

**CUMBERLAND COUNTY
SPECIAL FINANCE COMMITTEE MEETING
TUESDAY, DECEMBER 29, 1998, 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
Amy H. Cannon, Finance Director
Karen Musgrave, Staff Attorney
Rhonda C. Raynor, Deputy Clerk to the Board

Chairman Tyson called the meeting to order.

INVOCATION: Commissioner Ed Melvin

Chairman Tyson advised the special meeting was called at the request of the Deputy County Manager for the purpose of Consideration/Discussion regarding installment financing for Sheriff Department vehicles and other equipment approved in the fiscal year 1999 budget.

Handouts were presented to the Committee members outlining the lease purchase proposals received by the County along with a list of equipment to be financed with the monies to be borrowed.

James Martin, Deputy County Manager noted the Board of Commissioners decided during the last budget meetings that the Sheriff's Office vehicles and others to be purchased by the County would be financed. He noted there was also some heavy equipment for Solid Waste Management in the list of vehicles and equipment. Since the Finance Committee is still looking at the Solid Waste Department and what will be done as far as waste services in the County, Management would like to make provisions to borrow the money for the equipment the Solid Waste Department needs in the event the County does stay in the Solid Waste business.

Mr. Martin also noted the County has been working with Robert S. Segal, a cost reduction specialist. Mr. Segal has been in the process of reviewing the County's telephone system. Mr. Segal has informed Management that the County could change it's current telephone system to a state of the art system and save \$7,000 per month. Mr. Segal is now saying the savings could be as great as \$16,000 per month. In order to realize these cost savings, the county would need to purchase a PBX telephone system at a cost of \$1.1 million. The county would discontinue the use of 1,800 individual phone lines and get 10 trunk lines. A handout explaining the telephone equipment capital project was distributed to the Committee members. Mr. Martin explained that for the first twelve months the new phone system was in use, one-half of the cost savings would have to be paid to Mr. Segal for his work. After that twelve month period, the County could realize all the cost savings. Management is asking the Finance Committee to consider including the \$1.1 million to purchase this system in the amount of monies to be borrowed for the lease

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purchase of the vehicles and equipment. The funds for the phone system would be placed in a reserve account until the decision is made about the PBX phone system is made. This decision would have to be brought back to the Finance Committee for consideration and recommendation.

Amy H. Cannon, Finance Director advised the Bank would set up an Escrow Account for the County. As the monies are spent, the County would seek reimbursement from the bank from the Escrow Account. If for some reason the phone system is not purchased, the funds would go back to the principle.

Commissioner Tyson noted even if the money borrowed for the phone system was not spent, the County would still pay interest on the money from the first day it was borrowed.

Mrs. Cannon advised Mr. Tyson was correct. She noted the funding would be acquired February 1, 1999. Mr. Segal would brief the County by the end of January on the phone system.

Commissioner Tyson asked how long it would take the County to re-coup the funds expended on the phone system from the cost savings.

Commissioner Melvin stated it would probably take the County two years to re-coup the funds.

Mrs. Cannon stated the County will earn interest on the escrow account. This interest would be debited back. The County will have three years to pay the funds back to the bank.

Commissioner Melvin asked about an increase in the property tax rate to pay off this loan.

Mr. Strassenburg advised these funds have already been budgeted.

Mrs. Cannon noted she waited until December to get these proposals so the County would not have the money before the property being purchased actually came in. She noted some of the property is now being received and payments will soon need to be made. Mrs. Cannon then reviewed the bids received from the various financial institutions for the Committee members. She noted the best proposal was received from NationsBank. She noted NationsBank has agreed to pay all closing costs on this loan. The interest rate will be 4.33%. She was pleased with the responses and the interest rate received from the institutions. There will be no pre-payment penalty with NationsBank. The 4.33% interest rate is fixed through February 1, 1999. Her recommendation to the Committee is to accept NationsBank's proposal.

Commissioner Tyson noted this is an installment debt. He asked how this type of financing is similar to COPS and what is the difference.

Mr. Strassenburg noted what Management is proposing is basically a bank loan. There will be no certificates of participation that will be sold on the open market.

Commissioner Melvin asked what the PBX phone system will do that the current system does not do.

Mr. Martin advised the PBX system will do voice mail and call conferencing.

Mrs. Cannon stated the PBX system will allow long distance calls placed by the County to be automatically routed to the least expensive carrier. Memos to all departments can be sent through voice mail messages. This system will enhance communication throughout the County. Currently, the County is paying a rental fee on every phone we have. This will not be the case with the PBX system.

Mr. Strassenburg noted Management is not asking the Committee to make a decision on the phone system at this time. They just want the money to purchase the system to be included in the monies borrowed for the purchase of the vehicles and heavy equipment.

MOTION: Commissioner King offered a motion to recommend to the full Board of Commissioners to approve the financing with NationsBank under the conditions outlined by Management in the proposal presented.

SECOND: Commissioner Melvin

VOTE: UNANIMOUS

Prior to adjournment, Commissioner Melvin asked Mr. Strassenburg to place on the January 4, 1999 Commissioners meeting agenda "A Discussion Regarding Having No Property Tax Increase in FY2000".

MOTION: Commissioner Melvin offered a motion to adjourn.

SECOND: Commissioner King

VOTE: UNANIMOUS

Meeting adjourned at 9:05 AM.

Cumberland County
 Lease Purchase Proposals
 18-Dec-98

	GE Capital	NationsBank	Lasalle	First Union	BB&T	Wachovia	BankOne
Rate	Index 4.59	Fixed 4.33	Fixed 5.75	Fixed 4.64	Fixed 4.81	Fixed 5.35	Index 4.35
Amount	3,730,000	3,730,000	3,730,000	3,730,000	3,730,000	3,697,128	3,697,128
Proposal Expiration	12/30/98	2/1/99	2/14/99	1/15/99	45 days	30 days	1/5/99
Term	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Payments	semiannual	semiannual	semiannual	semiannual	semi or annual	semiannual	semiannual
First Payment	9/1/99	9/1/99	7mo / Escrow	9/1/99	9/1/99	9/1/99	int 03/01/99
Expenses	Lessor 1,500	Lessor	Lessor	\$200 /wire fees	0	Escrow \$250	0
Escrow	yes	yes	yes	yes	full pymt clos.	yes	Agency Agmt
Escrow Interest	Lessee	yes	?	yes	n/a	yes	n/a
Prepayment Penalty	no	no	?	yes	n/a	yes	n/a

*rate change