

CUMBERLAND COUNTY FINANCE COMMITTEE  
COURTHOUSE, 117 DICK STREET, 5TH FLOOR, ROOM 564  
JUNE 2, 2016 - 9:30 AM  
MINUTES

MEMBERS PRESENT: Commissioner Larry Lancaster, Chairman  
Commissioner Jeannette Council  
Commissioner Kenneth Edge  
Commissioner Jimmy Keefe

OTHER COMMISSIONERS  
PRESENT: Commissioner Glenn Adams  
Commissioner Faircloth

OTHERS: Amy Cannon, County Manager  
James Lawson, Deputy County Manager  
Tracy Jackson, Assistant County Manager  
Melissa Cardinali, Assistant County Manager  
Sally Shutt, Governmental Affairs Officer  
Rick Moorefield, County Attorney  
Vicki Evans, Finance Director  
Deborah Shaw, Budget Analyst  
Heather Harris, Budget Analyst  
Tammy Gillis, Director of Internal Audit and Wellness Services  
Jeffrey Brown, Engineering and Infrastructure Director  
Gus Simmons, P.E. Cavanaugh and Associates, P.A.  
Greg Montgomery, Clean Source Company Representing N.C.  
Agricultural Finance Authority (Conference Call)  
Candice H. White, Clerk to the Board  
Press

Commissioner Lancaster called the meeting to order.

1. APPROVAL OF MINUTES – MAY 5, 2016 FINANCE COMMITTEE REGULAR MEETING

MOTION: Commissioner Council moved to approve the May 5, 2016 regular meeting minutes.

SECOND: Commissioner Edge

VOTE: UNANIMOUS (4-0)

2. CONSIDERATION OF RESOLUTION AUTHORIZING REALLOCATION OF THE COUNTY'S QUALIFIED ENERGY CONSERVATION BOND ALLOCATION TO THE STATE OF NORTH CAROLINA

**BACKGROUND:**

The North Carolina Agricultural Finance Authority has established a Green Community Program to promote energy conservation, energy efficiency and environmental conservation on agricultural land and in agriculture related industries. This program makes loans to support qualified conservation projects across the state.

Duplin County is working on one such project. NC Southeast Regional Economic Development Partnership is requesting the allocation of qualified energy conservation funds from neighboring counties be transferred to the Duplin County project as part of regional support for that project.

Cumberland County has no eligible projects identified. While there is currently no sunset on the funds, any outstanding allocation is at risk if there is a change in administration at the federal level. At the project level, Mary Nash Rusher, Bond Counsel, will hold all resolutions until the project is funded. If the project is not funded, the collective resolutions will be destroyed. This will insure that the funds allocated for Cumberland County will remain earmarked for Cumberland County should the Duplin County project not go forward.

**RECOMMENDATION/PROPOSED ACTION:**

Approve the resolution authorizing reallocation of the County’s Qualified Energy Conservation Bond Allocation amount of \$1,199,996 to the State of North Carolina and request the State to transfer such Cumberland QECB allocation to the NC Agricultural Finance Authority to be used for one or more qualifying projects located in the NC Southeast Region.

BOARD OF  
COMMISSIONERS OF  
[NAME] COUNTY  
Excerpt of  
Minutes of  
Meeting on  
[DATE]

Present: Chairman presiding, and Commissioners \_\_\_\_\_

Absent: \_\_\_\_\_

\* \* \* \* \*

The following resolution was discussed and its title was read:

**RESOLUTION AUTHORIZING REALLOCATION OF THE  
COUNTY’S QUALIFIED ENERGY CONSERVATION BOND  
ALLOCATION TO THE STATE OF NORTH CAROLINA**

WHEREAS, Section 54D of the Internal Revenue Code of 1986, as amended (the “Code”) authorizes the issuance of qualified energy conservations bonds (“QECBs”) to finance a wide range of renewable energy and energy conservation facilities, all as described in the Code (“Qualified Conservation Purposes”); and

WHEREAS, under the American Recovery and Reinvestment Act of 2009 (“ARRA”) the total amount of QECBs authorized was increased to \$3.2 billion, which was then allocated to each state based on population; and

WHEREAS, the State of North Carolina (the “State”) received \$95,677,000 in QECB allocation, which was then reallocated by the North Carolina Tax Reform Allocation Committee (“TRAC”) in accordance with Section 54D of the Code and IRS Notice 2009-29 to “large local governments” (i.e. cities and counties with more than 100,000 in population); and

WHEREAS, Cumberland County (the “County”) qualifies as a “large local government,” and as part of the reallocation process, the County received from TRAC \$1,199,996 allocation (the “Cumberland QECB Allocation”); and

WHEREAS, the County does not anticipate using its QECB allocation for a Qualified Conservation Purpose; and

WHEREAS, the County understands that the North Carolina Agricultural Finance Authority (the “Authority”) has established a Green Community Program to promote energy conservation, energy efficiency and environmental conservation on agricultural land and in agriculture related industries, which makes loans to finance Qualified Conservation Purposes across the State; and

WHEREAS, the County has been requested to reallocate the Cumberland QECB allocation to the State so that the State may in turn transfer the Cumberland QECB Allocation to the Authority for the Authority to use in its Green Community Program to provide a portion of the financing for energy conservation and efficiency projects, including renewable energy projects, which qualify for funding through the Green Community Program; and

WHEREAS, the County is willing to consider such request, but only if the projects financed by the Authority are located within the sixteen (16) county region comprising the North Carolina Southeast Regional Economic Development Partnership (the “Region”) (the “Qualifying Projects” and individually a “Qualifying Project”); and

**NOW THEREFORE BE IT RESOLVED**, by the Cumberland County Board of Commissioners that the County hereby reallocates the Cumberland QECB Allocation to the State, and requests the State to transfer such Cumberland QECB Allocation to the Authority to be used in its Green Community Program to finance one or more Qualifying Projects located in the Region, or otherwise be used for projects in the Region. The officers of the County are hereby authorized and directed to take such action and file such reports and notices as may be required to carry out this resolution.

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Amy Cannon, County Manager, reviewed the background information recorded above and introduced Greg Montgomery, Clean Source Company representing the N.C. Agricultural Finance Authority, who participated by conference call. Ms. Cannon also introduced Gus Simmons, P.E. Cavanaugh and Associates, P.A. and project manager for the Duplin County project. Ms. Cannon stated the NC Southeast Regional Economic Development Partnership is requesting qualified energy conservation bonds from several counties. Ms. Cannon stated the

County's QECB allocation is \$1,199,996 and at present, Cumberland County does not currently have any qualified projects because the bond qualifications are narrowly defined for energy conservation/energy efficiency on agricultural land or agricultural related projects or industries.

Mr. Simmons provided a brief overview of the Duplin County project involving organic waste from five adjoining pig farms that is processed and turned into raw bio gas which is then filtered and turned into 85% methane, the same as natural gas. Mr. Simmons stated the natural gas is then injected into the pipeline that crosses one of the farms, purchased by Duke Energy and eventually turned into electricity.

Mr. Montgomery stated there are no more QECB allocations remaining at the state level which is the reason six jurisdictions within the region are being asked to reallocate their bonds in the amount of \$6.5 million to match the senior debt on this project. Mr. Montgomery explained Duplin County did not receive an initial QECB allocation and there are two banks interested in funding the bonds for this project once they are secured. Mr. Montgomery stated the technology involving organic waste will contribute to the growth of the swine industry by mitigating the waste stream and converting it into a useful resource.

Ms. Cannon stated her understanding in a prior conference call with Mr. Montgomery was that the bond attorney would hold the resolution, it would become null and void if the project did not move forward and Cumberland County would retain its allocation. Ms. Cannon asked Mr. Montgomery whether this was correct. Mr. Montgomery stated that was not correct because the bonds would stay with the Authority who would have 18 months to use the allocation for another project within the region. Mr. Montgomery stated he apologized if he was not clear about this during the prior conference call. Mr. Montgomery stated because Duplin County does not have its own allocation, in order for a project to be deemed within a jurisdiction that holds the allocation, the allocation must be held by the state for the state to transfer to the Authority. Mr. Montgomery stated he would not turn the resolution over to TRAC until all resolutions are in hand sufficient to support the project and with the knowledge that the project was going forward.

Ms. Cannon stated what she is now hearing was missing during the prior conference call in that there is a more limited opportunity to have a hold on Cumberland's allocation. Mr. Montgomery stated the resolution package would not be tendered until there was a high degree of certainty of financial closure. Ms. Cannon stated the background information provided/recorded in the memo above is not fully accurate because it is based on what was heard during the prior conference call.

Ms. Cannon asked whether the project would move forward without all the allocations being sought. Mr. Montgomery stated the project will move forward at a reduced level with a higher risk due to the lack of the credit enhancement to support it. Mr. Montgomery stated one of the benefits of the bonds is that they were designed to incentivize investing to encourage new solutions using existing technology to address critical needs in the energy environmental sectors. Mr. Montgomery stated the bonds are small denominations, have been out there eight years, many counties do not even know they have them and they may be retracted and go away.

In response to a question from Commissioner Keefe, Mr. Montgomery stated a \$1.2 million bond is so small that if it stands alone, it is uneconomical to do anything with it. Mr. Montgomery stated that is why there are 60,000,000 of these bonds scattered across the state that have gone

unused. Mr. Montgomery stated realistically, bond attorneys will eat up one quarter of a \$1.2 million bonding authority with their legal fees.

In response to a question by Ms. Cannon, Mr. Montgomery stated the financial close on the project is in August in order to start construction in the fall, so the plan is to have the resolutions and financing commitments in hand to tender a package to the TRAC committee for a meeting no later than July 14. Questions and discussion continued. Ms. Cannon stated she would like to withdraw her recommendation recorded above.

MOTION: Commissioner Keefe moved to table the matter for further review.

SECOND: Commissioner Council

VOTE: UNANIMOUS (4-0)

### 3. CONSIDERATION OF APPROVAL OF RATE STRUCTURES

#### A. SOUTHPOINT IN THE GRAY'S CREEK WATER AND SEWER DISTRICT

##### BACKGROUND:

In recent months the Public Utilities Division has had an increase in the amount of utility accounts that are past due. The Public Utilities Division mails out several letters to customers and then eventually we take the customer to Small Claims Court, in an attempt to get the customer to pay their bill. This process is lengthy and costly and the Public Utilities Division does not recoup any fees. We are requesting to have a processing fee and administrative filing fee added to the amount owed by the customer to help recoup the cost, as well as, stop the same customers from continuing to be late without any consequences. The processing fee would cover the preparing, printing and mailing of the collections letters and the administrative filing fee would cover the preparation of the Small Claims documents.

The Public Utilities Division is also requesting to add a \$25.00 disconnect fee to the rate structure for Southpoint, to cover the cost of disconnecting customers from the water system who have not paid their bill for usage.

The current rate structure for Southpoint includes a construction phase tap fee rate and a future services tap fee rate that needs to be removed from the rate structure to avoid confusion from customers that want to connect to the system and have not paid a tap fee. The rate structure does have the cost for extending a water lateral and main extension.

##### Southpoint Rate Changes:

Add Processing Fee per Collection of \$30.00

Add Administrative Filing Fee per Collection of \$100.00

Add Disconnect Fee of \$25.00

Remove Construction Phase Tap Fee Rate

Remove Future Services Tap Fee Rate

**RECOMMENDATION/PROPOSED ACTION:**

The Engineering and Infrastructure Director and County Management recommend that the Finance Committee approve the rate structure for Southpoint and to place the item on the agenda of the June 20, 2016 Gray’s Creek Water and Sewer District meeting for approval.

**AVAILABILITY FEE**

Availability Fee – Non-connected customers \$12.00  
 (As referenced in the Cumberland County Water & Sewer Ordinance)

**WATER RATE SCHEDULE**

**RESIDENTIAL RATE**

|                          |                           |
|--------------------------|---------------------------|
| First 2,000 Gallons      | \$22.00 Minimum           |
| Next 4,000 Gallons       | \$11.00 per 1,000 Gallons |
| Next 2,000 Gallons       | \$12.00 per 1,000 Gallons |
| Next 2,000 Gallons       | \$13.00 per 1,000 Gallons |
| Next 40,000 Gallons      | \$14.00 per 1,000 Gallons |
| Next 50,000 Gallons      | \$15.00 per 1,000 Gallons |
| All Over 100,000 Gallons | \$16.00 per 1,000 Gallons |

**MONTHLY CHARGE**

**COMMERCIAL RATE**

|                            |                           |
|----------------------------|---------------------------|
| User Fee:                  | \$33.50                   |
| First 50,000 Gallons:      | \$13.00 per 1,000 Gallons |
| Next 50,000 Gallons:       | \$14.00 per 1,000 Gallons |
| Next 900,000 Gallons:      | \$15.00 per 1,000 Gallons |
| All Over 1,000,000 Gallons | \$16.00 per 1,000 Gallons |

**MONTHLY CHARGE**

**OTHER FEES**

|  |          |
|--|----------|
| Late Penalty   | \$10.00  |
| Processing Fee per Collection Action   | \$30.00  |
| Administrative Filing Fee per Collection Action  | \$100.00 |
| Activation/Transfer Fee<br>(One-time fee for creating new account or<br>Transferring service to another location)        | \$20.00  |
| Reconnect Fee- Business hours<br>(Administrative charge to re-establish service after<br>discontinuance for non-payment) | \$25.00  |
| Disconnect Fee<br>(Administrative charge to discontinue service for<br>non-payment)                                      | \$25.00  |
| After-Hours Reconnect Fee<br>(Available until 9:00 pm)   | \$75.00  |

|  |   |
|--|---|
| Special Meter Reading<br>(Performed at request of customer;<br>no charge if initial reading was over-read)   | \$10.00   |
| Meter Verification Fee<br>(Meter removed and taken to testing facility;<br>performed at written request of customer;<br>no charge if meter over-registers by more than 5%) | \$50.00   |
| Flow Test  | \$50.00   |
| *Returned Check Fee  | \$25.00<br>+ <b>Amount of check - CASH, MONEY ORDER OR<br/>CERTIFIED CHECK ONLY</b> |

**TAP FEE SCHEDULE**

**TAP-ON FEES (To Include Irrigation)**

(1) Construction-Phase Rate:

The tap-on fee during the construction of the water distribution system will be as follows:

| <u>Meter Size</u> | <u>Established Fee</u> |
|-------------------|------------------------|
| ¾ inch            | \$50.00                |
| 1 inch            | \$100.00               |
| Larger than 1”    | Standard Rate          |

(2) Future Services:

Customers not wishing an immediate connection to the water system, but who wish to take advantage of the discounted tap-on fees available during the construction phase may sign up for a “future service” tap at the following rates:

| <u>Meter Size</u> | <u>Established Fee</u> |
|-------------------|------------------------|
| ¾ inch            | \$150.00               |
| 1 inch            | \$250.00               |
| Larger than 1”    | Standard Rate          |

Future Service rates apply only during the construction phase of the distribution system. With a “Future Service” tap, a meter is not installed until requested by the customer.

(3) Water Laterals

An estimate shall be given to the applicant prior to installation and shall be paid by the applicant prior to any installation of laterals to be connected to the water system. All charges include labor, equipment and materials required for the installation of the specified pipe size or sizes.

(4) Main Extension Charges:

An estimate shall be given to the applicant prior to installation and shall be paid by the applicant prior to extending the main in the water district. All charges include labor, equipment and materials required for the installation of the specified pipe size or sizes.

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Jeffrey Brown, Engineering and Infrastructure Director, reviewed the background information, rate structure and fee schedule recorded above. Mr. Brown highlighted Southpoint rate changes as follows:

- Add Processing Fee per Collection of \$30.00
- Add Administrative Filing Fee per Collection of \$100.00
- Add Disconnect Fee of \$25.00
- Remove Construction Phase Tap Fee Rate
- Remove Future Services Tap Fee Rate

Mr. Brown responded to questions.

MOTION: Commissioner Keefe moved to approve the rate structure for Southpoint in the Gray's Creek Water and Sewer District.

SECOND: Commissioner Council

VOTE: UNANIMOUS (4-0)

B. NORCRESS WATER AND SEWER DISTRICT

BACKGROUND:

In recent months the Public Utilities Division has had an increase in the amount of utility accounts that are past due. The Public Utilities Division mails out several letters to customers and then eventually takes the customer to Small Claims Court, in an attempt to get the customer to pay their bill. This process is lengthy and costly and the Public Utilities Division does not recoup any fees.

We are requesting to have a processing fee and administrative filing fee added to the amount owed by the customer to help recoup the cost, as well as, stop the same customers from continuing to be late without any consequences. Currently the customers do not pay any additional fees to NORCRESS for being delinquent. The processing fee would cover the preparing, printing and mailing of the collections letters and the administrative filing fee would cover the preparation of the Small Claims documents.

The Public Utilities Division is also requesting to change the fee for the installation of an elder valve to actual cost of installation plus ten percent (10%) instead of the current \$1,000.00 that is stated in the rate structure for NORCRESS. The current rate does not cover any unforeseen issues that may occur during installation of the valve. PWC installs the elder valves at the County's request and then in turn invoices the County for



the cost of installation. The cost of installation varies dependent on the depth of the sewer line, soil conditions, location of the elder valve, etc. Once the elder valve is installed and the customer brings their account up to date and service is restored, there remains a possibility of the customer becoming delinquent in the future. If that occurs, the customer will be disconnected from the system. Therefore, the Public Utilities Division is requesting to add a \$25.00 disconnect fee to the rate structure for NORCRESS to recover costs associated with this disconnection.

The current rate structure for NORCRESS does not have a commercial sanitary sewer rate for zero usage for commercial properties. Currently the rate structure is based off of the usage for the debt service and lift station maintenance fee. The Public Utilities Division is requesting to add a Zero Usage Debt Charge of \$9.65 and a Zero Usage Lift Station Maintenance Fee of \$2.00. This rate is the same amount that is charged to a residential customer that pays for debt service.

**NORCRESS Rate Changes:**

- Add Processing Fee per Collection of \$30.00
- Add Administrative Filing Fee per Collection of \$100.00
- Change Elder Valve installation cost from \$1000.00 to Actual Cost plus 10%
- Add Disconnect Fee of \$25.00
- Add Zero Usage Debt Charge Fee of \$9.65
- Add Zero Usage Lift Station Maintenance Fee of \$2.00

The NORCRESS Advisory Board approved the above mentioned rate changes at their meeting held on March 29, 2016.

**RECOMMENDATION/PROPOSED ACTION:**

The Engineering and Infrastructure Director, the NORCRESS Advisory Board and County Management recommend that the Finance Committee approve the rate structure for NORCRESS and place the item on the agenda of the June 20, 2016 NORCRESS Water and Sewer District meeting for approval.

**MONTHLY RATE**

The monthly rate shall be the sum of the Usage Charge, Debt Charge and the Basic Facilities Charges.

**RESIDENTIAL SANITARY SEWER RATE SCHEDULE**

- Usage Charge \$6.50 per MGAL  
(Usage Charges per 1,000 gallons = 1 MGAL)
- Debt Charge \$9.65 per customer

Basic Facilities Charges:

| <u>Meter Size:</u> | <u>NORCRESS</u> | <u>Local Town Fee</u> | <u>Lift Station<br/>Maintenance Fee</u> |
|--------------------|-----------------|-----------------------|---|
| 5/8"               | \$1.58          | \$1.75                | \$2.00                                  |

|      |         |        |        |
|------|---------|--------|--------|
| ¾"   | \$1.58  | \$1.75 | \$2.00 |
| 1"   | \$2.26  | \$1.75 | \$2.00 |
| 1 ½" | \$3.20  | \$1.75 | \$2.00 |
| 2"   | \$5.78  | \$1.75 | \$2.00 |
| 3"   | \$9.89  | \$1.98 | \$2.00 |
| 4"   | \$15.59 | \$2.83 | \$2.00 |
| 6"   | \$29.70 | \$4.95 | \$2.00 |
| 8"   | \$46.70 | \$7.50 | \$2.00 |

**COMMERCIAL SANITARY SEWER RATE SCHEDULE**

Usage Charge \$7.00 per MGAL

Debt Charge \$1.00 per MGAL

Basic Facilities Charges:

| <u>Meter Size:</u> | <u>NORCRESS</u> | <u>Local Town Fee</u> | <u>Lift Station Maintenance Fee</u> |
|--------------------|-----------------|-----------------------|-------------------------------------|
| ¾"                 | \$1.58          | \$1.75                | \$1.00 per MGAL                     |
| 1"                 | \$2.26          | \$1.75                | \$1.00 per MGAL                     |
| 1 ½"               | \$3.20          | \$1.75                | \$1.00 per MGAL                     |
| 2"                 | \$5.78          | \$1.75                | \$1.00 per MGAL                     |
| 3"                 | \$9.89          | \$1.98                | \$1.00 per MGAL                     |
| 4"                 | \$15.59         | \$2.83                | \$1.00 per MGAL                     |
| 6"                 | \$29.70         | \$4.95                | \$1.00 per MGAL                     |
| 8"                 | \$46.70         | \$7.50                | \$1.00 per MGAL                     |

**ZERO USAGE COMMERCIAL SANITARY SEWER RATE SCHEDULE**

Debt Charge \$9.65 per customer

Basic Facilities Charges:

| <u>Meter Size:</u> | <u>NORCRESS</u> | <u>Local Town Fee</u> | <u>Lift Station Maintenance Fee</u> |
|--------------------|-----------------|-----------------------|-------------------------------------|
| ¾"                 | \$1.58          | \$1.75                | \$2.00                              |
| 1"                 | \$2.26          | \$1.75                | \$2.00                              |
| 1 ½"               | \$3.20          | \$1.75                | \$2.00                              |
| 2"                 | \$5.78          | \$1.75                | \$2.00                              |
| 3"                 | \$9.89          | \$1.98                | \$2.00                              |
| 4"                 | \$15.59         | \$2.83                | \$2.00                              |
| 6"                 | \$29.70         | \$4.95                | \$2.00                              |
| 8"                 | \$46.70         | \$7.50                | \$2.00                              |

**FLAT RATE SANITARY SEWER SERVICE**

The monthly flat rate shall be the sum of the Flat Monthly Charge, Debt Charge and the Basic Facilities Charges.

|   |                   |                 |
|---|-------------------|-----------------|
| Flat Monthly Charge   |                   | \$31.42         |
|   | <b>OTHER FEES</b> |                 |
| Deposit   |                   | \$100.00        |
| Late Penalty  |                   | \$10.00         |
| Disconnect Fee<br>(Administrative charge to discontinue service for non-payment)                                      |                   | \$25.00         |
| Reconnect Fee- Business hours<br>(Administrative charge to re-establish service after discontinuance for non-payment) |                   | \$25.00         |
| After-Hours Reconnect Fee<br>(Available until 9:00 pm)  |                   | \$75.00         |
| *Returned Check Fee<br>(Amount of check plus return fee - CASH, MONEY ORDER OR CERTIFIED CHECK ONLY)                  |                   | \$25.00         |
| Court Costs   |                   | Actual          |
| Elder Valve   |                   | Actual plus 10% |
| Processing Fee per Collection Action  |                   | \$30.00         |
| Administrative Filing Fee per Collection Action   |                   | \$100.00        |

**CONNECTION FEES AND CHARGES**

1. Standard Tap Fee:

The Standard Tap Fee will be based on the customer's water meter size and will provide NORCRESS Water and Sewer District with funds for long-term system replacement and upgrade.

| <u>Size of Water Meter</u> | <u>Standard Tap Fee</u> |
|----------------------------|-------------------------|
| 5/8"                       | \$670.00                |
| 1"                         | \$1,670.00              |
| 1-1/2"                     | \$3,350.00              |
| 2"                         | \$5,360.00              |
| 3"                         | \$11,720.00             |
| 4"                         | \$20,100.00             |
| 6"                         | \$41,880.00             |
| 8"                         | \$60,310.00             |

2. Sewer Laterals:

An estimate shall be given to the applicant prior to installation and shall be paid by the applicant prior to any installation of laterals to be connected to the sewer system. All charges include labor, equipment and materials required for the installation of the specified pipe size or sizes.

3. Main Extension Charges:

An estimate shall be given to the applicant prior to installation and shall be paid by the applicant prior to extending the main in the sewer district. All charges include labor, equipment and materials required for the installation of the specified pipe size or sizes.

4. Debt Charge:

A Debt Charge equaling the sum of the Availability Charges that would have been paid had the customer connected when the main was first available.

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Mr. Brown reviewed the background information, rate structure and fee schedule recorded above. Mr. Brown highlighted NORCRESS rate changes as follows:

- Add Processing Fee per Collection of \$30.00
- Add Administrative Filing Fee per Collection of \$100.00
- Change Elder Valve installation cost from \$1000.00 to Actual Cost plus 10%
- Add Disconnect Fee of \$25.00
- Add Zero Usage Debt Charge Fee of \$9.65
- Add Zero Usage Lift Station Maintenance Fee of \$2.00

Mr. Brown responded to questions.

MOTION: Commissioner Council moved to approve the rate structure for the NORCRESS Water and Sewer District.

SECOND: Commissioner Edge

VOTE: UNANIMOUS (4-0)

4. CONSIDERATION OF APPROVAL OF THE MEMORANDUM OF UNDERSTANDING BETWEEN NORCRESS AND THE TOWNS OF GODWIN, FALCON AND WADE

BACKGROUND:

In recent months the Public Utilities Division has taken several NORCRESS customers to Small Claims court to seek judgment for nonpayment of their account. There is a fee for taking the customer to court that the Magistrate can state the customer will need to reimburse to the County as part of the customer's judgment. The NORCRESS customers are making payments on their judgments to the individual Towns that they receive the sewer bill from and the Towns have not been collecting the court costs to reimburse the County. This Memorandum of Understanding (MOU) between the Towns and NORCRESS will clarify the procedure for collecting the fees and submitting them to NORCRESS for reimbursement.

The NORCRESS Advisory Board approved the above mentioned Memorandum of Understanding at their meeting held on March 29, 2016.

**RECOMMENDATION/PROPOSED ACTION:**

The Engineering and Infrastructure Director, the NORCRESS Advisory Board and County Management recommend that the Finance Committee approve the Memo of Understanding between NORCRESS and the Towns of Falcon, Godwin and Wade and place it on the agenda of the June 20, 2016 NORCRESS Water and Sewer District meeting for approval.

Memorandum of Understanding  
Between  
Town of Falcon, Town of Godwin, Town of Wade  
and  
NORCRESS Governed by County of Cumberland

This Memorandum of Understanding (MOU) sets forth the terms and understanding between the Town of Falcon, Town of Godwin, Town of Wade (hereinafter referred to as Towns) and NORCRESS Governed by County of Cumberland (hereinafter referred to as NORCRESS) to bill the delinquent sewer accounts according to the rates established by the governing board.

**Background**

The Towns have agreed to bill the sanitary sewer customers for the availability/debt service fee and the sewer usage to the customers in and around their towns for the NORCRESS system, since the sewer system started accepting connections in late 2005.

**Purpose**

This MOU will serve as the framework for cooperation between the Towns and NORCRESS to prevent delinquent accounts from further escalating and the possibility of rate increases system wide to cover losses.

The above goals will be accomplished by undertaking the following activities:

NORCRESS will continue to do the collection letters, Small Claims Actions and NC Debt Set-off.

Towns will add the processing fees, administrative filing fees, disconnect, reconnect and court costs to the accounts and collect the fees on behalf of NORCRESS. Towns will keep five percent (5%) of the processing and administrative filing fees to help off-set their time and cost for collecting such fees.

**Duration**

This MOU is at-will and may be modified by mutual consent of authorized officials from the Towns or NORCRESS. This MOU shall become effective upon signature by the authorized officials from the Towns or NORCRESS and will remain in effect until modified or terminated by any one of the partners by mutual consent.

**Contact Information**

Town of Falcon  
Clifton Turpin, Jr  
Mayor  
P.O. Box 112  
Falcon, NC 28342  
910-980-1355

Town of Godwin  
Willie Burnette  
Mayor  
P.O. Box 10  
Godwin, NC 28344  
910-980-1000

Town of Wade  
Joseph Dixon  
Mayor  
P.O. Box 127  
Wade, NC 28395  
910-485-3502

NORCRESS Governed by County of Cumberland  
Marshall Faircloth  
Chairman  
P.O. Box 1829  
Fayetteville, NC 28302  
910-678-7771

\*\*\*\*\*

Mr. Brown reviewed the background information recorded above.

MOTION: Commissioner Council moved that the Finance Committee approve the Memo of Understanding between NORCRESS and the Towns of Falcon, Godwin and Wade and place it on the agenda of the June 20, 2016 NORCRESS Water and Sewer District meeting for approval.

SECOND: Commissioner Edge

VOTE: UNANIMOUS (4-0)

5. CONSIDERATION OF A REQUEST FOR PROPOSAL FOR BOND COUNSEL

A. REQUEST TO CONTINUE RELATIONSHIP WITH BOND COUNSEL, HUNTON & WILLIAMS, ON OVERHILLS PARK WATER AND SEWER DISTRICT PROJECT

BACKGROUND:

In August 2014, Hunton & Williams began serving as bond counsel to the County for the Overhills Park Water & Sewer District for its upcoming issue of revenue bonds. Although the County plans to pursue a request for proposal (RFP) for bond counsel services, RFP selection is not scheduled to occur before Local Government Commission (LGC) approval of the project financing. This approval is expected to occur on August 2, 2016.

Therefore, the continuation with Hunton & Williams serving as bond counsel on this project is requested. In addition, staff with Hunton & Williams is familiar with this project and outside bond counsel representation has been strongly advised by the state office of Rural Development, United States Department of Agriculture.

RECOMMENDATION/PROPOSED ACTION:

Approve to continue the relationship with Hunton & Williams to represent Cumberland County on the Overhills Park water and sewer district project as bond counsel.

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Vicki Evans, Finance Director, reviewed the background information recorded above. Ms. Cannon stated if the County had to go out for an RFP at this time, it would delay the project by three to four months which would put the project in the winter months.

**MOTION:** Commissioner Edge moved to approve to continue the relationship with Hunton & Williams to represent Cumberland County on the Overhills Park water and sewer district project as bond counsel.

**SECOND:** Commissioner Council

**VOTE:** PASSED (Commissioners Edge, Council and Lancaster voted in favor; Commissioner Keefe voted in opposition)

## B. REQUEST FOR PROPOSAL FOR BOND COUNSEL

### BACKGROUND:

Cumberland County has had a very successful multi-year relationship with Hunton Williams as County bond counsel. Specifically, this relationship has involved firm partners Mary Nash Rusher and William McBride, with Mrs. Rusher as our primary counsel. Both Mrs. Rusher and Mr. McBride are highly respected, highly qualified bond counsel. Recently, Mrs. Rusher and her paralegal joined another law firm. With this event, it seems an appropriate time to review and /or reaffirm the County's relationship with bond counsel.

The bond counsel is an essential member of the County's debt financing team. The bond counsel assures the County and investors that legal and tax requirements relevant to the issue are met. A reputable firm providing a reliable legal opinion, as well as the ability to assist the County in completing transactions in a timely manner, is essential to a successful debt program and the County's credit rating.

Therefore, we would like to issue a Request for Proposal (RFP) to secure proposals from qualified bond counsel. The RFP responses will be reviewed by the County Manager, the County Attorney, the Finance Director and the Assistant County Manager. The top qualified counsel will then be interviewed with a recommendation for bond counsel coming to the August 4 Finance Committee.

### RECOMMENDATION/PROPOSED ACTION:

Recommend that County management issue a Request for Proposal (RFP) to secure proposals from qualified bond counsel and bring forth a recommendation for bond counsel to the August 4, 2016 Finance Committee.

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Melissa Cardinali, Assistant County Manager, reviewed the background information recorded above. Ms. Cardinali stated the County would like to get the process started because there are CIP financings coming forward for CIP projects that the County does not want to delay.

Commissioner Keefe asked whether the RFP would stipulate or give consideration to local bond counsel. Ms. Cardinali stated the RFP is based on qualifications as related to the different types of financing the County may have and although not specifically local, that does not mean that if local meets the qualifications they would not be brought forth as a recommendation. Ms. Cardinali stated the County basically looks at a history of the types of financing a firm has dealt with, their rates, their experiences on a variety of issues and in a County the size of Cumberland it is imperative that bond counsel is experienced in a wide variety of debt issues so the assurance can be taken forward to investors and to the LGC. Ms. Cardinali stated these things are not necessarily local or nonlocal but truly based on qualifications for the County's complexities.

Commissioner Adams inquired regarding a policy relative to local counsel. Ms. Cannon stated that is in the purchasing policy, would relate to service contracts and is a factor to be considered along with the others. Ms. Cardinali explained the RFP will specifically look at a multi-year relationship that is not time specific but is always subject to review, and the RFP states the County can terminate the relationship at any time should there be dissatisfaction with the relationship. Ms. Cannon explained an RFP will not be let every time the County undertakes a financing. Ms. Cardinali stated it is important that bond counsel is familiar with the workings of the County and previous issues as they relate to moving forward. Ms. Cardinali stated once debt is issued it is not over because there are tax implications that go through much longer periods of time depending on maturity and sometimes beyond if a structure is built with certain qualifications and federal money; those implications never go away once the debt is gone.

**MOTION:** Commissioner Council moved that County management proceed to issue a Request for Proposal (RFP) to secure proposals from qualified bond counsel and bring forth a recommendation for bond counsel to the August 4, 2016 Finance Committee.

**SECOND:** Commissioner Keefe

**VOTE:** UNANIMOUS (4-0)

## 6. CONSIDERATION OF A POLICY TO AUTHORIZE THE WRITE-OFF OF INTERNAL AUDIT DISCREPANCIES

### BACKGROUND:

With the addition of another internal audit staff, reviews have been and will periodically be conducted to determine the balance of cash-on-hand compared to book balances throughout the County. The objective is to determine whether procedures and records are proper and adequate and to evaluate whether adequate and effective control processes exist. If/when discrepancies are noted during the reviews, follow-up will need to occur to adjust account balances to actual.

### 1.0 PURPOSE

The purpose of this policy is to establish authority to adjust discrepancies in account balances up to the designated amount as a result of internal audit reviews.



## 2.0 SCOPE

This policy shall apply to account balances for which an audit and/or reconciliation was completed by internal audit staff which results in a discrepancy that cannot be tied back to a particular staff having made the error and after all efforts to correct have been exhausted.

## 3.0 STATEMENT OF THE POLICY

Adjusting financial system account balances as a result of internal audit reviews shall occur after all efforts to correct have been exhausted by the following individuals within the noted limits:

- Finance Director – \$1,000 or less per account
- Board of County Commissioners – amounts greater than \$1,000 per account

## 4.0 IMPLEMENTATION

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

### RECOMMENDATION/PROPOSED ACTION:

Consider the request to adopt the policy to authorize write-off of discrepancies upon internal audit review.

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Ms. Evans reviewed the background information and proposed policy recorded above and stated when the discrepancies came back to her, she did not feel she had the authority to write them off since there was no policy specific to writing off balances. Ms. Evans stated this is what initiated the proposed policy. Ms. Evans provided an example of petty cash subject to audit and stated the policy relates to petty cash and change funds. Ms. Evans stated if the discrepancy could be tied back to an employee, the employee would be responsible but sometimes there have been multiple employees handling cash funds with no way to tie the discrepancy back. In response to a question from Commissioner Adams regarding internal controls, Ms. Evans stated internal controls are now in place and they were outlined in the departmental corrective action plans. In response to a questions posed by Commissioner Edge, Tammy Gillis, Internal Audit and Wellness Director, stated internal audit reports are being filed for review by the Audit Committee.

MOTION: Commissioner Council moved to adopt the policy to authorize write-off of discrepancies upon internal audit review.

SECOND: Commissioner Edge

VOTE: UNANIMOUS (4-0)

## 7. HEALTH INSURANCE MATTERS

### A. UPDATE ON HEALTH INSURANCE ACTIVITIES

**BACKGROUND:**

In advance of significant health insurance plan changes which are effective July 1, 2016, we continue to monitor health insurance claims activity. As of April, claims currently average \$1,747,110 per month. This is definitely lower than the claims level at the beginning of the fiscal year when claims were in excess \$2.2million.

The number of claims has started to increase, as expected, with the impending health insurance plan changes. This seems to be primarily due to a push to obtain specialist visits prior to July 1 when this type of doctor visit will become part of the deductible.

The Weight Watchers at Work program will officially kick off the week of June 6 with approximately 140 participants. With weight being a key factor in the health issues driving claims, this program is another step in the right direction for a healthy lifestyle.

**RECOMMENDATION/PROPOSED ACTION:**

No action required, for information only.

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Ms. Cardinali reviewed the background information recorded above and stated she does not expect to see any movement in claims until after July 1 so the next update will be provided in early fall.

**B. CONSIDERATION OF INCURRED BUT NOT REPORTED (IBNR) BUDGET REVISION**

**BACKGROUND:**

By June 30 of each fiscal year *the County must estimate the dollar amount of claims for services that have been rendered but not yet billed to BCBS for the fiscal year, known as IBNR-incurred but not reported.* The estimate of IBNR is based on 2015-2016 paid medical and pharmacy claims less stop loss reimbursements and consideration of overall claims increase of 13%. This fiscal year, the expenditure budget is not enough to cover the actual claims paid and the IBNR, which is recorded in our books through a journal entry. The projected IBNR amount totals \$2,430,000 for which a budget revision is required.

A budget revision has been prepared to request the movement of general funds totaling \$2,430,000 into the health insurance fund to cover the projected shortfall at year-end. It is anticipated the total will be put back into the general fund (by reversing the journal entry) during the second quarter of FY17. At that time a budget revision will be prepared.

**RECOMMENDATION/PROPOSED ACTION:**

Consensus to move forward to the next scheduled meeting of the Board of County Commissioners and approve the budget revision to move funds from the general fund to the health insurance fund.

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Ms. Evans reviewed the background information recorded above and stated a large dollar amount of claims typically come in at the end of the year and this year, the amount budgeted for retiree and regular health insurance claims is not sufficient to cover the IBNR projection. Ms. Evans stated the projection is \$2.43 million and the request is to approve the budget revision to move funds from the general fund to the health insurance fund in the amount of \$2.43 million. Ms. Evans stated once the IBNR is recorded for audit purposes, the amount is expected to be reversed so that the funds can go back to the general fund around September or October. Ms. Cannon explained it is basically an accrual. Ms. Cardinali explained it is more related to the last quarter than the full year's activity. Questions followed.

MOTION: Commissioner Keefe moved to forward to the next scheduled meeting of the Board of County Commissioners and approve the budget revision to move funds from the general fund to the health insurance fund.

SECOND: Commissioner Edge

VOTE: UNANIMOUS (4-0)

## 8. MONTHLY FINANCIAL REPORT

### BACKGROUND:

The financial report is included as of April 30, 2016. Highlights include:

- Revenues
  - Ad Valorem tax collections are continuing to appear strong.
  - Sales and other taxes are just slightly above collections at this time last fiscal year
  - Sales & service revenues continue to lag but are anticipated to be at budget by year-end
    - Health: Medicaid cost settlement funds have not been allocated. Offset is under restricted intergovernmental.
    - Sheriff: A change in the method of billing is causing the difference when compared with FY15 revenues
- Expenditures
  - General Fund expenditures remain in line with budget and previous year patterns.
- Crown center expense summary/prepared food and beverage and motel tax
  - Total year-to-date event income over operating expenses is trending very close to last fiscal year

### RECOMMENDATION/PROPOSED ACTION:

No action needed – for information purposes only.

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Ms. Evans provided highlights of the monthly financial report as recorded above.

9. OTHER MATTERS OF BUSINESS

There were no other matters of business.

There being no further business, the meeting adjourned at 10:52 a.m.