

CUMBERLAND COUNTY FINANCE COMMITTEE  
JANUARY 7, 2010, 8:30AM, ROOM 564  
MINUTES

MEMBERS PRESENT:      Commissioner Kenneth Edge  
                                 Commissioner Marshall Faircloth

MEMBERS ABSENT:      Commissioner Jeannette Council

OTHERS:                      James Martin, County Manager  
                                 Amy Cannon, Asst. County Manager/Finance Director  
                                 Rick Moorefield, County Attorney  
                                 Harvey Raynor, Deputy County Attorney  
                                 Sally Shutt, Communications Manager  
                                 Aaron Donaldson, Tax Administrator  
                                 Ted McCormick, Real Estate Division Manager – Tax Dept.  
                                 Kathy Pittman, Administrative Coordinator – Tax Dept.  
                                 Howard Abner, Assistant Finance Director  
                                 Marie Colgan, Clerk

Commissioner Edge called the meeting to order and advised that Commissioner Council was unable to attend the meeting.

1.      Elect Chairman

MOTION:      Commissioner Faircloth moved to elect Commissioner Edge as Chairman.

SECOND:      Commissioner Edge

VOTE:        Unanimous

2.      Approve Minutes:    November 9, 2009

MOTION:      Commissioner Edge moved to approve.

SECOND:      Commissioner Faircloth

VOTE:        Unanimous

3.      Presentation on Current Year Financial Operations

County Manager Martin advised that the handout in their packet is a short summary of revenue and expenses in the General Fund but that a great deal more information is available as background to these figures and will be provided if requested. Mrs. Cannon referred to the handouts and advised that this financial information is available to the Commissioners on a monthly basis if desired. The handout shows the breakdown of revenue in the general fund by government functions and also shows the breakdown for FY2009 and FY2010. Mrs. Cannon called attention to the General Fund Summary of Obligations sheet noting that the highlighted subtotal line

is prior to any educational expenses. Under FY 2010, obligations include encumbrances and expenditures and for the period ending November 30<sup>th</sup>, the County has obligated in the General Fund 46.36%. That percentage is misleading because debt service reflected a refunding in the month of July. If that amount is pulled, it would change the highlighted subtotal line to adjust to 36.47% making the bottom line comparison, the County is under spending at the same point in time from last year. The Revenue Summary sheet is set up in the same type format as the Summary of Obligations. A handout was provided of a memo dated December 23, 2009 to the Board of Commissioners with the subject line of Update of Current Year Financial Operations. Mrs. Cannon gave the following information on three items of concern based on where the County is at this time:

- Property tax collections - may yield around \$3.5M above budget to the General Fund. In response to Commissioner Faircloth's question, Mrs. Cannon explained that the difference would be about one and a half cents on the tax rate. County Manager Martin reminded members an allocation is given to the schools of the current tax collections and then the balance is what is kept for the General Fund operations resulting in the school also benefiting at an increased amount.
- Sales Tax – available numbers are below what was anticipated. Information has already been provided that explained the complexities of the December distribution which resulted in receiving a lower amount than expected. It is expected that sales taxes by the end of June can be 5 or 6% below budget which means that we could be \$1.5M to \$2M under budget expectations.
- Interest Income – the budget for interest income was reduced by \$1.9M for FY2010, but rates have hit a historical low. At this point, an under budget amount of at least \$750,000 is expected.

In summary, the County is under spending in expenditures compared to last year and with revenue based on the above information, the County should be about even, leaving the County in the best position possible.

Some preliminary thoughts for FY2011, the following have been identified as increased beyond the current year budget:

• Increase in employer retirement contribution (1.55%)	\$1.1M
• DSS Child Support Enforcement	\$1.5M
• Western Branch Library Operating	<u>\$1.0M</u>
Total	\$3.6M

Mr. Martin commended Mrs. Cannon, the Finance Department, the Department Heads and all staff in holding costs down stating that the actual implementation of trying to maintain a handle on the financial operation goes back to the basic level of

internal controls. Mr. Martin reminded members that there is still in effect a 90-day delay in hiring which is looked at on a case by case basis which is important in holding down costs as Personnel costs are about 80% of a department's general operating fund. Both members agreed that they would like to get the information included in the handout on a monthly basis and Mrs. Cannon will see that all Commissioners receive the monthly information.

#### 4. Update on County Revaluation

County Manager Martin advised that Aaron Donaldson and the Tax Department has done an extremely excellent job during the revaluation and Commissioner Edge added that a great job has been done with collections as well. Mr. Donaldson provided a power point presentation and handout which provides information on the tax base status as of December, 2009 with the following highlights:

- The North Carolina Department of Revenue Property Tax Division appraises public service property every year, but those values are not available until after the budget season each year. Expectation was that counties could anticipate valuation reductions for this year. Public Service was down this past year because when the sales assessment ratio of all the other real property in the county is below 90%, public service value has to then be discounted down to that percentage because it is appraised every year. Now that the County is at 100% market value due to the revaluation, the County gets the full value which recoups the approximate 11% which was lost.
- Personal Property – businesses may request a listing extension until April 15 and personal property data entry occurs in February through June. Adjustments are still made all through the year. Personal property values were projected to decline by 11.27%, but the decline is only at 5.5% at this time, which hopefully will hold low through the rest of the year.
- There was a 50% increase in informal appeals to revaluation from 2003 to 2009. There was not a similar increase in appeals to the Board of Equalization and Review, they held at 1,573 as compared to 1,291 in 2003. Values proved accurate compared to the market/sales price.
- When tax notices were sent out in February of last year, the real property amount was just under \$18B and in December, it was at about \$17.2B. The bulk of the erosion of the amount is due to exemptions and exclusions which can still change through June.
- Motor Vehicle comparison - the last eight months of the prior fiscal year, shows a decline in the number of vehicles being registered as well as a decline in values. First six months of this fiscal year are also in the red. It is anticipated that the trend will continue. Motor vehicle values were projected to decline approximately 18% from the prior year budgeted valuation, but based on the figures, the projection currently is at 12.5%.

Mr. Donaldson ended his presentation stating that the ending value of the tax base will not be known until the year is complete.

Commissioner Edge thanked Mr. Donaldson and asked him to pass along to staff and the Board of Equalization and Review members that their hard work is appreciated.

5. Other matters of concern

Commissioner Faircloth questioned the Commissioners' responsibility regarding the financial management of the County. County Attorney Moorefield responded that based on the General Statute, the Board of Commissioners (BOC) has the responsibility to develop and direct the fiscal policy of the county. There are things that are mandated which the BOC has no control over and then there are portions that the BOC does have control which is mainly the monitoring of the fiscal policy. After citing other items that the BOC has control over, Mr. Moorefield stated that he will provide an outline within a memo that will clarify the statute regarding this area. In response to a further question from Commissioner Faircloth, Mr. Moorefield advised that he will also include in his memo a listing of all policies in place regarding fiscal management. County Manager Martin advised that most of these policies were put into place after the 2000 economic downturn. Commissioner Faircloth advised that County Management is doing an excellent job, but just wanted to ensure that the Board is doing what they should be doing. Commissioner Edge stated that he appreciated the way Mr. Martin and his staff are always willing to respond to questions and requests and the fact that they always submit information to all Commissioners.

6. Closed Session: Economic Development Matters pursuant to NCGS 143-318.11 (a)(4)

MOTION: Commissioner Faircloth moved to go into Closed Session  
SECOND: Commissioner Edge  
VOTE: Unanimous

MOTION: Commissioner Faircloth moved to go back into Open Session  
SECOND: Commissioner Edge  
VOTE: Unanimous

MOTION: Commissioner Faircloth moved to adjourn.  
SECOND: Commissioner Edge  
VOTE: Unanimous

MEETING ADJOURNED