

CUMBERLAND COUNTY FINANCE COMMITTEE  
NEW COURTHOUSE, 117 DICK STREET, 5TH FLOOR, ROOM 564  
OCTOBER 3, 2013 - 9:30AM  
MINUTES

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

OTHER COMMISSIONERS  
PRESENT:

                                  Commissioner Ed Melvin  
                                  Commissioner Charles Evans  
                                  Commissioner Jimmy Keefe

OTHERS:

                                  James Martin, County Manager  
                                  Amy Cannon, Deputy County Manager  
                                  James Lawson, Assistant County Manager  
                                  Rick Moorefield, County Attorney  
                                  Melissa Cardinali, Finance Director  
                                  Howard Abner, Assistant Finance Director  
                                  Sally Shutt, Chief Public Information Director  
                                  Candice White, Clerk to the Board  
                                  Press

Commissioner Faircloth called the meeting to order.

1.       APPROVAL OF MINUTES – SEPTEMBER 5, 2013 REGULAR MEETING

MOTION:     Commissioner Edge moved to approve the minutes.  
SECOND:     Commissioner Council  
VOTE:        UNANIMOUS (3-0)

2.       CONSIDERATION OF FUNDING REQUEST FOR STATE VETERANS  
          CEMETERY PROJECT

BACKGROUND:

The Cumberland Community Foundation is seeking to make improvements at the Sandhills State Veterans Cemetery. The State has appropriated \$125,000 to the Division of Veterans Affairs to construct an enclosed committal structure at the cemetery; however, the total estimated cost of the project is \$300,000.

The Cumberland Community Foundation is requesting a \$10,000 contribution from Cumberland County to be used for the committal structure project. After reviewing the contribution request with the Legal Department, it was determined that a contribution by the County can be made upon approval of the Board of Commissioners since the County does have statutory authority to fund non-profits.

**RECOMMENDATION/PROPOSED ACTION:**

Staff recommends an appropriation to the Cumberland Community Foundation in the amount of \$10,000 be made from fund balance, if the Board of Commissioners desires to fund the request.

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James Martin, County Manager, reviewed the background information as recorded above and stated at the board of commissioners Monday, September 16, 2013 meeting, Archie Barringer asked the county to contribute \$10,000, to be used along with the \$125,000 state Division of Veterans Affairs grant, to enclose a committal structure at the Sandhills State Veterans Cemetery.

Commissioner Edge asked if this would be a one-time contribution by the county. Mr. Barringer responded in the affirmative. Commissioner Edge suggested that Mr. Barringer make sure all municipalities are afforded an opportunity to make contributions. Commissioner Council suggested that the funding request could go before the Mayor's Coalition at their next meeting on Friday, November 1<sup>st</sup> because the project affects all of Cumberland County. Additional questions followed. Mr. Martin advised the Cumberland Community Foundation, an existing non-profit organization, would be the recipient of contributions.

**MOTION:** Commissioner Edge moved to recommend to the full board approval of \$10,000 to help support the project under the circumstances as outlined.

**SECOND:** Commissioner Council

**VOTE:** UNANIMOUS (3-0)

**3. CONSIDERATION OF EXTENSION OF CURRENT SALES TAX DISTRIBUTION INTERLOCAL AGREEMENT AS REQUESTED BY THE CUMBERLAND COUNTY MAYORS' COALITION**

**BACKGROUND:**

At its meeting on Friday, May 3, 2013, the Cumberland County Mayor's Coalition discussed sales tax distribution.

At its meeting on Friday, August 2, 2013, the Cumberland County Mayor's Coalition sent a written request to Chairman Keefe that the Cumberland County Board of Commissioners consider extending the current Sales Tax Distribution Interlocal Agreement for an additional seven years.

**RECOMMENDATION/PROPOSED ACTION:**

Consider request of the Cumberland County Mayors' Coalition regarding the sales tax distribution interlocal agreement.

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Mr. Martin stated the request to extend the current Sales Tax Distribution Interlocal Agreement was considered by the Finance Committee at its September 5<sup>th</sup> meeting and is being brought back to the committee for further discussion.

Commissioner Faircloth stated he favored an extension to April, 2018 because the board of commissioners would then have the revaluation information and know the tax rates for all of the municipalities as a result of the revaluations. Commissioner Faircloth also stated if the legislature were to take any action on sales tax distribution, it would likely do so within the next five years, and he felt in five years the board would have all of the information it needed to act.

Commissioner Edge asked whether a hold harmless clause could be included in the agreement. Rick Moorefield, County Attorney, stated as long as the board decides what the hold harmless provision should be and the parties could agree to it. Commissioner Edge stated the county has to help fund the school system and an array of social and human services regardless of whether cities grow in population through annexation.

Commissioner Keefe stated three of the nine mayors that agreed to the seven year extension would not be in office following the municipal elections and at that point, the process would have to start all over again. Commissioner Keefe asked Mr. Martin and Mr. Moorefield whether they agreed with ten years. Mr. Martin stated he would agree with extending another seven years. Mr. Moorefield stated he would agree as long as the agreement addressed any statutory changes in the distribution mechanism. Discussion followed.

At the request of Commissioner Evans, Mr. Moorefield explained the legislature could take action that would overrule any county contractual agreement. Mr. Moorefield stated under current legislation, it is up to boards of county commissioners to determine how sales tax distributions are made and cities are attempting to influence legislation that would take that authority away from boards of county commissioners. Mr. Moorefield also stated if there is any change in the distribution method, it will not favor counties because cities are seeking a point of sales distribution relative to their city limits. Mr. Moorefield further stated cities have overlooked the fact that the counties' funding obligation of health, education and welfare of counties will not change and that sales tax revenues have been instrumental in funding these county functions.

Commissioner Edge stated he learned from the N. C. Association of County Commissioners that the N. C. League of Municipalities had two advocacy goals: 1) seek legislation to modernize the local tax system by giving municipalities the authority to levy a sales tax that would apply within their corporate limits and would be solely a municipal revenue; and 2) require a one-year delay in implementation when a county changes its method of distributing sales tax revenue. Commissioner Edge stated these two goals did not garner any sponsors and did not go anywhere, but they are eligible to be brought back in the short session.

Mr. Martin stated each municipal governing body will have to take separate action on any agreement and suggested that the agreement clearly state it is subject to agreement by every municipality.

Mr. Moorefield clarified the agreement in past years was not a ten-year agreement but was a three-year agreement with successive three-year renewals unless there was objection to a renewal. Mr. Moorefield advised this could be another method moving forward and would carry the county past the next revaluation. Mr. Moorefield stated the current agreement is for three years with no renewal option.

**MOTION:** Commissioner Council moved to recommend to the full board at its October 21<sup>st</sup> meeting that the sales tax distribution interlocal agreement be extended an additional seven years with a provision that any statutory change would void the contract.

**SECOND:** Commissioner Edge

**DISCUSSION:** Mr. Moorefield advised if statutory changes are made and they do not limit the authority of county commissioners to determine how sales tax distributions are made, another agreement can be prepared.

**VOTE:** PASSED (2-1) (Commissioner Faircloth voted in opposition.)

#### 4. CONSIDERATION OF POLICY FOR ENGAGING OUTSIDE COUNSEL

##### BACKGROUND:

At its August 19, 2013 meeting, the Board directed staff to prepare a policy to address the conditions under which outside counsel shall be engaged. Although the Board directed that this policy be sent to the Policy Committee, the county attorney advises that it is really a fiscal policy more appropriate for consideration by the Finance Committee.

The proposed policy follows:

##### 1.0 PURPOSE

The purpose of this policy is to establish the conditions under which outside counsel may be engaged for the provision of legal services to the county. Outside counsel shall mean any attorney who is not an employee of the county.

##### 2.0 SCOPE

This policy shall apply to the engagement of any lawyer or law firm to provide legal services for which county funds shall be used to pay for the services provided.

##### 3.0 STATEMENT OF THE POLICY

No county funds shall be expended to pay for legal services provided by outside counsel unless the lawyer or law firm providing the services has been engaged to provide the services by a written agreement describing the services to be provided and the fee arrangement and which has been approved by the Board of Commissioners before the provision of services commences. When appropriate, Board approval may be obtained in closed session.

#### 4.0 IMPLEMENTATION

Implementation of this policy shall be the responsibility of the Finance Officer.

#### RECOMMENDATION/PROPOSED ACTION:

Consider whether to recommend the proposed policy to the Board of Commissioners.

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Mr. Moorefield reviewed the background information and proposed policy as recorded above. In response to a question posed by Commissioner Keefe, Mr. Moorefield explained the board of commissioners could approve the name of the lawyer or law firm providing legal services by either approving or not approving the written agreement or contract.

MOTION: Commissioner Council moved to recommend the proposed policy to the full board.

SECOND: Commissioner Edge

VOTE: UNANIMOUS (3-0)

#### 5. REVIEW OF MONTHLY FINANCIAL REPORT

##### BACKGROUND:

At your September 5, 2013 meeting, the Committee was briefed on the interim 13<sup>th</sup> period financial status of the General Fund and Crown Center. Since the results of operations for the first quarter of FY2014 will not be available till later this month, the attached three spreadsheets represent the final 13<sup>th</sup> period results of operations for the General Fund and Crown Center.

Expenditures and Obligations: Expenditures and obligations increased \$1,006,106 from last month due in part to a \$775,171 sales tax hold harmless payment to the Board of Education. Once a year, the BOE receives their share of the hold harmless reimbursement from the City of Fayetteville and municipalities based on the two half-cent taxes.

Revenue: Revenue for the General Fund increased \$5,893,049 over the earlier September report. The County received its final sales tax distribution of \$3,376,286. Total sales tax distributions for the year were a disappointing \$637,840 (1.73%) increase over FY2012. The County also received its 4<sup>th</sup> quarter sales tax hold harmless payments in the amount of \$1,599,009.

Crown Center: Operating revenue increased \$75,449 from the September report while operating expenses were just \$1,482 more. Overall, the net operating loss for the year was \$2,975,951 compared to \$3,036,582 for FY2012; a \$60,631 difference.

#### RECOMMENDATION/PROPOSED ACTION:

For information only, no action required.

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There were no questions or discussion regarding the monthly financial report.

6. OTHER MATTERS OF BUSINESS

A. UPDATE ON COOPERATIVE PURCHASING

Melissa Cardinali, Finance Director, stated meetings were organized with representatives of the Cumberland County School System, City of Fayetteville and the PWC about cooperative purchasing aimed at bringing local governments and local businesses together. Ms. Cardinali stated a business fair is going to be put together that will provide an exchange of information, increase the awareness of governmental staff, and educate and help businesses understand what is required to have a purchasing relationship with local government. Ms. Cardinali stated the business fair will be held at least once a year in order to assess and address local business needs. Ms. Cardinali stated the project is just getting off the ground and the committee will meet again in November. Ms. Cardinali credited Thelma Matthews, Purchasing Manager, with the cooperative purchasing idea.

Commissioner Keefe asked whether the focus for goods and services was going to be \$30,000 or below. Ms. Cardinali stated the cooperative purchasing relationships will likely focus on smaller dollars. Commissioner Keefe stated there may need to be a philosophical change in how the county requests quotes for goods and services in order to help local businesses stay within the focus amount. Commissioner Keefe asked that local business be targeted as much as possible, even if it means this type of philosophical change. Ms. Cardinali stated she would take this to the committee meeting in November as an item for discussion. Commissioner Edge noted circumstances may arise that would prohibit a local vendor from being first on the list and asked that thought also be given to exceptions that could occur in the community.

B. CLOSED SESSION FOR ATTORNEY/CLIENT MATTERS PURSUANT TO NCGS 143-318.11(a)(3)

Mr. Martin asked the Finance Committee whether it would consider a contractual matter involving the county, Alliance Behavioral Healthcare and Alliance Behavioral Healthcare at Cape Fear Valley Hospital as it relates to the current contractual arrangement for security at the Roxie Avenue facility. Mr. Moorefield advised the matter should be discussed in a closed session.

MOTION: Commissioner Council moved to go into closed session for attorney/client matter(s) pursuant to NCGS 143-318.11(a)(3).

SECOND: Commissioner Edge

VOTE: UNANIMOUS (3-0)

MOTION: Commissioner Edge moved to go into open session.

SECOND: Commissioner Council

VOTE: UNANIMOUS (3-0)

### C. FEDERAL BUDGET IMPACT

Mr. Martin stated county management has been in conversation with Rebecca Troutman, NCACC Intergovernmental Relations Director, regarding information the NCACC may have received about the impact of the federal shutdown on counties. Mr. Martin also stated the Department of Social Services (DSS) participated in a fiscal conference call this morning and an email had just been received from Social Services Director Brenda Jackson.

Amy Cannon, Deputy County Manager, stated Ms. Jackson's email outlined the impact of the federal shut down as follows:

- County reimbursement for federal block grants funds are primarily affected by the shut down (the state allocates federal block grant funds to counties)
- State will be temporarily suspending reimbursement for the following programs: TANF (Work 1<sup>st</sup>), Social Services Block Grant (funds a portion of 75% to 80% of all positions at DSS), Child Care, Energy Assistance, WIC, Energy Assistance, Social Services Block Grant, Home & Community Block Grant
- Programs not impacted – Medicaid, SNAP (food stamps), IV-E Adoption and Foster Care, Child Support, NC FAST, Affordable Care Act
- State recommends local counties look at the following as strategies to address these suspended reimbursements – review of availability of funds through county fund balance, freeze hiring and vacant positions, reducing operating expenditures such as travel, freeze purchasing and furloughing staff
- Moving forward the state is concerned about the following:
  - Feds inability to approve a budget or continuing resolution quickly
  - Sequestration as it went into affect Oct 1<sup>st</sup> which includes a 7.2% statewide cut to Social Services Block Grant
  - Looming federal debt ceiling issue on October 17<sup>th</sup>
  - Lack of federal staff due to furloughs to provide information to state on several fiscal issues
- State believes shut down will last at least through the debt ceiling deadline on October 17<sup>th</sup>

Ms. Cannon stated it appears counties may be at risk from now until October 17<sup>th</sup> which will involve a significant amount of money. Ms. Cannon also stated Ms. Jackson will meet with her budget and finance staff immediately to come up with some strategies to present to county management. Ms. Cannon stated there are significant issues that will need to be addressed and she wanted to be sure the committee was made aware.

Commissioner Council inquired regarding the impact to the Public Health Department. Ms. Cannon stated Health Department Director Buck Wilson was still awaiting information from the state as they continued their contact with federal agencies. Discussion followed.

Commissioner Faircloth asked whether the county would be reimbursed after the fact. Ms. Cannon stated Ms. Troutman spoke with DHHS Deputy Secretary for Human Services Sherry Bradsher who was not optimistic based on her contacts at the federal level that they would be in a position to provide reimbursements. Commissioner Faircloth inquired regarding options available to the county. Ms. Cannon stated one strategy would be to look at expenditures from the county's operating budget and the fund balance.

Discussion followed about whether Social Service employees should be put on notice. Commissioner Faircloth asked that the full board receive recommendations from staff at its Monday, October 7, 2013 meeting. Commissioner Faircloth stated he was not excited about the county picking up federal funding since there is a chance the county may not be reimbursed.

There being no further business, the meeting adjourned at 11:15 a.m.