

**BUDGET WORK SESSION
MAY 19, 2008**

The Pender County Board of Commissioners held a budget work session on Monday, May 19, 2008 at the Pender County Public Assembly Room, 805 South Walker Street, Burgaw, North Carolina.

MEMBERS PRESENT: Chairman David Williams, presiding; Vice Chairman Jimmy Tate; and Commissioners Norwood Blanchard, George Brown and F.D. Rivenbark.

MEMBERS ABSENT: None.

OTHERS PRESENT: David McCole, Finance Officer and Interim County Manager; Glenda Pridgen, Deputy Clerk to the Board; other staff and members of the Press and public.

CALL TO ORDER

Chairman Williams called the meeting to order at 8:45 a.m.

INVOCATION

Chairman Williams offered the Invocation.

PLEDGE OF ALLEGIANCE

Mr. Rivenbark led the Pledge of Allegiance.

Chairman Williams and Mr. McCole welcomed all to the work session.

Mr. McCole gave an overview of his Budget Message and The Pender County Fiscal Year 2008-2009 Budget at a Glance, which are attached to these minutes and incorporated herein by reference as Exhibit A and Exhibit B, respectively. (The full budget can be reviewed at both Libraries, at the County Manager's Office and on the Internet).

Mr. McCole explained the Property Taxes Chart and how property taxes are spent; the Summary of Revenue – General Fund Chart; the Undesignated Fund Balance (General Fund) Chart; Sales, Services & Other Revenues; Intergovernmental Revenues, and Undesignated Fund Balance – Percent of Current Year Expenditures Chart. Mr. Williams said the Property Taxes Chart should be the first page of the budget, Mr. Blanchard said it needs to be on the County Web page and Mr. Williams and Mr. Rivenbark agreed that we need to produce a pamphlet for citizens showing how property taxes are spent, as was done a few years ago. It was noted that with reference to the property taxes, 41% goes to the Schools for current expense and 9% for Capital Outlay (debt/bonds). Mr. Brown suggested combining the two to show that 50% of all property taxes go to the Schools. Mr. Williams said 41% of every property tax dollar received goes to the Schools for operating expenses and the Board of Commissioners has no control on how it is being spent – the School Board has complete control on how it's spent. The Schools' funding was discussed at length. Mr. Tate mentioned the fact that Pender County Schools don't offer Huskins courses, which would be of great value to students. Mr. Williams also suggested having a chart to show what % each department is appropriated versus what they got the previous year.

There was discussion of additional positions, including among others, a Central Receptionist for the Administration Building, to improve customer service in the building. IT Director Eric Harvey spoke on this subject and said the person would serve as receptionist for the entire building and would also be back-up for Ms. Pridgen. Mr. Williams asked if the person would just be a "greeter" and Mr. Harvey said "no." He said the roles of the position are still being defined. Mr. Blanchard asked if the person will be the main number for county offices and Mr. Harvey said it's not for other departments because departments have their own main lines. Mr. Tate thanked Mr. Harvey for his input and said improved customer service is always welcome.

Mr. McCole discussed positions that he propose cutting from the budget, including an Emergency Management Administrative Assistant, Parks and Recreation Groundsworker, Sheriff Deputy Patrol Officer, IT positions, DSS positions, and others. He said there is total of \$444,000 in positions not funded and said he had discussed the cut of the positions with the respective Department Heads and they had worked out compromises. Mr. Tate asked for clarification on positions being cut and Mr. McCole said they are not actually being cut but are positions requested but not funded. He noted that we are losing deputies to New Hanover County for better pay but once the pay study is done, we'll have a better chance of keeping deputies. Mr. Tate asked if we are planning for salary funding after the pay study and Mr. McCole said "yes, we will have \$825,000 to \$850,000 to cover approximately 5% to 6% increases. Mr. Williams asked how the Central Receptionist will be funded and Mr. McCole said from the County Manager's budget. More discussion ensued on this position and it was the consensus that Ms. Pridgen would supervise the position.

Mr. Blanchard asked if we are staying with the same health insurer this year and Mr. McCole said yes. He said the quote we received this year from the current insurer still beats the quote received last year from the other vendor, that we now save \$150,000 in administrative costs and that once we get all personnel in place, we'll look at getting quotes from other insurance companies. Mr. Williams asked if when complaints come in concerning the insurance, are they brought to the insurance company's attention and Mr. McCole responded affirmatively. Mr. Tate said he is concerned how the new company is perceived by employees. Mr. Brown said he gets lots of complaints about the health insurance and said he was more concerned about the services employees would get than about savings. Mr. McCole said there will be "bumps in the road" anytime you change companies and said that when we changed this time, we were told that everything would remain the same as it was with Blue Cross/Blue Shield.

Mr. Tate asked if we have any type of program that we can do surveys to see how employees feel about certain issues, services, etc. He said some employees have good things to say about county services and some not so good. Mr. Harvey said a committee has been formed to assist employees and they are developing a survey to receive employee feedback. He said Mr. Greene initiated this and the committee will continue as a team effort to build employee morale. Mr. Tate and Mr. Brown thanked Mr. Harvey for his efforts.

Mr. Tate asked if the areas Mr. McCole recommended not funding are non-educational. Mr. McCole said that with respect to the Schools, he used the figures presented by the Board of Education back in March and said that the Schools are treated as "kind of a regular county department." School Board Chairman Tom Roper gave an overview of what funding they requested and what is being recommending they get. He said the recommendation includes no salary increases for employees; that none of the funding recommended is going directly for students -- it's all going to buildings' maintenance; that \$0 dollars are recommended for hiring new people; that they requested funding for three School Resource Officers (SRO's) and none are recommended for funding; that there has been no locally funded positions with the Schools since he's been on the Board of Education; that \$358,000 has been cut from public utilities, such as fuel; and that \$308,496 in current expense that would have gone to personnel was not recommended for funding. Mr. Tate asked if the Schools had applied for any grants for SRO's and Mr. Roper said they're not applying for any grants at this time because it is too time-consuming for teachers, principals, etc. and the grant writer they had had to be cut due to non-funding. Mr. Roper said the Board of Education previously asked about getting the 3.5¢ in additional taxes they were promised and Mr. Williams said the 3.5¢ was is to pay for bond debt and is set to kick-in in FY09-10. Mr. Roper said right now the Schools are operating in the "open the building mode" -- they're adding buildings but not adding services to students. Mr. Blanchard said they added 30% for students is what he sees and Mr. Roper said the 30% was used to physically open buildings -- it didn't go to expand services for children. He said they also need to add counselors to contend with the drop-out rate. Mr. McCole said Capital Outlay is within the Public School Capital Fund and this fund has gone from \$1.2 million to \$2.7 million and can be utilized for Capital Outlay.

A break was taken from 10:05 to 10:20 a.m.

Mr. Blanchard asked if we invest with local banks and Mr. McCole said we use N.C. Capital Management. There was discussion of the bond rating and Mr. McCole said the key to bond rating is to keep a healthy fund balance.

It was noted that the Schools can free up some money from projects to help in other more critical areas and was suggested that the Board of Commissioners could help the Schools with their line-items in their budget. Mr. Rivenbark said that years ago, they designated money for the Masters Degree Program and the Schools used it for something else.

Mr. McCole explained each item that contributed to the net growth of \$1.2 million from last year. There was question concerning Public Works request for \$103,000 for smoke detector inspections and Mr. McCole said he would instruct Public Works to send an e-mail to the Board explaining this item. Mr. McCole said that with respect to the Burgaw Sewer Project, Mr. Greene had talked to Town Manager Martin Beach and it was understood that this would be in the FY 09-10 budget. Mr. McCole said we would probably realize a \$500,000 savings in Medicaid this year and that \$750,000 would be needed to help supplement Rocky Point/Topsail Water & Sewer District budget this year. Mr. Williams asked for verification that General Fund monies won't be going into Rocky Top and Mr. McCole said "no."

Mr. McCole said we are "healthy" right now but we do have financial challenges for the future. He said he spoke with Utilities Director Michael Mack and they agreed Finance would get more involved with Rocky Top budget projections, assumptions, etc. He said that by FY 09-10, they hope to have Rocky Top back to being self-sufficient, that the customer base projected last year didn't pan out and that's why Rocky Top is where it is today. He added that the Water Plant also costs more than was first projected and said we have to come up with a way to fund additional costs. Mr. McCole said we are in good financial shape now, but there are "pitfalls" out there.

Mr. Tate asked when will we have actual numbers on the Water Plant and Mr. Mack said we're just in the beginning of the design stage now and will get cost estimates as the project progresses. He said when we get design to 30%, we'll get new numbers. Mr. Tate was concerned about the increases happening every year. Mr. Williams asked when CDM will get to the 30% design stage and Mr. Mack said approximately 75 days. Mr. Mack said we're looking at a construction date of June, 2011, but anything can happen to cause delays. Mr. McCole said we will sell bonds in the spring of 2009; that we will have to come up with a way to pay the interest; that we have no customer base to pay from; and that we will have to look to the General Fund for the first couple years.

Mr. McCole said there are some problems with Capital Projects and sooner or later we will have to deal with them.

Mr. McCole thanked his staff and others for helping get the budget together.

Mr. Williams said if there are any major issues or changes to the budget, we can meet on June 2nd before the regular meeting.

Mr. Tate said there are citizens in various communities that volunteer their efforts and provide much of their own resources and we need to reinvest resources back into these communities. He said he received a letter from the Maple Hill Community Center asking for \$5,000 in funding from the County and he's asking the Board to contribute \$3,000 to them, in addition to \$3,000 for Willard Outreach and \$3,000 for the Atkinson Library. He noted that many of the community groups are housed in old school buildings that belong to them and not to the County, and the building have to be maintained by them. Mr. Blanchard said these buildings are structurally sound but do need maintaining. Mr. Williams spoke about the Turtle Hospital in his district and said if any Commissioner has a request, they can e-mail it to Mr. McCole. Mr. Tate added that he is an advocate for bringing people together.

Mr. Mack discussed Public Utilities and the Enterprise Funds. With respect to the Solid Waste Management Fund, Mr. Mack said the Solid Waste Management Act of 2007 requires a \$2 per ton tipping tax to be paid at the landfill and the Solid Waste Budget can absorb some of this increase, but it will be necessary to increase the tipping fee at the Transfer Station by \$2 to \$66 per ton. He said he's asking the Board to consider the \$2 per ton be paid at the Transfer Station by the consumer, who is mostly commercial. Mr. Blanchard asked where does the \$2 go to at the State and Mr. Mack said the State uses it to clean up old landfills. Mr. Blanchard said Mr. Mack should start notifying the public that the fees will be increased. Mr. Mack said it will be part of the Budget Ordinance and will start July 1, 2008.

With respect to the Rocky Point/Topsail Water & Sewer District, Mr. Mack said there is no other option available to pay the debt service but to increase rates – residential and commercial. Mr. Blanchard verified with Mr. Mack that the problem with Rocky Top didn't develop over the past several months and Mr. Mack agreed that the problem had developed over the past three years. Mr. McCole said that the assumptions in the budget didn't come true, that it wasn't a two-to-three year thing, that the budget showed we would have a customer base to meet the demand but we didn't, and that the revenues should have equaled the expenditures but they didn't. Mr. Mack said Utilities will start to give a monthly report to the Board of all transactions. Mr. Williams said that for the record, Rocky Top's problems were discussed in open session on May 16, 2008 but no one from the Press or public was present. Mr. Mack said that even if there is a rate increase, Pender County's utility rates are still very competitive and that a rate increase will only supplement 25% of the total shortfall.

With respect to the Water/Wastewater Capacity Fees, Mr. Mack said the debt service has been paid for this year but there will be more next year.

Mr. Williams said any major changes in the budget should be presented to Mr. McCole prior to the public hearing on June 2nd. He said we will schedule a tentative short workshop at 2:00 p.m. that day. Mr. Rivenbark suggested we advertise it saying "if needed."

Mr. Tate thanked the Board for considering Ms. Inez Bradt's Pender Pride Project for the full amount. He thanked Chairman Williams and Mr. McCole for an easy budget meeting.

ADJOURNMENT

The meeting was called at 12:10 p.m. for the Board to return at 4:00 p.m. for a regular meeting.

Respectfully Submitted,



Glenda Pridgen, Deputy Clerk to the Board

Reviewed By:



Melinda Knoerzer, Deputy Clerk to the Board