

*Scotland County Board of Commissioners FY 2004-2005 Budget Work Session
6 p.m. May 26, 2004, Commissioners Chamber, 1405 West Boulevard*

MINUTES

**Scotland County Board of Commissioners Budget Work Session, May 26, 2004
Scotland County Complex, 1405 West Boulevard, Laurinburg, NC**

At 6 p.m., Chairman David Burns reconvened the budget work session from a May 10, 2004 recessed joint meeting. Commissioners in attendance: Chairman David Burns, Vice Chair Nancy J. Shelley, Betty Blue Gholston, Charles "Scoofer" Jordan, Sam Snowdon, Clint Willis and J.D. Willis. Staff in attendance: Chief Financial Officer/Assistant County Manager Kevin Patterson and Clerk to the Board Ann W. Kurtzman.

Chairman Burns said there is an opportunity to endorse the application by the Lumber River Conservancy for a \$234,250 grant to protect water through the acquisition of land with river frontage two miles along the Lumber River in Scotland County. The application goes to the North Carolina Clean Water Management Trust Fund. The Board of Commissioners is being asked to write a letter of support in this effort.

Motion was made by Commissioner Snowdon and duly seconded by Commissioner Jordan to approve writing a letter of support for the Lumber River Conservancy's application to the Trust Fund. Vote: Motion unanimously approved.

Chairman Burns said the Town of Gibson is applying for a \$100,000 grant to refurbish the old Gibson depot. The grant requires a 20 percent match. Gibson Town Administrator Sharon Franklin asked the County for the \$20,000 match, and debris dumped in the landfill from the project would be charged \$20,000 so the County would be repaid.

Commissioner Clint Willis said this is part of the Transportation Enhancement Program. The Transportation Advisory Committee approved Gibson's application.

Chairman Burns said he wants assurance that the \$20,000 would come back and when it would come back.

Commissioner J.D. Willis said he would want assurance in writing that the County would get its \$20,000 back. Commissioner J.D. Willis said he also would want assurance that what Gibson is planning to do is legal.

Motion was made by Vice Chair Shelley and duly seconded by Commissioner Clint Willis to approve the \$20,000, which would be repaid by the Town of Gibson through tipping fees, pending an opinion by the County Attorney that it is legal. Vote: Motion unanimously approved.

Chairman Burns said he would work closely with Chief Financial Officer Patterson to make sure the support of this match is handled properly and that a formal request come in writing from the governing body of the Town of Gibson.

Presentation of the FY 2004-2005 Budget Plan

***Scotland County Board of Commissioners FY 2004-2005 Budget Work Session
6 p.m. May 26, 2004, Commissioners Chamber, 1405 West Boulevard***

Commissioner Clint Willis, Interim Budget Officer and Chairman of the Finance Committee, said he and Committee members Commissioners Gholston and Jordan cut the budget line item by line item and reviewed it with Department Heads. The group then discussed how the cuts would impact departments.

He said some areas could not be cut because revenues would be eliminated as a result.

Commissioner Clint Willis said the Committee reduced expenditures to the point where it could still maintain the quality service Scotland County deserves.

The request for funds for 2005 is \$43.4 million. Last year it bottomed out at \$46.4 million. This year's budget has been decreased more than \$3 million. The tax base is down 2.24 cents on the tax rate, down to \$41 million.

Commissioner Clint Willis explained how the County got to where it is budget-wise. He said since the early 90s, Fund Balance had been added into the equation in order to keep the tax rate down.

The net valuation this year is \$1.6 billion against \$1.7 billion in 2004. Industrial incentive valuation is \$19 million. One cent on the tax rate in 2005 gives the County \$167,312 compared to \$171,196 in 2004.

Add 2.32 cents to the 2004 tax rate of 99 cents in order to recover the \$38,839,086 in tax valuation. The amended appropriated Fund Balance of \$2,676,316 minus the \$649,012 grant money means \$2 million was put into the General Fund this past year. That's 12.12 cents on the tax rate, which is added to the 99 cents.

Sales tax was budgeted at \$7 million, and it actually came in at \$5.9 million, or \$1.1 million less than what was estimated for 6.7 cents on the tax rate. The decrease in expenditures of \$113,257 this year compared to last year yields a little over half a cent.

The proposed decrease in sales tax revenue of \$353,917, which is what the County actually received compared to what it thought it would receive, represents 2.12 cents on the tax rate. Budgeted increases in revenue are \$1.1 million.

Commissioner Clint Willis said the 99 cents tax rate this year, along with 12.12 cents by not using Fund Balance and 6.70 cents for the adjusted sales tax, realistically should bring a \$1.18 tax rate. Add the decrease in expenditures and budgeted increase in revenue; the result is a tax rate of \$1.15 provided Fund Balance is not used.

Commissioner Clint Willis said the proposed FY 2004-2005 budget is the minimum that can be done and still serve the County. He said the \$10 million in mandated funds for the schools and the \$10 million other mandated funds leaves a flexibility of about 2.5 cents.

Commissioner Clint Willis discussed Fund Balance. When the money obligated for FY 2003-2004 is removed, there is an undesignated Fund Balance of \$6,278,000. Revenues over

***Scotland County Board of Commissioners FY 2004-2005 Budget Work Session
6 p.m. May 26, 2004, Commissioners Chamber, 1405 West Boulevard***

expenditures added to Fund Balance, as of May 19, 2004 is \$2.1 million. Restricted Sales Tax and ADM represents \$971,000 that must be taken out of Fund Balance once interest on the School Bond is calculated. With estimated June revenues, estimated June expenditures and estimated May payroll, another \$2.9 is taken from Fund Balance. Restricted by State Statute as of May 19, 2004 is \$319,000 of accounts receivable, which the County would eventually get back. That leaves \$4.2 in unreserved Fund Balance, estimated.

Commissioner Clint Willis said the 8 percent minimum Fund Balance required by the State would be \$3,015,492. That money can't be touched. That figure, subtracted from the \$4.2 in unreserved Fund Balance, leaves a Fund Balance of \$1,195,503. That includes \$649,000 in carryover money from grants in all departments. It is earmarked for specific spending. That leaves the Scotland County Commissioners with \$546,491 in usable Fund Balance without dipping below the State required 8 percent level.

Commissioner Clint Willis discussed the school tax rate. He said that in his Budget Message he addressed the issue of setting a special tax rate to satisfy the mandated school floor funding. The 1963 legislation, when enacted, authorized the Scotland County Commissioners to establish a 50-cent Countywide surcharge tax rate to support the mandated funding. The 50 cents would not give the schools all the money required, and the County still would have to go into General Fund for 4.4 additional cents.

Commissioner Clint Willis said that setting the school tax rate is important so the public understands where the money is going and where it comes from.

The school floor this year is \$9.2 million not counting fines and forfeitures and the local sales tax, which is an additional \$1 million. With the decrease in the tax base, the rate for the school will be 54.4 cents of the tax dollar compared to 52.2 cents last year. Every citizen's share of the school floor is calculated at \$255 per person.

Commissioner Clint Willis said that every year the schools request capital improvement funds. All the monies in the School Reserve Fund are there to pay for the bond debt so that ad valorem tax figures would not be assessed additional money. There actually is \$2.4 million currently in that fund. The bond payment of \$1,356,000 will have to be made June 1, 2004. Half of the interest, which is \$376,000, was due in December 2003. Take that from the money now on hand leaves \$1.1 million in the school fund reserve.

On December 1, 2004, \$353,990 in interest will be due followed by a June 1, 2005 bond payment of \$1,333,990. Assuming the County gets no more sales tax between now and the end of March, according to Commissioner Clint Willis, the result would be a negative in the amount of \$557,000. Commissioner Clint Willis assured the County would get sales tax but how much is not known. He stressed that the fund must have enough money in reserve to make at least one annual bond payment and interest payment. If this is not done, the taxpayers are put at risk for another tax rate increase.

***Scotland County Board of Commissioners FY 2004-2005 Budget Work Session
6 p.m. May 26, 2004, Commissioners Chamber, 1405 West Boulevard***

Commissioner Clint Willis said that if the schools ask for more money this year, the money would come from the school reserve. He said the money is not there, and the Commissioners should look very carefully at any request for funds from the school.

Commissioner Clint Willis said that the budget has been cut as deeply as it can possibly be cut. He said the only thing left would be to approve the budget at some point in time or start cutting departments. The Finance Committee is not suggesting that any Fund Balance be put in the tax rate this year, said Commissioner Clint Willis.

Commissioner Clint Willis suggested a two percent pay raise for employees and step increases for those who are qualified. If the Commissioners wished to do that, there are two items in the budget that could be reviewed -- \$200,000 that would normally be a capital reserve fund. In 2006 the County will be required to buy new voting machines, and it is not known if the State will help with that expense. New machines are estimated about \$500,000 to \$600,000. The other major expenditure in the budget is \$135,000 for the purchase of new cars for the Sheriff's Department. Commissioner Clint Willis suggested that amount might be reduced if the vehicles were leased. He said these items might provide some flexibility in giving employees a pay raise and not raise the tax rate above \$1.15.

Commissioner Clint Willis said that the Finance Committee and the Department Heads worked to cut \$1 million from the budget. He said it is at the point where departments would have to be cut – departments that the community wants but those that are not critical to the everyday operation of the County.

Commissioner Clint Willis said mandated funding and the low tax base is killing the County.

Commissioner Clint Willis warned that the State still is talking about pulling money out of DSS. He said every time the State does that, the program still has to continue, but the County must pick up the expense of conducting the program.

Commissioner Clint Willis said the Board of Commissioners should determine from year to year how much Fund Balance it wants to have and budget accordingly, especially when it comes to providing incentives for recruiting industry. He said it is important to ensure that money is coming into the Fund Balance every year.

Budget Work Session/Discussion

Chairman Burns asked that the Forestry budget, which was cut \$20,000, be reinstated.

Vice Chair Shelley asked about the cut in the Cooperative Extension budget. Local Cooperative Extension Director Cathy Graham said that cut would eliminate about 70 percent in State funding. She said the cut would possibly eliminate two positions, which serve about 4,000 citizens.

***Scotland County Board of Commissioners FY 2004-2005 Budget Work Session
6 p.m. May 26, 2004, Commissioners Chamber, 1405 West Boulevard***

Chief Financial Officer Kevin Patterson said the FY 2004-2005 revenue estimates are conservative so as not to overspend the budget or use Fund Balance if it can be avoided. Hold harmless figures are based on State Department of Treasury projections.

Commissioner Clint Willis thanked the Finance Committee members, Commissioners Gholston and Jordan, for their hard work and for doing their homework when assigned.

Commissioner J.D. Willis said there was no way in good faith he could vote for a tax rate of \$1.15. He said he is concerned about what next year's tax rate would bring. He said the County must get tight with the times.

Commissioner Gholston asked Commissioner J.D. Willis what he would do about this budget. Commissioner J.D. Willis said that the Board should agree on a tax rate less than \$1.15, go back to the Department Heads and let them do the job. Commissioner Gholston questioned how that would be handled with mandated programs and services.

Commissioner Clint Willis said every department has been cut line item by line item on every expenditure that can be cut yet allowing the departments to continue to function. Commissioner Clint Willis said, "If we cut anymore, we're ridiculous." He asked what department should be eliminated. He added there are departments that are nice to have but not critical. Commissioner Clint Willis said that in order not to pay \$1.15, departments operated by the County must be eliminated. He said unless Commissioner J.D. Willis could provide specifics, departments within County government would have to be cut.

Chairman Burns opened the floor to the public for comment.

Library Director Robert Busko said the public library is an indication of quality of life and is necessary in attracting business and industry.

Vice Chair Shelley said she would like to look at figures on the tax rate and how it would impact homes in a sampling of price ranges. Chairman Burns directed the Chief Financial Officer to provide the figures.

Mr. Jim (McMillan) said he owns properties in the County that doubled in value. He said the tax rate, coupled with another revaluation in 2007, would deter people from doing business in Scotland County. He said citizens and business owners, who receive no incentives, could not afford to pay the tax rate. He said the citizens elected the Board of Commissioners to manage the money on their behalf, and the County is failing in this. He questioned why the people who are running for County Commissioner were not present at this meeting, considering they intend to manage the County if elected. Mr. McMillan said there seems to be a lot of apathy toward problems in the County.

Commissioner Clint Willis said Scotland County, by mandate, pays twice as much per student than any County in the region. Commissioner Clint Willis said if the governing body gave the schools \$7 million or \$8 million; the schools would have to stay within the budget and make it work. Commissioner Clint Willis said North Carolina is one of two states where the state

**Scotland County Board of Commissioners FY 2004-2005 Budget Work Session
6 p.m. May 26, 2004, Commissioners Chamber, 1405 West Boulevard**

government requires counties to pay a share of the Medicaid funds. He said until Scotland County citizens help the County by contacting Raleigh to get the school floor and Medicaid mandates changed, the tax rate cannot go anywhere but up.

Commissioner Clint Willis said, “Don’t look at the Commissioners and say we haven’t done anything, and we’re not responsible because I’ll take issue with you every day in the week.” Until the Commissioners can negotiate the budget with the school system and with Medicaid, we remain a poor County with a low tax base, and we cannot budge, Commissioner Clint Willis said. “Until the citizens of Scotland County understand that’s got to change, the tax rate has got to go up if we give the services,” said Commissioner Clint Willis. “If we don’t give the services, we shut it down. If it’s a mandated service the federal government will come in and run it and take our money anyway.”

Mr. McMillan said he appreciates what the Commissioners are trying to do, but they are reaching to a place where there is no money. He agreed that Scotland County citizens must understand what they need to do.

Commissioner Jordan said the Board of Commissioners controls about three cents in the budget. He said as an elected official, he thought he could change things; operate the County like a business. He said it hasn’t worked that way, and it has been frustrating.

Motion was made by Commissioner Jordan and duly seconded by Vice Chair Shelley to go into Closed Session held in accordance with N.C. General Statute 143-318.11(a)(6) to consider qualifications, competence, performance, character, fitness, conditions of appointments, or conditions of initial employment of a present or prospective public officer or employee. Vote: Motion unanimously approved.

OPEN SESSION RESUMED

Motion was made by Commissioner Snowdon and duly seconded by Commissioner Jordan to adjourn. Vote: Motion unanimously approved. Meeting adjourned at 8:05 p.m.

Respectfully Submitted,

Ann W. Kurtzman
Clerk

David L. Burns
Chairman