

**CUMBERLAND COUNTY
FINANCE COMMITTEE MEETING
THURSDAY, MAY 6, 1999, 8:30 AM**

Present: H. Mac Tyson II, Chairman
Billy R. King, Commissioner
Ed G. Melvin, Commissioner
Cliff Strassenburg, County Manager
James Martin, Deputy County Manager
Garrett Alexander, Tax Administrator
Amy H. Cannon, Finance Director
James Silman, Risk Management Director
Howard Smith, IS Director
Neil Yarborough, County Attorney
Tina Belanger, Tax Administration
Aaron Donaldson, Tax Administration
Vonda Floyd, Tax Administration
Tonya Harris-Council, Public Information
Ted McCormick, Tax Administration
Carolyn Mebane, Tax Administration
Toni Walters, Tax Administration
Rhonda C. Raynor, Deputy Clerk to the Board

Others: Chris Harrison, Employee Benefit Systems, Inc.
Press

INVOCATION: Commissioner Billy R. King

1. Approval of Minutes: April 1, 1999

MOTION: Commissioner Melvin offered a motion to approve the April 1, 1999
Finance Committee meeting minutes.

SECOND: Commissioner King

VOTE: UNANIMOUS

2. Report on the Status of Y2K

Mr. Howard Smith, County Information Services Director offered the report to the Committee Members. He noted there were two areas to report on: systems that Information Services has direct responsibility and control over, and systems they do not have authority over.

The first report covers IS systems. The Information Services Department began its Y2K project in January, 1998. Software was purchased in March of 1998 to help in the assessing phase. From information gathered during the assessment phase, critical and non-critical applications were identified, as well as completion dates for systems.

The Information Services Department reported to the Board of Commissioners in October, 1998 that they expected all critical applications to be completed by January, 1999 and all non-critical applications to be completed in the July-December time frame. Due to the loss of staff members and IS's inability to recruit qualified individuals, the department was unable to meet its January deadline.

Information Services current status is as follows:

A. **Critical Applications Completed and in Production**

Finance (Budget and LGFS Files)
Tax (OASIS)
Central Maintenance
Solid Waste
Jury

B. **Critical Applications Completed but not in Production**

Personnel (Will be in production when payroll is complete)

C. **Critical But Not Completed**

Emergency Operations (95% Complete - May '99)
Payroll (60% Complete - Sept. '99)

D. **Non-Critical Completed**

Animal Control
Water and Sewer Assessments
Fire Marshall
Workers' Compensation

E. **Non-Critical and Not Complete**

Fixed Assets (30% Complete - June '99)
Social Services:
Tracking/Child Protection Services (July - December)

Commissioner King asked about the Department of Social Services and what the impact will be if they are not compliant.

Mr. Smith advised if DSS is not converted, it would not be a problem.

The problem with his department is a shortage of staff. They are no longer working under a mandatory overtime policy. He feels the County is in good shape.

Mr. Martin noted Mr. Smith would be reporting on two categories of systems; ones he has control over and the ones he does not.

Mr. Smith continued with his presentation to note the following:

A survey was developed and sent to 16 departments outside the IS Department's immediate control, inquiring about their Y2K readiness. Listed below are the departments contacted:

Sheriff's Office	Register of Deeds	Library
Public Health	Workforce Development	Board of Elections
Civic Center	Planning	Tax Administration
Day Reporting	Emergency Management	Parks and Recreation
Soil and Water Conservation		Veterans Service
Cooperative Extension Service		Mental Health

The survey consisted of the following six questions:

1. Please identify all hardware platforms and operating systems within your organization and state whether they are Y2K compliant.

HARDWARE

12 Departments (YES)
3 Departments (NO)

OPERATING SYSTEM

12 Departments (YES)
3 Departments (NO)

The three not compliant are:

Board of Elections
Public Health
Mental Health

They expect to be compliant by:

Working with Technicians now
Will replace PC's with new budget monies
PC's will be replaced in May-June, 1999

2. Indicate all software applications within your organization and list the following attributes, (i.e., Purchased or developed in-house, considered critical, % complete and if not complete, expected completion date).

SOFTWARE APPLICATIONS COMPLIANT

8 Departments are 100% complete.

7 Departments are not.

The departments not compliant are:

Public Health
Sheriff's Department
Tax Administration
Register of Deeds
Emergency Management
Parks & Recreation
Mental Health

They expect to be by:

With new budget year monies
July-August 1999
August, 1999
July, 1999
June, 1999
October, 1999
October, 1999

3. If you are having problems complying, please list reasons why, (i.e., vendor not converting, lack of resources, personnel, budget).

13 Departments (NO)

2 Departments (YES)-Limited Resources

Departments having problems are:

Public Health - Lack of skilled personnel/time management
Mental Health - Limited resources

4. Do you have a contingency plan in place. If so, explain. Has it been tested?

6 Departments have a plan in place - 9 Departments do not.

Listed below are the departments with NO contingency plan:

Library
Planning
Day Reporting Center
Workforce Development
Sheriff's Office
Tax Administration
Mental Health
Cooperative Extension Service
Veterans Service Office

5. Please add any additional information that would be helpful to the Finance Committee and the Board of County Commissioners in understanding the status of your departments Y2K compliance.

NOTES:

- The Health Department is slowly developing plans to become Y2K compliant.

- Workforce Development indicated that they are working with Employment Security with whom they share the LAN to assure total compliance.
 - The Sheriff's Office stated that their software vendor has made available products which are Y2K compliant to support all major tasks required of that office.
 - Tax Administration stated that their remaining compliance will be complete in the FY '2000 budget.
 - Emergency Management is conducting information briefs to assist the public in knowing what is being done.
 - Mental Health is in the process of implementing a new computer system but due to limited resources, it is taking longer than expected.
 - Cooperative Extension will have a new system in place by June, 1999.
6. What is your estimated cost of converting your hardware and software applications to be Y2K compliant. Remember to include personnel expenses for the hours spent converting files along with purchased products used for assessment and remediation.

\$335,319.00

A detailed spreadsheet is attached to and made a part of these minutes.

Mr. Smith advised Soil and Water Conservation was the only department that did not respond. From the little knowledge he has on the department, it appears their staff except for the office support is out in the field and conducting site visits in other counties. He does know that NCSU owns S&WC's equipment and he would guess that they are compliant as is Cooperative Extension.

Mr. Smith stated it appears at this time Cumberland County's computer systems will be compliant by January, 2000. However, he has recommended to County Management the following ideas for consideration:

1. Mr. Smith has discussed the idea of planning a contingency day, sometime before 12/31/99. On contingency day, no department would have access to a computer. Departments would be forced to use manual applications. This could be announced at a Department Head meeting to give departments proper warning. He feels sure the County's computers will work on 1/3/2000. However, what happens if forces beyond the County's control affects our ability to use computers, such as a loss of power.
2. The next recommendation would be that Management set funds aside as contingency funds. These funds, if needed, would be available for resolution of Y2K problems.

Mr. Strassenburg advised the County will have a contingency day. He would like that to happen in June or July of this year. The contingency funds will be included in the next budget.

He noted some departments such as Planning and the Libraries can go to manual operations and that will not result in a critical affect on the public.

Commissioner King advised Mr. Smith and Management that if any radical changes took place and action is needed by the Board of Commissioners, he would like them to let the Board know so they may get them what they need to combat any problems.

Mr. Martin advised another Commissioner has asked for a Y2K status report at an upcoming Board meeting. There will be something scheduled in June because Mr. Smith will not be able to attend the next meeting in May.

Chairman Tyson asked if items 3 & 4 on the agenda could be moved to be heard before item 7 so that those presenting information won't be held up during those two presentations as it appears they may be lengthy.

It was the consensus of the Committee to move items 3 & 4 on the agenda to be heard before item 7 and hear items 5 & 6 before items 3 & 4.

5. Consideration of IRS Section 125 Cafeteria Plan Administration & Voluntary Insurance Products.

BACKGROUND: In 1986 the Board of County Commissioners contracted with Employee Benefit Systems, Inc. (EBS) to administer a cafeteria plan for the county employees under Section 125 of the IRS regulations. As part of the contract, EBS was allowed to sell certain insurance products to county employees.

Since 1986 many changes have taken place in the field of cafeteria plan administration and insurance products have become increasingly price competitive.

To ensure the best possible products on the market are available to county employees, Cumberland County has requested proposals for cafeteria plan administrative services and prices for voluntary insurance products with a strong emphasis on flexible spending accounts during promotional meetings.

The county received six proposals of which three were no fee for service. EBS and Mark III Brokerage, Inc. both proposed very important but different products and services for the county. In order to achieve the best for the county and it's employees EBS and Mark III Brokerage, Inc. subsequently agreed to enter into a partnership to service the needs of Cumberland County.

Management feels the needs of everyone concerned are best met by the EBS/Mark III partnership.

RECOMMENDATION: That the Finance Committee approve EBS/Mark III as the administrator of the county's IRS Section 125 Cafeteria Plan and allow the Risk Manager to enter into a no fee for service contract with EBS/Mark III.

MOTION: Commissioner Melvin offered a motion to follow the recommendation of management and approve EBS/Mark III as the administrator of the county's IRS Section 125 Cafeteria Plan and allow the Risk Manager to enter into a no fee for service contract with EBS/Mark III.

SECOND: Commissioner King

DISCUSSION: Commissioner King asked if the idea of merger was shared with any other companies.

Mr. Martin advised the idea was not shared with other companies. The merger idea came from EBS and Mark III. After the two companies met with the County, they got together and developed this idea and presented the proposal to the County.

Mr. Harrison with EBS advised during the companies' meetings with County Management, it was discussed what both companies could bring to the table, so they got together and decided to contract both companies and presented their idea to the County Finance Department and County Management. This is how the merger idea came to pass. Commissioner Melvin noted he liked the fact these two companies have an outlet here in town that county employees can go to.

Mr. Silman advised the only other company with a proposal was Colonial out of Raleigh. Their prices were too high to be considered.

VOTE: UNANIMOUS

6. Consideration of Single-Source Vendor for Office Supplies

BACKGROUND: Currently, the Finance Office operates an in-house supply room which provides office supplies to approximately 25-30 County departments. We maintain an inventory of 80-100 commonly used items by these departments. The larger County departments must solicit quotes individually for their own office supply needs.

Maintaining the supply room is a labor intensive process. In view of the pending budget reductions for all departments, the Finance Director recommends closing the internal supply room and entering into a single-source contract for office supplies. In essence, all departments would place orders for all office supply needs through this single-source vendor. That vendor would then guarantee delivery within 24 hours. This arrangement should provide a more efficient means of procuring office supplies since the bidding process has been completed by the purchasing division for the County's annual office supply needs.

The Finance Department solicited proposals for this service and received responses from six vendors. The proposal included annual price quotes for the 80-100 commonly used items currently in the supply room. In addition, each vendor also quoted a percentage of savings off of all catalog order sales. The lowest quote for this single-source service was received from Williams Office Supply.

RECOMMENDATION: The Finance Director and Management recommend closing the supply room and entering into a contract with Williams Office Supply for a single-source office supply contract effective July 1, 1999.

Mrs. Cannon noted the contract would be for one year.

MOTION: Commissioner Melvin offered a motion to follow the recommendation of the Finance Director and Management to close the County supply room and enter into a contract with Williams Office Supply for a single-source office supply contract effective July 1, 1999.

SECOND: Commissioner King

DISCUSSION: Mrs. Cannon noted unit prices will be lower and the County will receive better catalogue prices for items purchased.

Commissioner Melvin asked if bids were received from Office Max.

Mrs. Cannon advised the County has experienced tremendous billing problems with Office Max and Office Depot. The corporate offices of these businesses have been contacted in an attempt to remedy this situation and they have been unable to solve them. Commissioners Melvin and Tyson noted they liked the idea of doing business with a local vendor.

Chairman Tyson asked Mrs. Cannon if she was satisfied she has received the best prices possible.

Mrs. Cannon advised she is satisfied as there was a large difference between the lowest and next lowest vendors.

VOTE: UNANIMOUS

3. Report on the Next Revaluation

Chairman Tyson stated the next Revaluation is scheduled for 2001. His intent is to agree with whatever year Mr. Alexander recommends to have the next revaluation. He believes Mr. Alexander is recommending the next revaluation be done in the year 2003.

Mr. Alexander stated the year 2003 is the better date for his office to perform the next revaluation in order to do a good one.

Commissioner King stated that waiting until 2003 to do the next revaluation is totally unacceptable. He has been a Commissioner when the County waited eight years to do a revaluation. Waiting until 2003 will be almost eight years and the changes in valuations are too drastic for citizens.

Mr. Alexander stated that by the time he gets the funding he needs to do the next revaluation, it will have to be pushed back one more year to 2002. A revaluation is a big issue for the County and the next one needs to be done correctly and thoroughly.

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Chairman Tyson stated he does not want the County to lose money by not doing a revaluation. The real estate market is flat right now. If property values have not increased, why should we do a revaluation.

Mr. Alexander stated the 2001 date cannot be met because he did not get the funding needed by September of 1998. At the earliest, the revaluation cannot be done until 2002 if they want to have it done right. Strategic things need to be done to the systems they are using in order to do the mass appraisal. These things are being developed to do an ongoing revaluation. OASIS was not the primary source of information used during the last revaluation. They currently have a contract to get the necessary data prepared. His department has a good program in place that is working on the revaluation. Since he last met with the Commissioners, some 20,000 parcels have been reviewed. His staff is having to look at 116,000 parcels that have not been looked at since the early 1980's. Only 23% of the real estate on the tax rolls is commercial and industrial properties. The rest is residential. The numbers can change radically and if the residential growth rebounds the sales ratio can adjust. The current sales ratio is 6.29% higher in 1999 than it was in 1995, both years being the third year in the revaluation cycle. In 1995 the ratio was 90.54% and it is currently 96.83%. When the sales ratio goes below 90% the public utilities can get a rollback. He wants to build a revaluation program that allows the Board of Commissioner to make the revaluation decision annually and he wants to be able to report to the Board annually on the revaluation.

Commissioner King noted his concern is that there will be a big rise in values. He asked Mr. Alexander if he is saying that due to the current flat residential market he does not see that there will be a radical change in values.

Mr. Alexander stated that he does not see there will be a radical change in values, not unless something radical happens. He noted at last report the 1998 real property value was \$8,970,308,744, an increase of \$453,590,118 above the final 1996 value. The sales ratio for 1998 was 97.93%. The annualized growth rate in real property was \$226,795,059. At his last presentation to the Commissioners in September of 1998, the annualized real property growth (\$22,795,059) exceeded the market adjustment (\$189,610,325) required to move the sales ratio from 97.93% to 100%. We lose a little by not being at 100% value. Residential property is the largest part of the County's tax base at 77%. The annualized growth is not keeping pace with the decline in the market.

Mr. Alexander then reviewed the costs to postpone the revaluation to 2002 and 2003:

To Postpone Until 2002: Cost of additional personnel & equipment will be \$700,462 for both years combined.

To Postpone Until 2003: Cost of additional personnel & equipment \$608,850 for three years combined.

Mr. Alexander noted a difference of almost \$100,000 to delay the revaluation until 2003. The delay will also require less personnel to be hired. The Appraisal staff is recommending the revaluation be delayed until 2003. In order to do a revaluation in 2002, four appraisers and three tax assistants will be needed. He has spoken with a company that will come in and do the revaluation for the County. The cost would be over \$700,000, which is more than it will cost the County to do it with our own personnel. Also, doing our own revaluation will allow the County to have total control. He is asking the Committee to approve allowing him to delay the next revaluation until 2003 and to give him the additional funding needed to get the job done. He will do the revaluation whenever the Board wants him to, but he feels obligated to give them all the information he can.

MOTION: Commissioner Melvin offered a motion to delay the next revaluation until the year 2003.

SECOND: Commissioner Tyson

DISCUSSION: Mr. Alexander stated that with regard to need and adjusting the flat growth; one way the residential base might grow is if the Board chooses to do away with the curb and gutter requirement for subdivisions. This requirement has slowed building in the County. He has been told that by developers. However, that is not the only reason they are seeing a flat market. Developers have told him it is cheaper to build in other counties than in Cumberland. These developers are building mostly starter homes. These homes do have an impact on our economy. Changes in military staff also have an affect. He wants to take the additional time to get their data clean. They don't have all the information they need on OASIS. He wants to get their information cleaned up and do the revaluation right. His office is at a minimal level as far as staffing is concerned. He has one appraiser for every 16,000 parcels. Most tax offices have one appraiser for every 10,000 parcels. He needs the delay *and* the staffing. Right now he doesn't have the appraisers and the clerks needed to enter the necessary information. Commissioner King stated there is no perfect system. Whatever we have won't be perfect. We must do the best we can.

Commissioner Melvin stated we need to begin eliminating the curb and gutter requirements now.

Mr. Alexander noted a building increase will also affect his work and the revaluation will come to a standstill if it occurs.

Mr. Strassenburg stated if building standards are lowered, mostly starter homes will be built and these homes typically don't hold their value.

Mr. Alexander stated the County really needs an industrial push.

Commissioner King asked Commissioner Melvin if his motion includes recommending Mr. Alexander get the funding he has requested.

Commissioner Melvin stated he would like to leave that decision up to the full Board of Commissioners.

Commissioner King noted the request was a package deal. The motion says he can get the additional time, but not the money. That notion is not reasonable.

AMENDED

MOTION: Commissioner Melvin offered a motion to delay the next revaluation until the year 2003 and give Mr. Alexander the additional funding necessary to conduct the revaluation.

SECOND: Commissioner Tyson

VOTE: UNANIMOUS

4. Report on Motor Vehicle Valuation Program

BACKGROUND: Motor vehicles are listed for taxation by monthly tapes from the Division of Motor Vehicles. The tapes contain all vehicles registered for the month four months preceding the tape. Values are matched to the vehicles on the tape using separate valuation software. The valuation software is the most complete system available, however it does not identify every make and vehicle identification number for every vehicle manufactured. In the past no concerted efforts were made to correctly appraise those classes of vehicles which the valuation software could not completely identify, or where additional equipment such as truck bodies, cranes, wreckers, etc. were attached to the vehicles. In 1998 the Tax Administrator began a new method of identifying and appraising those vehicles, and the results have been outstanding.

The Tax Administrator is pleased to report his success in discovering greater tax revenue from an improved motor vehicle valuation program. To date he has discovered \$1,333,098 in additional revenue from motor vehicle taxation that would have been lost for FY99 if the same appraisal practices had continued in place. Substantial revenues have been lost in previous years because of the lack of proper vehicle identification and appraisal.

This increase comes only seven months into the new program, so he is greatly encouraged about its total success for FY99. As an added benefit the program has identified an additional 8,000 vehicles that slipped through the old process entirely and were never assessed or billed in prior years. If he had additional personnel to concentrate on this area, he is certain they could discover several million dollars more in additional revenue. The restricted number of personnel he has to dedicate to this project limits his current success.

You may be pleased to know that our vehicle and aircraft valuation programs are receiving acclaim with other tax offices throughout the state, and the Tax Administrator has been guest speaker at several regional tax association meetings to introduce the Tax Offices' programs. Other Counties are adopting our programs and are pleased with the results.

The Motor Vehicle Valuation program is only one part of the ongoing effort to improve the assessment and appraisal activities of Tax Administration. Millions of dollars of revenue have been generated from our modernization efforts and the hard work and dedication of Tax Administration employees in implementing these new programs. The Tax Administrator appreciates the Board of County Commissioners' assistance in upgrading our capability and he wants to thank you for your support. Your investment in Tax Administration has resulted in

substantial returns. Any continued investment in personnel and equipment will have similar results.

Mr. Alexander then introduced the staff working on the Motor Vehicle Valuation program: Toni Walters, Tina Belanger, Vonda Floyd and Carolyn Mebane. He noted the discovery of over one million in revenue through this program. If he has one more person in this program, he can deliver a million more in revenue. Mecklenburg County has eight people working their Motor Vehicle Valuation program. That averages to one person for every 7,000 vehicles. Currently, he has two people in his office doing this work. The proposed budget will eliminate people. One more person will cost \$28,000. This person could generate \$1.4 million in revenue.

MOTION: **Commissioner Melvin offered a motion to adopt the proposal to add another Clerk to the Motor Vehicle Valuation Program in the Tax Administrator's Office.**
SECOND: **Commissioner King**
VOTE: **UNANIMOUS**

7. Other Committee Concerns.

Commissioner King stated he came prepared to make a motion to recommend that there be three full-time attorneys in the County Attorney's Office. He wants to have more discussion on this matter and he will do something at a later time.

Mr. Strassenburg advised he has refined the forecast for the next fiscal year's budget. He is going to be able to present a budget that meets the Board's primary objective with no tax increase. There will be cuts, but not as severe as originally forecast. Discoveries and a more aggressive collecting of taxes by the Tax Administrator's Office has helped this change. This is something that could not be seen when the original projections were made in October of 1998. There is additional fund balance that is a little over 9% instead of the 8% they thought the County would have. Departments have cut costs and lapsed salaries have accrued because department heads have been hesitant to fill vacant positions due to a projected reduction in force. The County has also implemented cost savings which will help next year, such as the telephone system. They had also expected to sell the second phase of the school bonds in July, but the School System has advised they are not ready for those funds yet. The projected sale date will be January, 2000 which will also save the County money as it will shift the debt service out of the next year.

Mr. Strassenburg also advised they are going to avoid the elimination of filled positions. He thinks they can reach that goal. However, vacant positions will be cut. He will also recommend the Board create a reserve fund to cushion the impact of debt services over the next two years. It will be like a savings account. This fund needs to be protected. They still need to keep the pressure up on the 1cent sales tax. He also wants to mention the commitment to economic development. He will recommend the Board does not cut economic development funding. The

Board will be able to provide some funding to the School System to meet their most critical needs. He will also recommend that vehicles be purchased outright instead of the lease-purchase they have gone with in the past. This will save on future interest. He wants to continue to move forward with costs savings such as the single-source vendor for office supplies discussed earlier.

Mrs. Cannon will also bring a proposal for procurement cards to the committee for future consideration.

Mr. Strassenburg stated he will recommend the fire tax remain at the .10 cents it is now. He noted the proposed cut was not saying in any way management did not think the fire departments weren't delivering services. He will also recommend the recreation tax remain as it is. These two taxes won't affect the tax rate. He will not recommend imposing a cut on the Solid Waste Management Department. This will mean the Cliffdale container site will not need to be closed and other sites will not be required to cut hours. He will also recommend they maintain the commitment to employees to do performance pay. He has been told there will be difficulty getting this budget proposal to the Board of Commissioners in May and would like to make the presentation in June.

Commissioner Tyson asked Mr. Strassenburg if he would like Mr. Alexander's budget request to be presented with the budget.

Mr. Strassenburg advised he will include the request in his budget presentation.

Mr. Strassenburg also advised the hospital bond sale went very well. The true interest cost will be 5.339417 and the hospital will realize over \$2 million in savings as a result of the re-financing that was done.

Mrs. Cannon advised she may need a resolution from the Board of Commissioners to do single-source purchases with the City of Fayetteville and the Public Works Commission for janitorial supplies. She asked for permission to take this item to the full board for consideration.

It was the consensus of the Committee Members to allow the Finance Director to present a resolution to the Board of Commissioners concerning single-source purchases for janitorial supplies with the City of Fayetteville and PWC.

Meeting adjourned at 9:45 AM.