

**CUMBERLAND COUNTY
FINANCE COMMITTEE MEETING
THURSDAY, APRIL 4, 2002, 8:30 AM**

Present: Kenneth Edge, Chairman
Jeannette Council, Commissioner
John Henley, Commissioner
James Martin, County Manager
Juanita Pilgrim, Deputy County Manager
Amy H. Cannon, Assistant County Manager
Howard Abner, Finance
Grainger Barrett, County Attorney
Howard Smith, Information Services Director
Rhonda R. Britt, Deputy Clerk to the Board

Others: Eddie Burke, Cherry, Bekaert & Holland
Michelle Loyd-Pratt, Cherry, Bekaert & Holland
Press

Chairman Edge called the meeting to order.

1. Invocation.

Commissioner Council offered the Invocation.

2. Approval of Minutes: February 7, 2002.

Commissioner Henley noted two amendments to the February 7th minutes.

MOTION: Commissioner Henley offered a motion to approve the February 7, 2002 minutes with the noted amendments.

SECOND: Commissioner Council

VOTE: UNANIMOUS

3. Review of County Revenue and Expenditure Summary for the Period July 1, 2001 Through February, 2002.

Mr. Martin reviewed the handout for the Committee. He noted the County has been spending less than its budgeted expenditures and would do so this year as well. He reviewed the amount that was budgeted to cover the discount, sales and services fees that are up in some departments and interest income.

Commissioner Henley asked what the projection for revenues would be for the end of the fiscal year.

Mrs. Cannon noted the County will be close to meeting the budget amount for revenues.

Chairman Edge asked Mr. Martin his thoughts on the Debt Set Off program. He noted this was a program where a citizen's tax refunds are garnished if they owe taxes or fees to the County. There is a \$15.00 fee paid by the entity to have these funds garnished.

Mr. Martin advised Mrs. Cannon has had discussions with the tax office about this program. It is something Management wants to pursue. He will be bringing something to the Board for consideration.

Mrs. Cannon stated the amount owed has to be for one item and must be at least \$50.00. This program can be used to collect delinquent taxes, fees to Mental Health and other departments. It is too late to implement the program for this year. The County will need to purchase some software and receive some training, but she feels the program can start next year.

Chairman Edge noted his concern with the portion of the report concerning the Civic Center. He is concerned about its revenue situation.

Mr. Martin advised Management and Rick Reno are continuing to monitor this situation.

Mr. Martin then noted the Solid Waste fund. He advised there was a settlement from BCH last year and there has also been a reduction in the commercial garbage being brought to the landfill. He advised he and the Solid Waste Management Director and Mrs. Cannon have discussed the matter and are continuing to monitor it.

Commissioner Henley asked if the County should review its tipping fees.

Mr. Martin stated they would need to look at revenue and landfill life. A report will be brought back to the committee at a later date.

No other questions were raised about the report.

4. Consideration of Continuing Existing Audit Contract with Cherry, Bekaert and Holland, L.L.P.

BACKGROUND: The audit contract with Cherry, Bekaert & Holland, L.L.P. (CB&H) was negotiated through a competitive bid process in August, 1996, for the audit period ending June 30, 2001. CB&H has prepared a letter which sets forth the proposed scope of services and negotiated fees through a continuation of the existing contract with CB&H, L.L.P.

The new Governmental Accounting Standards Board (GASB) Statement #34 is required to be implemented for all phase I counties for the year ending June 30, 2002. Cumberland County is in the phase I implementation. This is the most significant change in the history of governmental accounting standards. The new statement is the result of 12 years of development by GASB.

For Cumberland County, the statement continues the reporting on a fund/budgetary basis, plus the statement requires the addition of two new financial statements, an extensive management discussion and analysis, and numerous additional footnote disclosures. The new financial statements model the reporting format for that of

commercial enterprises. As a result, significant journal entries are necessary in the conversion from the governmental basis to the new format.

Based upon the complexity involved in converting our traditional governmental statements to comply with GASB 34, it is the recommendation of the County Manager and Assistant County Manager for Financial Services to continue the County's existing contractual relationship with Cherry, Bekaert & Holland.

RECOMMENDATION: Authorize the Assistant County Manager for Financial Services to enter into an agreement with Cherry, Bekaert & Holland to extend the existing contract through June 30, 2007.

Commissioner Henley asked why there was a variation in the fees to be charged by CB&H. He also questioned the statement in the agreement that addresses fee increases.

Mrs. Cannon stated CB&H had nominal increases in its fees since 1986. CB&H writes the county's financials. Other counties have larger staffs and can do their own. They felt that incremental increases would be better than one large increase. She has done comparisons with other counties and Cumberland County is paying much lower fees. In light of where the county is and what it is facing, she feels the fees are reasonable.

Eddie Burke stated CB&H wants to be covered if there is another GASB, so fees can then be negotiated.

Commissioner Henley asked if the County would have the right to end the contract if CB&H wanted to negotiate higher fees and an agreement could not be reached.

Mrs. Cannon stated the County could end the contract if that were to happen. She feels the County should continue its existing relationship with CB&H.

MOTION: Commissioner Henley offered a motion to authorize the Assistant County Manager for Financial Services to enter into an agreement with Cherry, Bekaert & Holland to extend the existing audit contract through June 30, 2007.

SECOND: Commissioner Council
VOTE: UNANIMOUS

5. Discussion of Implementation of the Third One-half Percent (1/2%) Local Option Sales Tax.

Mr. Martin advised the Committee that the County does not have approval to implement this tax until June 30, 2003. However, some counties have begun to implement the provisions in the event the Legislature makes it applicable earlier than the original date of June 2003. He would like the Committee to direct him with regard to asking the Board of Commissioners to move forward on this matter. The Board would first need to hold a public hearing on the matter and then adopt a resolution levying the tax.

It was the consensus of the Committee that the County Manager take this item to the Board of Commissioners for consideration as soon as possible.

6. Discussion of the 2% Property Tax Discount.

Mr. Martin advised the Board of Commissioners has the authorization to offer a discount for the early payment of taxes, discontinue the discount or extend the discount on an annual basis. Any action to change the discount must be made by the end of April. The Board authorized the discount in 1996. A number of municipalities have authorized the same discount of 2%. A municipality cannot have a different percentage discount than the county. The computer system can only apply one discount. Some towns do not offer a discount. The County gained \$500,000 by being able to invest the taxes paid earlier. However, the County lost \$700,000 through the discount. The County will also lose money next year on the discount.

It was the consensus of the Committee to continue the 2% discount for early payment of taxes.

7. Discussion of County Mainframe Upgrade.

BACKGROUND: The three-year warranty agreement on the County's mainframe hardware and software with IBM will expire June 30, 2002. The County has two options at this time; begin paying monthly rental and maintenance for the software and hardware, or upgrade the existing machine through a competitive bid process. The cost of either option over a three-year period is basically the same. Therefore, the Assistant County Manager for Finance and the Information Services Director feel it is more advantageous to upgrade the hardware through a competitive bid process.

The current machine is a 30 MIPs (Millions of Instructions per Second) machine. Management has anticipated upgrading to a 60 MIPs machine. IBM prices their software according to the number of MIPs, the higher the MIPs, the more you pay. Currently, there is a special promotion which offers the 60 MIPs machine at the price of a 30 MIPs machine. However, IBM just announced the new 80 MIPs machine with no special pricing.

Originally, the plan was to procure the new hardware during FY 2003. With the announcement of the new 80 MIPs machine, it appears that 60 MIPs machines may soon be difficult to procure. Therefore, it is management's recommendation to immediately begin the bidding process for a 60 MIPs machine. In essence, the County

will be doubling the speed (capacity) of its machine at the cost of a 30 MIPS machine. Waiting until July to begin this process could force the County to purchase the 80 MIPS machine at a much higher cost.

At the planning retreat in February, \$300,000 was included in the preliminary FY 2003 budget for this purchase. To take advantage of these projected savings in the purchase of a 60 MIPS machine, it is recommended that currently budgeted funds in the General Fund Contingency be used for this purpose. The proposed appropriation of \$300,000 could be reduced significantly.

After conducting a considerable amount of research about this issue, management feels that advancing the procurement process by three months is in the best interests of the County.

RECOMMENDATION: Approve advancing the competitive bidding process for the upgrade of the County mainframe computer.

Howard Smith advised that the new software IBM has previewed will not run on the County's current machine. If it is not upgraded, the County will be stuck where it is now.

Commissioner Council asked if the savings would allow the County to hire any additional personnel.

Mrs. Cannon stated they would first have to see the results of the RFP's to see what the bids will be and determine how much money will be spent.

Commissioner Edge asked what the costs would be for the 80 MIPS machine.

Mr. Smith stated that would not be anything they would need to consider because the 60 MIPS machine could be upgraded to an 80 or 120 MIPS.

MOTION: Commissioner Council offered a motion to approve advancing the competitive bidding process for the upgrade of the County mainframe computer.

SECOND: Commissioner Henley

VOTE: UNANIMOUS

8. Other Committee Concerns.

No other committee concerns were raised.

Meeting adjourned at 9:25 AM.