

CUMBERLAND COUNTY BOARD OF COMMISSIONERS
MAY 26, 2016 – 7:00 PM
117 DICK STREET, 1ST FLOOR, ROOM 118
SPECIAL MEETING – FY17 PROPOSED BUDGET PRESENTATION
MINUTES

PRESENT: Commissioner Marshall Faircloth, Chairman
Commissioner Glenn Adams, Vice Chairman
Commissioner Jeannette Council
Commissioner Kenneth Edge
Commissioner Jimmy Keefe
Commissioner Larry Lancaster
Amy Cannon, County Manager
James Lawson, Deputy County Manager
Melissa Cardinali, Assistant County Manager
Tracy Jackson, Assistant County Manager
Sally Shutt, Governmental Affairs Officer
Vicki Evans, Finance Director
Deborah Shaw, Budget Analyst
Heather Harris, Budget Analyst
Randy Beeman, Emergency Services Director
Brenda Jackson, Social Services Director
Joe Utley, Tax Administrator
Jeffrey Brown, Engineering and Infrastructure Director
Eric Redrick, Veteran Services Director
Candice White, Clerk to the Board
Press

ABSENT: Commissioner Charles Evans

Chairman Faircloth called the meeting to order and stated the purpose of the meeting is for the FY2017 recommended budget presentation. Chairman Faircloth provided the invocation and led the Pledge of Allegiance to the American flag.

Chairman Faircloth called on Amy Cannon, County Manager, to present the FY2017 recommended budget for the Board's review and consideration.

Ms. Cannon thanked the Board of Commissioners for the opportunity to share the recommended annual budget for FY2017 and stated her presentation will include the following:

- Overview
- Local Economy
- Budget Development Considerations
- Funding Priorities/Other Expenditures
- Future Considerations
- Conclusion

Ms. Cannon provided the following overview of the recommended budget for FY2017:

Countywide Total \$430,053,378
General Fund Total \$327,284,888
 An increase of \$7.3 million or 2.28% from Fiscal Year 2016
Tax Rate 74¢ per \$100
 Rate unchanged since 2009 revaluation
1 penny = \$2.33 million in revenue

Ms. Cannon then provided the following presentation on revenue projections for the current year:

CURRENT YEAR REVENUE PROJECTIONS

Real and Personal Property Collections

- \$1.7 million over budget (1.11%)
- Motor vehicles \$4.5 million cumulative increase resulting from Tax & Tag from 2012 to 2015

Ms. Cannon stated moving forward, she does not anticipate seeing the same increase in real and personal property taxes that has been seen in the last couple of years.

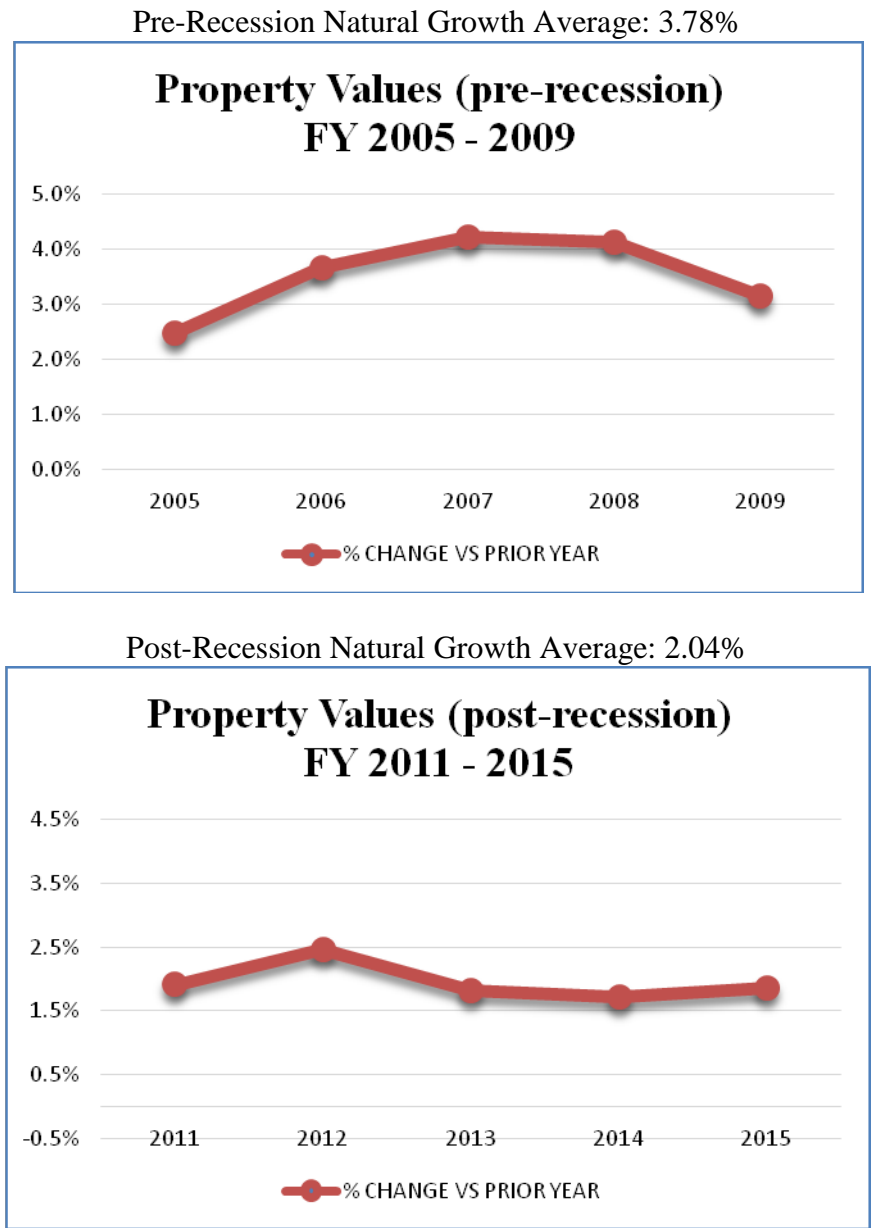
Ms. Cannon stated financial sustainability continues to be a key consideration as the budget is developed and it appears that Cumberland County has not fully recovered from the recession that began in 2008. Ms. Cannon reviewed the following:

LOCAL ECONOMY

Recovery from Recession

- Recession began in 2008
- Resulted in unprecedented economic challenges
- Other N.C. counties are experiencing growth
- Cumberland County remains in a period of weak growth

Ms. Cannon shared the following illustrations of weak growth in Cumberland County:



Ms. Cannon provided pre and post-recession figures as follows and stated there is now less property and sales tax revenue to budget.

Property Values: Impact of Growth Reduction

- Average annual revenue loss of \$680,552
- 5-year loss of \$3.4 million

Sales Tax Collections

- \$285,599 over budget, 0.72%

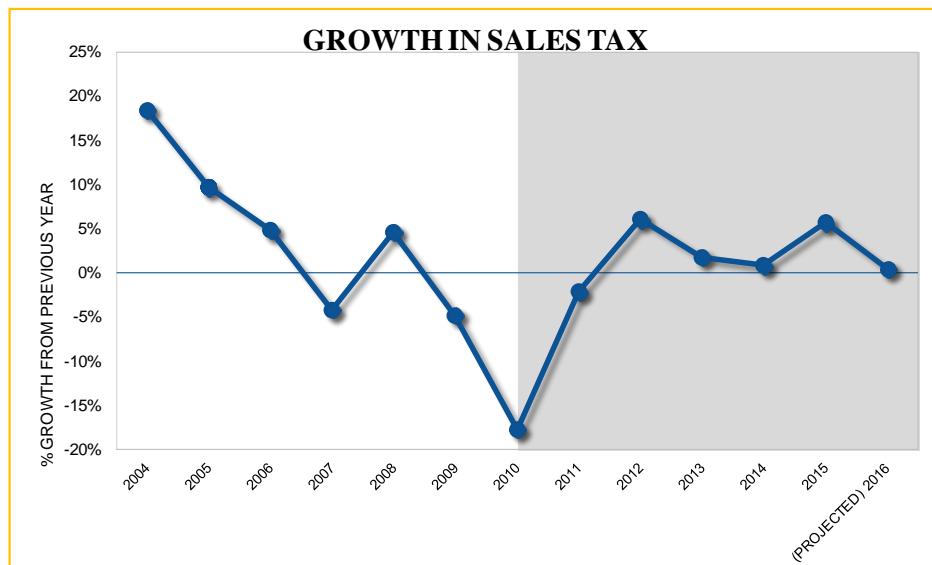
Sales Tax Growth

- Pre-recession average: 6.68%
- Post-recession average: 2.45%

Sales Tax: Impact of Growth Reduction

- Post recession recurring average annual loss \$1.9 million

Ms. Cannon reviewed the chart of sales tax growth over a 12 year period from 2004 to anticipated collections in FY2016. Ms. Cannon pointed out the gray area reflects post recession. Ms. Cannon stated sales tax is volatile and difficult to project from year to year.



Ms. Cannon stated the graphs she reviewed indicate a period of weak growth. Ms. Cannon also stated property tax and sales tax account for over 65% of the revenue in the General Fund and historically the County has relied on these revenue sources to fund inflationary increases, departmental requests and new initiatives. Ms. Cannon stated this extended period may indicate the County is in a “new reality” or environment in which the County is being forced to operate.

BUDGET DEVELOPMENT CONSIDERATIONS

Growth Reduction

- Graphs indicate continued weak growth
- Property tax/sales tax are major General Fund revenue sources
- “New Reality” we operate in
- Environment of very limited growth

Ms. Cannon emphasized that her presentation is not one of doom and gloom and she believes the best decisions are made when one understands the environment in which one is operating. Ms. Cannon stated despite a period of weak growth, Cumberland County and the Board of Commissioners have made significant progress. Ms. Cannon stated she will share specifics towards the end of her presentation that will demonstrate the County is moving in a positive direction.

Ms. Cannon stated things other than revenue trends have to be considered when developing the budget. Ms. Cannon reviewed the fiscal impact of the new DSS positions in FY2016 and stated the total cost of annualizing is \$1 million, with the County’s portion of \$330,000 recurring annually. Ms. Cannon stated this was also a consideration in developing the FY2017 budget.

Fiscal Impact of New DSS Positions

- 13 regular & 23 time-limited positions added after FY2016 Budget adoption
- \$330,000 recurring annually for County portion

Ms. Cannon stated financial sustainability continues to be a guiding principle and she believes it is important to continue to protect the County’s solid financial position going forward. Ms. Cannon reviewed the following key funding priorities and stated all of the priorities are aligned with the Board’s strategic plan:

- Investment in our workforce
- Mandates
- Operational Efficiency
- Capital Investment Planning

Ms. Cannon reviewed the following revenue projections for the coming fiscal year:

REVENUE: AD VALOREM

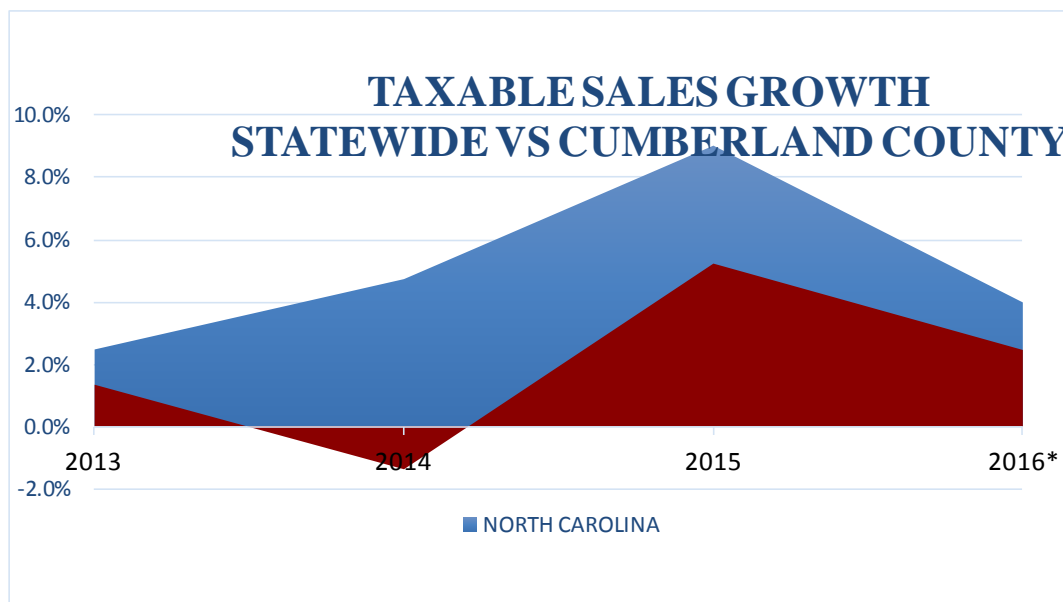
- \$153,901,517 (projected FY2017 budget amount)
- 47% of total revenue
- Projected natural growth
\$1,797,105 (1.18%)
- Motor vehicles under Tax & Tag Together (very little growth budgeted in FY2017)
\$15,773,637
4.82% of total revenue

OTHER REVENUE

Sales Taxes

- \$40,912,780 (projected FY2017 budget amount)
- 12.5% of total revenue
- Projected 2.5% increase over FY2016
- County lags behind statewide taxable sales
 - 2.25% behind total FY2016 sales
 - 1.52% less than FY2015 growth

Ms. Canon reviewed the taxable sales growth chart below and recalled with the significant drop in 2014, there were federal furloughs, the federal government shut down and pending sequestration. Ms. Cannon stated in 2016, the County and statewide sales tax have dropped from the 2015 level. Ms. Cannon stated this again shows sales taxes are difficult to project from year-to-year and statewide averages cannot be used for a comparison to Cumberland County.



Ms. Cannon continued with a review of the following:

Fund Balance

- \$7.9 million appropriated for recurring expenditures
- Within fund balance policy parameters

Ms. Cannon reviewed FY2017 expenditure requests totaling \$10 million from County departments:

EXPENDITURE HIGHLIGHTS

Supplemental Requests \$10 million

- 75 new positions
- 48 vehicles
- \$2.84 million in capital outlay
- \$774,900 for maintenance and renovations

Ms. Canon reviewed the focus for funding allocations and stated very little of the supplemental requests could be funded.

FUNDING ALLOCATION FOCUS

- Allocate funding in support of strategic plan
- Continue mission of providing quality services while being fiscally responsible
- Allocate funding to the extent it is considered financially sustainable

Ms. Cannon reviewed the funding priorities outlined below and stated healthcare plan design changes beginning July 1, 2017 are projected to equal healthcare savings of about \$2.5 million. Ms. Cannon stated the plan design changes will affect employees as they utilize the health insurance after July 1, and one of the largest areas affected will be specialty co-pay and doctor visits. Ms. Cannon explained a doctor visit to a specialist will now be subject to the \$2,000 annual deductible and then the co-insurance. Ms. Cannon stated another key change in the healthcare plan design is the addition of a retail pharmacy deductible. Ms. Cannon stated to help offset these changes, a one-time \$800 stipend is recommended for full time employees with a pro-rated amount for part time employees as well as expanded County pharmacy hours beginning July 1. Ms. Cannon stated the recommendation for expanded pharmacy hours is justified because the overall volume has increased about 43% in the last 12 to 14 month period and the volume will continue to increase as the new retail pharmacy deductible comes into place July 1. Ms. Cannon stated unfortunately, sufficient recurring revenue could not be identified to provide a cost of living adjustment.

EXPENDITURE INCREASES BY PRIORITY

Funding Priority	Source
Investment in workforce (\$3.8 million)	Projected revenue growth Assigned fund balance
Mandates (\$1,424,045)	Projected revenue growth Assigned fund balance
Operational Efficiency (\$68,826)	Projected revenue growth
Capital Investment Plan (\$746,376)	Unspent debt service funds

FUNDING PRIORITY: WORKFORCE

Supports our goal of retaining motivated, professional and well-trained personnel who offer excellent customer service with PRIDE.

- Health Plan Changes \$1.5 million
- Specialty visits subject to deductible
 - Retail pharmacy deductible added

- One-time \$800 stipend \$2.2 million
- Full-time employees
 - Prorated for part-time employees

- Expand Employee Pharmacy Hours \$106,760
- Hire pharmacy technician
 - Add contract pharmacist hours
 - Open 13 additional hours
 - Includes opening Saturdays 9 a.m. to 1 p.m.

Ms. Cannon presented the funding mandates below and stated the Local Government Employees’ Retirement System Board has established a five-year plan for stabilizing that retirement fund. Ms. Cannon stated for FY2017 that includes 0.5% increase in the employer contribution which equals \$515,000 for Cumberland County and in the following four years the employer contribution will increase another 0.25% each year. Ms. Cannon explained the Department of Labor’s revision to the Fair Labor Standards Act which will affect the County in the amount of \$100,000 in FY2017 and the State of Board of Elections mandated change in the voting process which returns to a paper ballot and requires the County to replace 100% of their voting machines at a budget amount of \$809,045.

FUNDING PRIORITY: MANDATES

Supports our mission of providing quality services while being fiscally responsible.

- Retirement System \$515,000
- Fair Labor Standards Act \$100,000
- Voting Machines \$809,045

Ms. Cannon presented the funding priority of efficiency and the recommendation of a new position in the Information Services (IS) Department. Ms. Cannon stated the major systems of Human Resources, payroll, permitting software in the Inspections Department and Tax Administration remain on the mainframe and this new position will manage the movement to the modern platform. Ms. Cannon stated the IS Department will also implement new software for Business Intelligence technology. Ms. Cannon stated the new position can also assist in this implementation. Ms. Cannon stated without the recommended new position, she believes the number of business reviews that can be accomplished next fiscal year will be reduced.

FUNDING PRIORITY: EFFICIENCY

Addresses the strategic objectives of:

- Advancing the County’s automation capabilities
- Optimizing service delivery through innovation, automation and technology
- Enhancing current services
- Creating new service opportunities

New Position \$68,626

- Project Manager
- Manage implementation of new technology moving from mainframe to modern platform
- Manage the implementation of Business Intelligence technology recommendations to ensure success

Ms. Cannon reviewed the Business Intelligence activities below:

BUSINESS INTELLIGENCE INITIATIVES

Business Intelligence Initiatives	
Wrapping Up	
Veterans Services	Procurement of licenses
Jury	Routine Follow-ups
DSS-FNS	In final review stages
Business Intelligence Initiatives	
In Progress	
Central Permits	Research
Mailroom	Collaborating with Department Head
Print Shop	Collaborating with Department Head
Legal	Business Process Analysis
Business Intelligence Initiatives	
Upcoming	
DSS-Medicaid	Preplanning, IS Management discussions

Environmental Health	Preplanning, IS Management discussions
Animal Control	Preplanning, IS Management discussions
Tax	Preplanning, IS Management discussions

Ms. Cannon stated without significant growth in recurring revenue sources, it will be a challenge to commit to any capital new initiatives such as a consolidated 911 center. Ms. Cannon stated she would like to introduce a mechanism to fund future capital initiatives without a tax increase, which is to establish a capital investment fund. Ms. Cannon stated the goal will be to annually transfer funds to the capital investment fund. Ms. Cannon stated since it is difficult to rely on current revenues, there is an opportunity on the expenditure side to earmark funds that are currently budgeted for debt service payments, and on an annual basis as the debt service payments reduce or as debit is paid, the recommendation is to earmark those funds and transfer them to the capital investment fund. Ms. Cannon stated in the recommended budget, a fund has been established with a transfer of debt service funds in the amount \$746,376 which can be the first step in providing debt service funds for a consolidated 911 center. Ms. Cannon reviewed the capital investment plan advantages below.

FUNDING PRIORITY: CAPITAL INVESTMENT PLAN

Establishes a planning mechanism to provide adequate infrastructure consistent with orderly growth of a dynamic county.

- Capital Investment Fund \$746,376
- Transfer debt service funds
 - Advantages:
 - Provides road map for future debt & capital outlay
 - Creates proactive approach
 - Provides financial flexibility
 - Creates opportunity to prioritize projects
 - Addresses rating agency criteria

Ms. Cannon presented other recommended budget expenditure highlights below:

OTHER HIGHLIGHTS

- Additional New Positions:
- Assistant County Engineer \$110,636
 - Gun Permit Division \$ 40,334

- Education:
- Board of Education \$78,729,271 (in accordance with funding agreement)
 - An increase of \$834,942
 - FTCC
 - Current Expense \$10,627,787
 - An increase of \$523,271 (as requested)
 - Capital \$ 945,000 (continued commitment)
 - Debt Service \$ 334,489 (additional one time assistance in FY2017)

- Vehicles:
- Sheriff's Office
- 17 replacement \$830,504
- Tax Administration
- 2 hybrids \$50,000
- DSS – 2 vans \$ 90,400
- Animal Control \$ 70,000
- 2 replacement trucks

- Technology: \$ 265,000
- Central Permitting Software
- Homelessness: \$ 100,000
- DSS/Alliance: \$ 35,000

Foster Care: \$ 433,446
898 children in foster care

Community Funding: \$1,467,296
Crime Lab: \$ 129,000
Youth Diversion Program: \$ 25,000

Mental Health Funding: \$ 4.8 million
Alliance \$2,400,000
Cape Fear Valley \$2,400,000

Mental Health Funding Revenue Sources:
Alliance Fund Balance \$2,250,000
Mental Health Fund Balance 1,800,000
Recurring Funding 750,000
\$4,800,000

Ms. Cannon provided a review of future considerations in the coming fiscal years.

FUTURE CONSIDERATIONS

Health Insurance

- Medical health savings accounts
- Insurance plan design options

Ms. Cannon stated there are three objectives she would like to achieve in the coming fiscal years as they relate to health insurance. Ms. Cannon stated preparations need to be made for medical health care savings options for employees for the FY2018 budget and in order to do so, the options and benefits will have to be explained to employees over FY2017. Ms. Cannon stated management will also diligently monitor health insurance claims to observe the effects of the major design changes that go into effect July 1. Ms. Cannon stated the goal is to stabilize the health insurance fund so the County is not in a reactionary mode when claims are volatile.

Consolidation of Services

Ms. Cannon stated recent discussions between the city and the county have been for consolidation of the 911 center operations and one goal she would recommend is that by next spring, a grant request be developed to send to the 911 Board requesting funding for a consolidated center.

Jail Health

Ms. Cannon stated her recommendation is for a Request for Proposal be developed and brought back for consideration by the Board of Commissioners in the July and August time period to at least explore the feasibility of providing jail health services under contract. Ms. Cannon stated in conjunction, cost saving opportunities with the Affordable Care Act will continued to be sought for the jail health program.

Sales Tax Agreement

Ms. Cannon stated the sales tax agreement was renewed for an additional three years during FY2016 under the condition that discussions would begin no later than January 2017. Ms. Cannon stated her recommendation is that a working group be developed in the August timeframe.

Public Safety Task Force

Ms. Cannon stated recommendation is to re-activate the Public Safety Task Force to review the recommendations that were implemented and to monitor results of those new initiatives. Ms. Cannon stated in addition, the task force can follow up on any initiatives that have not been implemented and address new issues such as low wealth funding in five fire districts particularly in the Beaver Dam fire district that includes the Turnbull community and a substation.

Revaluation

Ms. Cannon stated the revaluation will become effective in 2017 and management meets with the Tax Administrator monthly to review the revaluation progress and will continue to do so and remain engaged in the process. Ms. Cannon stated planning is already underway to inform and educate citizens in a timely manner about revaluation. Ms. Cannon stated she feels it will be

appropriate for the Tax Administrator to give updates to the Finance Committee regularly beginning with the August 2016 meeting.

Ms. Cannon stated with property and sales taxes combined, the County has about \$2.5 million less available after the recession and is really in a weak period of growth. Ms. Cannon provided closing thoughts or conclusions below.

CONCLUSIONS

Our “New Reality”

- Focus on financial sustainability
- Increase capacity
- Efficient service delivery

Progress has been made despite a weak rebound after the recession

- Education Funding
- Capital Improvement Plan
- Classification and Pay Plan
- Technology
- New positions

Continued progress will be achieved

- Remain fiscally conservative
- Honor Board-approved financial policies
- Implement Capital Investment Plan
- Continue to support Business Intelligence model

Business Intelligence

- Identify efficiencies
- Streamline work flows
- Improve customer service
- Create an innovative, high-performing organization

Ms. Cannon reviewed the FY2017 budget meeting schedule and suggested topics to guide discussion and provide information.

Budget Meeting Schedule			
Tuesday May 31	5:30 p.m.	Work session <u>Agenda Topics:</u> Review of Departmental Requests Status of CIP Financing CIP Update	Room 564
Thursday June 2	5:30 p.m.	Work session <u>Agenda Topics:</u> Economic Development Update Solid Waste Management Update	Room 564
Tuesday June 7	5:30 p.m.	Department head appeals/work session	Room 564
Monday June 13	7:00 p.m.	Public Hearing	Room 118
Thursday June 16	8:30 a.m.	Work session (if needed)/Adopt Budget	Room 564

Ms. Cannon concluded her presentation and stated the FY2017 recommended budget is also available on the County’s website at co.cumberland.nc.us.

Chairman Faircloth provided closing remarks.

MOTION: Commissioner Adams moved to adjourn.
SECOND: Commissioner Council
VOTE: UNANIMOUS (6-0)

There being no further business, the meeting adjourned at 7:50 p.m.

Approved with/without revision:

Respectfully submitted,

Candice H. White
Clerk to the Board