

CUMBERLAND COUNTY FINANCE COMMITTEE  
OCTOBER 4, 2007, 8:30AM

PRESENT: Commissioner Jeannette Council – Chair  
Commissioner Breeden Blackwell  
Commissioner John Henley  
Commissioner Kenneth Edge  
James Martin, County Manager  
Juanita Pilgrim, Deputy County Manager  
Amy Cannon, Asst. County Manager  
Cliff Spiller, Asst. County Manager  
Grainger Barrett, County Attorney  
Butch Raynor, Deputy County Attorney  
Marsha Fogle, Clerk

1. Approval of Minutes: August 2, 2007

MOTION: Commissioner Blackwell moved to approve.  
SECOND: Commissioner Henley  
VOTE: UNANIMOUS

2. Review/consideration of a draft sales tax reimbursement agreement on school construction projects

The County Attorney reviewed the agreement noting that if approved the Board of Education would convey school sites to the County in order to enable the County to reclaim sales and use taxes paid by contractors on the school construction projects. The reclaimed taxes would be forwarded back to the school system to be used for other capital building needs and renovation projects. After completion of the construction projects, the County would convey the property back to the school system. This agreement would designate the school system and the county as “co-developers” of identified new school and renovation projects. The School Board as the county’s agent would carry out all phases of any construction or renovation project undertaken pursuant to the Agreement. During this agreement the Board of Education will indemnify, defend and hold harmless the County from and against all claims, suits, actions and proceedings which may be brought arising out of the construction, use, and/or management of any contracts/properties under this agreement.

MOTION: Commissioner Blackwell moved to approve.  
SECOND: Commissioner Henley  
VOTE: UNANIMOUS

3. Consideration of County participation in the Hope VI Project

BACKGROUND: The Fayetteville Metropolitan Housing Authority is applying for HOPE VI Grant Funds to be used to construct over 600 affordable housing units in the Old Wilmington Road area. The County and the City of Fayetteville have been asked to make a commitment for infrastructure needs (water, sewer, street lights, sidewalks, curb and gutter and streets) for the project in the amount of \$9,360,000. The City proposes that the County fund 62% of the \$9.3 million and the City the remaining 38%. These proportions are based on the property tax rates for the County and the City. Over a twenty-year period, if the County had to borrow the money, the total debt service would be \$9,939,656. County and City staff met on August 14, 2007 to discuss the project and a financial commitment. County management proposed that the City, PWC and the County share in the cost of the project each paying one-third of the cost (\$3.1 million). The City indicated on September 19, 2007 that it could not endorse the County's proposal because PWC would derive no tax revenues from the project once it is complete. So, this issue is being brought to the Finance Committee for its review and consideration and recommendation.

The County Manager stated that funding the County's share up-front would save the County about \$4.1 million in interest costs. Financing the County's portion would require the County to commit general fund dollars in the first eight years in an amount of \$1.6 million, before enhanced property tax revenues would begin to be realized. If the Board of Education does not agree to amend its funding agreement with the County, the revenue available to repay the debt would be reduced by 50%. The Manager said that the County has set aside one-time funds for capital projects such as the Health Department. He noted that some of this money (\$1.6 million) could be used to pay the County's portion of this project up-front. The Manager also noted that if the Board of Education does not agree to forego receiving its portion of the property tax revenues, then the County will have to come up with an additional \$1.4 million to give back to the School System. The Manager indicated his support of county participation in the project and noted the issue is "the amount of our participation".

The Federal Government would put in \$20 million by way of a grant, if the Housing Authority's current application is approved, and the Fayetteville Metropolitan Housing Authority will contribute \$2 million (also federal funds). It is anticipated that the total investment in this project will be approximately \$100,000,000.

The County Manager's recommendation is that the County commit at least \$3,120,000 to the Project contingent upon approval of this grant application which has to be submitted by November 2, 2007, and that the County's share be contributed up front.

Steve Blanchard, PWC, said that PWC is participating in the project by not charging connection fees. He estimated its participation to be about \$5 million. As far as more participation, Mr. Blanchard said he has not had an opportunity to look at the project figures. He said he would need to determine justification for PWC to contribute more.

There was extensive conversation by committee members regarding the County's ability to participate in this Project and how the County could meet this funding request as well as other projects in the County to which a commitment has been made.

County Manager James Martin reiterated his initial recommendation of a 1/3 participation with PWC and the City of Fayetteville. He said he believed that PWC would be a beneficiary of this investment through increased revenues.

Commissioner Henley noted the importance of talking with the School Board regarding this project and how it would affect it in the long term. He said he thought it should participate by agreeing to forego its share of property tax revenue until the County can be made whole from its participation in the project.

Commissioner Edge, Chairman of the Board of Commissioners, noted that infrastructure needs will continue to increase as a result of BRAC. He said the demands for service will increase. He said it would be good if the school system would agree to forego its receipt of the property taxes for awhile, but he said he was not sure that would happen.

MOTION: Commissioner Blackwell moved that it is the recommendation of the Finance Committee that the County commit at least \$3,120,000 to the Hope VI Project and further that our share be contributed up front contingent upon the approval of the grant application. Funds are available from a combination of undesignated fund balance and one-time funds set aside for capital projects. In addition, he directed that county staff and the Board liaison meet with the school staff to see if an agreement could be reached regarding the school system foregoing its share of the incremental property tax revenues realized from this project until the county is made whole for its investment, in order for the County to be able to participate in funding the Hope VI project.

SECOND: Commissioner Henley

#### SUBSTITUTE

MOTION: Commissioner Henley moved that the Board of Commissioners ask our Board liaison to meet with the School Board and ask them to waive the school system's share of incremental property tax increases realized from this project, so the County could commit up to \$5 million - the School Board would resume receiving its money back once the county is made whole.

SUBSTITUTE MOTION DIES FOR LACK OF A SECOND.

#### VOTE ON ORIGINAL

MOTION: UNANIMOUS

MOTION: Commissioner Henley moved that the committee recommends that the Commissioners consider additional funding if the School System is willing to forego its share of incremental property tax increases realized from this project until the County is made whole for its additional investment in the project, up to \$1.9 million.

SECOND: Commissioner Blackwell

VOTE: UNANIMOUS

4. Presentation on new auditing standards by Cherry, Bekaert & Holland, CPA's.

Michelle Thompson reported that SAS requirements will change how Cherry, Bekaert & Holland report its findings to the County. She noted that more of their time will be spent on internal control matters than has previously been required. And, the Board will see more comments regarding internal control issues. Ms. Thompson will discuss this when she makes a report to the Board on the FY07 audit.

MEETING ADJOURNED.