

CUMBERLAND COUNTY FINANCE COMMITTEE  
NEW COURTHOUSE, 117 DICK STREET, 5TH FLOOR, ROOM 564  
JANUARY 7, 2014 - 8:30AM  
SPECIAL MEETING MINUTES

MEMBERS PRESENT:       Commissioner Marshall Faircloth, Chairman (arrived 8:40 a.m.)  
                                  Commissioner Kenneth Edge  
                                  Commissioner Billy King

OTHER COMMISSIONERS

PRESENT:                   Chairman Jeannette Council  
                                  Commissioner Jimmy Keefe (departed 9:00 a.m.)  
                                  Commissioner Ed Melvin

OTHERS:

James Martin, County Manager  
Amy Cannon, Deputy County Manager  
James Lawson, Assistant County Manager  
Rob Hasty, Assistant County Attorney  
Melissa Cardinali, Finance Director  
Sally Shutt, Chief Public Information Director  
Elizabeth Keever, Chief District Court Judge  
Howard Lloyd, Sheriff Office's Finance Department  
Thelma Matthews, County Purchasing  
Tim Kinlaw, Cumberland County Schools Associate Superintendent  
                                  of Auxiliary Services  
Candice White, Clerk to the Board  
Press

Commissioner Edge called the meeting to order and stated the election of the Chairman for the Finance Committee would be deferred until Commissioner Faircloth arrived.

1.       APPROVAL OF MINUTES – NOVEMBER 7, 2013 MEETING

MOTION:       Commissioner Edge moved to approve the minutes.

SECOND:       Commissioner King

VOTE:         UNANIMOUS (2-0)

2.       CONSIDERATION OF A COUNTY GRANT APPLICATION FOR A VETERANS' TREATMENT COURT

BACKGROUND:

As you may recall, the Board of Commissioners gave approval, last January, for the county to be the applicant for Veterans' Treatment Court grant funding through the Bureau of Justice. The county's application was not selected for funding at that time. The court system remains committed to establishing this treatment court and has

identified another grant opportunity through the Governor's Crime Commission (GCC). A request has been made for the county to be the applicant again in this grant request. The GCC requires a 25% cash match for their grant funds.

Previously our Mental Health Department allocated funding to the court system to operate Sobriety Court, and this funding was again included in our FY2014 budget. In September, the county was notified that our Sobriety Court was awarded grant funds from the Governor's Highway Safety Program. In the event the county is successful in securing a GCC grant, the 25% cash match could be met through the available county funding appropriated for Sobriety Court.

**RECOMMENDATION:**

Approval for the county to be the grant applicant for the Governor's Crime Commission grant for a Veterans' Treatment Court and commit available county funding appropriated for Sobriety Court, to meet the required 25% cash match.

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Amy Cannon, Deputy County Manager, clarified the funds allocated by the Mental Health Department were for the total amount needed to operate the Sobriety Court. Ms. Cannon stated the allocation was included in the county's FY2014 budget and is available to be used as the match to the grant for a Veterans' Treatment Court.

Elizabeth Keever, Chief District Court Judge, stated this is a three-year grant that is renewable each year and the match increases each year. Judge Keever stated this year's match will be 50%. Judge Keever also stated the county will be expected to pick up the full amount in the fourth year. Ms. Cannon stated the total cost may be between \$60,000 to \$70,000 with anticipated grant funds in the amount of \$45,000 and a match in the amount of \$17,000.

Questions followed. Ms. Cannon explained a budget revision to allocate funds for Veteran's Treatment Court will follow if the grant is awarded and if the grant is not awarded, the funds will stay in the General Fund.

At the request of Commissioner Edge, Judge Keever provided an overview of the staffing and operation of a Veterans' Treatment Court and stated this money is to pay a coordinator to coordinate volunteers, random drug testing and court sessions. Judge Keever stated there is close involvement with the Veterans Administration Hospital and arrangements have been made with the Family Life Center to provide mental health treatment for veterans who do not have VA benefits available. Judge Keever stated this is a fully rounded program to get veterans back on track and stop the pattern of criminal behavior that keeps them in the jail.

**MOTION:** Commissioner King moved to approve the county to be the grant applicant for the Governor's Crime Commission grant for a Veterans' Treatment Court.

**SECOND:** Commissioner Edge

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

Commissioner Edge asked Judge Keever to provide an update periodically once the Veterans' Treatment Court gets established.

3. ELECTION OF FINANCE COMMITTEE CHAIRMAN

MOTION: Commissioner King moved to appoint Commissioner Faircloth as Chairman of the Finance Committee.  
SECOND: Commissioner Edge  
VOTE: UNANIMOUS (3-0)

4. CONSIDERATION OF REQUEST FOR SIX ADDITIONAL SCHOOL RESOURCE OFFICERS

BACKGROUND:

The General Assembly has allocated funds to pay for the salaries of additional school resource officers on a recurring basis, to be distributed by the Department of Public Instruction (DPI). The Board of Education (BOE) has been awarded \$168,000 for the salary expenses of six new officers for a two-year period. These additional positions will provide security for elementary schools, by adding one officer to each of the high school districts or attendance areas. Each officer will cover five elementary schools.

This grant of \$168,000 will fund 50% of the recurring salary costs for these positions. For the first year, the remaining amount will be funded 75% from the BOE and 25% from the Sheriff's NC Controlled Substance Tax funds. In addition, funds in the amount of \$228,000 are required to provide the equipment and vehicles for these positions. This one-time expenditure is funded 50% from the BOE and 50% from the Sheriff's NC Controlled Substance Tax funds.

In summary, the first year 50% match requirement is being provided by the BOE and the Sheriff. For year two and future years, management intends on including the match or any costs not covered by a grant, as a cost that is covered (like other local expenses) by a school funding agreement.

RECOMMENDATION:

Approve the associated budget revision and request to increase the security for elementary schools provided by the school resource officers, through the grant funding provided by General Assembly.

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James Martin, County Manager, stated since the agenda was published, it has been learned that the State has agreed to award the salary expenses for an additional three new officers. Mr. Martin stated local dollars will be the same for nine officers as it had been for six. Amy Cannon, Deputy County Manager, reviewed the background information and recommendation as recorded above. Ms. Cannon stated at this point, the county will not take any funds out of its General Fund because the Sheriff's Office and the BOE will provide the entire grant match. Ms. Cannon explained for year two and future years, it is management's intent to include the local expense in the funding

formula with no additional amount required from the county. Questions followed.

Ms. Cannon stated the DPI added to grant allowing for the BOE to hire nine officers for the elementary schools and will fund two-thirds of the recurring salary costs. Tim Kinlaw, Cumberland County Schools Associate Superintendent of Auxiliary Services, stated the three additional positions will come with additional outlay needs such as vehicles and uniforms, and the BOE has committed to funding 100% of those capital costs.

**MOTION:** Commissioner Edge moved to approve the associated budget revision and request to increase the security for elementary schools provided by the school resource officers through the grant funding provided by General Assembly as amended.

**SECOND:** Commissioner King

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

5. CONSIDERATION OF THE ANNUAL AUDIT CONTRACT

**BACKGROUND:**

Cherry Bekaert (CBH) has submitted their engagement letter for the upcoming audits for fiscal years ended June 30, 2014, 2015 and 2016. The firm has offered the County the ability to minimize costs and take advantage of the updated County staffing structure.

Previously the Deputy County Manager also served as Finance Director in addition to having supervisory responsibility for the internal audit function. Since the duties of Finance Director are now separate from the Deputy County Manager, the County has the opportunity to utilize the Internal Auditor and reduce external audit costs. The proposal by CBH takes advantage of this organizational structure.

The primary expense for the annual audit is a result of the single audit component – the required audit of federal and state funding. Due to the nature of County departments such as DSS, counties typically have a much higher level of single audit requirements than other governmental units. By shifting a portion of the single audit to the Internal Auditor, under the direction of CBH, a cost savings of \$20,000 can be obtained in year one.

	Option 1	Option 2
June 30, 2014	\$115,000	\$ 95,000
June 30, 2015	\$118,800	\$ 98,300
June 30, 2016	\$122,500	\$101,500

The proposal also adjusts the single audit portion depending on the number of programs. The base number of programs in the proposal is 12. For each program under 12, the audit cost will be reduced by \$2,500. Conversely, for each program over 12, the audit cost will increase by \$2,500. It should be noted that CBH performs the annual

audit for the six largest counties in North Carolina. Upon review of these counties, proposed pricing by CBH is extremely comparable.

An additional component of the proposal is the inclusion of a local minority firm, Willie Cooper, Jr., CPA. This relationship has worked well in the past for both CBH and the County. Finally, CBH will be submitting an engagement letter to Global Spectrum for the annual audit at the Crown. CBH is familiar with arrangements such as the one between Global Spectrum and the Crown Coliseum since they already audit the Global Spectrum contract in Durham, N.C., Richmond, and Roanoke, VA.

**RECOMMENDATION:**

Approve engaging Cherry Bekaert to perform the annual audit for Cumberland County for fiscal years ended June 30, 2014, 2015 and 2016 under the option utilizing the County's Internal Auditor (Option 2).

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Melissa Cardinali, Finance Director, reviewed the background information and recommendation as recorded above and responded to questions. Ms. Cardinali explained there is no cost increase under Option 1 and there will be a cost savings of \$20,000 in year one under Option 2.

- MOTION:** Commissioner King moved to approve engaging Cherry Bekaert to perform the annual audit for Cumberland County for fiscal years ended June 30, 2014, 2015 and 2016 under Option 2 utilizing the County's Internal Auditor.
- SECOND:** Commissioner Edge
- VOTE:** UNANIMOUS (3-0)

**6. CONSIDERATION OF OFFICE SUPPLY CONTRACT**

**BACKGROUND:**

Cumberland County Purchasing solicited bids for office supplies earlier in the year. At the time the bids were sent out Mental Health and the Crown Center office supply quantities were included on the bid sheet. Since vendors look at the estimated quantities along with other factors to determine their bid, this overstatement of quantities would be a disadvantage to vendors when compiling their proposal.

A request was made to the Board of Commissioners to reject the bids received and send them back out with corrected quantities. This action was approved at the November 18, 2013 Board of Commissioners meeting. Bids were received December 4, 2013. In this request for proposals, vendors were asked for their best pricing as well as service level.

The results are as follows:

Vendor	Proposed Price (Avg. Based	Delivery Service	Comments
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	on History)		
Forms and Supply	\$70,109.57	Next day delivery	Consultation available by appointment.
Office Max	\$75,194.98	Next day delivery	Reserves the right to not sell at stated discount if they don't make 10%. Consultation service not presented.
Williams Office Environments	\$78,712.99	Will make 2 deliveries per day. Same day on in stock items ordered in the morning	On site consultation with departments. Assembles all items free of charge.

An extremely important consideration in determining the most responsive and responsible bidder is service. Although pricing is estimated to be slightly higher with Williams Office Environments, the service component surpasses all other bidders. In maintaining daily operations, this service level can be critical to County departments.

**RECOMMENDATION:**

Approve Williams Office Environments as the County's office supply vendor based on higher service level provided.

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Melissa Cardinali, Finance Director, reviewed the background information, results of the requests for proposals and recommendation as recorded above.

- MOTION:** Commissioner Edge moved to approve Williams Office Environments as the County's office supply vendor based on higher service level provided.  
**SECOND:** Commissioner King  
**VOTE:** UNANIMOUS (3-0)

**7. CONSIDERATION OF ACCOUNTS PAYABLE SOLUTIONS – ELECTRONIC PAYMENTS**

**BACKGROUND:**

The Finance Department has been researching options to decrease costs in its vendor payment process and has been approached by two banks (Commerce Bank and PNC Bank) who offer options in this area. After extensive interviews with both banks, it was determined PNC offers a more comprehensive package for the County.

PNC's Active Pay program basically replaces check payments to vendors with an electronic payment through the Visa Network. When a vendor chooses to receive their

payment from the County through this network, the County becomes eligible for an annual rebate. According to the analysis by PNC, after full implementation, the County should see a rebate of \$130,000 - \$140,000 annually.

There are several advantages to working with PNC on this project. Advantages include the coordination of the plan to enroll vendors in a manner that prevents 'badgering', weekly reporting, waiving fees for implementation; and 'gently pushing' vendors toward electronic funds transfer (EFT) who reject the Visa Network option. While the EFT option does not contribute to an annual rebate for the County, any movement to electronic payment reduces expenses for the County, so a benefit is derived. Also, the script used for approaching vendors is flexible and will be approved by County Finance prior to implementation.

It should be noted that Commerce Bank provided what they term a rebate 'guesstimate' of about \$170,000 annually. However, Commerce does not coordinate vendor contact. This means that for every client Commerce has, they will call each vendor. Therefore, a vendor could be approached multiple times which could likely result in a negative response from vendors. Additionally, Commerce will not 'gently push' vendors toward EFT payments since there is no direct benefit for the bank in this case.

**RECOMMENDATION:**

Consensus for the Finance Director to work with PNC Bank to implement the Active Pay program and participate in any annual rebate earned.

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Melissa Cardinali, Finance Director, reviewed the background information and recommendation as recorded above. Questions followed. Ms. Cardinali explained implementing the Active Pay program will not change the county's internal processing but because vendors will receive payment through the VISA network, the county gets to participate in the fee which makes payments less expensive for the county and less expensive for the bank. Ms. Cardinali further explained the advantage to vendors is that they receive their money quicker because this is a faster way to move money. Commissioner Faircloth noted that PNC provides the lockbox or bill payment processing for county taxes so the county already has a relationship with PNC. Ms. Cannon stated electronic payments mean the county has to issue fewer checks.

Consensus of the Finance Committee was for the Finance Director to work with PNC Bank to implement the Active Pay program and participate in any annual rebate earned.

**8. UPDATE ON CURRENT REFUNDING OF GENERAL OBLIGATION BONDS**

**BACKGROUND:**

The proposal to refund the remaining 2004 GO bonds was distributed to the Board of Commissioners on November 27, 2013 in lieu of the December 5, 2013 Finance Committee meeting. As stated at that time, these remaining bonds are callable beginning February 1, 2014. By taking advantage of the call dates and current interest

rates, the County is projected to achieve a savings of 9.9% or approximately \$1,400,000 over the next five years.

The County can refund these bonds through the public bond market or through a direct placement. In December, the thought was to do the refunding through the public bond market because this usually yields higher savings. However, in the current interest rate environment there is no advantage to a public sale. The same savings can be achieved with less cost via a direct placement of the bonds.

Therefore, all upcoming actions are geared toward the direct placement method of refunding the debt.

**RECOMMENDATION:**

This item is provided as updated information for the Committee.

DATE	ACTIVITY	PARTICIPANTS
December 5	Finance Committee Meeting	County
December 11	Distribute 1st Draft of Bond Order and Refunding Resolution	BC
By December 20	Distribute 1st Draft of BPA	PC
By January 3	Comments Due on All Documents	All
January 6	BOC Meeting – Introduce Refunding Bond Order Submit LGC Application and Sworn Statement of Debt	County, BC
January 7	Finance Committee Meeting	County, BC
By January 8	Distribute Revised Draft of Refunding Resolution and BPA	BC, PC
By January 10	Publish Refunding Bond Order	County, BC
By January 13	Finalize Refunding Resolution and Provide to County Distribute Revised Draft of BPA	BC PC
January 21	BOC Meeting – Adopt Refunding Resolution	County, BC
February 4	Receive LGC Approval	LGC
February [5]	Lock in Rate Execute BPA	County, FA, P
March [4]	Closing	All Parties

Key	Working Group Participants
County	Cumberland County, NC
FA	Financial Advisor – DEC Associates
BC	Bond Counsel – Hunton & Williams
LGC	North Carolina Local Government Commission
P	Bank/Purchaser – Wells Fargo Bank, N.A.
PC	Co-Bank Counsel – Kutak Rock; Parker Poe

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Melissa Cardinali, Finance Director, reviewed the background information and stated this is an informational item pursuant to the board of commissioners’ January 6, 2014 meeting during which the bond order was introduced and adopted. Ms. Cardinali stated



no further action is necessary, the steps remain the same and action on January 21<sup>st</sup> will still be needed.

## 9. REVIEW OF MONTHLY FINANCIAL REPORT

### Cumberland County Financial Highlights as of November 2013

#### Revenue

- Ad valorem taxes
  - With January 6 due date approaching, still early to have full picture of taxes
  - Historically majority of payments are made in December and early January
- Sales taxes
  - Received only 3 months to date
  - At this time sales tax is on target with budget

#### Expenditures

Through 5 months expenditures are trending as expected. Highlights of variances include the following:

##### General Government Other:

- Emergency Repair to the chiller at the Headquarter Library \$86,811;
- HVAC upgrades to the LEC - \$286,963
- Transfer to the Workers Comp \$500,000

##### Sheriff's Department:

- Bi-annual purchase of vehicles this year for \$1,200,000

##### Library:

- More grants received this fiscal year compared to last fiscal year
  - Grant of \$62,459 for technology materials for special needs children
  - Grant of \$96,700 for new system related to book check-out

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Melissa Cardinali, Finance Director, provided a brief overview of the monthly financial report as recorded above.

## 10. OTHER MATTERS OF BUSINESS

Commissioner Faircloth asked whether a new Sheriff elected in 2014 will come into office at the same salary as the existing Sheriff. Mr. Martin stated he believed that to be the case. Commissioner Faircloth also asked if someone else is appointed as Sheriff, would they start at the base of the scale unless they happen to have experience with the county for which longevity might kick in. Mr. Martin stated in the absence of any other action the board may take with regards to the salary, that would be correct. Mr. Martin stated once the board of commissioners appoints a Sheriff, it can set the salary as long as the minimum is per the grade. Mr. Martin further stated he is unsure as to whether there would be any legal debate about a new Sheriff coming in at the same grade. Commissioner Melvin requested a legal opinion to make sure the board knows the facts and suggested that the county attorney also consult with

the School of Government. Commissioner Faircloth asked to have the information provided in time for the matter to be reconsidered by the board should there be a request to do so. Discussion followed.

There being no further business, the meeting adjourned at 9:25 a.m.