

**PITT COUNTY BOARD OF COMMISSIONERS
MINUTES FOR JUNE 6, 2001**

The Pitt County Board of Commissioners met in a recessed session on Wednesday, June 6, 2001, at 4:00 p.m. in the Commissioners' Auditorium, Pitt County Office Building, 1717 W. 5th Street, Greenville, North Carolina.

Commissioners present:

David Hammond, Chairman
Glenn Bowen, Vice Chairman
Tom Coulson, Commissioner
Eugene James, Commissioner
Tom Johnson, Commissioner
Mark Owens, Commissioner
Randy Royal, Commissioner
Terry Shank, Commissioner
Beth Ward, Commissioner

Staff present:

Thomas B. Robinson, County Manager
JoAnne Burgdorff, County Attorney
Susan J. Banks, Clerk to the Board
Arlen Holt, PIO and Cable Coordinator
Melonie Bryan, Director of Financial Services
John K. Bulow, Assistant County Manager

Call to Order

Chairman Hammond called the recessed session to order at 4:00 p.m. and welcomed everyone present. He stated the purpose of this session was to discuss the budget for the coming year.

Mr. Robinson said the Board asked for a budget proposal with no tax increase.

Manager's Presentation of Alternative Budget Proposals - Tom Robinson

1. No Tax Increase, Hold Spending to Available Revenues - Tom Robinson
2. No Tax Increase, Use Fund Balance to Offset 3 cent tax increase to fund modified Manager's recommended budget - Tom Robinson
3. Manager's recommended budget with 3 cent tax increase

Mr. Robinson said he had a proposal that cuts expenditures down to the revenues. He presented Budget Scenario A.

He stated he re-looked at new positions and cut them. Vice Chairman Bowen said he thought the Manager was supposed to bring back a budget using the fund balance, and not cuts, to balance the budget. He said if the Board is opposed to cuts he would make a motion to eliminate this proposal. Chairman Hammond said that the Board instructed the Manager to propose a budget without a tax increase. The Board members agreed. Commissioner James said he was not in favor of cuts but was in favor of using fund balance.

Vice Chairman Bowen **motioned** that services not be cut as in the scenario A. Commissioner James seconded the motion. Commissioner Coulson said that this Board has discussed an increase in sales tax. He said there is fund balance available. He

stated he had been told that Mental Health has \$1.7 million in the black and some money could be taken from their budget to balance the budget. He spoke of the budget deficit and trouble balancing the budget. Commissioner Coulson said he was appalled about raising taxes with all the money at the Board's disposal. He said he had received a call from a lady named Hazel who could not afford the extra \$30 a month in taxes and asked him not to raise her taxes. He said that 82% of the people pay the expense and only 8% benefit from the services. He said the reductions should not come from the Sheriff's Office or the Schools. He asked about the responsibility of the department heads to come up with savings in their budgets. He stated he would not vote to increase the tax rate and he was looking for cuts in services, encouragement to staff to save money, and looking at the fund balance to balance the budget. Commissioner Ward said she spoke to the lady named Hazel also, who actually said her taxes would increase \$27 a year, not a month. Commissioner Owens said the Manager was supposed to look at all the aspects of the budget and felt Commissioner Bowen's motion was premature. He said he would like to hear Manager's proposal.

Commissioner James said reductions should not be considered from education, Detention Center, or Pitt Community College. He said under no condition would he vote for a tax increase. Cuts are needed but not the ones proposed. Some cuts could be made in other areas. Vice Chairman Bowen said these cuts are a scare tactic and none of the Board members suggested these cuts. Commissioner Shank said the Board did not give the Manager specifics about how to balance the budget and he did what was available to him.

Vice Chairman Bowen and Commissioner James withdrew the motion and second.

Mr. Robinson said he would welcome commissioners giving other areas for cuts if those presented are not satisfactory. The positions cut are not currently occupied positions. Nonprofit agencies were added back in based on the Board's instructions. He reviewed each area of the deductions in Scenario A. He then presented Scenario B which provides the use of fund balance to balance the budget. Mr. Robinson said he was trying to hold down use of fund balance and was trying to only use it for one-time expenses. He said \$1.7 million in fund balance would be used along with the addition of the \$16,000 in no-profits requests that were added back to the budget and then deducted \$100,000 in interest earnings. He said this would cause more problems next year instead of this year if fund balance is used. The impact next year will be felt in Medicaid, increase in health care cost, education compact, and other areas. The budget will have a deficit of \$1.5 million next year also if fund balance is used and funds not added back. There was a permanent shortage in revenue to cover the budget. There were too many expenses for the revenues available. If fund balance is used this year, he was concerned about where's the money will come from next year.

Chairman Hammond asked about the \$5 million in expenses from the flood. Mr. Robinson said the State and Federal government have indicated that they are trying to get a check to the County before the end of the fiscal year. He stated if the budget deficit is not addressed this year, there will need to be a 7 to 8 cents tax increase next year. The Hospital revenues will be needed next year to balance the budget.

Mr. Robinson said he was trying to explain the ramifications of not increasing the taxes this year. Ms. Bryan said she sent a very nasty letter to FEMA about the lack of timely flood reimbursements. This correspondence caused Eric Tolbert to come to Pitt County. Those funds do not effect this budget.

Ms. Bryan explained the estimated changes in fund balance if used to balance the budget. She said if the Board spent down the fund balance she would not be able to

cover a month that has three payroll periods in it. The \$30 million in fund balance from the Hospital is invested and is not easily accessible. She said if this much fund balance is appropriated she cannot guarantee that this County would have better than 8% in fund balance.

Vice Chairman Bowen questioned the 8.84% fund balance. Mr. Robinson said the risk gets larger and Ms. Bryan said it makes it tighter and harder to handle the budget when fund balance is at a low amount. Commissioner James said 2002 is a prediction. Ms. Bryan said she is being conservative with the budget projections and the Board would be upset next year with her if she projected liberally and it did not fall into place.

Ms. Bryan stated that there is \$110 million in the general budget and 95% of the budget is projections. The whole county budget is \$164 million.

Commissioner James asked what alternatives have been looked into for help with the budget such as the ABC Board. Mr. Robinson said that two of Pitt County's departments won productivity awards last one year from the North Carolina Association of County Commissioners. Twenty-one of the staff are trained in quality management and he has been looking under every rock for possible revenues to utilize in balancing the budget.

Commissioner James said that there is \$12 million in unreserved and undesignated funds in the budget. He said the citizens should not be taxed when the County has this amount of money in fund balance. He said he expects better returns from the market. He said they are asking too much of the people.

Mr. Robinson said he and Ms. Bryan are concerned about a low reserve situation if the fund balance is used. He said their job is to protect the County and they have to plan for what can happen.

Commissioner Ward said the first scenario was cutting programs. She asked Commissioner James about a time when the County was in serious trouble with a low fund balance. Commissioner James said they are dealing with a lot more money than they were then. Commissioner Ward said she respects what the Manager and Finance Officer have said and they work with this every day. She expressed concern that the fund balance would be reduced to exactly what the State requires. She's concerned about taking things that are not one-time expenditures out of the fund balance. She said they need to look at the possible deficit that the County will be left with next year.

Commissioner Coulson said the \$30 million in fund balance from the Hospital funds could be tapped into and this budget does not stop when its adopted. He said there's a whole year to find savings. He said you could look at recurring items as a line item which you will have to consider every year. He said local government is not exclusive because there is also State and federal government and their regulations.

Vice Chairman Bowen said there would still be a 37% fund balance, including the Hospital funds. Ms. Bryan said the \$30 million is in fund balance but the funds cannot be tapped into for cash flow purposes whereas the other funds could be more accessible. Commissioner Johnson said he was on the Board when they overspent fund balance and it was embarrassing to get that letter from the State. He also stated that the County had one month where they had trouble meeting the payroll. It was embarrassing for the Board and the County. He said the \$30 million was set aside for schools and the Board should not continue talking about spending it.

Commissioner Shank said they felt very strongly about using the \$30 million to help educate the young people. She said it is ridiculous to consider using those funds

because it goes against everything the Board decided earlier this year. The Board is responsible to everyone of the citizens not just the 80% of the citizens. Commissioner James said they were not suggesting using the \$30 million.

Commissioner Owens said they should be thankful for the \$30 million which has brought stabilization to the County's funds which allows funding schools as needed. He said the fund balance can not be built up when you overspend the revenues. Commissioner Owens said last year the budget was overspent by \$5 million. He said the consideration to cut the proposed positions, travel for this board, and some of those cuts are right with his line of thinking. He said when there is not enough money to fund the needs, the economy is put on hold. Commissioner Owens said he could vote with good conscious on most of the cuts. The responsibility as a county commission is to provide for good government and to take care of the services. All those cuts would take \$1million out of the budget needs. He said the Manager has already put in \$4.8 million and then if it is reduced by these services it would cut out \$1 million. He said he could support the cut back for one year. He spoke about human services which should be State and Federal funded. He spoke about using \$1 million less from fund balance and how it could raise the fund balance by 10%.

Chairman Hammond said the problem is that those that live in the municipalities are facing taxes there and in the County. Greenville is looking at a 6 ½ cent tax increase. He said there was \$3.5 million more spent in the past year that was not in budget. For five years, this County has not had a tax increase and growing counties can not continue without increasing taxes. If the services are not provided adequately, some citizens will be critical. The citizens are looking to the Board to handle this County responsibly. Chairman Hammond said re-election should not be a consideration.

Commissioner Coulson said the when the Education Compact was implemented, the economy was good. He said if the \$30 million and the economy and that an additional \$3.5 million above the budget that was spent last year. During good years, we spend, spend, spend, and during the bad years there is only one option which is to increase taxes, but he does not support this and supports using fund balance.

Commissioner Royal said he supports a tax increase, as a pastor a church of 6,000, the people feel these are lean years but they feel the increase is justified. He stated that \$23 to \$30 a year change in people's property taxes is the average change. The people are concerned about depleting the fund balance after coming out of a major catastrophe. He said their perspective is that they want to support education and social services.

Commissioner Owens spoke about the rescue needs, which the Board is looking at a tax increase, stating that his is a matter of life and death service. He stated his support on a 3 cent increase as a on one year deal because he understands the State will come in and help.

Vice Chairman Bowen spoke about depleting the fund balance. Commissioner James said his people are saying that they do not need to be burdened by additional taxes at this time. He said the Board needs to look at the senior citizens that are on a fixed income and the people in the City that will receive duplicate tax increases. There are also a lot of low income working people who are buying doublewide trailers. He spoke about the taxes on automobiles. He said he'd rather the people have more money in their pockets than the government.

Commissioner Ward asked about the last tax increase. Mr. Robinson said it was five years ago. The EMS proposed tax would eliminate the three rescue tax districts of

Ayden, Eastern Pines and Bell Arthur which has had three to five cents tax rates. This area represent 25% of the people that will be taxed the rescue tax. Schools and economic development was what tax increase went to when the taxes were raised previously.

Commissioner Ward asked for clarification about the cuts Commissioner Owens was supported. Commissioner Ward said that the people who are the most effected by the tax increase are also the ones who are most effected by the human services programs. Chairman Hammond said there have been proposals to increase fees for services. He also spoke about having revaluation for seven years instead of eight years.

Vice Chairman Bowen quoted figures about raising taxes and when taxes are raised, it has a mushroom effect.

Mr. Robinson questioned the Board for more direction. He asked if the Board members did not support the cuts to programs and wanted him to use fund balance. He said then the expenses need to be lowered also because he did not support using fund balance at the rate needed to balance the budget. Commissioner Coulson said this Board should look at things to prevent that from happening. He wants a twenty-year plan on how to improve efficiencies. Mr. Robinson said he agreed in cutting costs each year, but there is still the education compact, health insurance, Medicaid \$4.6 million that are uncontrollable costs.

Commissioner Owens asked what the State is planning on doing. Mr. Robinson said he would suggest not adopting the budget until the June 18th meeting. He said he is not optimistic about the State helping with the County's budget. Vice Chairman Bowen said he was not going to vote for any cuts but does support using fund balance. Commissioner Coulson spoke about the 1958 the sales tax that was implemented for two years and it was never going to go away. Now the State is looking at raising sales tax another two percent. He spoke about his wife who is in real estate and that she pays 53% of what she makes in taxes.

Mr. Robinson asked that the level of services be resolved today. He stated that he hoped that after the public hearing on June 12th the Board will he give him final directions for preparation of the budget for adoption on June 18th. Commissioner Owens said he does not know what he wants to do yet and that some of this discussion is premature.

Vice Chairman Bowen **motioned**, seconded by Commissioner Shank, to eliminate the scenario A with specific cuts from the budget and go back and add the items to the recommended budget and further to use Scenarios B and C and then decide how to fund the budget, with fund balance or tax increase.

Commissioner Shank said the Scenario A needs to be removed from consideration. Commissioner Ward said to look either keeping services in place and using money from fund balance or accept what is obligated for the schools and see what happens.

Commissioner Coulson said the Sheriff's grant needs funding because the County benefit with a grant that funds three-quarters of the program. Commissioner James said he can not support that proposal. Commissioner Ward said Budget Scenario C which was what was considered Monday or B with fund balance is what the Board should be considering.

Chairman Hammond called for a vote on the motion. In favor of the motion were:

Vice Chairman Bowen, Commissioner Coulson, Commissioner Shank, Commissioner Johnson. Opposed to the motion were: Commissioner Ward, Chairman Hammond, Commissioner Royal, Commissioner James and Commissioner Owens. The motion failed. The Manager will provide three different proposals.

UPON MOTION by Commissioner Owens, seconded by Commissioner James, the Board unanimously voted to adjourn this meeting at 5:20 p.m.

Respectfully submitted,

Susan J. Banks, CMC
Clerk to the Board