

CUMBERLAND COUNTY FINANCE COMMITTEE
NEW COURTHOUSE, 117 DICK STREET, 5TH FLOOR, ROOM 564
DECEMBER 1, 2011 - 9:30AM
MINUTES

MEMBERS PRESENT: Commissioner Marshall Faircloth, Committee Chair
Commissioner Jeannette Council

MEMBER ABSENT: Commissioner Billy King

OTHER COMMISSIONERS

PRESENT: Commissioner Kenneth Edge
Commissioner Jimmy Keefe

OTHERS:

James Martin, County Manager
Amy Cannon, Deputy County Manager
James Lawson, Assistant County Manager
Rick Moorefield, County Attorney
Howard Abner, Assistant Finance Director
Dena Dail, Financial Manager
Sally Shutt, Communications Manager
Tom Lloyd, Planning and Inspections Director
Rodney Jenkins, Assistant Public Health Director
James Silman, Risk Management Director
Rick Heicksen, Fayetteville Area Metropolitan Planning
Organization Executive Director
Ricky Lopes, Cumberland County School System Associate
Superintendent for Business Operations
Mark Browder, Mark III Brokerage
Candice H. White, Clerk to the Board
Press

Commissioner Faircloth called the meeting to order at 9:30 am.

1. APPROVAL OF MINUTES – NOVEMBER 3, 2011 REGULAR MEETING

MOTION: Commissioner Council moved to approve the minutes.
SECOND: Commissioner Faircloth
VOTE: UNANIMOUS (2-0)

2. UPDATE OF MEDICAL PLAN/EMPLOYEE CLINIC AND PHARMACY PLAN

Commissioner Faircloth called on James Martin, County Manager who asked Amy Cannon, Deputy County Manager, to provide the update. Ms. Cannon stated in March of last year, the Finance Committee received a presentation from Mark Browder of Mark III Brokerage regarding health care plan cost projections and potential saving options. Ms. Cannon also stated Mr. Browder suggested that the development of a county pharmacy could provide significant savings to employees and the county health plan, and the Finance Committee directed management to work with the health director to develop options for a county pharmacy.

Ms. Cannon stated management looked at many options and the model being recommended was a more comprehensive approach than was originally planned. Ms. Cannon further stated management believed that the establishment of an Employee Wellness Clinic would provide financial savings as well as achieve improvement in the overall health of the county's employees. Ms. Cannon also stated the Employee Wellness Clinic would include a pharmacy, primary care clinic, and a county wellness center which will expand the county's diagnostic testing to include individual health awareness that promotes positive lifestyle changes.

Ms. Cannon informed the Finance Committee that Mr. Browder was present to provide projections for the county's health plan for the current fiscal year as well as early projections for the next fiscal year. Ms. Cannon noted the projections for the current year were based on only four months of data and therefore were subject to change. Ms. Cannon also informed the Finance Committee that Rodney Jenkins, Assistant Public Health Director, was present to provide information on the operating aspects of the clinic and the pharmacy which would be operational on March 1, 2012 in the former public health building.

Mr. Browder reported for fiscal year 2010–2011 the total claims activity was down 7% and the county was in the black by about \$300,000. Mr. Browder stated the projection going into 2011-2012 was for an increase in funding and several options were reviewed; however, the county kept the current plan and there was an increase in funding. Mr. Browder reviewed the 2011-2012 county and employee monthly contribution amounts and stated the overall plan is about \$17.5 million. Mr. Browder further stated through October of the 2011-2012 plan year, the county was running slightly below last year and was in the black financially; last year at this time he had an expected about a 12% increase in funding and the county ended up funding about an 11% increase. Mr. Browder stated for the upcoming year, he was expecting a little over a 3% increase, which did not take into consideration the recommendations for the wellness clinic and the pharmacy. Mr. Browder further stated the percentage could fluctuate depending on claims throughout the year, but the county was in pretty good shape going into the 2012-2013 fiscal year. Mr. Browder stated he hoped to have final figures available during the budget cycle and would continue to keep staff updated.

Mr. Browder then reported Mark III had several clients who had implemented clinics and pharmacies run by their health departments and stated he thought Cumberland County could reduce its medical spending by approximately \$600,000 without any benefit changes. Mr.

Browder stated implementation was anticipated for March 1, 2012 and individuals eligible for the clinic would be employees and retirees; hours of operation would be Monday through Thursday 7:30 am till 5:30 pm, and Friday would be a half day. Commissioner Council inquired about extended hours and stated a flex schedule might be beneficial. Mr. Browder explained the modeling was based on other clients and the schedule as presented had worked well, but it could be adjusted. Mr. Martin stated ultimately the pharmacy and clinic would be available to the spouses and dependents of employees.

Mr. Browder stated no leave would be required for employees to use the clinic, the medication deduction program through Blue Cross Blue Shield would be eliminated as an incentive for employees to use the onsite pharmacy, and employees/retirees would be able to use the pharmacy to fill general medications with zero co-pay. Mr. Browder explained the pharmacy savings would be between 20%-25% for medications currently purchased through Blue Cross Blue Shield and Medco, and the estimated cost savings to the county for the clinic and pharmacy would be about \$584,589.96. Mr. Browder explained how various benefits would be structured compared to the county's current plan and stated the clinic could also provide preventive services. Mr. Browder further explained pharmacy medication tiers would be zero for generics, \$25 for the second tier brands, and \$40 for the third tier brands.

Mr. Martin called on Mr. Jenkins and stated he had been instrumental in setting up the clinic in Robeson County and was in a good position to provide input to Cumberland County. Mr. Jenkins advised the county health department intended to employ a licensed pharmacist, pharmacy tech, a nurse practitioner, a registered nurse, and a medical office assistant. Mr. Jenkins stated lab services may need to be contracted with an outside vendor.

Commissioner Edge asked about the liability that would be involved with the pharmacy and the clinic. James Silman, Risk Management Director, apprised the committee that the clinic and the pharmacy would be added as an endorsement to the health department's malpractice policy once the facility was set up. Questions and comments followed. Mr. Jenkins stated employees would still have the option of retaining their primary care physicians.

MOTION: Commissioner Council moved that a presentation to the full board be made at the January 3, 2012 meeting.

SECOND: Commissioner Faircloth

VOTE: UNANIMOUS (2-0)

Management and the Finance Committee agreed that movement towards full implementation would continue between now and the January 3, 2012 presentation.

3. REVIEW OF INFORMATION REQUESTED AT NOVEMBER 3, 2011 MEETING OF THE FINANCE COMMITTEE

Ms. Cannon recalled there had been a request from the Board of Education to begin discussions regarding a new funding agreement and following discussion by the Finance Committee, additional financial information had been requested. Ms. Cannon called

attention to information that provided a comparison by county of the current expense to the Board of Education based on the tax levy, school enrollment-final Average Daily Membership (ADM) per year, and fund balance detail for the Board of Education over the last ten fiscal year periods.

Ms. Cannon stated the Finance Committee also requested additional information regarding the status of the lottery funding for school construction and debt payment. Ms. Cannon explained initially 40% of the lottery proceeds were allocated to counties for capital purposes, and based on that percentage and the distribution for low wealth counties, the county's Board of Education received \$6 million annually. Ms. Cannon further explained the current percentage allocated for capital purposes had been reduced to approximately 20% and the low wealth piece had been deleted, therefore the anticipated allocation was about \$4 million annually. Ms. Cannon stated the Board of Education had earmarked lottery proceeds for debt repayment which would peak at about \$7 million in fiscal years 2013 and 2014. Ms. Cannon also stated after that there was a significant reduction in the debt payments when some of the 1992 issues were fully satisfied, and the Board of Education anticipated using capital outlay funds generated through sales tax to supplement the lottery funds.

Ms. Cannon advised Ricky Lopes, Cumberland County School System Associate Superintendent for Business Operations, was present to respond to questions. Commissioner Edge inquired about the funds over and above the \$4 million in lottery proceeds. Mr. Lopes explained the state transferred general fund expenditures for teacher positions to the lottery fund and the school system only received construction and More-At-Four funds directly.

Commissioner Edge stated the commissioners were puzzled that the school system gave \$4 million in one-time bonuses last year and again this year during a time in which the county could not give its employees increases and was struggling to fund things it had to fund while trying to hold down the tax rate. Commissioner Edge further stated after awarding the bonuses, the school system then requested an additional \$2.3 million during budget time which he felt was unfair considering the way the county had treated the school system over the past ten years. Commissioner Edge stated the school system needs to work with what it currently has until such time as the economy improves, and the school system also needs to be aware of the increased expenses facing the county.

Mr. Lopes stated the school system currently had \$35 million unassigned, \$13 million of which would be used next year to cover additional cuts from state and federal sources. Mr. Lopes outlined federal and state cuts that have impacted the school system and explained how fund balance is used for capital projects. Mr. Lopes explained the use of the fund balance is planned.

Mr. Lopes advised the school system has already begun discussions about not requesting additional monies for 2012-2013 and using fund balance, which it could probably do for a year or so. Mr. Lopes advised he had briefed the Board of Education and they would like to begin planning stages beyond 2012-2013.

Mr. Lopes responded to questions posed by Commissioner Edge regarding the funding source for teacher and principal mentoring programs. In response to questions posed by Commissioner Council, Mr. Lopes stated there are no schools planned following New Century Middle School due to the lack of funds and stagnant growth, and there will not be a high school constructed on post until resources become available.

Commissioner Council asked Mr. Lopes to explain what he meant by beginning planning stages beyond 2012-2013. Discussion followed regarding the county's and the school system's projections for additional state cuts or pushing down of expenses, and whether a firm commitment could be made at this time with regard to a school funding formula. Mr. Lopes explained the school system really does not know what its budget or ADM will be until after each school year begins, and the fact that there is a funding formula in place at least lets it know how much county money will be received.

Commissioner Faircloth stated tax dollars provide a fairly stable base of income for the county but such a large percentage has gone into the school systems over the past ten years that it has hobbled a lot of other things the county needs to do. Commissioner Faircloth further stated efforts are being made to hold the school system constant so the natural increase in the tax base can be applied to other places where funds are needed. Commissioner Faircloth iterated the goal is not to cut, but this is not a promise.

Mr. Lopes responded to questions posed by Commissioner Edge regarding facility usage.

Mr. Martin referenced the \$13 used to cover additional cuts from state and federal sources and asked whether that would be sustainable. Mr. Lopes stated the school system hopes to be able to keep up with what it has but unless the state budget picks up, the school system may need to make further reductions because \$13 million can not be used consistently.

4. REVIEW OF MONTHLY FINANCIAL REPORT

Howard Abner, Assistant Finance Director, provided highlights of the monthly financial report and reported expenditures appeared to be normal and there were no adverse trends. Mr. Abner pointed out spending was about \$1 million more than at this same time last year in the general government/other area and explained the general government/other area is a department where things are budgeted and expended that is not specific to any department. Mr. Abner also explained a lot of these expenditures are timing issues and transfers out. Commissioner Keefe asked about the cultural/recreation expenditures. Mr. Abner explained these reflect encumbrances for the entire year and this is what is driving the percentages. Mr. Abner stated he does not foresee this going over budget and explained internal controls will not allow departments to overspend their budgets without the processing of budget adjustments.

In response to a question posed by Commissioner Faircloth regarding the \$7 million in economic development, Mr. Abner explained economic development also includes water and sewer. Ms. Cannon further explained it became effective in March as the result of GASB 54.

Mr. Abner reported revenue from ad valorem taxes was essentially on par with last year with November being the single biggest month for tax collections in which more than one-third of the yearly total was collected. Mr. Abner also reported \$1.3 million had been collected in sales taxes in comparison to the \$2.1 million last year; in October last year the county received a \$1.9 million refund from sales in July due to timing issues.

Commissioner Faircloth questioned a \$1 million transfer and Mr. Abner explained the transfer was debt service coming in from the school system which again was due to timing issues.

5. OTHER MATTERS OF BUSINESS

Mr. Martin stated there are four budget items on the Board's December 19, 2011 agenda that are being brought to the Finance Committee for a briefing. Ms. Cannon explained significant dollars are involved and worthy of greater discussion than they would receive on the consent agenda. Ms. Cannon called on Rick Heicksen, Fayetteville Area Metropolitan Planning Organization Executive Director, to provide a summary.

Mr. Heicksen provided the following outline for Federal Highway Administration grants and explained Amendment No. 1 for the Intelligent Transportation System (ITS) is made up of variable message signs for I-95 and I-295 and will be used for putting up alerts about base closure and base security.

Amendment No. 1 - \$250,000 to Intelligent Transportation System (ITS)

- Local Match \$50,000 (\$40,000 FHWA - \$10,000 Local)
 - County share is \$2,400
 - City share is \$6,700
 - Hope Mills \$500
 - Spring Lake \$400
 - NCDOT share \$200,000

Mr. Heicksen explained 104(f) funds are used for planning but if construction plans need to be drawn up by a consultant, funding sources have to be switched to Surface Transportation Direct Allocation (STP-DA) which the Metropolitan Planning Organization (MPO) gets from the Federal Highway Administration. Mr. Heicksen referenced Amendment No. 2 and stated this project is for pedestrian/bicycle trails as noted below.

Amendment No. 2 - \$500,000 Construction Plans Funds

Little Cross Creek Trail – Mazarick Park to Veterans Park

Big Cross Creek Trail – Smith Lake (Ft. Bragg) to Little Cross Creek Trail

- Local Match \$100,000
 - County share \$24,000
 - City share \$67,000
 - Hope Mills \$5,000
 - Spring Lake \$4,000

Mr. Heicksen responded to questions and explained there are no construction costs within Amendment No. 2.

Mr. Heicksen explained the planning funds outlined below are related to newly approved special projects that include \$350,000 for the Southwestern FAMPO Multi-Modal Congestion Management Plan. Mr. Heicksen explained this plan includes the western portion of Cumberland County to include portions of Fayetteville, Hope Mills, Ft. Bragg and Hoke County; growth, land use, zoning and generating trips that will originate from that area will be studied for highway and road planning in preparation for growth. Mr. Heicksen stated \$200,000 is for a preliminary corridor study for the Big Cross Creek Greenway which starts at Smith Lake and ties into Little Cross Creek in Mazarick Park. Mr. Heicksen further stated the Public Works Commission (PWC) has endorsed the project and a consultant is needed to study the area, assess the environmental impact, and come up with construction plans for a federal grant application.

- \$985,750 Planning Funds excluding items above
 - County share \$44,616
 - City share \$135,803
 - Hope Mills \$9,295
 - Spring Lake \$7,436

TOTAL BUDGET FOR FAMPO (FHWA and FTA funds) = \$1,602,000.00

Consensus of the Finance Committee was to place on the consent agenda for the December 19, 2011 meeting.

Commissioner Edge called on Rick Moorefield, County Attorney, for a briefing. Mr. Moorefield advised a law suit had been filed but not served on the Cumberland County Board of Elections; the City of Fayetteville along with four of the other cities subject to the de-annexation statute have formally sued the state Board of Elections, the state, and five county Boards of Elections. Mr. Moorefield further advised the suit has been served on the state and Cumberland County has been notified. Mr. Moorefield stated he forwarded the 54-page document to the Board of Commissioners and the county will deal with the matter as it develops. Commissioner Faircloth asked about the nature of the law suit. Mr. Moorefield explained the suit claimed that the statute by which the petition process was conducted for the Gates Four “de-annexation” was unconstitutional. Mr. Moorefield further explained they are basically suing the board of elections for following state law. Mr. Moorefield stated the cities of Fayetteville, Wilmington, Kinston, and Lexington filed the law suit and there are also named individuals as plaintiffs. A brief discussion followed. Mr. Moorefield stated he would provide updates as things developed.

Commissioner Faircloth provided closing remarks.

There being no further business, the meeting adjourned at 11:05 A.M.