

CUMBERLAND COUNTY FINANCE COMMITTEE
JANUARY 22, 1998, 9:00AM

Members Present: Commissioner H. Mac Tyson II
Commissioner Ed Melvin
Commissioner Rollin Shaw

Others Present: Garrett Alexander, Tax Administrator
Pat Wade, Collections Manager
Karen Musgrave, Staff Attorney
Juanita Pilgrim, Asst. County Manager
George Breece, Civic Center Board Chairman
Keith Allison, Chairman, Civic Center Finance Committee
Greg Martin, Internal Auditor for Tax Administrator
Commissioner Lee Warren
Juanita Pilgrim, Asst. County Manager
Kendal Wall, Civic Center President
Richard Moore, Pre-Paid Legal Services, Ada, Oklahoma
Marsha Fogle, Clerk

Commissioner Tyson, Chairman of the Finance Committee, last year welcomed everyone to the meeting.

1. Election of Chairman

Commissioner Melvin nominated Mr. Tyson to be Chairman of this Committee for 1998, which nomination was approved by a unanimous vote.

2. Selection of Regular Meeting Date and Time

Commissioner Shaw moved that the Committee meet on the First Thursday of each month at 2:00PM, Room 564, except for February, and that the meeting in February be on February 3 at 2:00PM. Commissioner Melvin seconded the motion and it passed UNANIMOUSLY.

3. Presentation/Consideration of Pre-Paid Legal Services for County Employees

Chairman Tyson introduced Mr. Richard Moore of Pre-Paid Legal Services. Mr. Moore asked the Committee to consider recommending to the Board approval of pre-paid legal services for county employees. This would be handled through payroll deduction at a cost of \$14.95 per month. These services would be available to the employee and his family. He noted that legal issues take a toll on county employees and that pre-paid legal services could enhance productivity of county employees.

Chairman Tyson noted that the County Manager had noted in his memo regarding this item that at the present time there is no space available on the County's payroll program to accommodate an additional payroll deduction; therefore he recommended we not consider these services at this time.

Commissioner Shaw moved that the Committee adopt Mr. Strassenburg's recommendation and not consider these services at this time. The motion was seconded by Commissioner Melvin and passed UNANIMOUSLY.

Mr. Moore noted that these services would not necessarily have to be paid for through payroll deduction.

Chairman Tyson told Mr. Moore that if he wished to pursue this he could contact a Commissioner who could if he/she chose, put it before the full Board of Commissioners.

4. Tax Administration Matters:

Mr. Garrett Alexander, Tax Administrator, introduced a new member of his staff Mr. Greg Martin, the internal auditor for the Tax Office. Mr. Martin will be reorganizing the audit functions in the Tax Administrator's Office to encompass more areas, i.e., collection function and personal property functions. He also introduced Pat Wade, Collections Manager.

A. Request regarding Position Reclassifications

Commissioner Shaw said she felt this issue should have been brought before the Personnel Committee prior to the Finance Committee.

Mr. Alexander noted there have been some problems with implementation of the new county pay plan. He noted some "parity" issues. He also indicated that most of the issues have been cleared up. However there are still some issues that need to be addressed. He noted concern by some of the employees in his office who are veteran employees who will not be receiving an increase with the new pay plan. He also noted some employees are not being paid according to their level of responsibility. DMG has indicated that the proposed reclassifications of the Tax Assistant III's to Financial Assistant III's and the Tax Assistant I to Tax Assistant II can be handled internally. In addition, DMG is evaluating Mapper positions and will submit their recommendations by the end of January. Mr. Alexander said these mapper positions were of utmost importance and a high priority with him.

Via a memo, the County Manager noted that the Finance Committee may wish to recommend an appropriation to fund these reclassifications contingent upon a recommendation of the Personnel Committee. It would however be difficult to calculate an amount until the issues of reclassification are resolved. He indicated via his memo that it may be possible to secure funding for these reclassifications through a reallocation of existing funds in the Tax Administration budget as opposed to appropriating the full amount from the Fund Balance. (COUNTY MANAGER'S MEMO ATTACHED TO THESE MINUTES).

Commissioner Shaw offered a motion that the Finance Committee recommends that the Personnel Committee approve the reclassifications and that the money to pay for the reclassifications be secured through reallocation of existing funds in the Tax Administration budget if possible, as opposed to appropriating the full amount from the Fund Balance. The motion was seconded by Commissioner Melvin and passed UNANIMOUSLY.

B. Report and Recommendation Regarding Revaluation

Garrett Alexander, Tax Administrator, recommended to the Committee that the Revaluation be delayed until January 1, 2001 and that we begin to re-evaluate the need for the 2001 reappraisal again in mid-2000. Mr. Alexander noted the

following issues as reasons for the delay in the reappraisal:

1. a chief appraiser with qualifications to manage an appraisal of this magnitude did not come on board until September, 1996;
2. appraisals for over 3,400 parcels had not been completed and the informal appeals had not been managed properly;
3. the formal appeals process, which began late in April, lasted until the end of December, 1996;
4. the majority of the appraisal effort for 1996 concentrated on new construction and the appeals process; as a result, the 2000 reappraisal effort was delayed until 1997 (lost a full year);
5. based on the appeals process for the 1996 reappraisal, 30% of the property records contain inaccurate data or errors;
6. many of the property attributes noted in the property records were deleted by the Chief Appraiser prior to January 1, 1996;
7. the last county-wide property inspections were done prior to 1988.

Mr. Alexander stated a complete property review must be conducted to correct the property records and insure an accurate appraisal for each property. He also noted he requested four temporary employees in FY98 to help with this; however his request was denied. He stated if manpower cannot be provided, more time will be needed for the current staff to review all of the properties. In addition, the system used to conduct the 1996 reappraisal did not properly utilize the OASIS system. Appraisers are now having difficulty in maintaining the 1996 market value structure with new construction and land splits. Additional time is needed to build the valuation models necessary to conduct the appraisal.

Mr. Alexander also told the Committee that the sales ratio calculated by the Department of Revenue was 98.35% at the year end 1997. This shows the average sales of real property are only 1.65% above the 1996 market value and reflects the flat residential sales market for the past two years. Unless the sales market rebounds sharply in the next two years, it is doubtful the sales ratio will approach the 90% threshold for loss of revenue.

Delaying the next reappraisal until 2001 will affect the revenue stream for the County by the change in the sales ratio between 2000 and 2001. The potential loss in tax revenue, if the sales ratio remains above 90% is only the percentage difference in the sales ratio multiplied by the real estate tax base multiplied by the tax rate. The 1998 real estate tax base at 1/01/98 was \$8,868,441,283. Based on that value, every percent change in the sales ratio equates to a potential decrease in tax value of \$88,684,412 and a potential revenue loss of \$665,133 at the current tax rate. The growth in the real property tax base between 1/01/97 and 1/01/98 was \$231,006,721. The county receives \$1,732,550 more in revenue as a result of that growth. Subtracting the loss in market value from the gain due to growth provides a net gain of \$1,067,417. As long as the real property growth outpaces the decline in the sale ratio, there is no substantial loss in potential revenue.

The County Manager has concurred with the Tax Administrator's recommendation that the next county-wide revaluation be delayed until January, 2001. Management further recommends that the Board take official action to set the next county-wide revaluation for January 1, 2001, in order to establish a target for planning purposes. During the interim, the Tax Administrator should closely monitor the sales ratio and if the sales ratio drops quicker than expected the revaluation should be advanced to January, 2000 or on the other hand if the sales ratio drops at a slower rate than projected the revaluation can be delayed beyond January 1, 2001.

Commissioner Melvin offered a motion that the Committee recommend to the full Board of Commissioners that the revaluation be delayed until January, 2001, and that we start to reevaluate the need for that reappraisal in mid-2000 as recommended by the Tax Administrator. The motion was seconded by Commissioner Shaw and passed UNANIMOUSLY.

C. Report and recommendations concerning collections

Mr. Alexander reviewed some of the issues which have affected and will continue to affect the County's tax collection rates:

1. There was substantial growth in the Tax Values for FY96-97. The tax base grew 18.93% over the previous year. Although the 1996 revaluation is responsible for some of the growth in the tax base, economic expansion also contributes to the increase in the tax value. A comparison of the affect of the previous revaluation (1992) on the increase in tax base resulting from reappraisal indicates the growth in the tax base in 1996 outpaces the growth in 1992 by over 8%. Also, the FY96-97 tax levy grew 12.91% over FY95-96. This growth had a major affect on the collection percentages for FY96-97. The County levy has grown 23.9% since 1993 when the highest level of collection as achieved. The FY97-98 levy is larger than FY96-97, with no increase in personnel, which was requested in the FY97-98 budget, forced collection of delinquent taxes to be more difficult than last year. The Collection Division was responsible to collect \$100,382,793 in revenue in FY96-97; that number has grown to \$110,848,999 in FY97. That equates to a 10.4% increase over last year which will also impact the ability of the limited staff to attain higher collection percentages.

2. The retirement of the Division Manager in 1996, which was the only employee with a complete knowledge of the OASIS Collection system had significant impact on collections. This could have been avoided if the County had provided for the training of another employee in 1994 or 1995. Mr. Alexander noted it takes about two years of training to become proficient in this area. No cross training was in place prior to the fall of 1996. Currently a new Division Manager is being trained but it will be at least another year before the training process is completed. In addition, several employees are being OASIS trained so that any future turnover will not have such a substantial impact on operations.

3. The staggered billing of motor vehicles has had the most impact on the collection percentage, because a portion of the motor vehicle levy created in the current fiscal year is not collectable until after the fiscal year closes. That portion of the levy will always cause the motor vehicle collection rate to be lower than other revenue collection and will always pull down the overall percentage.

4. Another significant factor in the low collection rate on motor vehicles is the active duty military stationed at Fort Bragg and Pope Air Force Base. Approximately 44% of the motor vehicles billed last year were adjusted or relased from taxation due to the Soldiers and Sailors Relief Act. Additionally military wages cannot be garnished. This affects our ability to use forced collections on the military. The transient nature of military life causes personnel to move in and out of the state before bills are paid. Once they leave North Carolina they are impossible to collect. Onslow County is in a similar position. The collection of automobile taxes up front instead of in arrears would be good for all counties. He noted he and other members of his professional organization are working towards making changes in the statutes which would be of great assistance to all of our counties.

5. Adjustments to motor vehicle bills after the original bills are produced require a substantial effort and prevent agents from collecting. Correcting current bills prevents our agents from collecting delinquent bills.

6. The current personnel level is not adequate to address the increase in the volume of collections resulting from the growth of the tax base and levy. Modern tax systems and technology are necessary to address the growing tax base and complex issues faced by the County. Other jurisdictions are technologically better equipped to address problems than we are. Comparison of the number of employees in similar jurisdictions to ours is as follows:

COUNTY	COLLECTION EMPLOYEES
Cumberland	15
Guilford	26
Mecklenburg	51
Wake	62

It has been years since any addition to the number of employees has been made for the revenue collection function. Several major programs such as Storm Water, Prepared Food & Beverage Tax, Occupancy Tax, Lockbox and the 2% Discount have been implemented which also adds to the workload of the collection personnel. There is a need to add support personnel to the real property collections as well as a need for an outside collector.

7. Training has been virtually non-existent in the Tax Collection Division. Mr. Alexander stated that when he became the Tax Administrator in 1996, only one employee in the Collections Division had attended training in collection law and procedure at the Institute of Government and only one employee had received extensive training on the OASIS computer system (Faye Parrish). She retired and the training and experience was lost.

8. Lockbox collection saves money; however the reduction of staff with its implementation was excessive.

9. The 2% discount was implemented in 9 months without a thorough evaluation of the impact on the OASIS system, collection procedures and payment processing. OASIS system changes in 1995 did not take into account the delinquency period after January 6 and significant errors in payment distribution, which occurred in early 1997, required manual intervention on thousands of payments. This took away from the collection efforts.

10. Other software problems have had an negative effect on our collections. OASIS is a complicated system requiring a lot of support for which training has never been provided. Information Services is understaffed and under budgeted to support OASIS. Our software is antiquated and must be replaced if new efficiencies in operation are to be achieved.

11. Computer hardware is also inadequate to attain percentages enjoyed by other major jurisdictions. There is no local Area network and very few personal computers. Without adequate hardware new solutions for forced collections cannot be implemented efficiently. Our cash register system which operates in DOS (written in the 1980's) will not report property to OASIS. A manual editing process to ensure accurate records must be maintained and it requires three to four hours per day per teller and managers to complete a process that newer Window versions of the software do automatically.

Mr. Alexander noted the motor vehicle collection rate for FY96-97 was 79.7%. The real and personal property collection percentage was 97.26%, an outstanding figure given the problems noted above. Mr. Alexander stated that we need to commit the technology and resources in order to attain a high level of collection.

Mr. Alexander asked the Committee to reconsider his request for additional collection personnel and funding for hardware and software programs which will automate the manual forced collection functions currently utilized. In addition, he suggested appropriate support in the Information Services Department should be provided.

Mr. Tyson indicated he felt Mr. Alexander was doing the best he could with the resources he had. He said he would be most happy to help in any way he could in addressing some of our problems in the Legislature.

Commissioner Shaw offered a motion of support for the Tax Administrator's request and that it be considered as a part of the FY98-99 budget, and that we support the collection of car taxes up front as opposed to in arrears. Commissioner Melvin seconded the motion and it passed UNANIMOUSLY.

Mr. Alexander thanked the Committee and told them there is a move afoot in the Legislature to do away with motor vehicle taxes. That of course would shift the entire tax burden to the homeowners.

5. Other committee concerns

A. Refinancing of the 1995 COP's Issue (New Coliseum)

Mr. George Breece, Chairman of the Civic Center Commissioner and Mr. Keith Allison, Chairman of the Civic Center Finance Committee, asked the Finance Committee to support the refinancing of these COP's.

They noted as a result of their research the net present value savings are \$1,765,000; average annual savings are approximately \$119,000 per year through 2024 and gross savings are \$3,193,000. These savings are not realized until the refunding COPS are sold. They think the time is right for Cumberland County to look at the refinancing. The above numbers are changing on a daily basis.
(INFORMATION ATTACHED RELEVANT TO SOURCES AND USES OF FUNDS, REFUNDING RESULTS,

ETC)

Mr. Breece noted the Executive Board, Civic Center Commission, and the Civic Center Finance Committee, supports the refinancing of the COPS with fees associated negotiated by the County. In addition it is recommended that the underwriters cost should not exceed \$6 per 1,000. There is to be no change as far as the bond counsel, underwriters, etc is concerned.

Commissioner Melvin offered a motion that the County Manager be directed to place this item on the next agenda along with a favorable recommendation from the Finance Committee. The motion was seconded by Commissioner Shaw and passed **UNANIMOUSLY**.

MEETING ADJOURNED.