

CUMBERLAND COUNTY FINANCE COMMITTEE  
NEW COURTHOUSE, 117 DICK STREET, 5TH FLOOR, ROOM 564  
APRIL 4, 2013 - 9:30AM  
MINUTES

MEMBERS PRESENT: Commissioner Marshall Faircloth, Chairman  
Commissioner Jeannette Council  
Commissioner Kenneth Edge

OTHER COMMISSIONERS  
PRESENT:

Commissioner Charles Evans  
Commissioner Jimmy Keefe  
Commissioner Billy King  
Commissioner Ed Melvin

OTHERS:

James Martin, County Manager  
Amy Cannon, Deputy County Manager  
James Lawson, Assistant County Manager  
Rick Moorefield, County Attorney  
Howard Abner, Assistant Finance Director  
Krista Barnhill, Financial Assistant  
Sally Shutt, Chief Public Information Director  
Paul Hinson, Sheriff's Office Chief Deputy  
Wayne Cannon, Cumberland County CIT Coordinator  
Kelly Goodfellow, Alliance Behavioral Healthcare Chief  
Financial Officer  
Sean Schreiber, Alliance Behavioral Healthcare Director of  
Clinical Operations  
Hank Debnam, Cumberland County Mental Health  
Authority Director  
Bill Crisp, Fayetteville City Council Member  
John Ellis, Town of Hope Mills Manager  
Sandra Williams, Cape Fear Valley Hospital System Chief  
Financial Officer  
Janet Conway, Cape Fear Valley Hospital System  
Marketing Director  
Lou Patalano, Cape Fear Valley Hospital System Senior  
Vice President/Legal Services and General Counsel  
Kellie Beam, Deputy Clerk to the Board  
Press

Commissioner Faircloth called the meeting to order.

1. APPROVAL OF MINUTES – JANUARY 3, 2013 REGULAR MEETING

MOTION: Commissioner Council moved to approve the minutes.  
SECOND: Commissioner Edge

VOTE: UNANIMOUS (3-0)

James Martin, County Manager, requested the reversal of Items 2. and 3. Consensus supported the request.

## 2. DISCUSSION OF SALES TAX DISTRIBUTION OPTIONS

### BACKGROUND:

Sales tax is distributed to local governments either on a “per capita” or “ad valorem” basis. The county has statutory authority to determine the method of distribution on an annual basis. In October of 2003, the county and municipalities entered into an interlocal agreement to distribute sales tax revenues on a modified “per capita” basis. This agreement expires on June 30, 2013. Municipal representatives have discussed potential options through Mayor’s Coalition meetings called specifically for that purpose.

Spreadsheets indicating various options regarding the distribution of sales tax have been provided for your consideration.

- Option 1 – Per Capita Current Agreement (expires June 30, 2013)
- Option 2 – Per Capita Current Agreement Excluding Eastover
- Option 3 – Ad Valorem Method
- Option 4 – Ad Valorem Method with County Districts Revenue Neutral
- Option 5 – 20-Year Transition Agreement from Modified Per Capita to Standard Per Capita.

At the last Mayor’s Coalition meeting on March 20, 2013, a proposal was submitted which provides for transition from the modified “per capita” method to a standard “per capita” method, which is Option 5 above. This proposal calls for an initial four-year term, with four optional renewals, which provides for up to a 20-year agreement. In year one of the agreement, each municipality reimburses the county and the remaining municipalities 100% of the percentage reimbursed in 2013 for annexations occurring on or before June 30, 2012. However, Eastover will no longer reimburse for their initial incorporation. Thereafter, this percentage will be reduced annually in equal decrements of 5% over the remaining number of years in the agreement. Based on this proposal from the municipalities, the county’s reimbursement will be reduced \$318,787 annually based upon the FY13 base year percentages. Further, the county’s reimbursements will be reduced by another \$164,588, which represents Eastover’s prior reimbursement.

### RECOMMENDATION/PROPOSED ACTION:

Consider the sales tax distribution methods presented and recommend an option for Board of Commissioner consideration on April 15, 2013.

James Martin, County Manager, reviewed the background information as recorded above and provided a back brief that lead to the current sales tax distribution interlocal agreement. Mr. Martin stated Cumberland County lost about \$4 million each year in sales tax revenue as a result of annexations between 1994 and early 2003. Mr. Martin also stated the direct loss of

sales tax revenue has an impact on county services because county government does not have the ability to reduce its operating costs or its services as a result of annexation.

Mr. Martin stated on March 17, 2003, the board of commissioners took action to change the distribution formula from per capita to ad valorem which caused a stir among the municipalities. Mr. Martin stated a planned annexation of the Hope Mills Road area on June 30, 2003 meant the county faced a cumulative loss of \$4.7 million at the end of that fiscal year.

Mr. Martin stated the county initially offered to change the formula to \$2.3 million, which would have been roughly 50% of the annual losses for the upcoming fiscal year. Mr. Martin stated following negotiations with the municipalities, the county agreed to change the distribution formula back to per capita which meant the county agreed to continue the loss of 50% of its sales tax revenue in exchange for an agreement by the municipalities to share one-half of their gains resulting from annexations. Mr. Martin stated as a result of that loss, the county agreed to accept \$2.1 million in a payment from the city and an agreement was worked out that the city would reimburse 50% of future losses going forward.

Staff reviewed sales tax losses due to annexations for FY2004-2012 and provided a comparison of sales tax distribution methods for the General Fund for straight per capita, straight ad valorem and modified per capita for FY2007-FY2012.

Commissioner Council stated it should be emphasized that the county's responsibilities for services and the costs associated therein did not change with annexations, yet at the same time the county lost a gross amount of \$62 million. Commissioner Edge stated the county's responsibilities actually increased as a result of state legislation and during the past two revaluations, the county reduced its property tax rate both times. Questions and discussion followed.

Rick Moorefield, County Attorney, clarified there has not been a proposal from any municipality to continue the current agreement but there has been a proposal submitted which provides for a transition from the modified "per capita" method to a standard "per capita" method. Rick Moorefield further stated should the full board take no action by May 1, 2013, the method would become straight per capita distribution so it is up to the board to elect whether to continue to seek an agreement with the municipalities or go ad valorem.

Commissioner Keefe suggested that the board of commissioners consider a three-year agreement with the purpose of transitioning to ad valorem at the end of three years because this would give the municipalities three years to adjust their budgets.

**MOTION:** Commissioner Edge moved that the board of commissioners go to the ad valorem method, that this message be communicated to the municipalities, and should they wish to counter with something reasonable with nothing less than three years, then the board of commissioners would consider it.

Commissioner Council asked whether the message to be communicated to the municipalities as stated in the motion would be for the distribution method currently in place or for the ad valorem method. Commissioner Council also stated the chairman of the board of

commissioners should send that message from the Finance Committee to the municipalities prior to the full board meeting on April 15, 2013.

RESTATED MOTION: Commissioner Edge moved that the board of commissioners go to the ad valorem method, that the municipalities can come back with a three-year counter for the current distribution method or ad valorem, and that the chairman of the board of commissioners send that message to the municipalities.

SECOND: Commissioner Council

VOTE ON RESTATED MOTION: UNANIMOUS (3-0)

Commissioner Faircloth stated the motion will serve as the Finance Committee's recommendation to the full board.

3. PRESENTATION ON CAPE FEAR VALLEY HEALTH SYSTEM'S PROPOSAL  
BY SANDRA WILLIAMS, CFVHS CHIEF FINANCIAL OFFICER

Commissioner Faircloth recognized Sandra Williams, Cape Fear Valley Hospital System Chief Financial Officer, who introduced Janet Conway, Cape Fear Valley Hospital System Marketing Director, and Lou Patalano, Cape Fear Valley Hospital System Senior Vice President/Legal Services and General Counsel. Mr. Martin also introduced Kelly Goodfellow, Alliance Behavioral Healthcare Chief Financial Officer, and Sean Schreiber, Alliance Behavioral Healthcare Director of Clinical Operations.

Ms. Williams stated she was present to provide a comprehensive proposal for behavioral health services for Cumberland County that would integrate the current Mental Health Clinic into Cape Fear Valley Hospital System (CFVHS), establish a 23-hour crisis bed facility and continue to provide detoxification services at the Roxie Center. In response to a question posed by Commissioner Edge, Ms. Williams confirmed behavioral health services would be provided for children.

Ms. Williams stated by CFVHS absorbing the Mental Health Clinic, services would be provided to patients seven days a week and the clinic would initially be opened 16-hours a day with the expectation of moving to 24-hours per day. Ms. Williams stated the Mental Health Clinic would be relocated to the second floor of the Roxie Center and it is felt that the 13,000 annual visits could be expanded by approximately 40% with the expansion of coverage hours, increased provider productivity and increased staff productivity through redesigned models of care. Ms. Williams stated this would be accomplished by the county allocating the amount in the current budget to CFVHS.

Ms. Williams stated the 23-hour crisis bed unit has been designed as a pilot that would enable patients to be evaluated and stabilized, and then either admitted in an inpatient center or discharged home. Ms. Williams stated it would consist of an 8-bed unit providing immediate intervention for individuals with acute psychiatric issues. Ms. Williams stated this facility would provide a lower level option for patients as a cost effective alternative to utilizing law enforcement, fire, the detention center or the emergency room. Ms. Williams stated Durham County indicated they had a \$400,000 savings with the establishment of this type of unit. Ms.

Williams stated the cost of the 23-hour crisis bed unit is not in the county's current budget and annual operation costs for CFVHS would be around \$500,000. Ms. Williams stated \$100,000 in start-up capital would be needed to renovate the second floor.

Ms. Williams stated the proposal is also to continue the detoxification services that currently exist at the Roxie Center with the stop-loss as provided by the county. Ms. Williams responded to questions and stated employees who might wish to transfer would have to meet certain criteria, productivity levels and standards.

Sean Schreiber, Alliance Behavioral Healthcare Director of Clinical Operations (Alliance), stated the Alliance supports the model as set forth and asked that consideration be given to a three party contract arrangement between the Alliance, Cumberland County and CFVHS. Mr. Schreiber stated this arrangement would give the Alliance oversight of the facility, the ability to link consumers to providers and ensure consumers receive the services they need. Mr. Schreiber stated this arrangement would also enable the county to earmark certain dollars for CFVHS, and for the Alliance to manage and pay those monies to CFVHS based on a mix of their billing for services and expense reimbursement for a portion of what they are unable to recapture through billing.

Mr. Martin stated CFVHS's initial proposal for \$3.9 million did not maximize the county's ability to spend Medicaid or state funds prior to spending local dollars. Mr. Martin stated it is in the county's best interest to seek reimbursement from all other sources of funds before spending county dollars. Mr. Martin stated CFVHS has agreed to handle the appropriate billing for the county and for this to happen, the Alliance would have to be involved for the Medicaid reimbursement/payment. Mr. Martin stated those funds would come back to credit and ultimately reduce the county's net costs.

Mr. Martin confirmed that the county would have to divest itself of the services provided by the Mental Health Clinic at the Health Department if the proposal can be worked out with CFVHS. Commissioner Faircloth asked whether CFVHS was currently a provider with the Alliance. Kelly Goodfellow, Alliance Behavioral Healthcare Chief Financial Officer, stated contract negotiations with the Medicaid side are in process and there is a non-Medicaid contract already in place. Commissioner Faircloth inquired regarding the timetable to pull all the pieces together. Mr. Martin stated the contractual agreements need to be in place as soon as possible because the transition needs to occur no later than July 1, 2013.

Lou Patalano, Cape Fear Valley Hospital System Senior Vice President/Legal Services and General Counsel, stated oversight of the facility by the Alliance was an aspect of the proposal that CFVHS was unaware of and CFVHS would like to see what the Alliance has in place with Wake and Durham counties. Mr. Schreiber explained the business of the Alliance would not be to run the facility but the Alliance does have certain responsibilities for things such as critical incidents and standard type performance measures associated with contract monitoring.

Ms. Williams clarified that the \$3.9 million includes the Mental Health Clinic and the pilot 23-hour crisis 8-bed unit but not the Roxie Center. Ms. Williams stated there is currently a contract to provide services for Roxie Center with a stop-loss of \$350,000. Ms. Williams stated this would bring the total to \$4.25 million.

Commissioner Council asked whether there would be inpatient beds for children. Ms. Williams stated she was unable to answer that question at this point in time.

Mr. Martin stated county management would like for the Finance Committee to make a recommendation to the full board for its April 15, 2013 meeting to move forward with a three-party agreement between the Alliance, CFVHS and the county. Mr. Martin explained the agreement with CFVHS would be for behavioral healthcare and billing services and with the Alliance for Medicaid reimbursement/payment.

Rick Moorefield, County Attorney, explained the importance of maximizing the per capita rate regardless of who Cumberland County merges with.

**MOTION:** Commissioner Council moved to recommend to the full board that the county move forward with a contract with CFVHS for behavioral healthcare services and the Alliance in terms of the reimbursement portion.

Mr. Martin clarified that the county will contractually be on the hook to ensure CFVHS gets the \$3.9 million plus the \$350,000 stop-loss.

**SECOND:** Commissioner Edge  
**VOTE:** UNANIMOUS (3-0)

Discussion turned towards the service proposal for the morgue. Ms. Williams stated CFVHS currently operates the county morgue and would like to split the annual cost of \$350,000 between CFVHS and the county. Ms. Williams stated the morgue has eight beds and is undersized to handle the growing demand so there is a need to expand the morgue. Ms. Williams stated the construction cost to expand the morgue is \$1.5 million and construction costs could be split evenly between CFVHS and the county. Ms. Williams stated CFVHS would also seek reimbursement from the county when it assumes responsibility for body transports.

Commissioner Faircloth suggested that the Finance Committee take the service proposal for the morgue under advisement so county management can further clarify what the county's responsibilities will be and the costs associated therein.

Mr. Martin advised he received correspondence from Sheriff Butler regarding security costs at the Roxie Center and Ms. Williams confirmed that the security numbers were within CFVHS's proposal. Mr. Martin stated law enforcement may need to be present as opposed to Allied Barton and he is not certain at this point where things stand. Mr. Martin stated CFVHS has had some conversation with the Sheriff's Office about having five deputies man a 24-hour station at the Roxie Center in addition to \$7,500 for equipment and \$150,000 for automobiles. Mr. Martin stated this would initially be about \$500,000 and \$300,000 on a recurring basis if the county has to fund security at Roxie Center through the Sheriff's Office. Mr. Martin stated he felt the hospital should be pressed to hold up the security issue they had in their proposal.

#### 4. REVIEW OF MONTHLY FINANCIAL REPORT

In the interest of time, Howard Abner, Assistant Finance Director, referred Finance Committee members to the monthly financial report as provided in their packet.

5. OTHER MATTERS OF BUSINESS

Commissioner Council noted that the funding to Spring Lake and Hope Mills Chambers of Commerce had not been placed on the agenda due to time limitations and asked to have the matter forwarded to the full board. Commissioner Faircloth stated the funding was allocated in the FY2012-FY2013 budget and the towns have not yet received the funds. Amy Cannon, Deputy County Manager, stated there was a question about making sure the county's allocation falls under economic development.

Mr. Moorefield stated the Spring Lake Chamber of Commerce has asked to spend their allocation for individual grants to business owners to improve the facades for their buildings. Mr. Moorefield stated the Hope Mills Chamber of Commerce has asked to spend their allocation to erect signs on all Hope Mills entrances, to advertise in Up and Coming Weekly and other weekly magazines, and to reserve the remaining \$15,000 not yet budgeted. Mr. Moorefield stated the money was allocated by the board of commissioners in its budget and there is no contract to expense the funds because the chambers have not made proposals that fit economic development under statutory case law. Mr. Moorefield stated he is seeking direction should the board contemplate the chambers' proposals to broadly constitute economic development activities. Mr. Martin stated should the board wish to remove the restrictions on the funds and allow the towns to spend the funds for activities they determine to be for economic development purposes, then the county can disburse the funds.

MOTION: Commissioner Council moved to authorize the use of the funds for what is determined by the Spring Lake and Hope Mills Chambers of Commerce to be economic development related activities.

SECOND: Commissioner Faircloth

Commissioner Edge stated his motion would be to bring it back to the next meeting of the Finance Committee.

Commissioner Faircloth stated should the motion pass, it will serve as the Finance Committee's recommendation to the full board.

Commissioner Edge stated his understanding is that the Spring Lake Chamber of Commerce has not spent its allocation from the prior year. Mr. Moorefield clarified the Spring Lake Chamber of Commerce spent its allocation from the second year and is asking to spend the first and third years' allocations. A brief discussion followed.

VOTE: PASSED (2-1) (Commissioners Council and Faircloth voted in favor; Commissioner Edge voted in opposition)

Mr. Martin commented regarding the upcoming budget process.

There being no further business, the meeting adjourned at 11:00 a.m.