

FINANCE COMMITTEE MEETING
WEDNESDAY, NOVEMBER 13, 1996, 12:00 NOON
ROOM 564, COUNTY COURTHOUSE

Present: Marshall Faircloth, Commissioner
Billy King, Commissioner
Lee Warren, Commissioner

OTHERS: Cliff Strassenburg, County Manager
James Martin, Deputy County Manager
Carlisle McCutcheon, Finance Director
Danny Higgins, Staff Attorney III
Garrett Alexander, Tax Administrator
Rhonda R. Davis, Deputy Clerk

The meeting was duly called to order.

AGENDA ITEMS:

1. Approval of August 15, 1996 Meeting Minutes.

MOTION: Commissioner King offered a motion to approve the August 15, 1996 minutes of the Finance Committee.

SECOND: Commissioner Faircloth

VOTE: UNANIMOUS

2. Consideration of Proposal for Audit Services from an Independent Auditor.

Carlisle McCutcheon, Finance Director advised he sent a "Requests for Proposal" for audit services to 13 local certified public accountant firms. Only one proposal for audit services was received. The County's present auditors, Cherry, Bekaert & Holland, L.L.P., CPA's submitted the proposal. The firm has done the financial audits for the County for ten years. Cherry, Bekaert & Holland work well with the County's staff and offer suggestions for improvement in the County's accounting practices. The proposed cost for FY 97 is \$59,900 and for FY 98 \$62,000. His recommendation is to approve the audit services proposal and forward the recommendation to the Board of County Commissioners for approval.

MOTION: Commissioner King offered a motion to recommend to the full Board of Commissioners that Cherry, Bekaert & Holland, L.L.P., CPA be approved to perform audit services for the County.

SECOND: Commissioner Warren

VOTE: UNANIMOUS

3. Consideration of Cumberland County Cash Management and Investment Policy.

Mr. McCutcheon advised he forwarded the County's Cash Management and Investment Policy to the Institute of Government for review and comments. The Institute suggested some changes and he has incorporated these changes into a revised policy. He noted he does not make investments with banks with a rating under 50. He noted the rating of banks was taken from a nationwide rating by the Sheshunoff Company. A copy of the revised policy is attached hereto and incorporated into these minutes.

MOTION: Commissioner King offered a motion to approve the new Cash Management and Investment Policy and forward the recommendation to the Board of County Commissioners for approval.

SECOND: Commissioner Warren

DISCUSSION: Commissioner Warren asked if the policy could be amended on page 4, Item F. to indicate that no investment in excess of that insured by FDIC will be placed with a financial institution with a rating of less than 50.

Mr. McCutcheon and Mr. Higgins noted the change would be made in the policy submitted to the full Board of Commissioners for approval.

AMENDED

MOTION: Commissioner King offered a motion to approve the new Cash Management and Investment Policy with the change in Item F under Administrative Restrictions to indicate that no investment in excess of that insured by FDIC will be placed with a financial institution with a rating of less than 50.

SECOND: Commissioner Warren

VOTE: UNANIMOUS

4. Discussion of Business Personal Property Auditing of Businesses Maintaining Corporate Offices Outside Cumberland County.

Garrett Alexander, Tax Administrator stated he is bringing this item before the Finance Committee to obtain direction on the acceptance by County Commissioners of the use of services in improving the quality of business personal property listings and recover lost revenue as a result of under reporting. He has received a proposal from Tax Management Associates. This company has been involved in tax auditing for many years and has experience auditing in North Carolina. The company sent a proposal to the County in 1995 asking the County to use them for auditing services. Because of Steve Horne's pending retirement and the revaluation, it was decided to delay this item until after Mr. Horne's retirement and the transition was made with a new Administrator. He is familiar with TMA's work and recommends using them for auditing of companies with corporate offices outside the County. TMA proposes to audit 367 business accounts whose assets exceed \$200,000 in value. TMA estimates a total discovery value of \$128,450,000 with an estimated revenue of \$1,177,629. Mr. Alexander noted he does not have the staff in place to do this auditing. This year, only one million dollars in value has been discovered by his office. His current budget does not have the funds to allow them to send an auditor to these locations. There is an advantage in using TMA in that they will already have people going to these areas to do these audits, which will defray the costs. The County will not be charged anything unless TMA makes a discovery and the County collects revenue from that discovery. Also, TMA will defend their audits through all court appeals. TMA will go to these businesses in the name of the County and all reports and correspondence will be sent on Cumberland County letterhead. The County will be in control of the process, TMA will simply provide the expertise, manpower and travel. TMA would charge one-third of the tax value as a fee. This

will be a one time discovery fee charged only after taxes are collected. He feels contracting with an outside company is more efficient in that no staff will have to be added and no costs will be incurred by the County unless something is discovered. TMA will not focus on companies with Cumberland County as it's home. He noted he does not want to move forward on this without board approval since this is a sensitive issue.

Commissioner Warren asked what affect these audits may have on the county's ability to attract industry.

Mr. Strassenburg noted he feels it will send a message that Cumberland County is interested in equity. Each company should be paying it's fair share of taxes.

Commissioner Faircloth stated he has dealt with TMA in the past and was very pleased and satisfied with their work. This type of practice is nothing new.

Mr. Martin advised he worked with TMA in Robeson County and the auditing had no negative impact with the companies that were audited.

MOTION: Commissioner King offered a motion to recommend to the full Board of Commissioners that the County enter into a contractual agreement with Tax Management Associates.

Motion died for lack of a second.

Mr. Alexander advised he would like the committee to speak with other Commissioners about this matter and he would like to get full board support before he moves forward. He would like the committee and board members to take the time to review this information and feel good about doing this.

Commissioner Faircloth noted the County can only go back five years on discoveries. At what point will the County lose that fifth year?

Mr. Alexander noted the County will lose the fifth year on January 1st. However, they could not be prepared to begin this process until the Spring of 1997. The audits would have to be done by December 31st in order for the County to collect on the current year's taxes.

Danny Higgins noted the County refunds money almost every month to businesses that the County has audited and discovered there was an overstatement on the business listing.

Commissioner Warren noted he would like to take some additional time to study the information.

Mr. Alexander asked if the committee would consider tabling a decision until the next Finance Committee meeting in January. He could address concerns at that time.

MOTION: Commissioner Warren offered a motion to place this item on the Finance Committee meeting agenda for January, 1997.

SECOND: Commissioner Faircloth

DISCUSSION: Commissioner King noted he felt the committee should move forward with this recommendation.

VOTE: Favor - Commissioners Faircloth and Warren
Oppose - Commissioner King

5. Other Committee Concerns

Mr. Martin updated the committee on the Subtitle D Landfill project. He noted the County is required to have this landfill in place by 1998. Requests for Proposals were sent out and several were received. BFI in Sampson County has indicated they would dispose of the County's trash in their facility. Another company has indicated they would finance, construct and operate a Subtitle D landfill at our current site. He noted the cost to construct a Subtitle D landfill will be approximately 7 million.

Mr. Strassenburg noted they would like to use short term financing for this project. They have looked at the privatization issue in order to save money. They had been hesitant in the past to privatize this type of operation because they felt it could make it difficult for the County to mobilize in the future if needed. The County now has a design permit and a permit to put it in place. They have also asked the County's Solid Waste Department to bid on this project as well. The County will be required to close the current landfill and have a Subtitle D landfill on line by January 1998. The County will need to solicit bids by April of 1997.

Mr. Martin then advised the County has been approached by two different companies about expense reduction in telephones and utilities. They have forwarded requests for qualifications to five firms to get proposals. The proposals are due by November 20th. They will bring the information back to the committee for further consideration.

Commissioner Faircloth advised some counties get their employees involved in cost reduction recommendations and offer incentives for the best ideas.

Commissioner Faircloth noted the report from the Finance Director regarding the impact of the 2% reduction for early payment of property taxes. This reduction has put the County below the curve in investments.

Mr. McCutcheon noted the 2% reduction annualizes at 6% and he cannot get a 6% return on investments at this time.

Commissioner Faircloth asked if the bulk of the taxpayers taking advantage of this reduction was the local small taxpayer.

Mr. McCutcheon noted it was mostly mortgage companies that paid the taxes early, as they are required by Federal law to take advantage of such reductions.

Mr. Alexander noted that if the Board decides to go from a 2% to a 1% discount it would be beneficial to do it as quickly as possible as it requires a tremendous amount of work to be done by his office to make this adjustment.

Mr. Martin noted over 50% of the County's revenue was collected during the discount period.

Meeting adjourned at 1:14 PM.