

**PENDER COUNTY BOARD OF COMMISSIONERS
PLANNING SUMMIT**

JANUARY 26-27, 2012

The Pender County Board of Commissioners began a two-day Planning Summit on Thursday, January 26, 2012, at the Public Assembly Room, 805 S. Walker St., Burgaw, NC 28425.

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

MEMBERS ABSENT: None.

OTHERS PRESENT: Rick Benton, County Manager and Clerk to the Board; Glenda Pridgen, Deputy Clerk to the Board; Chris May, Executive Director of Cape Fear Council of Governments; other staff; and members of the Press and public.

WELCOME AND OPENING COMMENTS

Chairman Brown called the meeting to order at 8:55 a.m. and thanked and welcomed all. Mr. Brown noted Mr. May is present to help facilitate the Summit. Mr. Benton noted County Attorney Trey Thurman is in court.

Dr. Michael "Mickey" Duvall of Graham County was introduced. Mr. Brown introduced a resolution to appoint Dr. Duvall as the new Pender County Manager, beginning February 13, 2012. Mr. Rivenbark made a motion to approve the resolution, Mr. Tate seconded the motion and it was approved by a 3-2 vote, with Chairman Brown and Mr. Williams voting in opposition.

Chairman Brown and Mr. Williams told Dr. Duvall that they had nothing against him personally by not voting for him, but they had some other choices with more experience than him. Chairman Brown and Mr. Williams assured Dr. Duvall that he has their full support, now that he is the new County Manager. Mr. Tate and Mr. Rivenbark made remarks concerning the positive things they heard at other functions concerning Dr. Duvall.

Mr. Williams then made a motion to appoint Human Resources Director Amber Parker as Interim County Manager, beginning February 1 through February 12, 2012. Mr. Rivenbark seconded the motion and it was unanimously approved.

The Summit began at 9:00 a.m. Mr. May made opening remarks.

AGENDA ITEMS

Financial & Operational Trends.

Mr. Benton presented, demonstrated by Power Point, and explained this section. This section and some of the highlights included statistics from FY 05-06 – FY 11-12: Tax Base Growth; Property Tax Rate-the Board maintained the same rate for six years and went to Revenue Neutral in FY 11-12; Tax Base Rate of Growth; Ad Valorem Revenues; Undesignated General Fund Balance-dropped on 6/30/11 to help balance the budget and funds set aside for water/commerce park; General Fund Budget-pretty much consistent past few years; Total County Budget; Investment Earnings-discussion ensued; Intergovernmental Revenues-up and down every year because it includes various grants; School Current Expense Funding; % Increase in School Current Expense Funding; School Capital

Outlay Funding; % Increase in School Capital Outlay Funding-approximately \$3 million in additional school funding; Rocky Point-Topsail Water System Expenditures; Rocky Point-Topsail Water System Revenues; Solid Waste Fund Revenues; Solid Waste Fund Expenditures-Board has been discussing relocating the Hampstead Convenience Center and the Transfer Station; DSS Medicaid Clients-DSS Director Dr. Reta Shiver noted an additional 5,000 people that don't have any type of health insurance will be added; DSS Food Stamp Cases; and County Building Permits-large decrease since 2006. There was discussion and questions throughout the presentation.

Capital Facilities-Debt Model.

Mr. Benton presented, demonstrated by Power Point, and explained this section, saying he is presenting two scenarios of the CIP Model-one assuming 0% of DSS reimbursement and one assuming a 62% reimbursement rate on the DSS facility. Highlights of the CIP Model included: Summary of Projects & Assumptions-Law Enforcement/Jail/Detention Building and DSS Building (imminent projects), 2013 Projects, 2015 Projects, Total 2020 Projects and Total Schools Projects; Debt Mix and Projects-99% of the County's existing debt outstanding is for the Schools; Summary of Existing Debt Service; Summary of Debt Service by Project; Growth in Assessed Valuations; Total Revenues Currently Available for Schools; Tax Impact for Schools Only; Tax Impact Analysis for Other Projects (Excluding Schools); Tax Impact Analysis for All Projects; and Tax Impact Summary of Debt Service and Operating of All Projects. With respect to the 2013 projects, the question was asked if the plans are to consolidate the Burgaw Campus with the new Cape Fear Community College Campus and Mr. Benton responded affirmatively. With respect to the Jail and DSS Buildings, Mr. Brown said he wants to have this put on an agenda in the next couple of months for discussion of possible sites.

After a break, Schools Superintendent Dr. Terri Cobb and staff, and Board of Education members were presented. Dr. Cobb introduced to Dr. Duvall School Board Chairman Katherine Herring, Board members Karen Gonzales and Tom Roper, and staff members Betsy Chesnutt and David Smith. Dr. Cobb distributed handouts and delivered a Power Point presentation entitled "Instructional Practices and Budget Update." Dr. Cobb explained this information is what the Board of Education has right now, and it can change at any time with state and federal reductions. The presentation included: What Results are we Getting; Key Initiatives and Programs; People; Local Funding and Student Enrollment-Current Expense & Capital Outlay; Impact of State/Federal Reductions During the Last Four Years; Personnel Supporting 21st Century Classrooms; Reductions at the Central Office-2007-2011; Anticipated Budget Reductions - 2012-2013; Four-Year Comparison; Projected Impact of Reductions; Impact of Increases in Fuel Costs; Impact of Completion of Grants; Projected Need Capital Outlay - 2012-2013; Pender County Schools 5-Year Facility Plan; Population Capacity Planning; Possible Revenue Reduction-\$1.8 in State and Federal; Planning for 2012-2013; and Pender County Schools-The Future in Progress. Some of the issues Board of Commissioners' members, School Board members and others discussed included: the EDGE 9th grade Literacy Program, ALEKS Math Program 3-12, Game Based Learning and other specialty programs; Huskins courses, Masters and Teaching Fellows Programs; limited textbooks; technology versus textbooks; consolidating services with other Departments-such as nurses with the Health Department and DSS; Shop classes; Penderlea School safety; students with disabilities-look at other resources; former Priority One Committee and re-creation of the committee to discuss possible reductions and other special projects; personnel expenses; and operation/maintenance expenses, including costs of charter schools-it is mandatory the Schools have to send a certain amount annually for each student enrolled in a charter school. Mr. Ward asked specifically if we are having trouble getting textbooks, how we can afford specialty programs such as iPods and Gaming. Mr. Roper said

they have money earmarked specifically for technology. Mr. Roper explained some of the specialty programs are initiatives to students who may not be able to go to college who can learn a trade instead, such as the College and Career Readiness Program. Mr. Tate said this is a very proactive step on the part of the School Board. Mr. Tate specifically mentioned Penderlea School security and safety issues and discussion ensued, including the age and layout of the buildings at that school, and a discussion concerning building a new school there or on other property. Mr. Tate asked the School Board to look into possibly obtaining scholarships for students from businesses, through Wilmington Industrial Development (WID). Mr. Ward specifically mentioned the ROTC program and Mr. Smith explained how that program works. Mr. Rivenbark asked for a report on how many teachers actually pursue the \$10,000 scholarship for the Masters Program. Mr. Rivenbark also said he wants it noted by the media that the County does not give money to the Schools; the Board allocates the “people’s” money.

The Board recessed for lunch at 12:00 noon.

After lunch, Mr. Brown noted Mr. Tate and Mr. Ward would not be present for the remainder of the day. Mr. Rivenbark made a motion to excuse Mr. Tate and Mr. Ward, Mr. Williams seconded the motion and it was unanimously approved.

Water-Sewer Fund Financial Analysis & CIP

Utilities Director Michael Mack explained Pender County Utilities and Pender Solid Waste were established to operate as Enterprise-funded entities without reliance on General Fund monies (tax revenue) to sustain the businesses; being Enterprise-funded, there are only two ways to achieve and maintain self-sufficiency: rates and fees collected from customers; without the necessary rates and fees to sustain the Debt Service and Operational & Maintenance expenses, the only other option to remain solvent would be to request a loan from the General Fund; and the Enterprise Funds are now on track to remain self-sufficient. Mr. Mack delivered a Power Point presentation on this section entitled “Water-Sewer Fund - Financial Analysis Update.” The presentation included: Enterprise Revenues; Rate and Fee Analysis; Rate and Fee Analysis Results; Rocky Point/Topsail Water & Sewer District – Water, Assumptions, Revenues, Expenditures & Cash Flow; Scotts Hill Water and Sewer District – Assumptions, Revenues, Expenditures & Deposit to Capital Reserve Fund; Maple Hill Water and Sewer District – Assumptions, Revenues, Expenditures & Cash Flow; Surface Water Treatment Plant – Revenues, Expenditures & Deposit to Capital Reserve Fund; Pender County Utilities-Capital Improvement Plan (CIP); What is a CIP?; What a CIP is not; Pender County CIP (Water-Sewer Funded); Existing Water Infrastructure; and Proposed Water Infrastructure. Mr. Mack explained each topic in detail and answered questions from Board members. Mr. Williams noted Maple Hill Water and Sewer District was the first infrastructure in the County. All Board members present agreed they now have a much clearer understanding of the Water and Sewer Fund.

Pender County’s Financial Performance Indicators

Dr. William Rivenbark of the School of Government, delivered a Power Point presentation on this section entitled “North Carolina Financial Analysis.” Dr. Rivenbark explained: The information being presented was downloaded directly from the School of Government’s database; the information is comparing Pender County to the exact information of the surrounding counties of Columbus, Duplin, and Sampson; and the information comes from audited financial statements. The presentation included: General Fund – Resource Flow-Service Obligation, Dependency, Financing Obligation; Resource Stock-Liquidity, Solvency and Leverage; Governmental Activities – Resource Flow-Interperiod Equity, Financial Performance, Self-Sufficiency, Financing Obligation; Resource

Stock-Liquidity, Solvency, Leverage, Capital; Water and Sewer Fund – Resource Flow-Inteperiod Equity, Financial Performance, Self-Sufficiency, Financing Obligation; Resource Stock-Liquidity, Solvency, Leverage, Capital. Dr. Rivenbark explained each topic in detail, demonstrated charts and graphs showing statistics comparing various components of each category to the other counties, and answered questions from Board members. Board members and others also discussed some of the categories in detail. Board members again agreed they now have a much clearer understanding (of the County’s finances), and stated they wished all members had been present to hear this informative report. Chairman Brown stated this information was very important and that all Commissioners should hear Dr. Rivenbark’s presentation. Chairman Brown asked Dr. Duvall to work with Dr. Rivenbark to bring the presentation back to the full Board of Commissioners.

Mr. Williams and Mr. May commended the School of Government for their assistance to counties in North Carolina.

The Board recessed at 4:15 p.m. on Thursday, and reconvened at 9:00 a.m. Friday morning.

PENDER COUNTY PLANNING SUMMIT – DAY 2
FRIDAY, JANUARY 27, 2012

The Pender County Board of Commissioners met in their annual Planning Summit on Friday, January 27, 2012 at the Public Assembly Room, 805 S. Walker St., Burgaw, NC 28425.

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

OTHERS PRESENT: Chris May, Executive Director of Cape Fear Council of Governments – Facilitator, Rick Benton, County Manager and Clerk to the Board, Michael Duvall, newly hired County Manager, Melinda Knoerzer, Deputy Clerk to the Board; other staff and members of the Press and public.

Chairman Brown reconvened the meeting at 9:06 a.m.

Facilitator, Chris May opened by stating that the Manager would review the budget process, and the goal, at the end of the session, is to have a list of action items that the Board would like followed in the development of the 2012-2013 budget.

FY 12-13 Budget Information

Mr. Benton highlighted that the budget process begins on February 1, the budget should be delivered to the Board of Commissioners on April 27, and the public hearing would be scheduled for May 21.

Mr. Benton presented a pie chart showing the distribution of \$1 of tax from the General Fund and emphasized that only 13 cents of each dollar is discretionary funding is allocated by the Board of Commissioners, with the rest already being mandated by the state, the largest portion of which, 42 cents, goes to the public schools.

During a review of the Capital Development Budget Plan, Mr. Ward asked if there had been any inquiries with regard to the Shell Building and Mr. Benton said there have been two potential proposals. He said they are being handled by Scott Satterfield of Wilmington Industrial Development, and Jimmy Smith of Four County Electric.

While discussing Parks and Community Investments, Mr. Brown asked and Kyle Breuer confirmed that Developers seeking to develop land within range of a planned County park can choose to donate park space in lieu of green space within their developments.

Mr. Benton recommended budgeting \$225,000 for employee cost of living adjustments and said there have been none since 2008 when the adjustment was made on the merits of the Springstead study. Mr. Tate said this is a very dedicated group of employees and he hopes that some type of increase can be seriously considered. Mr. Benton said there are 350 County employees now.

Mr. Ward asked the Sheriff about utilizing monitoring equipment to track lesser offenders, thereby saving money on incarceration. Sheriff Smith said after meeting with the contractor, and consulting

with Counties already using the program, they were not comfortable that it would work for Pender. He said they are now paying \$40/day to house inmates at the New Hanover County Jail.

In a discussion of the projected Health Insurance increase, Ms. Amber Parker, HR Director, stated that only 13 employees had chosen NOT to participate in the Wellness Program and are now paying the \$25/pay period toward their health insurance. Mr. Benton said that the Board could look at an increase in deductible amount, however that means less money for the employees. He also cautioned that any major changes to our plan at this time could trigger health care reform, resulting in the loss of grandfather status, which could lead to increased costs.

Mr. Benton then reviewed Major Departmental Requests, beginning with the cost of the Hampstead Annex Lease which is \$117,297 annually. There was discussion about closing, moving or maintaining this facility at the end of the three year lease.

Ms. Judith Herring explained that the Seven Oaks Developer was due a "Development Fee" (as a "Tax Credit Developer") of \$120,000 at the time the facility was constructed. She said that some, but not all, of this fee was paid, leaving a balance of \$58,294 to be paid. She said the current management company is trying to designate some of this fee in the current operating budget; however the property did not historically earn enough revenue to pay this fee. Mr. Rivenbark inquired about raising the rent. Ms. Herring explained that most rents come from the voucher program and that would have an impact on the overall program. She said the rent was raised in 2010.

Mr. Benton said that Planning and Development is in need of permitting software to pull Planning/Utilities/Environmental Health and the Tax Office all together in one process to make things easier for the public. He said this is long overdue.

In a discussion of the document imaging program needed by Department of Social Services, Mr. Ward asked about the timing. Dr. Reta Shiver explained that the imaging must be phased in with the State conversion to their new system – NC Fast. She confirmed that this work was bid.

Mr. Brown inquired about security for County buildings, including electronic card swipes, etc. Mr. Benton stated that Erik Harvey, IT Director has evaluated the risks and determined that the Health Department and the Administrative Offices (803 and 805 S. Walker St.) are impacted with the most exposure. Mr. Benton also noted that these offices are still not handicapped accessible, but all of this can be addressed as part of the major building repairs.

Pender County Schools - Current Expense and Capital Outlay Funding History: Mr. Benton reviewed the historical data and noted the current county expenditure per student is \$1,692.47 for both categories combined. Mr. Williams said he is concerned with the entire school funding process because until the General Assembly approves their budget, the schools don't know what they are getting, leaving the County in a "guessing" position for their budget. Chris May noted that the State had effectively "stolen" 1 cent of funding away from the County lottery proceeds.

Mr. Benton cautioned that the General Fund balance does not grow anymore like it used to. He recommended using it only for one time expenditures and not for recurring. He also suggested not allowing the fund balance percentage to drop too low. He said that once a threshold has been set and the County deviates from that, this could raise the attention of the Local Government Commission. Mr. May concurred that the LGC looks at the trend over time of how a body manages the fund

balance relative to established policies. Mr. Benton said the County has lost \$4 million in revenues in the past four years, in addition to state actions and the loss of sales tax revenues. Mr. Brown said it will be difficult to manage this year without a tax increase.

In a review of Outside Agency Funding, Mr. Benton said that Ms. Pridgen will mail letters out soon to these entities, asking them to submit their funding requests for 2012/13, and no letters will be sent to the non-profits. Mr. Brown said he is repeatedly asked NOT to provide taxpayer funding for non-profits. The exception he noted was the Dixie Youth organization funding when teams go out of the state to represent Pender County in a national competition.

Solid Waste Fund CIP: Mr. Benton said the fund is self-sufficient; however the rates need to be reviewed annually. He said this CIP includes funding to relocate the Hampstead Convenience Site which could be done this year with a simple lease-purchase. Mr. Williams expressed concern that this be done sooner rather than later for safety purposes. Discussion then turned to the relocation of the Transfer Station with Mr. Rivenbark expressing concern for the flow of trash from the Northwest corner of the County to the Southeast corner and then back again to the landfill. Mr. Benton said that the Rocky Point site is centrally located in the County and would afford enough land to expand to a transfer station operation. The discussion turned to a regional approach and Chris May agreed to invite several surrounding counties to come to a task force meeting to gauge interest in a regional cooperative effort on solid waste issues.

The Board took a break from 10:30 to 10:45 a.m.

Mr. Benton addressed the undesignated General Fund balance and said we are currently \$1.1 million short of the threshold established by Board policy. He said that the County's bond rating was upgraded last year because of our adherence to fiscal policy and cautioned that a downgrade would equate to higher interest rates on bond funding. He said that \$2.6 million has been earmarked in the Wastewater Seed Fund and this will be needed when a customer for the Commerce Park comes along. Mr. Ward asked where the 30% came from and Mr. Benton responded that we looked at other similar counties and 30% seemed reasonable. He said the LGC recommends 8% but that is not very much especially for a coastal county. Mr. Rivenbark recounted the loss of tax revenue when the storms of 1996 blew away a good portion of this county's tax base. Mr. Benton said that bond rating agencies liked the fact that the County was above the 30% policy threshold, and he recommended not going below 25%.

Potential Cost Reductions: Mr. Benton then reviewed a list that he prepared at the request of the board of Commissioners containing 36 areas where the budget could be cut and he specified that he is NOT recommending any of these cuts, but is offering them for consideration. This was a project the Board requested he undertake prior to leaving the County. He provided the results of a survey of similarly sized counties compared to Pender in various areas of funding and staffing. Mr. Tate said he would be interested in seeing some economic studies relative to the funding levels of schools. Mr. Ward said he would like to know the EMS rate information for New Hanover County. He noted that our combined funding for the schools is \$21 million and while we constantly ask County departments to do more with less, we need to have that same discussion with the schools. He said he would like to see the schools' detailed budget. Chris May said it is a good idea to have a strategic planning session with the Board of Education to identify solutions to the funding problem together. Mr. Ward asked Mr. Duvall to set up the meeting. Mr. Tate suggested that if the teachers are not using the Master's Degree funding established by the Board of Commissioners, perhaps County

employees would appreciate having a tuition reimbursement program. Mr. Rivenbark recounted the history of school funding and a time when the County felt it was being threatened with a lawsuit over funding issues, however a study commissioned by the County and the Schools determined that funding levels were appropriate. Mr. Brown said this Board has worked hard to establish a good working relationship with the Board of Education and it is important to maintain that. The Board of Commissioners agreed to evaluate the list to see what, if anything, they could live without and Mr. Brown said he would like to discuss this with the department heads. Ms. Parker cautioned that if all positions proposed were eliminated, the County would incur unemployment costs associated with those layoffs. Mr. Williams asked that the issue of the "Effective Tax Rate" be explored with regard to Lottery proceeds to see if we now qualify for additional funding since the revaluation. Mr. Brown asked for updated Collections Rate information and Mr. Benton said that would be available in March.

The Board provided the following guidance on further development of the budget

- 1) Fund Balance Guidance:
 - a. Establish Threshold of 25% to 30%
 - b. Bring back scenarios for reductions
 - c. Consider budget variables prior to setting limits
- 2) Consider combining taxes and fees to a single tax rate: Including Fire and EMS
- 3) Bring Dr. Rivenbark back for review of his presentation to all board members
- 4) Set Strategic Planning meeting with Board of Education – consider cuts
- 5) Manager to bring back list with options and review.
- 6) Include all capital projects.
- 7) Need justification for why east Annex is necessary
- 8) No non-profit agency funding
- 9) Direction on Water/Sewer rate –incremental this year or hold off
- 10) Meet with department heads
- 11) Meet with Regional Officials on Solid Waste
- 12) Review Volunteer Fire Department requirements and meet with each Fire Department

The Board did not discuss the following items included in the agenda packet:

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| Tab 5) | Major Activities |
| Tab 7) | Strategic Priorities |
| Tab 8) | Economic Development Report – NC Dept. of Commerce |

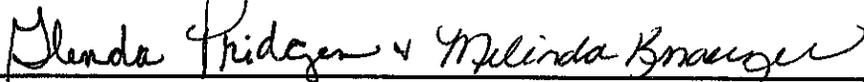
The Board thanked Mr. Benton for his efforts in putting this summit together. Mr. Benton also thanked Dr. Duvall for attending.

All the items, with attachments, are on file in the Clerk to the Board's Office.

ADJOURNMENT

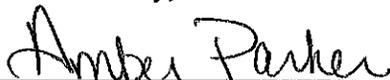
The summit adjourned at 12:15 p.m. January 27, 2012.

Respectfully Submitted,



Glenda Pridgen & Melinda Knoerzer, Deputy Clerks to the Board

Reviewed by,



Amber Parker, Clerk to the Board