

**PENDER COUNTY BOARD OF COMMISSIONERS
BUDGET PLANNING WORKSHOP**

FEBRUARY 4-5, 2013

The Pender County Board of Commissioners began a two-day Budget Workshop at 1:00 p.m. on Monday, February 4, 2013, at the Public Assembly Room, 805 S. Walker St., Burgaw, NC 28425.

MEMBERS PRESENT: Vice Chairman Fred McCoy; and Commissioners Jimmy Tate, Chester Ward and David Williams.

MEMBERS ABSENT: Chairman George Brown.

OTHERS PRESENT: Mickey Duvall, County Manager and Clerk to the Board; Butch Watson, Finance Director; Glenda Pridgen, Deputy Clerk to the Board; other staff; and members of the Press and public.

WELCOME AND OPENING COMMENTS

Dr. Duvall made opening remarks, noting Chairman Brown would not be able to attend the Workshop, due to illness.

AGENDA ITEMS

FINANCIAL & OPERATIONAL TRENDS

Dr. Duvall delivered a PowerPoint Presentation, and he and/or Mr. Watson explained and demonstrated each category. Some of the highlights and statistics included: Tax Base Growth 2007 to 2012; Property Tax Rate-the Board maintained the same rate from FY 06-07 to FY 10-11, and went to Revenue Neutral in FY 11-12 and FY 12-13; Undesignated General Fund Balance-the County's credit rating increased due to maintaining Fund Balance, recommendation to keep the balance the same this year; Undesignated General Fund Balance-Percentage of General Fund Balance; General Fund Budget-major expenditures that caused growth this current year are in Health and DSS, due to federal and state cuts; Total County Budget-up this current year; Investment Earnings-not getting a lot of "bang for your buck" at this time; Intergovernmental Revenues-basically flat this current year; School Current Expense Funding-funding has been really strong since 2009; % Increase in School Current Expense Funding-held the line steady last year-one alternative would be to bring on the 3.5% tax increase from a few years ago; School Capital Outlay Funding-funded same as last year; % Increase in School Capital Outlay Funding; Rocky Point-Topsail Water System Expenditures; Rocky Point-Topsail Water System Revenues-Mr. Mack has on a schedule to pay out themselves; Solid Waste Fund Revenues & Solid Waste Fund Expenditures-Mr. Mack did a good job on making sure these two balance themselves out; DSS Medicaid Clients & DSS Food & Nutrition Cases-the State is going to make a lot of decisions to pass down to local governments and local governments will have to make tough decisions; County Building Permits-up from last year and revenue up on residential and commercial construction. There was discussion and questions throughout the presentation.

CAPITAL FACILITIES-DEBT MODEL

Dr. Duvall introduced Ted Cole and Bob High, Consultants for Davenport and Company, LLC. Mr. Cole delivered a PowerPoint Presentation and him and Mr. High demonstrated and explained each category. The presentation included: **Goals and Objectives; Historical General Fund**

Performance-General Fund Revenues, General Fund Expenditures, General Fund Revenues vs. Expenditures, General Fund Balance, General Fund Balance as % of Revenues, General Fund Balance as % of Expenditures; Peer Group Medians-Peer Comparatives: Peer Comparatives Introduction and Rating Scale; Demographic Statistics: 2010 Population, 2000 Poverty Rate, 2000 Median Home Value, 2010 Unemployment Rate, 2000 Per Capita Income, 2000 Per Capita Income as % of State, 2000 Per Capita Income as % of US, 2000 Median Family Income, 2000 Median Family Income as % of State, 2000 Median Family Income as % of US; Tax Base Statistics: Total Full Value, Average Annual Increase in Full Value, Full Value Per Capita, Top Ten Taxpayers as % of Total; Existing Tax-Supported Debt Profile-Existing Tax Supported Debt Service: Debt Service by Type, Debt Service, Principal by Type; Tax Supported Payout Ratio: 10-Year Payout Ratio, Debt Service, 10-Year Payout Ratio Comparables; Existing Debt Ratios: Debt Per Capita, Debt Per Capita Comparables, Debt to Assessed Value, Debt to Assessed Value Comparables, Debt Service vs. Governmental Expenditures, Debt Service vs. Expenditures Comparables; Decline in Debt Service; Debt Affordability Analysis; Capital Improvement Planning 1-A (Level Principal)-Capital Improvement Planning Cases Overview; Debt Capacity Analysis (Law Enforcement Center, Old Topsail School); Debt Capacity Analysis: Existing and Potential Debt Service, Existing and Potential Principal, Borrowings; Existing and Potential Debt Ratios: Debt Per Capita, Debt to Assessed Value, Payout Ratio, Debt Service vs. Expenditures; Debt Affordability Analysis (Natural Tax Increases); Debt Affordability Analysis (FY 2014 3.5¢ Tax Increase); and Capital Improvement Planning 1-B (Structured Principal)-The same as 1-A, only not paying off as rapidly. Also explained, giving the same scenarios, were Capital Improvement Planning Case 2-A; Case 2-B; Case 3-A, and Case 3-B. Other topics in the presentation were: Summary of Cases; Observations; Next Steps; and Existing Tax-Supported Debt Profile.

Mr. Tate was concerned with the use of thirteen year old census information under the Demographic Statistics. During discussion of raising taxes, Mr. Tate said a tax increase will be necessary this year due to all the debt the County is in. He said he normally promised people he would not raise taxes, but he can't say that this year. Sheriff Smith noted that with reference to the 3.5¢, it is not an increase; the Board was giving the people a tax break by not imposing it. Other discussion included: Funding various scenarios for a new jail and other Capital Improvement projects; funding the Schools; what the Schools are asking for; pursuing historical grants and private foundations to renovate the old Topsail High School; various kinds of grants; and putting financial policy guidelines in place. With respect to grants, Dr. Duvall said historical grants are dying out; Mr. Williams said we don't want a grant from anybody out of County to be able to tell us what we can or can't do in County buildings.

The Board recessed at 3:30 p.m. on Monday, and reconvened at 9:00 a.m. Tuesday morning.

**PENDER COUNTY BUDGET PLANNING WORKSHOP – DAY 2
FEBRUARY 5, 2013**

The Pender County Board of Commissioners continued their annual Budget Workshop on Tuesday, February 5, 2013, 2012 at the Public Assembly Room, 805 S. Walker St., Burgaw, NC 28425.

MEMBERS PRESENT: Chairman George Brown; Vice Chairman Fred McCoy; and Commissioners Jimmy Tate and Chester Ward.

MEMBERS ABSENT: Commissioner Williams.

OTHERS PRESENT: Mickey Duvall, County Manager and Clerk to the Board; Butch Watson, Finance Director; Chris May, Executive Director of Cape Fear Council of Governments-Facilitator; Glenda Pridgen, Deputy Clerk to the Board; other staff; and members of the Press and public.

Dr. Duvall made opening remarks. For the benefit of Mr. Brown, Mr. Cole gave a recap of his presentation from the day before.

AGENDA ITEMS

WATER-SEWER FUND FINANCIAL ANALYSIS & CIP

Utilities Director Michael Mack delivered a PowerPoint presentation and explained and demonstrated each category. The presentation included: Enterprise Revenues-the Enterprise Funds have been self-supporting since FY 10; Rate and Fee Analysis Update; Rocky Point/Topsail Water & Sewer District Assumptions-January 2012 & January 2013; Rocky Point/Topsail Water & Sewer District Water Rates and Fees; Scotts Hill Water & Sewer District (the newest district to obtain water) Water Rates and Fees; Maple Hill Water & Sewer District Water Rates and Fees (no change this year); Surface Water Treatment Plant; Pender County Utilities Capital Improvement Plan (CIP): What is a CIP; What a CIP is not; and a chart of Pender County Utilities Water-Sewer Enterprise Fund CIP. The presentation included maps of existing and proposed water infrastructure. Also included in the packets were Pender Water-Sewer Fund Financial Performance Indicators by UNC School of Government.

For the benefit of Mr. McCoy, Mr. Mack gave a history of all the enterprise funds. There was discussion and questions concerning purchasing water from the Town of Wallace now that the County's water treatment plant is in operation. Mr. Brown noted we want to keep a good relationship with Wallace and keep them as a partner. Mr. Mack said we intend to continue to purchase water from Wallace, just not as much. Other discussion and questions included: Closing of the Coty Plant, who was the County's largest water customer; what customers pay; the County's relationship with USDA; building the water treatment plant-debt service, General Obligation (GO) Bonds and Revenue Bonds; the goal for each district to be self-supporting; sewer capacity to Town of Burgaw; and Maple Hill sewer.

FY 13-14 BUDGET OVERVIEW

Items under Budget Overview included: Budget Calendar; \$1 Property Tax Distribution; Capital Development Budget Plan; Multi-Year Major New Operational Requirements; Departmental Capital Improvement Requests; Outside Agency Funding History; Non-Profit Funding History; Solid Waste Capital Improvement Plan; Fund Balance Update and Recommendation; and School Funding History & State School Information Update. Dr. Duvall and/or Mr. Watson explained each category in detail. With reference to Increase in Operational Expenditures, Human Resources Manager Denise Mulhollen explained unemployment insurance in detail. Other discussion and questions included: Vehicle Replacement Fund; Capital Facilities; funding Outside Agencies and Non-Profit Agencies; funding provided to Topsail Beach for dredging; Industrial Shell Building; DSS Capital Project options; and holding Parks and Recreation funding in Contingency. With reference to the Shell Building, Mr. Brown said he wants to see everything about it – the Partners' participation legally and financially; is the County the only one making payments on it; and what is the purpose of the partnership if no one else is paying. Mr. Brown instructed Dr. Duvall to get the information.

The Board recessed for lunch at 12:00 noon and reconvened at 1:00 p.m.

PENDER COUNTY PUBLIC SCHOOLS: SCHOOL BOARD & SUPERINTENDENT

In attendance from the Schools were Superintendent Terri Cobb, Chairman Karen Rouse, Board member Tom Roper, and other Schools' staff. Dr. Cobb delivered a PowerPoint presentation and explained each category. The presentation included: "What"-Student Achievement, Comparison Data, Funding, Reductions; "Why"-Transparency-Increase Understanding Among Board Members and Increase Understanding Among Community; What Results are we Getting; What are the Challenges; Comparison of Base Population and Average Daily Membership; Student Average Daily Membership; Comparison of Student Achievement; Performance-SAT Scores, Composite EOG, Composite EOC, % Dropout Rate, % Cohort Graduation Rates; Funding-Comparison of Per Pupil Funding, State Funding Per Pupil, Federal Funding Per Pupil, Local Funding Per Pupil, Total Funding Per Pupil; Combined State and Federal Reductions; Position Reductions-staff having to share some duties because of reductions; Local Budget Request-Current Expense and Capital Improvement; Local Funding and Student Enrollment-Current Expense and Capital Outlay; Local Current Expense-Personnel; Current Expense-Operations/Maintenance; Category I Projects-2013-2014; Capital Outlay 2013-2014 Category II; Category III Purchase of Vehicles; Capital Outlay; Total Local Funding; Needs Going Forward; Local Teacher Supplements; How are we Managing the Business of Our Business-Pender County Schools; and Safety Options. Discussion and questions included: Student grade results; children with special needs; SAT scores; capital improvement needs; Low Wealth Funding Formula; Effective Tax Rate; the 3.5¢ tax; Fire & EMS Taxes; exploring the possibility of changing billing and accounting components with respect to taxes; school buses being turned over to counties; the resolution for additional School Resource Officers; developing strategic plan for facilities; Title 1 Schools; bonuses school employees received; cameras and security in the schools; and security issues at Penderlea School. With respect to student grades, Mr. Brown asked if Hispanics that can't speak English impact the grade results. Mr. Roper responded it does, but children with special needs impact grade results more. Mr. Tate said there are children coming into community colleges with reading problems. Dr. Cobb said the 3rd grade is now the gateway and if students don't meet the requirements, they don't go any further. With respect to SAT scores, Mr. Tate said he would like to see a breakdown of SAT scores by schools demographically because there might be some program that can help the less proficient ones. Mr. Tate said he had heard that Rocky Point Primary School was shutting down. Dr. Cobb said there had been discussions of making Rocky Point Primary and Rocky Point Elementary K-5 schools. With respect to school security, Mr. Roper said he had voted to ask the Board for help in getting two new School Resource Offices, but after hearing a briefing by the Newtown, Connecticut Chief of Police on the school shooting, he is an advocate to have a full-time SRO at every school. Mr. Ward agreed that he wants a full-time SRO at every school and asked about using the Sheriff's Office off-duty deputies. Mr. Brown asked Dr. Duvall to give information on the Legislative Goal that was added at the NCACC Legislative Goals Conference. Dr. Duvall distributed the goals and highlighted the referenced goal which was Section PE5: *Authorize the option for counties to acquire, own and construct traditional public school sites and facilities.* Discussion ensued concerning this item including: This request came from Wake County; it was not promoted by Pender County; and it is not for financial purposes. Mr. Brown noted the Board of Commissioners has always had a good working relationship with the School Board and he wants to continue it. Dr. Cobb said they don't really have current budget information yet and the statistics in her presentation were from last year.

FY 13-14 PROJECT PRIORITIZATION AND BUDGET DEVELOPMENT DISCUSSION

Mr. May instructed Board members on prioritizing the major projects included in the packets and discussion ensued. Mr. Brown said he was all for renovating the old Topsail School, but if it is going to cost \$3 million, he may change his mind. Mr. Tate asked about County-wide water and Mr. Mack noted the districts that voted for water will be available to sign up by 2016. It was noted that Columbia/Union voted against district water. The tally sheet for the prioritizations is attached to these minutes and incorporated by reference herein.

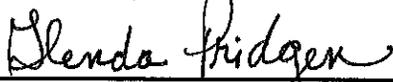
Also included in the packets but not discussed were: Pender Financial Performance Indicators by UNC School of Government, BOCC Major Activities Update and Pender County EDIS Report-Tier Status-Southeast Region EDIS Report.

All presentations are on file with the permanent records in the Clerk to the Board's Office.

ADJOURNMENT

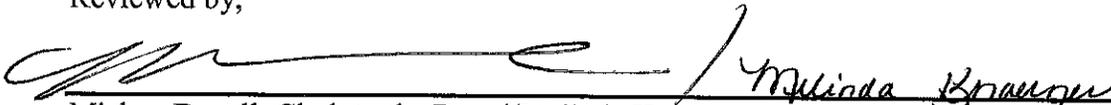
The workshop adjourned at 4:55 p.m. February 5, 2013.

Respectfully Submitted,



Glenda Pridgen Deputy Clerk to the Board

Reviewed by,



Mickey Duvall, Clerk to the Board/Melinda Knoerzer, Deputy Clerk to the Board

POTENTIAL FY 13-14 BUDGET DISCUSSION & PRIORITIZATION ITEMS

Please discuss and rank the following major projects with "1" being
Top Priority and "5" being the least priority

- 1 Pender County Financial Policy Adoption to Preserve Existing Credit Ratings
- 3,4,5,5 Public School Funding for Renovation of Existing Facilities & New Construction
- 2,4 Add on 3.5 cent tax increase for the past 2008 School Bond
- 3,4,4 Old Topsail School Renovation (based on current information/follow-up info
Including space plan forthcoming)
- 2,2,3,3 Capital Project Funding (New Jail/LEC Complex)
- 4,4 Capital Project Funding (New DSS Building)
- 5,5,1,3 Outside Agency Funding
- 5 Non-Profit Funding
- 2,2,5 Employee Salary Adjustment (per new Salary Study/Pay Plan), Employee COLA
(Phased in over 3 years-estimated at \$300,000 per year for Salary Adjustment & COLA)
- FY 13-14 Tax Rate Target at 3.5% (add on the 3.5 cent tax increase as originally
promised for the 2008 School Bonds this year)

***Please use remainder of page and back for any additional initiatives and make sure to
priority rank 1-5.

POTENTIAL FY 13-14 BUDGET DISCUSSION & PRIORITIZATION ITEMS

Please discuss and rank the following major projects with "1" being
Top Priority and "5" being the least priority

5 Pender County Financial Policy Adoption to Preserve Existing Credit Ratings

4 Public School Funding for Renovation of Existing Facilities & New Construction

2 Add on 3.5 cent tax increase for the past 2008 School Bond

3 Old Topsail School Renovation (based on current information/follow-up info
including space plan forthcoming)

1 Capital Project Funding (New Jail/LEC Complex)

_____ Capital Project Funding (New DSS Building)

_____ Outside Agency Funding

_____ Non-Profit Funding

_____ Employee Salary Adjustment (per new Salary Study/Pay Plan), Employee COLA
(Phased in over 3 years-estimated at \$300,000 per year for Salary Adjustment & COLA)

_____ FY 13-14 Tax Rate Target at 3.5% (add on the 3.5 cent tax increase as originally
promised for the 2008 School Bonds this year)

***Please use remainder of page and back for any additional initiatives and make sure to
priority rank 1-5.