

CUMBERLAND COUNTY BOARD OF COMMISSIONERS
JUNE 13, 2017 – 5:30 PM
117 DICK STREET, 5TH FLOOR, ROOM 564
SPECIAL MEETING – FY18 BUDGET WORK SESSION
MINUTES

PRESENT: Commissioner Glenn Adams, Chairman
Commissioner Charles Evans, Vice Chairman
Commissioner Michael Boose
Commissioner Jeannette Council
Commissioner Marshall Faircloth
Commissioner Jimmy Keefe
Commissioner Larry Lancaster
Amy Cannon, County Manager
Melissa Cardinali, Assistant County Manager
Sally Shutt, Assistant County Manager
Rick Moorefield, County Attorney
Phyllis Jones, Assistant County Attorney
Vicki Evans, Finance Director
Deborah Shaw, Budget Analyst
Heather Harris, Budget Analyst
Bob Tucker, Accounting Supervisor
Ivonne Mendez, Financial Specialist
Jeffery Brown, Engineering and Infrastructure Director
Brenda Jackson, Department of Social Services Director
Candice White, Clerk to the Board
Kellie Beam, Deputy Clerk to the Board
Press

Chairman Adams called the special meeting to order. Commissioner Boose asked for a moment of silence for prayer.

Amy Cannon, County Manager, called on Melissa Cardinali, Assistant County Manager, who provided the following recap as of the last budget work session on June 8:

- Recommended budget rate \$0.822
- Changes made on June 8:
 - Jail health RFP reduced rate
 - Savings from debt refinancing
 - Annual debt service reductions for FY18 –in General Fund not the capital investment fund
 - Increase some community funding
- Total impact of changes on tax rate (0.020)
- Total revised tax rate \$0.802

Ms. Cardinali stated the recommended budget was just over \$328 million and with the June 8 changes it brings the FY18 revised budget as of June 8 to \$323,661,490. Ms. Cardinali stated as a point of reference, that is \$3.6 million less than the FY17 adopted budget.

Ms. Cardinali shared the impact of the June 8 changes/revisions on the tax rate:

- Revised tax rate as of June 8 \$0.802
- Revenue neutral tax rate 0.782 (for comparative purposes)
- Difference in rates \$0.020

Vicki Evans, Finance Director, stated because fund balance came up on June 8, she wanted to provide a brief overview County's fiscal policy adopted by the Board in 2008. Ms. Evans stated as part of the policy, the General Fund will maintain an unassigned fund balance that is not less than 10% of budget expenditures. Ms. Evans stated the annual appropriation for subsequent years' expenditures can be no more than 3% of budgeted expenditures and fund balance in excess of the 10% unassigned will be reserved for one-time future projects.

- County established fiscal policies in 2008
- As part of the policy – fund balance
 - Unassigned fund balance not less than 10%

- Annual appropriation for subsequent years’ expenditures – no more than 3%
- Excess of 10% - reserved for onetime future projects

Ms. Evans stated the purpose of maintaining these levels of fund balance are intended to avoid cash flow interruptions, generate interest income, eliminate the need for short-term borrowing and to maintain the County’s credit rating. Ms. Evans reviewed the fund balance recap schedule below and explained balances fluctuate depending on whether revenues exceed expenditures, or vice versa, for the year.

Below is recap of fund balance for the past five fiscal years:

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY2016</u>
Fund Balance					
Beginning of year-July 1	\$103,536,991	\$105,200,253	\$102,347,516	\$104,093,146	\$104,394,661
Revenues	297,903,320	296,499,222	298,584,455	302,300,130	308,167,325
Expenses	(304,547,864)	(301,491,337)	(302,830,270)	(307,748,209)	(311,074,285)
Total other financing sources (uses)	8,307,806	2,139,378	5,991,445	5,514,099	(421,532)
Restatement-LEOSSA	0	0	0	0	<u>2,095,864</u>
End of year-June 30	<u>\$105,200,253</u>	<u>\$102,347,516</u>	<u>\$104,093,146</u>	<u>\$104,159,166</u>	<u>\$103,162,033</u>
Increase/Decrease of Fund Balance	\$1,663,262	(\$2,852,737)	\$1,745,630	\$66,020	(\$3,328,492)

Ms. Evans stated when looking at the comparison, there was a GASB update in FY2016 that required the County to place the LEOSSA into the General Fund, which was a one-time increase to the General Fund of just over \$2 million. Ms. Evans explained these funds are held in the committed fund balance category; however, they are a part of total fund balance. Ms. Evans stated if that restatement had not occurred in FY16, the General Fund fund balance would have been the lowest it has been since FY2010.

Ms. Cardinali reviewed the comparisons of dollars for the discussion that took place on June regarding a 79 cent tax rate:

- Tax rate revised as of June 8 \$0.802
- Discussion of tax rate - 0.790
- Dollar difference between rates \$2,679,085
- Revenue neutral rate \$0.782
- Dollar difference between rates –
 · (June 8 and revenue neutral) \$4,241,884

Ms. Cardinali stated for information only, she also broke out the following and at this point, it is believed that further reductions would impact a combination of things.

- Impact of \$0.001 on tax rate: \$ 223,257
 - Eliminate positions / service reductions
 - 48 positions eliminated (minimal)
 - Combination of eliminating positions / service reductions / employee benefits
 - 401K, cost of living

Ms. Cannon stated in order to get to a tax rate of 79 cents, there would have to be a further reduction of about \$2.6 million. Ms. Cannon stated staff are looking to the Board for guidance in reductions based on the Board’s desire for an adopted budget. Ms. Cannon stated direction at the June 8 meeting was not to impact positions, but there are no reductions that do not impact someone, be it a client or an employee or both.

Commissioner Council asked what it would take to set the rate at 79.9 cents. Ms. Cannon stated if the Board is looking for a \$670,000 reduction, she thought a \$670,000 reduction could be made without violating policies or impacting positions. Chairman Adams asked for the pleasure of the Board.

Commissioner Lancaster asked whether anyone had an idea where to find \$2.6 million to get to 79 cents.

Commissioner Keefe asked whether there had been a budget ordinance amendment for the GASB Restatement/LEOSSA. Ms. Evans explained this restatement occurred through the audit process; the \$2 million was already in LEOSSA funds and was consolidated in the fund balance. Ms. Cardinali stated this was for GASB reporting purposes and the funds are not being held in the General Fund. Additional questions followed. Ms. Cardinali and Ms. Evans further explained GASB statements and rules for reporting. Ms. Cardinali stated the \$2 million does not have any bearing on the potential use of fund balance or the rate.

Commissioner Boose posed questions about the \$4.5 million in economic development incentives and the \$3.5 million in special purpose. Discussion followed.

Commissioner Council referenced the \$2.6 million further reduction needed to get to 79 cents and stated the trend is that fund balance is going down. Ms. Evans stated the net decrease in fund balance over five years or 2012-2015 was \$2.7 million. Ms. Cannon stated her concern about taking \$2.6 million from fund balance is that one-time funds would be taken out of one of the assigned categories and if that is done, the fund balance will further decrease. Ms. Cannon stated at some point, a recurring revenue will have to match a recurring expenditure.

Commissioner Faircloth posed questions about mental health funding. Discussion followed about mental health funding for Alliance Behavioral Healthcare, Cape Fear Valley Health, other providers for other services and the state allocation.

Commissioner Keefe referenced the \$6 million swing in fund balance. Ms. Evans stated there was a \$5.43 million transfer out of the General Fund into the health insurance fund in 2016, and there was not quite that amount in years past. Ms. Evans stated in addition in 2015, there were proceeds from an installment note for FTCC of \$3 million. Ms. Evans stated those two items are out of the norm of the debt and other debt transfers. Ms. Cannon stated the \$6 million a net number because there are transfers going out and transfers coming in, so what is actually being seen in the \$5,991,445 and the \$5,514,099 is a net number of transfers in from other funds and transfers out. Additional questions and discussion followed.

Commissioner Lancaster stated following the discussion that has taken place, he did not see a way to get to a revenue neutral tax rate and asked whether there was support for 79.9 cents. In response to a question from Commissioner Evans, Ms. Cannon stated 79.9 cents would mean no further reduction in services or elimination of employees/positions beyond what is reflected in the recommended budget. Commissioner Lancaster stated unless anyone has further suggestions, he was prepared to offer the following motion.

MOTION: Commissioner Lancaster moved to set the tax rate at 79.9 cents.
SECOND: Commissioner Council

DISCUSSION: Commissioner Faircloth stated if policy states no more than 3% of the fund balance can be appropriated, that overcomes his thoughts about soft commitments as a means to get to revenue neutral. Commissioner Lancaster stated that had a lot to do with his decision as well.

VOTE: PASSED (5-2) (Commissioners Lancaster, Evans, Council, Faircloth and Adams voted in favor; Commissioners Keefe and Boose voted in opposition)

Discussion followed about whether to have the 2% COLA effective January 2018 or a 1% COLA effective July 2017. Ms. Cannon stated the cost of the 2% COLA is \$1.8 million with \$918,000 in the budget to implement in January 2018. Consensus was to leave the 2% COLA effective January 2018.

Additional comments followed. Ms. Cannon stated staff appreciate the questions and time the Board put in to coming up with an adopted budget which staff will embrace and implement. Ms. Cannon stated reductions were included in the adopted budget and as she indicated in the recommended budget, staff will continue to look for efficiencies and ways to reduce the budget in an effort to right size the County.

MOTION: Commissioner Council moved to adjourn.
SECOND: Commissioner Evans
VOTE: UNANIMOUS (7-0)

There being no further business, the meeting adjourned at 6:33 p.m.

Approved with/without revision:

Respectfully submitted,

Candice H. White
Clerk to the Board