

MINUTES
Scotland County Board of Commissioners
February 3, 2005 Continuation of Recessed January 24, 2005 Meeting
County Manager's Office, Scotland County Annex,
231 East Cronly Street, Laurinburg, NC

Commissioners in attendance: Chairman J. D. Willis, Vice Chair Betty Blue Gholston, Commissioners John Alford, Leon Butler, Charles "Scoofer" Jordan, Joyce McDow, and Clarence McPhatter. Staff in attendance: Finance Officer/Assistant County Manager Kevin Patterson, Susan Butler, Personnel Director, and Anne G. Tindall serving as recorder in the absence of Ann Kurtzman, Clerk to the Board.

Chairman Willis reconvened the meeting at 4 p.m. Commissioner Jordan opened with prayer.

Chairman Willis explained that the purpose of the meeting was to introduce new Commissioners to the budget process and receive preliminary financial information relative to the FY 2005-2006 budget.

Finance Officer/Assistant County Manager Kevin Patterson presented the following for the Board's information and consideration:

Departmental Budget Development Calendar: Mr. Patterson explained that the calendar before the Board was generated in the past and served as a planning guide for Department Heads in compiling their budgets. He noted that early guidance from the Board regarding specific budget expectations would be extremely helpful as changes during the process can take days to finalize due to the complicated State and Federal funding of some departments. Mr. Patterson also noted that knowledge of the revenue estimates could be made with greater accuracy during May because corporate personal property filing is due April 15. Commissioner Jordan indicated that the Board of Equalization and Review also meets in April and can affect the revenue as some property may be revalued.

Fund Balance: Mr. Patterson explained that this report indicates the flexibility that the Board has in appropriating fund balance. At the close of June, 2004 the audited fund balance was \$6,194,178 unrestricted. Deducting the amount reserved for the school debt payment (\$855,593) and the amount appropriated in the FY 2004-2005 budget (\$762,558) leaves \$4,576,038 in the Fund Balance. Further deductions of funds reserved and/or restricted for specific uses total \$661,862 plus retaining the minimum fund balance required by the State (8% or \$2,912,195) leaves a balance of \$1,001,972 that is undesignated for use.

Asked by Commissioner McDow if that was a comfortable cushion, Mr. Patterson responded in the negative and said he felt a more comfortable cushion would be 15%.

Commissioner McDow asked if the fund balance was getting smaller each year. Chairman Willis responded that it had because it has been used several years to balance the budget. Commissioner Jordan said that using the fund balance to keep taxes down has decreased it too much.

Vice Chair Gholston asked if the School Bond Debt was manageable for several years without property tax dollars being used. Mr. Patterson directed the Board's attention to the Reserve for Schools report.

Reserve for Schools as of February 2, 2005: Mr. Patterson reported that estimates indicate restricted sales taxes collected through February should cover the FY 2004-2005 school bond payments. Estimated restricted sales tax for March 2005 through May 2006 is \$1,710,000 and the school debt service for 2006 is \$1,643,940. For June 2006 through May 2007 the estimated restricted sales tax is \$1,404,000 while the school debt service is \$1,599,900. Mr. Patterson noted that in the past the Governor has withheld sales tax and with the State budget's anticipated shortfall it is possible this could happen this year. If the State withholds restricted sales tax and ADM funds it would mean use of County property tax dollars to pay the school bond debt sooner than anticipated. The school debt will be paid off in 2022.

Mr. Patterson mentioned the 1996 agreement between the Board of Commissioners and the Board of Education stating that all future Restricted Sales Tax and ADM funds would be used to pay off the school bond debt. He reminded the Board that use of these funds for any other purpose, such as capital outlay, would reduce these funds for payment of school debt.

Commissioner Butler asked if the entire restricted sales tax collected went to the schools. Mr. Patterson stated that 30% of Article 40 taxes and 60% of Article 42 taxes were restricted for schools.

Revenue Summary: Mr. Patterson noted that revenues collected for the first half of the FY 2004-2005 were \$15,884,213 or about \$1.4 million more than one half of the budgeted revenues. Commissioner Jordan commented that he was very proud to see prior year tax collections exceeded the budget. Commissioner Alford asked why more taxes were collected this year than last year. Chairman Willis explained that last year was when a new tax supervisor was transitioning in and Commissioner Jordan added that the number of foreclosures probably encouraged more people to pay also. He said that Attorney Ed Johnston indicated the foreclosure rate at about \$100,000.

Human Services Core Components: Mr. Patterson explained that most often when DSS and Health Departments expenditures are cut, revenue is lost. DSS revenues are tied to expenditures and the Health Department is tied to the number of people seen. Mr. Patterson noted that the Health Department was now charging for some services that were free in the past.

Trend Information and Capital Requests: Mr. Patterson pointed out that estimates for Medicaid, Schools, Health and Workman's Comp Insurance and new voting machines required by the state by January 2006 could, if estimates hold, require an additional property tax increase of eight and one-half cents. In addition estimates of capital outlay requests from departments total \$343,340 with a \$28,000 request to reorganize 2 positions in DSS. The Board entered into a discussion of Medicaid and other human services costs.

Commissioner Butler asked if we have to pay the schools. Mr. Patterson said yes since we pay them according to a legislative General Statute. He also noted that many people think our school funding formula is based on the average of the low wealth counties when in fact it is based on the average change of the low wealth counties and starts with a base amount of the previous year's payment. Commissioner Jordan said he had done some research and that actually Scotland County is paying twice the average of the low wealth counties in local funding based on taxpayers. Mr. Patterson noted that the Public School Forum published a yearly tabulation on school funding in North Carolina. According to that publication Scotland County is 92 out of 100 counties in the ability to pay and 1 out of 100 counties in relative effort to pay. It was pointed out that Robeson County also has a legislative General Statute regarding school funding but it is not the same as Scotland's.

Chairman Willis noted he understood that the estimated costs for the voting machines included training of personnel in their use. He suggested that it might be in the County's best interest to purchase these machines on a lease with option to buy.

Mr. Patterson reported that Health Insurance was expected to increase about 13% and Workman's Comp about 15%.

Commissioner Alford asked if the County was planning to shop insurance. Chairman Willis responded that the County would be asking for unsolicited bids on Health insurance this year if the Board was in agreement. **Consensus of the Board was to make insurance vendors aware that the County would be taking unsolicited bids on Health Insurance for FY 2005-2006 and these bids would be shared with the full Board for a decision.**

Mr. Patterson explained that the plan is to develop a Request for Proposal (RFP) for all three insurance components (Health, Workman's Comp. and Property and Liability) and ask for bids for one of these each year. It was determined that Property and Liability was complicated, with very specific coverage that all insurers do not cover, and an RFP would be necessary. Therefore our insurer for Property and Liability would not likely be changed for FY 2005-2006.

Mr. Patterson reported that the final item of \$200,000 increase in sales tax revenue for FY 2005-2006 was estimated based on information from the State which projects a sales tax revenue increase of 3%.

Chairman Willis asked the Board to look at the Capital requests and he noted that the Board needs to look at getting at least one new ambulance.

Discussion of vehicles for the Sheriff's department ensued. Mr. Patterson noted that the Board approved the purchase of three vehicles for the Sheriff in the original FY 2004-2005 budget but has since then amended the budget and approved two additional vehicles.

Vice Chair Gholston stated she would like to see if there was any way to consolidate copying in the County rather than having so many copiers to purchase and maintain. Commissioner McPhatter asked if leasing had been looked into. Commissioner Butler asked if we have a central purchasing agent. Mr. Patterson responded that DSS and Health purchase their own

paper and for most of the remaining departments administration orders and each department picks it up from the Annex. Commissioner McDow wondered if all paper purchasing could be done together, including the schools, and maybe get a better price.

The request from DSS to reorganize two positions was explained by Mr. Patterson. The State wants the County's DSS workers to reduce their workload from 600 clients to 400. The cost to the County to reorganize two existing personnel would be \$28,000.

Chairman Willis stated that if we start adding positions we'll have to raise taxes. He said he thought the Board was going to start laying folks off and reducing taxes. He said we should wait until the State says you have to add them.

Mr. Patterson informed the Board that the Public Buildings request of \$20,000 for operations is due to the cuts taken by that Department in FY 2004-05. The Public Buildings budget will be strained this year when spring comes and grounds keeping starts and will probably need additional funds.

Mr. Patterson noted a \$15,340 request for I. T. equipment and internet filtering software. He stated that the filtering software would monitor internet sites visited by employees and filter out undesirable sites such as adult sites, shopping sites, games, and radios.

Discussion of the I. T. request ensued. When asked if there had been problems with employees visiting such sites Mr. Patterson replied that without a filtering device that could not be definitely know; however there have been suspicions concerning games, shopping sites and radio streaming. He said that radio streaming slows down the system considerably. Yearly maintenance on the \$5,340 filter would be about \$2,300.

Commissioner Jordan asked if communications between departments via the internet, etc has improved, such as can information be shared among Inspections, Revaluation, Register of Deeds and Tax. Mr. Patterson indicated that is in the works.

Commissioner McPhatter said that you want employees to give you 100% but when they have not had a raise in five or six years they're not going to give you 100%. He said they're going to give you 80% or whatever they're required to give you, but not 100%.

The final item on the Trend Information and Capital Requests sheet - New Landfill - was addressed by Mr. Patterson. He said the new landfill should be in place by January 1, 2007. Commissioner Jordan asked if any county dollars would be involved. Mr. Patterson replied that financing would be accomplished using installment sales or a special obligation bond or revenue bond for the enterprise fund, which would be self sufficient through tipping fees with no county dollars required.

Chairman Willis summarized the information presented by Mr. Patterson. He said that if the Board eliminated the voting machines and used a time payment or lease with option to purchase them, and if all other items presented were included, the tax rate would increase by 8 cents. He said that in his opinion, we cannot afford to raise taxes by 8 cents and therefore the Board has

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some hard decisions to make. Mr. Patterson noted that just the estimated increase in Medicaid and the schools is 5 and one-half cents.

Consensus of the Board was to eliminate the cost of the voting machines from the process and look into lease with option to buy or time payments when the State advises types of machines available for purchase.

In discussion of the Budget Calendar Chairman Willis asked the Board to give some thought between this meeting and the Monday night meeting regarding how much involvement each wants in the budgeting process. Vice Chair Gholston suggested that the process for the past two years should be explained by Mr. Patterson.

Mr. Patterson explained that when a County Manager was in place he was appointed by the Board of Commissioners as the Budget Officer. In that capacity the County Manager received each department's budget, discussed each line item in his/her budget with each Department Head and then developed a preliminary budget with guidance as offered by the Board of Commissioners. Upon achieving a balanced budget it was presented to the Board of Commissioners for their examination. Upon examination of the budget the Board of Commissioners requested that the County Manager make any changes required and bring budget back for further study prior to adoption.

Considering the County Manager's position was vacant prior to development of the FY 2004-2005 budget, the Board of Commissioners appointed three Commissioners to serve as a Finance Committee with one of these Commissioners to serve as Budget Officer and chairman of the committee. The Finance Committee performed the activities of the County Manager as previously stated above.

Chairman Willis stated that a third option for approaching the budget was available. He said he believed that each of the Commissioners probably has an idea of the tax rate he/she could support and he wondered if the Board could agree to setting a tax rate maximum and asking departments to prepare their budgets toward meeting that rate to see the impact that rate would have. Then the full Board would address the final budget from that point.

Commissioner Alford noted that he couldn't vote for a tax rate higher than \$1.10. Commissioner McDow stated she would like to see it lower than \$1.10. Chairman Willis noted that unless we increase the tax base we'll have to cut services or raise taxes.

Commissioner McDow asked if we set the tax rate could we determine what percentage that rate would equate to each department's budget. Mr. Patterson was asked to develop this scenario and present to the Board.

Commissioner Jordan pointed out that the Board must be very careful in adopting a tax rate and then budgeting accordingly since the mandated items could possibly be the only items funded in that scenario.

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Commissioner Jordan asked if staff could develop a spreadsheet showing at least the last three year's budget and actual expenditures by line item. Mr. Patterson indicated that could be done. Mr. Patterson was asked to develop this scenario and present to the Board.

Chairman Willis noted that in comparison with Hoke County some of Scotland County's departments, specifically DSS, have significantly higher budgets. He wondered why that was the case since Scotland and Hoke are close in population size. He wondered at what level the State requires services to be provided.

Chairman Willis reported that the Board would have to rescind their previous motion appointing Commissioner McDow to the Richmond Community College Board of Trustees. A letter, with legal documentation, has been received from RCC that the term of Sam Snowdon is for four years. **Motion was made by Commissioner Jordan and duly seconded by Commissioner Alford to rescind the previous motion of the Board of Commissioners appointing Commissioner McDow to the Richmond Community College Board of Trustees. Voting in favor of the motion were Chairman Willis, Vice Chair Gholston, Commissioner Alford, Commissioner Butler, and Commissioner Jordan. Voting against the motion were Commissioner McDow and Commissioner McPhatter. Motion approved.**

Motion was made by Commissioner Alford and duly seconded by Commissioner McPhatter to adjourn. Vote: Motion unanimously approved. Meeting adjourned at 6 p.m.

Respectfully submitted,

Anne G. Tindall, Recorder

J. D. Willis, Chairman