

CUMBERLAND COUNTY FINANCE COMMITTEE
NEW COURTHOUSE, 117 DICK STREET, 5TH FLOOR, ROOM 564
MAY 2, 2013 - 9:30AM
MINUTES

MEMBERS PRESENT: Commissioner Marshall Faircloth, Chairman
Commissioner Jeannette Council

OTHER COMMISSIONERS

PRESENT: Commissioner Jimmy Keefe
Commissioner Billy King (arrived at 10:15 a.m.)
Commissioner Ed Melvin

OTHERS: James Martin, County Manager
Amy Cannon, Deputy County Manager
James Lawson, Assistant County Manager
Rick Moorefield, County Attorney
Phyllis Jones, Assistant County Attorney
Howard Abner, Assistant Finance Director
Sally Shutt, Chief Public Information Director
George Turner, Civic Center Commission Chairman
Karen Long, Crown Coliseum General Manager
Lisa Foster, Crown Coliseum Chief Financial Officer
Candice White, Clerk to the Board
Press

MEMBER ABSENT: Commissioner Kenneth Edge

Commissioner Faircloth called the meeting to order.

1. APPROVAL OF MINUTES – APRIL 4, 2013 REGULAR MEETING

MOTION: Commissioner Council moved to approve the minutes.

SECOND: Commissioner Faircloth

VOTE: UNANIMOUS (2-0)

2. UPDATE REGARDING THE CROWN COLISEUM'S OPERATIONAL STUDY
AND REQUEST FOR PROPOSALS FROM MANAGEMENT COMPANIES

BACKGROUND:

George Turner, Chairman of the Civic Center Commission, and Karen Long, General Manager of the Crown Coliseum, will attend the May 2, 2013 meeting of the Finance Committee to provide an update regarding the Crown Coliseum's operational study, Request for Proposals (RFPs) from management companies and to respond to questions.

George Turner, Chairman of the Civic Center Commission, stated the Civic Center Commission is awaiting proposals from private management companies and has received a presentation from one of the three, and informal meetings have been held with the other two management companies. Mr. Turner stated the benchmark study is being handled by Karen Long, General Manager of the Crown Coliseum, and Johnson Consulting, Inc. will come to the Crown Coliseum for a ten-day period in order to perform the study.

Commissioner Council asked why the request for proposals was put out before the benchmark study results were received. Mr. Turner stated the management companies do not need the benchmark study for their proposals because the proposals will be about what they can do rather than what has been done in the past. Commissioner Council asked Mr. Turner what he expected from the study. Mr. Turner stated the study will not indicate whether private management is needed but will indicate what has been done right, what is still being done right and what has been done wrong. Mr. Turner stated no one outside the county has studied the Crown Coliseum.

Mr. Turner provided a brief overview of a ten-year history of operating revenue and expenses for the Crown Coliseum which indicated total operating revenue was only up 13% from ten years ago, personnel expenses were up 42% from ten years ago, and total operating expenses were up 23% from ten years ago. Mr. Turner explained personnel expenses cannot be controlled. Amy Cannon, Deputy County Manager, explained some of the increased costs associated with personnel expenses. Mr. Turner stated in FY 2012, \$2,981,316 had to be put into the Crown Coliseum to keep it operating, which equates to \$8,469.65 every day of that fiscal year. Mr. Turner stated these figures do not mean that Crown Coliseum employees are doing anything wrong.

Mr. Turner stated with the help of private management, the civic center in Florence, South Carolina increased its revenue over the past eight years from \$800,000 per year to \$2.8 million last year because it had the support to make it happen. Mr. Turner stated the Florence civic center is Cumberland County's greatest competition.

Mr. Turner stated his intent is to bring the consultant's report to the board of commissioners as well as the Civic Center Commission, Ms. Long and Mr. Martin. Rick Moorefield, County Attorney, stated although the Civic Center Commission has contracting authority, he would advise that it bring any recommendations for a private management company to the board of commissioners so it can make that decision. Mr. Turner stated the Civic Center Commission agreed that it did not want to enter into an agreement with a private management company but only the opportunity to explore and study it. Mr. Turner stated the Civic Center Commission would only provide a recommendation for the board of commissioners' consideration.

Ms. Cannon stated the board of commissioners will be required to make the decision because of the tax exempt financing of the Crown Coliseum which is based on IRS regulations. Mr. Moorefield stated bond counsel will likely have to be involved at some point and the Civic Center Commission will stay apprised of these matters.

Mr. Martin stated the financial implications associated with the Crown Coliseum will be one of the driving considerations when looking at privatization because if the private activity amount exceeds the IRS allowance, the bonds will have to be converted from tax exempt to taxable and

there will also be a conversion penalty. Mr. Martin stated only after the numbers are analyzed can it be determined whether privatization offers a better opportunity. Mr. Martin stated he wanted to raise awareness should the financial implications become an issue or impediment to privatization because it will affect a recommendation from management. A brief discussion followed.

3. REVIEW OF MONTHLY FINANCIAL REPORT

With regard to the Crown Coliseum, Mr. Abner reported when looking at operating revenues over operating expenses, it is underperforming compared to this time last year. Mr. Abner also reported the combined bottom line financial position due to transfers from other funds is a positive \$223,800.

For expenditures and obligations, Howard Abner, Assistant Finance Director, reported three-fourths of the year is over and spending is at 68.9% which is slightly less than last year. Mr. Abner stated for FY 2012, the county ended the year at a spending rate of 95.6%. Mr. Abner also reported the Mental Health Clinic at the Health Department has spent \$2.2 million to day which will equate to about 80% at year end. Mr. Abner further reported the Local Management Entity (LME) services have been assumed by the Alliance Behavioral Healthcare Managed Care Organization and it has spent 55% of its six-month budget.

In response to a question from Commissioner Faircloth, Mr. Abner explained mental health was in a separate fund last year and because it has been totally reorganized and incorporated into the general fund this year, it really cannot be compared to last year. Mr. Abner stated mental health's actual revenue versus actual expenditures shows a \$200,000 gain which will add to their fund balance so it can be used in future years. Mr. Abner stated it does not appear that any local dollars will be spent this year on the LME; however, \$2.8 million will likely be spent on the Mental Health Clinic which may only bring in \$300,000 in revenue.

In response to a question posed by Commissioner Keefe, Mr. Martin stated part of Cape Fear Valley Health System's (CFVHS) proposal for the Mental Health Clinic is \$3.4 million which is what has been budgeted for the clinic. Mr. Martin explained based on the clinic's \$300,000 revenue collections this year, CFVHS did not offer the county any reductions that would have created a lower net cost because of concerns about their risk. Mr. Martin stated CFVHS offered to do the billing for billable services they perform and give back to the county the results of whatever is collected. Mr. Martin stated in that sense, the \$4.2 million proposal is the \$3.4 million currently budgeted. Mr. Martin further stated there is a possible \$3.9 million exposure if a 23-hour clinic is added. Mr. Martin stated the concerns of CFVHS not only include billing of the Managed Care Organization (MCO) but also about their position as a provider of services since the MCO looks for services with the least amount of cost. A brief discussion followed.

For revenue, Mr. Abner reported ad valorem taxes are on track to collect about 100.75% of budget which equates to \$1.1 million and motor vehicle tax collections continue to do well. Mr. Abner stated monthly collections are still averaging about \$1 million per month and year-end collections are nearing \$600,000 above budget. Mr. Abner also stated the new "Tag and Tax" program has been delayed two months and for registrations that become due in

September, vehicle owners will pay their \$28 license renewal plus their county taxes at the same time.

Mr. Abner reported year-to-date revenue for the Mental Health Clinic is \$233,000 so the clinic will be pressed to reach \$300,000.

Mr. Abner reported March sales tax distributions for sales in December were \$3.1 million and compared to last year, the current year collections are down \$657,000. Mr. Abner explained this is misleading because in March of this year the county had a \$1.5 million refund to non-profits that affected the net distribution compared to last year. Mr. Abner stated when looking countywide, gross collections are down a mere \$700,000 from last year. Mr. Abner further reported seven revenue categories are at 80.28% of budget which is close to last year.

A brief discussion followed regarding online sales tax revenues.

4. OTHER MATTERS OF BUSINESS

Commissioner Faircloth stated the county donated land on Clinton Road with the understanding the Department of Motor Vehicles (DMV) would build a bricks and mortar facility; however, trailers are being placed on the site. Mr. Martin stated the county's intent and what was then discussed was a bricks and mortar regional DMV facility of considerable size with considerable employment. Mr. Martin he did know whether there was any legal obligation involved. Mr. Moorefield stated he would look into the matter and get back with the committee.

There being no further business, the meeting adjourned at 10:30 a.m.