

**CUMBERLAND COUNTY
FINANCE COMMITTEE MEETING
THURSDAY, APRIL 1, 1999, 8:30 AM**

Present: H. Mac Tyson II, Chairman
Billy R. King, Commissioner
Ed G. Melvin, Commissioner
James Martin, Deputy County Manager
Amy H. Cannon, Finance Director
James Silman, Risk Management Director
Kendall Wall, Civic Center Director
Neil Yarborough, County Attorney
Don Herrera, Mental Health
Dan Andrews, Robert S. Segal, CPA PA
Jim Ross, Robert S. Segal, CPA PA
Robert S. Segal, Robert S. Segal, CPA PA
Rhonda C. Raynor, Deputy Clerk to the Board

Others: Dr. Thomas R. Murray, Swans Creek Missionary Baptist Church
Members, Swans Creek Missionary Baptist Church
Press

1. Approval of Minutes; February 4, 1999

MOTION: Commissioner Melvin offered a motion to approve the February 4, 1999 Finance Committee meeting minutes.

SECOND: Commissioner King

VOTE: UNANIMOUS

2. Presentations Requested by:

- a. Dr. Thomas R. Murray, Swans Creek Missionary Baptist Church.**

Chairman Tyson introduced Dr. Murray and thanked him for his attendance.

Dr. Murray noted an article published in the Fayetteville Observer Times on February 22nd in which residents in the area of the Old Swans Creek School stated the building and activities there brought the community together. The building and site means very much to the community. There has been a burning at the building and it is in severe disrepair. His understanding that the purchase of the property by Swans Creek Missionary Baptist Church will require the Church to lease a portion of the building back to the County for thirty years with the Church having to do all the maintenance and repairs. The Church

would like to receive the building without the thirty year lease provision. The Church proposes to use the building as a community center. Several Churches in the area have begun work to provide a tutoring program for students in the area at this site. The Church would like to have this matter resolved as quickly as possible.

Commissioner King asked what the condition of the building is at the present time.

Dr. Murray advised there has been a fire in the building, the roof is rotted and several windows are broken.

Commissioner King asked Dr. Murray how the Church could use the building without making repairs.

Dr. Murray advised if it turned out to be cost prohibitive for the Church to repair the building, they would tear it down and use the site. A marker would be placed on the site noting the location of the old school building.

Chairman Tyson asked for the legal notice published by the County with regard to the sale of the building. He noted his curiosity in determining if any mention of a thirty year lease was in the legal notice advertising the property for sale. He noted the County has sold a great deal of property and he doesn't know of any that were sold where the County maintained the right to lease a portion for thirty years. He feels the County should be conducting business in a fair and consistent manner.

County Attorney Neil Yarborough provided a copy of the Affidavit of Publication for the notice of sale to Chairman Tyson. This affidavit is attached hereto and made a part of these minutes.

The Committee members also reviewed the minutes of the February 17, 1997 Commissioners meeting in which the Board authorized the sale of the Old Swan Creek School property by the upset bid process. A copy of those minutes are attached hereto and made a part of these minutes.

MOTION: Commissioner Melvin offered a motion that the Committee give Swans Creek Missionary Baptist Church what was approved by the Board of Commissioners on February 17, 1997. And to refer this item to the full Board of Commissioners if necessary. (On March 17, 1997, after notification by the County Attorney's Office that no upset bids had been received, the Board of Commissioners voted to accept the offer of \$20,000 and execute a deed to Swans Creek Missionary Baptist Church upon receipt of payment of the purchase price. {minutes attached})

SECOND: Commissioner King
VOTE: UNANIMOUS

b. Mr. Joe Wunderlich

Chairman Tyson advised Mr. Wunderlich has informed the Commissioners Office he will be unable to attend the meeting today. It is his understanding Mr. Wunderlich was having a problem with Service America.

Kendall Wall, Civic Center Director advised Service America has exclusive rights to provide food service in the Crown Coliseum, the Hospitality Room and the Cumberland County Auditorium. The Charlie Rose Agri-Expo Center is exempted from this condition with Service America. If another food service is chosen to provide food at the Agri-Expo Center, a fee is paid to the County. It is a set price of .50 cents per plate or person or a straight fee of \$250.00 per day. There is a charge of \$400.00 for use of the kitchen facilities. The Arena is not part of the equation. There is no fee charged at the Arena.

Chairman Tyson asked what the rule was for the Arena.

Mr. Wall advised the Arena usage is set up with the County. Anyone can use the facility without a fee after it is booked. The problem Mr. Wunderlich had was with the Auditorium. When the Coliseum opened in October of 1997, Service American had not taken over the operation of food services at that time. Service America took over operations in January of 1998. The Community Concert Show held three shows in 1998 without having to deal through Service America. They again had three concerts this year (1999). The first concert held had no food. When the second concert was held, a problem arose with Mr. Wunderlich's group in that they wanted to bring food in and the Auditorium was selling food at the event. That problem was resolved. Before the third concert was held, Coliseum staff discussed this issue with Mr. Wunderlich and a package was put together. They finally decided to just get through this series of concerts and work out the problems before the next year's concerts. Mr. Wall noted he has only spoken to Mr. Wunderlich by phone. However, Mr. Wunderlich has not discussed any of these problems with the Civic Center Commission prior to asking to be heard by the County Finance Committee. These concerts are a community event and as such the Coliseum staff put together a community-type package. If they did not put together such a package, the group could not hold these shows.

Commissioner Melvin asked when Service America's contract with the County will expire.

Mr. Wall advised the contract is for ten years and will expire in 2007. He noted Service America has recently reduced their prices.

Commissioner Melvin stated he has a problem with the citizens owning the Crown Coliseum and then not being able to use it as they wish.

Chairman Tyson stated the contract with Service American could be fine-tuned when it expires.

Commissioner King noted Service America brought a lot of equipment to the Coliseum. The County gained a lot with that deal. He noted the County operated and decisions were made over two years ago by the Commissioners sitting on the Board at that time.

Mr. Wall noted the trend with Coliseums is to have a contract with a food service company.

3. Proposed Telephone System Cost Savings

James Martin, Deputy County Manager introduced Mr. Bob Segal, Mr. Dan Andrews and Mr. Jim Ross of the Robert S. Segal, CPA PA firm. Mr. Martin noted the County has had an ongoing relationship with Mr. Segal's company for over two years. The company was hired to look for costs savings within County Government. The company has come up with a proposal for telephone expense reductions. This would involve the installation of a PBX (Private Business Exchange) system at a cost of approximately \$1.2 million. The County has already borrowed the money to purchase the system and the money is now in an escrow account. The money will be repaid over a three year period. The costs to repay the loan including the interest has been figured into the projected savings on this project. Not all County phones will be included because some of them are too far away from the central area. The expected savings will average \$234,000 per year for five years. That figure includes the investment. Also, some changes can be made to the systems at Mental Health and the Coliseum Complex. A savings of \$20,400 per year could be realized at these agencies. Also, Robert S. Segal had proposed changes to the other County phone systems that could save \$32,100. They feel the potential savings could be over \$300,000 per year. Mr. Martin advised Robert S. Segal, CPA PA and Management recommend that the County move forward with this project.

Chairman Tyson asked if access has been given to everyone to be involved in this process.

Mr. Martin advised they have not done a formal bidding process, but this project has been discussed with all the players.

Chairman Tyson asked if the County needed to go out for bids before this process could continue.

Mr. Martin advised the County does not have to go out for bids at this point. The equipment to be purchased is on state contract and Sprint is the local vendor for the state contract. Some County departments have entered into contracts with Sprint for telephone systems and these contracts will be in effect for approximately two more years. Management is recommending these systems be upgraded to the PBX system with Sprint. This can be done without having to cancel and payoff the existing contracts. Sprint has already agreed to this. If the County dealt with another company, the County would have to spend over \$200,000 to cancel these contracts or wait two years to upgrade all the systems.

Commissioner Melvin stated he has been contacted by KMC and is concerned that they have advised him they can save the County \$17,000 more than Sprint can. He wants to make sure everyone has been dealt with fairly.

Mr. Martin stated everyone has been dealt with fairly. He noted since KMC began operating in Cumberland County, Sprint's rates have become much better.

Chairman Tyson asked if Cape Fear Valley Hospital has been included in the telephone system project.

Mr. Martin advised Cape Fear Valley Hospital had not been included with this package and Mr. Segal may want to pursue this with the hospital. They have given information to the Segal firm on the hospital's long distance system and asked them to look at it.

Chairman Tyson asked Mr. Martin to make sure Cape Fear Valley Hospital is made aware of this project.

Commissioner King asked what the impact of this change would be on the operations of the County. Will all the telephones be answered by an automated system?

Mr. Segal explained the current telephone system and advised the PBX system would have its own switching system. He noted no automated attendant is intended to be used with this system. Everyone will have a voice mail box. In-coming calls will be answered by a receptionist.

Commissioner King asked what assurances the County has it will receive these savings.

One of the Segal firm representatives noted the Social Services department uses 559 voice mails at a cost of approximately \$6.00 each. The PBX system will do the voice mail for free. There is also a \$10.00 per month FCC charge for each telephone line. With the PBX system, you pay for the trunk only.

Commissioner King asked what would happen if the PBX system was outdated in three years.

Dan Andrews advised the technology in the telephone business is moving quickly. Northern Telecom developed the technology. When new technology is developed, the equipment is made so that it will retrofit and new features can be added to existing equipment.

Amy Cannon, Finance Director advised the Segal company will follow up on the savings once the system is implemented.

Mr. Martin noted the Segal company will receive 50% of the costs savings for the first twelve months the system is implemented.

MOTION: Commissioner King offered a motion to approve the recommendation of Robert S. Segal, CPA PA and Management as outlined in the report for the County's telephone system.

SECOND: Commissioner Melvin

DISCUSSION: Commissioner King asked if the Segal company's fee is negotiable. Mr. Martin advised the County interviewed one other cost reduction firm and they wanted 50% of the first two years' savings, so Mr. Segal's firm gave the County the better deal.

VOTE: UNANIMOUS

4. Status Report of Expense Reductions

Ms. Cannon reviewed the status report presented to the Committee members. This report is attached to and made a part of these minutes. She noted the County continues to have an ongoing relationship with Mr. Segal's company and they will continue to help the County reduce costs.

5. Other Committee Concerns

Commissioner King noted he was concerned about the fact that he was receiving word there were not enough people on staff to complete the work for the next revaluation. The County needs to get this job done. Also, he is concerned about the Information Services Office and their progress on the Y2K issue. He wants to know if these processes are where they should be, where we are going and do these departments have the staff they need to get this work done. He realizes Department Heads are reluctant to hire people right now.

Mr. Martin advised Mr. Alexander, the Tax Administrator made a presentation to the Board of Commissioners some time back and advised that in order to have a revaluation in 2001 he would need \$300,000 to \$350,000 more in his budget. Mr. Alexander may be interested in delaying the next revaluation until 2003 or 2004. This could be costly to the County because of public service revenue losses.

Chairman Tyson asked if it would be agreeable to have Mr. Alexander make a presentation at the next Finance Committee meeting and give an update on the revaluation process.

Commissioner King stated the Board needs to send a signal to these Department Heads that they need to get the people they need to get these jobs done and then the Board will figure out a way to pay them.

Chairman Tyson stated they had agreed Mr. Alexander would continually monitor and update the Commissioners on the revaluation situation. He noted the committee needs to have a presentation from Mr. Alexander and Mr. Smith at the next meeting.

Mr. Martin advised Mr. Smith has informed him all functions are fine with finance and tax programs.

Commissioner King asked what condition the computer systems were in at the human services agencies and the Sheriff's Office.

Mr. Martin advised those individual departments were working on their systems.

Commissioner King stated he wants an update on all County Departments.

Mr. Martin then advised Management believes some savings can be realized with the County's health insurance. Currently, the County is a member of the North Carolina

Association of County Commissioners Health Insurance Trust. There are two layers of administrative fees the County deals with under this plan.

James Silman, Safety Director advised he feels the County can deal directly with Blue Cross Blue Shield. He believes the County can save between \$80,000 and \$100,000 by making this change. Currently, the County pays an \$86,000 enrollment fee. It will be going up next year by \$2.00 per enrollee. He feels the County can do some negotiations and save \$250,000 per year. Employees cannot afford to have their rates increased and the County cannot afford to contribute more at this time.

Mr. Martin advised he would like the Committee to authorize management to move forward in exploring this change in the County's health insurance.

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MOTION: Commissioner Melvin offered a motion to authorize management to move forward to explore changes in the County's health insurance.
SECOND: Commissioner King
VOTE: UNANIMOUS

Meeting adjourned at 9:34 AM.