

*Scotland County Board of Commissioners reconvened/budget work session
May 27, 2014, 507 West Covington Street, Laurinburg, NC*

**Scotland County Board of Commissioners Reconvened Meeting/Budget Work Session
May 27, 2014, 507 West Covington Street, Laurinburg, NC**

Commissioners in attendance Chairman Guy McCook, Vice Chair Carol McCall and Commissioners John Cooley (*arrived at 8:25 a.m.*), Bob Davis and Whit Gibson. Commissioners not in attendance: Commissioners John Alford and Clarence McPhatter. Staff in attendance: County Manager Kevin Patterson, County Attorney Ed Johnston and Clerk to the Board Ann Kurtzman.

At 8 a.m. Chairman McCook reconvened the meeting. Commissioner Davis opened with a word of prayer.

Scotland County Schools 2015 budget presentation

Interim Superintendent Randy Bridges said the Board of Education is willing to sit with Commissioners and discuss the school funding formula because it realizes an eight percent increase year after year would not be sustainable.

Chief Financial Officer Jay Toland presented the school budget, which will have a projected \$1.7 million fund balance starting in next fiscal year with a \$17,000 balance in capital outlay. Mr. Toland said there is not a lot of flexibility in capital due to some unexpected capital needs.

Mr. Toland said with revenue from all sources the school budget was \$59.1 million in 2014. The proposed County appropriation to the schools in FY 2015 is \$11 million. Mr. Toland said the schools intend not to spend any fund balance in order to balance the budget. The 2015 budget includes a pay increase for instructional staff.

Mr. Toland also outlined where the other local dollars would go. He said guidance counselors and a nurse were added to the local appropriation in order to keep positions, which lost funding from other sources. Local dollars were budgeted to bring teacher assistants back to 100 percent. Mr. Toland discussed some dollar adjustments that were moved from local to State.

Mr. Toland discussed the \$570,000 capital outlay request and listed capital projects for 2014-2015. Mr. Toland said the schools have budget challenges due to State reductions and health insurance increases. ADM is 6,069. About 44 teachers are paid out of the local fund.

Current revenues and expenditures projection and fund balance projections

Deputy Finance Officer Beth Hobbs said as of May 21 actuals were \$33.7 million and by the end of June would be \$38 million, about 99 percent of projection. Expenditures as of May 21 at \$29 million is at the expected percentage of 98.1 percent.

(Commissioner John Cooley arrived at 8:25 a.m.)

Mr. Patterson said Fund Balance will be a projected \$8.2 million, which reflects an increase of about \$560,000. Unassigned Fund Balance will be 15.6 percent. Mr. Patterson mentioned the

*Scotland County Board of Commissioners reconvened/budget work session
May 27, 2014, 507 West Covington Street, Laurinburg, NC*

County will want to set Fund Balance goal since the Board indicated it would not use Fund Balance to balance the budget. Mr. Patterson discussed how economic development could impact the unrestricted portion of the Fund Balance, particularly if the County is asked to purchase land. Mr. Patterson suggested a 20 percent Fund Balance goal would be a reasonable target.

Discussion of capital needs

County Manager Patterson said an ambulance and Sheriff vehicles are included in the 2015 budget. Mr. Patterson said analysis and design for fascia at the government complex are in the works, but bidding and completion would occur in 2015. Electronic medical records for the health department is in 2015 budget. Fire alarm system for the courthouse would be moved up to this year's budget. Chairman McCook suggested the health department might piggyback with the community health clinic on electronic medical records.

Mr. Patterson said a funding stream for parking lot resurfacing would have to be developed. If the County takes the Morgan Center it would become a capital project. Recurring maintenance items also are in the projected budget. There was some discussion about the future of the Speller and Monarch buildings. Mr. Patterson said the only use for Monarch would be to convert it for paper storage. Asbestos abatement would cost \$20,000. Gibson Gym would not provide the secure, safe and dry storage space required by DSS. Commissioner Davis suggested the County get estimates for refurbishing the Monarch and Speller buildings. Monarch could be used for storage with a new roof and no asbestos abatement. Chairman McCook suggested the County also look at a metal structure behind DSS. Chairman McCook directed staff to develop a plan for review by the Board.

(A break was called. The meeting resumed at 9:40 a.m.)

Projected tax rate

Mr. Patterson said the school request is \$900,000 more than the current year with \$400,000 in capital requested outside of restricted revenues. A trash crew, a 1.7 percent COLA and an increase in health insurance brings the budget to \$39.6 million with a tax increase of six cents. Mr. Patterson said without the school request, the tax rate would remain at \$1.03.

Vice Chair McCall commented that if school funding increases eight percent this year, what would the increase be next year? Chairman McCook said out of the 68 low wealth counties only three spend more money per pupil than Scotland County. Chairman McCook said he continues to reach out to the schools for compromise. Commissioner Davis said he would not put his name on a budget that represents a six-cent increase to the schools. Chairman McCook said the County currently is funding the schools at an extraordinary level based on the County's ability to pay. Commissioner Davis said under these economic conditions the schools should come to the table for talks.

*Scotland County Board of Commissioners reconvened/budget work session
May 27, 2014, 507 West Covington Street, Laurinburg, NC*

County Manager Patterson said he knows of no practical way to meet the school funding without raising the taxes because getting there would not be any more acceptable than a six-cent tax increase.

Fire tax

The Fire Commission requested a fire tax increase from the current two cents to five cents with a schedule to replace fire equipment over 11 years beginning in FY 2015. Fire Commission Chairman Mac McDougald said the two-cent tax rate has been in place for 16 years even as trucks are aging and more than \$239,000 is needed each year to fund operations for seven fire departments. Mr. McDougald said the 11-year plan also would help reduce fire insurance rates, which would benefit property owners.

Some areas in the County have a 10 ISO rating because they are more than five miles from a fire department. The 11-year plan includes the building of a sub-station in the southern part of the County to decrease the ISO rating. The sub-station would house a truck that would meet the pump tests. There would be capability for a second sub-station to cover the Doe Run area. The increased fire tax is expected to sustain the fire stations for the next 20 years. 14 trucks need to be replaced, seven pumpers and seven tankers. Two trucks would be purchased in the first year.

Mr. McDougald distributed the 20-year plan to Commissioners. Mr. Patterson said over 20 years, assuming there is no inflation, there would be \$1.3 million in the fund in 11 years. If the fire tax was increased by two cents, the truck purchase would be on a 14-year replacement cycle. Mr. Patterson said there are over \$18 million in buildings in the south area and a \$2.1 million in the Doe Run area. What would still be outside of the five-mile radius would be Guyo, although it would be within six miles.

Commissioner Cooley said the fire tax applies to parcels and households, but it would make sense if it was tied to buildings, since a homeowner who owns a lot of land would see the increase. Commissioner Cooley said he was concerned that this along with the tax increase for the schools adds more burden on the taxpayer. Mr. Patterson said the Fire Commission still needs to purchase equipment. At the current rate the purchase would take 56 years.

Commissioner Gibson asked for more information on a two-cent increase and how that would affect overall funding, not just on equipment.

Tax rate discussion continued

Mr. Patterson reviewed the proposed budget department by department pointing out the differences in each department, which would include some employee reclassifications.

Chairman McCook said he would like to see stats and specs on the Sheriff vehicles so they know what the County is buying.

Mr. Patterson said included in the budget is \$5,000 of revenues and expenditures for other activities so the Sheriff would run those funds through the budget.

*Scotland County Board of Commissioners reconvened/budget work session
May 27, 2014, 507 West Covington Street, Laurinburg, NC*

(A break was called. The meeting resumed at 11:20 a.m.)

Mr. Patterson showed where some department revenues exceeded expenditures and why some reclassifications and additional personnel, particularly in Public Buildings, are requested.

Mr. Patterson discussed the larger request from the Health Department due to State law. The real budget recommendation is \$271,000 and not the nearly \$800,000 as required by the State. A portion of the funding would allow the Health Department to rebuild its maternity clinic and the clientele. Mr. Patterson said the final budget would reflect the State-required appropriation, but he does not expect the monies to be spent.

Mr. Patterson said Transportation would transition to DSS, which would allow for a possible draw down of additional federal and State funds.

Mr. Patterson calculated property tax at \$1.09 at a collection rate of a little more than 93 percent, which would generate \$19,059,000 as opposed to current \$18,009,000. The \$1.09 would cover current expense and capital. The fire tax for the unincorporated areas is not included in the \$1.09.

Mr. Patterson discussed sales tax, which would be slightly under budget on collections by about \$200,000. Mr. Patterson said the County received \$5.2 million with accrual amounts possibly making up the \$190,000. Sales revenues are predicted flat. Mr. Patterson said \$5.4 million is still in next year's budget as a conservative revenue estimate.

Motion was made by Commissioner Gibson and duly seconded by Commissioner Cooley to recess to 8 a.m. Friday, May 30, at 507 West Covington Street. Vote: Motion unanimously approved.

Ann W. Kurtzman
Clerk to the Board

Guy McCook
Chairman