The meeting reconvened at 1:25 p.m.

Mr. Patterson summarized the significant changes in the budget. With a 98-cent tax rate, the projected budget would be \$37,045,000, which is a decrease of \$5.4 million over last year.

Mr. Patterson said the budget proposed includes a five percent furlough for employees, a savings in the health care insurance rate, a change in the 401k contribution and a RIF.

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The furlough would reduce employee work hours by two hours a week, which represents \$100 per monthly pay check for an employee making \$30,000. FirstCarolinaCare would assume health insurance coverage, which would include a \$1,500 deductible for hospitalization and major medical services as of July 1. Mr. Patterson said as of January 1, 2012 the deductible would be \$2,500. A medical savings account would be developed with the County contributing \$500 to each account. Mr. Patterson said after January 1, new employees would be offered a high deductible plan with PPO.

Mr. Patterson proposed that the County reduce the 401k match from 3.75 percent to three percent to offset the increase in the LGERS required contribution.

The proposed budget was reviewed department by department so Commissioners would know where reductions were made, including eliminations in personnel.

Sheriff Shep Jones said he was disappointed in the proposed budget, which would eliminate five positions from his department. He said the eliminations would cripple the Sheriff's office and do a disservice to the people who elected the Board of Commissioners. He discussed the caseloads the current staff now carries and he said staff eliminations could make a difference in response time in the event of a crisis. "We deal in seconds, and there are no do-overs," the Sheriff said.

Sheriff Jones also spoke on behalf of all County employees who might be affected by a five percent salary reduction. He said it would hurt a lot of people, especially those nearing retirement.

Chairman Davis responded explaining there is no one at the table who is not concerned about the citizens of Scotland County. He asked the Sheriff to keep in mind the budget presented today is proposed only.

County Manager Patterson said there are no additional cuts to be made in the Sheriff's Department to restore the positions. He said the Sheriff's Department is affected by significant cuts just like every department.

Mr. Patterson said EMS is looking to increase its fee structure for patient transport comparable to fees in the region. This would offset revenues versus expenditures.

Mr. Patterson proposed that Inspections would retain a third inspector for three months pending the possibility there would be industrial projects coming to the County.

Commissioner McCook suggested another possibility would be to reduce the inspector now and contract with an inspector on an as-needed basis.

Inspection also proposes a fee increase. The department's last fee increase was in 2000. Inspections Director Ernest Stephens provided the Commissioners with examples of fee increases at 10, 15 and 20 percent.

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Commissioners McCook and Cooley asked for fee comparisons from Richmond, Robeson and Hoke counties.

The Commissioners took a break. The meeting resumed at 3:20 p.m.

In Parks and Recreation, fees also were discussed. Mr. Patterson asked the Commissioners to consider a multi-year fee structure. Currently, a fee increase to \$15 is in the proposed budget.

Mr. Patterson said in the Health Department, the elimination of the maternity clinic and five positions is proposed. He explained that the caseload is no longer there to support the program.

Health Director Ron Sapp said Health Department services have been consistently cut over the past decade. He said when prevention programs are eliminated, health care costs increase. Mr. Sapp and Nursing Supervisor Kitty Johnson described the clients who seek services from the public health maternity clinic. Ms. Johnson said the clinic services 70 to 90 patients per month who would likely not receive maternity care anywhere else.

Mr. Sapp said in the case of a significant critical incident event, the Health Department would not have the clinical personnel it would need to respond to the event. He said the agency was looking to get a County health clinic up and running, but that would not happen with the loss of that many clinical personnel.

Ms. Johnson asked that discussions continue regarding the Health Department and where eliminations could be made so that it isn't all clinical staff.

Commissioner Cooley said the departments know best what to do and the governing body is asking all departments to help with that.

Mr. Patterson said maternity and family planning are the only non-mandated programs offered at the Health Department.

Commissioner Alford asked the Health Department to continue to work it out with the County Manager to get the budget to the dollar amount that must be reduced.

Mr. Sapp said he would like the clients to at least have a transition period so the doors are not just shut to them.

Mr. Patterson said he asked DSS for two budgets, one of which would eliminate everything not required of DSS. He said in that, there is only \$48,000 in non-mandated services. Mr. Patterson said in the other budget a reduction of \$1.1 million in expenditures would reduce revenues by \$716,893. The net reduction would be \$424,337.

DSS Director Hall said food, nutrition and Medicaid are the biggest health areas. If they are reduced, that increases the possibility of errors, which means the County would have to pay back the State. Mr. Hall said the larger DSS budget reduction put the agency on "the razor's edge."

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Mr. Hall defended maintaining the Child Support Officer through the Sheriff's Department. He said there are two such officers who help the agency meet its goals and bring in revenue.

Veterans Service Officer Mildred Williams read a prepared statement to the Commissioners as it pertains to the proposed five percent salary reduction. Ms. Williams said she is a one-person office, which once was a two-person office. She discussed the revenue the Veterans Service Office brings to the County through the work it does.

County Manager Patterson once again explained the capital budget and how it does not include capital monies to the Schools and why capital funding is not included. He reviewed how sales tax, fines and forfeitures and lottery funds are used to first pay down school debt before anything else. He said the debt service is at a negative, and under the current policy, there is no capital funding budgeted for the schools.

Mr. Patterson said he realizes that there are some proposals in the \$37 million County budget that are less than favorable. He said the five percent furlough represents \$566,771 in savings.

Chairman Davis said if there is such a reduction, he would recommend that the Commissioners take a 50 percent reduction in pay immediately.

Commissioner Alford said the Board must look at an alternative to a five percent employee salary reduction.

The Commissioners then discussed alternative budget reductions and generally considered suspending the 401k contribution and longevity pay, the children's librarian position, which would cause the library to operate on a five-day instead of six-day schedule, eliminate the purchase of two Sheriff vehicles and one defibrillator, halve the cell phone stipends, cut travel to the point where it would not endanger the loss of certifications.

With the above cuts considered, Mr. Patterson said an estimated \$50,000 in cuts would still need to be made.

While Commissioner Cooley advocated for a 97 cents tax rate and Commissioner McDow supported a 99-cent tax rate, the Commissioners, after some discussion, agreed to a 98-cent tax rate.

Commissioner McDow asked how much State aid would be lost without a children's librarian.

Chairman Davis asked department heads to rethink their budgets and discuss them with the County Manager. Commissioner McCook said he would like to know what the impact might be on departmental budgets because it would assist the Commissioners in a more knowledgeable discussion of the budget process.

Motion was made by Commissioner McCook and duly seconded by Commissioner Alford to accept FirstCarolinaCare as the health care insurance carrier for the County for 2011-2012. Vote: Motion unanimously approved.

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Motion was made by Commissioner Alford and duly seconded by Commissioner Cooley to adjourn. Vote: Motion unanimously approved. Meeting adjourned at 5:30 p.m.

Ann W. Kurtzman
Clerk to the Board

Bob Davis
Chairman