

PITT COUNTY BOARD OF COMMISSIONERS
GREENVILLE, NORTH CAROLINA
JANUARY 28, 2003 MINUTES

The Pitt County Board of Commissioners met on Monday, January 28, 2003, at 4:30 PM in the Law Enforcement Hut, Port Terminal Road, Greenville, North Carolina.

Commissioners present:

Beth Ward, Chairman
Eugene James, Vice Chairman
Jimmy Garris, Commissioner
John Minges, Commissioner
Mark Owens, Jr., Commissioner
Glenn Bowen, Commissioner
Tom Coulson, Commissioner
David Hammond, Commissioner
Randy Royal, Commissioner

Staff present:

Scott Elliott, County Manager
JoAnne Burgdorff, County Attorney
Susan Banks, Clerk to the Board
Melonie Bryan, Director of Financial Services
Loretta Lewellyn, Budget Administrator
John Bulow, Assistant County Manager
Phil Dickerson, Director of Facility Services
Michael Taylor, Director of Information Systems

Commissioner Ward welcomed everyone present. She noted that the meeting was originally scheduled for last Thursday but it was postponed and rescheduled due to snow. She asked that everyone have an open mind and they would be learning and reviewing, as well as looking for changes. She said the Board would be looking for directions for the staff for planning purposes. They are looking for solutions.

Mr. Scott Elliott introduced Ms. Linda Smith who would be the facilitator for this meeting. Ms. Smith introduced herself stating she was raised in Duplin County on a farm, attended the University of North Carolina in Greensboro and received counseling and facilitation training at University of North Carolina in Chapel Hill. She stated that the County Staff prepared the information that the Board received for this meeting. The purpose of this meeting is for commissioners to share and come to an agreement on how the staff can plan for the next budget year. It is a time to generate ideas or take the devil's advocate position, offering options and decisions. She asked that the media give an overview of the outcomes for the public.

Ms. Smith reviewed the ground rules for effective groups. She asked if everyone was comfortable to proceed with the list she had provided for ground rules. There was a consensus of the group to follow the suggested ground rules.

Commissioner James began by asking if the County was within the budget for this year, were sales tax receipts up or down, and that he wanted to look at the 2003-04 revaluation.

Mr. Scott Elliott spoke about the agenda and said the goal was to attempt to get through the whole agenda, but if not, at least complete the budget agenda and education compact discussion. He said that staff has provided them with comparisons about comparable counties and surrounding counties. He said the budget is just like last year's budget but there was a need to inform the Board of where the County is at this time. He said that staff would review the budget drivers for the budget year.

FY 03-04 Budget Planning
Impending Deficit - Budget Drivers

- Revenue Shortfall/Limited Growth
- Medicaid
- Education Compact
- EMS
- Capital Improvement Plan Needs
- Health Care Costs

He said staff was looking for direction on some of these items.

Chairman Ward asked if there was a consensus for moving forward on this agenda as presented. There was a consensus.

Mr. Elliott reviewed general demographic information on Pitt County. Commissioner Bowen said some of the education funding figures were different from figures he had seen. Ms. Bryan stated that she used numbers from the North Carolina Association of County Commissioners tax survey, which were not the same as numbers compacted by the Department of Public Instruction (DPI). Commissioner Bowen said Pitt County is putting \$1300 per child versus \$1,193 as noted in Ms. Bryan's figures. Ms. Bryan said there are other things included in the DPI numbers. Commissioner Bowen was concerned because these figures made it appear that Pitt County was allocating \$200 per child less than State average on pure county contribution only. Mr. Elliott stated that the DPI figure is used in the joint meeting with the school board.

Commissioner Hammond arrived at this time.

Mr. Elliott said that one penny on the tax base produces less in Pitt County than other comparable counties because of tax exempt entities. Chairman Ward said that the largest industries in this area do not contribute to the County's tax base. Commissioner Hammond said if Pitt County wants to be the *Best in the East* then they need to generate some revenues from the revaluation. Mr. Elliott said most counties do revaluation on a four-year cycle whereas Pitt County does it on an eight-year cycle. He said staff would support shortening the revaluation cycle.

Mr. Elliott said that based on population growth figures the projections for growth are around 30% for Pitt County over the next 30 years.

Mission, Vision, Purpose & Value Statements

Mr. Elliott reviewed the mission, vision, purpose and value statements to see if there were any changes or revisions by the Board. There was a consensus of the Board that the current mission, vision, purpose and value statements still stood as correct and appropriate.

Commissioner Bowen questioned the county comparisons handout. Ms. Bryan said this comparison is from the NCACC 100 counties report with information on the selected counties.

Fiscal Year 03-04 Budget Planning Reduction Actions in Past Two Years

Mr. Elliott reviewed the history of what has been done in reductions by County departments to address budget reductions over past two years. Fifty percent of travel funds were put in a reserve this year and use of those funds must be authorized by the Manager. He explained to the Board which parts of budget that can actually be controlled by the Board versus State and Federal Government mandates. There is only 38% of the budget that is under the local board's control or approx. \$58 million. He said the budgets reflect very small controlled growth, except during the year of 1999 when Hurricane Floyd and the flood skewed the figures because of additional assistance funds from Federal Emergency Management Agency. Chairman Ward asked what percent of local money is in the Health, Mental Health, and Social Services budgets? She noted that if the county lowers funding for some programs it would lower services.

38% Local control of budget
37% Mandated programs.
25% other (last on list)

County Funds

\$1.6 million in Mental Health
\$2.5 million in Health
\$12.7 million in Social Services including \$6.1 million of Medicaid with no state offset

Ms. Bryan said there are a lot of different revenues that go into each of these programs.

Impending Budget Drivers – Scott Elliott

Revenue Shortfall/Limited Growth
Sales tax – 4.5% vs 1%
Investment Earning – 7% vs 1.5%

Medicaid -15-20% annual increase last years
Education Compact - \$1.8 million increase
Emergency Management Services (EMS)
- \$720,000 supplement from General Fund
- (In projection of \$7.9 million deficit, during budget sessions last year, the \$720,000 for Emergency Medical Services was not included.
Capital Improvement Program - No new projects funded

Health Care Costs

- 15% average increase (\$750,000)

Mr. Elliott said they would be looking at the health insurance plan stating it is a very valuable employee benefit. He said the County currently provides 100% coverage and they are considering reductions in benefits or other options such as having employees “buy in” by paying some of the monthly premium. This would create a cost savings for the County.

Commissioner Hammond spoke about the new Med Direct facility. Chairman Ward asked about the State insurance plan. Commissioner James said some of his concerns are the use of the EMS funds.

EMS Study

- Phase I
- Phase II
- Phase III (ECU survey)

Billing on EMS billing report

Planned for 40% collections
\$2.7 million

EMS Budget

Current Revenue sources
\$1.07 million (3 cents tax)
\$.89 million from Transport fees (user fee)
\$.71 million from General fund
Total \$2.67 million

Bell Arthur is part time staffing and saving some money. The majority of this budget will be spent because they get 1/12 payments each month. Commissioner James said he gets calls from his constituents and they want 24-hour paid coverage.

Ms. Bryan said next year there would be even more of a deficit. Chairman Ward said the EMS committee is going to look at what is going on in every squad. Each squad has a representative on this committee. She said the talk about the volunteers dropping off has leveled out now. The County is never going to be able to fully fund EMS. The volunteers and fundraisers are still needed. She said they are looking at the process for their budgets. Mr. Elliott said they need to reconsider the recommendations for the plan. He said this is a multi-year process. Ms. Bryan said everyone is supposed to be getting funding to provide for equitable comparable service across the County.

Budget Planning

Sales Tax
Last Year Actual \$13.2 million
This Year Projected \$15.5 million
Next Year Projected \$17.7 million

Additional revenue for sales tax was already built into 2004 projection. Sales Tax Distribution Method could be changed from Per Capita to Ad Valorem. A change in method would have to be reported to the State by April.

Staff presented the following budget balancing options to the commissioners and explained their possible effects.

Budget Balancing Options

- Fee Increases
- Tax Increase
- Budget Reductions/Service Cuts
(Across the Board, Delete Positions, Reduce Service Levels, Cut Programs)
- Use of Fund Balance/Portfolio
- Reduce/Renegotiate Funding to Outside Agencies
(PCC Board of Education, Nonprofits)
- Sales Tax Distribution
- Other Options
- Combination of Options

Investment Portfolio (Options)

- Liquidate & Appropriate
- Change Distribution (% fixed versus % equity)
- Managed In-House vs. Professional Managers
- Leave As Is

Commissioner Hammond spoke about the fees for the money managers. He said one of the manager's has had loses since 2000 and its time to change. Ms. Bryan said the last 60 days have been a fixed manager market. The whole portfolio increased in the next report. Ms. Bryan said she is buying Certificates of Deposit because they are paying better than anything else at this time.

Priorities as Reaffirmed for FY 2002-03

#1 Long Range Planning/Vision (**Remove as #1 priority for 2003-04**) Renumbered remaining 5 items in same order.

#2 Education/Schools

#3 Community Safety/Emergency Services

#4 Facilities/Building Needs

#5 Human Services/Social Services

#6 Recreation & Parks

Goals and Objectives for 2002-03 were also reviewed.

Chairman Ward said there have been no new building or facilities except the Courthouse. Mr. Dickerson said the courthouse was the only thing that has been done. Commissioner Bowen left the meeting at this time, 5:40pm. Commissioner Minges asked how long it has been since anything has been built. Mr. Dickerson responded that it has been about ten years since a new building has been built. Some small buildings have been built. Mr. Elliott said if funds were available projects such as the intergenerational facility, social services building and others would be considered. Commissioner James said the County has borrowed over \$100 million for buildings.

Commissioner Owens stated that priority #1 should be removed because the others go together to achieve priority #1. The consensus was to remove #1. The consensus was also to leave the other priorities as they already exist.

Commissioner James said he knows staff wants to know what the Board wants in the next budget and his opinion was no new or increased fees and no new taxes. Commissioner Owens said that if there is going to be no new revenue then Vice Chairman James should tell the Manager what department or services to cut. Commissioner James said the Planning Department and places like that could be cut. Chairman Ward said there has to be some resources coming from somewhere or there will have to be some major cuts in services. Chairman Ward said the public needs to know exactly how much money the Board has control over. They need some other resources or they will have to make the hard decisions. She said they can't just say no to new taxes and that they have the support of people. Chairman Ward asked how much money was actually saved with the cuts like frozen positions. How much was not put in the budget because of those reductions. Ms. Bryan estimated about \$2.5 million was originally target to be cut in the current years budget. However, the majority of the cuts were reinstated when the designated staff to use \$6.2 million of the hospital portfolio to balance the budget from positions, travel, cut part time, not replacing computers, vehicles, etc. Chairman Ward said the Board cannot continue to cut these areas and there is probably not much more room for cuts. Commissioner Hammond said this County is growing at around 3,000 new people per year. With frozen positions in law enforcement, and other areas where does that leave us. He said Pitt County is supposed to be the Best in the East, and Leader in the State but the Board is not stepping up to the plate. He asked what the County could do to get out of the \$8.6 million deficit.

Commissioner Garris said there were \$2.5 million in reductions this year but the bottom line is that expenditures have still increased. Public education is a major task that needs to be done. He encouraged the Board members to look past this year's budget. He said when revaluation happens with a 10% to 30% increase they should be able to figure a way to make it through the next year. Chairman Ward said she wanted to hear what the revaluation will do for the County. Commissioner Hammond said the public is not seeing where the increases are coming from such as insurance increases, Medicaid, education and other areas.

Revaluation

Mr. Elliott stated that revaluation will be effective January 1, 2004. He explained the differences in the houses from one neighborhood to another and the possible considerations. There is no true average but property is valued by location. Ms. Bryan said rural Pitt County has been done but the residential areas have not been completed. Commissioner James said the value can be figured by blocks in the tax records. Ms. Bryan said they have not applied the schedule of values. Ms. Bryan said the goal is to go to 100% for revaluation. Chairman Ward asked what effect revaluation will have on this 2004 budget. Mr. Elliott asked Ms. Bryan what other counties are experiencing on revenue from revaluation. Chairman Ward said with an \$8.6 million deficit, the County can not get enough from revaluation to take care of this size deficit. Ms. Bryan said the County would generate enough from revaluation to cover the \$1.9 million in the Education Compact and \$2.0 million Medicaid increase but there will still be a deficit.

She also spoke about a bond referendum for schools. Commissioner Hammond asked if property would be at true value or a percentage value. He stated concern about people already being out of jobs and not being able to pay their taxes. Ms. Bryan said the tax collections records show that 95% of the citizens are paying their property taxes in Pitt County.

Commissioner Coulson spoke against raising taxes and encouraged government to put money back and save it for future needs. Commissioner Coulson said services are going to have to be cut. He said that twenty-five cents out of every dollar is for mental health and social services. He said there no incentive to cut services. He said the County should be lobbying the state and federal governments for the money that is not spent to be left in the local governments.

Ms. Smith suggested this idea of lobbying the Legislature to make changes in budget processes should be put in the "Parking Lot" to be considered later.

Commissioner Minges asked for pros and cons on four-year revaluation process versus an eight-year revaluation process. He asked how much money would the County receive if the sales tax distribution were changed. Commissioner Coulson said the taxpayer would have to pay more with the four-year revaluation. Ms. Bryan said the State lowers public service company values which reduces Pitt County's revenues.

Ms. Bryan stated that \$1.4 million sales tax would be redistributed to the County if the distribution was changed. Of the \$1.4 million, \$1.1 would be County and fire districts, EMS and board of education. Ms. Bryan gave figures for how it would effect the towns. Commissioner Owens spoke in opposition of changing the revaluation cycle from an eight year cycle to a four year cycle because it would also effect inheritance tax, estate tax, and taxes that are set up on the base tax rate. He said it relates to individual long range planning. Commissioner James said he sees this completely different. He said it is a fair way of doing business. Ms. Bryan said it is an equity issue.

Commissioner Minges asked if there were any other options that other counties were doing that could be considered. Commissioner James said there are a lot of high paid people in Pitt County that do not pay ad valorem taxes. He questioned if they could be charged an income tax?

Chairwoman Ward suggested that the Pitt Community College and the Board of Education funding should be removed from this budget consideration and considered as one priority. Commissioner Hammond said he was told that the schools can not be reduced. Mr. Elliott said they could only reduce their allocation if there was an across the board reduction. Ms. Bryan said there was the possibility of reducing the schools by \$1.8 million. Commissioner Garris said there is \$2.4 million in the schools fund balance. He asked if they could not require the Schools to use their fund balance before asking the Board of Commissioners for more funds. Commissioner Owens said the Board of Commissioners encouraged them to have a fund balance some years back because of the work needed on the roofs. He said they should not discourage them unless the Board of Commissioners' is going to change its approach. Commissioner James said the schools got \$900,000 from the courts this year. Commissioner Coulson said Governor Easley went after the counties when he saw fund balances over 8%. School Board did say they would be asking for an increase in their funds.

Chairman Ward said that this Board can not continue to keep chipping away at the County departments. She said at some point, they are going to have to look at something that is going to generate some additional revenues. Commissioner Owens said he was against taking funds from the \$30 million last year but that this Board needs to look at what can be liquidated without losing any money. Ms. Bryan said they informed the money managers that they had 90 days to liquidate so there would be minimum loss. Commissioner Hammond said that the County is looking at cutting expenditures and cutting back but the local municipalities are building buildings, increasing staff, and other improvements. He questioned what was going on. Commissioner Hammond asked again about the sales tax distribution and the amounts.

Commissioner Owens suggested that the Board take up to \$11.0 million of the funds portfolio and incorporate by using funds to fill the hole. He said there needs to be some rearrangements in the way the remaining money is invested.

Ms. Smith then asked the Board members to mark on a list of balancing options, their top two priorities. They ranked as follows:

Budget Planning
Budget Balancing Options

Rated by the Board members as follows:

Use of Fund Balance/Portfolio - 16 votes

Budget Reductions/Service Cuts – across the board - 12 votes

Tax Increase – 5 votes

Reduce/Renegotiate Funding to Outside Agencies (PCC, Board of Education, Nonprofits) – 3 votes

Other Options - 2 votes

Combination of Options - 1 vote

None of the above - 1 vote

Commissioner Hammond spoke about the Hospital transaction and the funds that he thought were intended for education. He said the investments are not going to generate all the funds that are needed. Commissioner Mingos said budget went from \$53 million to \$58 million so the public sees it as increasing. Included in the increase were \$2.2 million for schools and Pitt Community College, Animal Shelter for \$400,000, new school resource officers funding was offset but still shows as expenditures for the County. Commissioner Mingos said that \$1.7 million in new money went to the schools last year. Commissioner Garris said he has heard 10% - 30% increase could be expected from the revaluation, which is \$9 million on an annual basis. He said that is a key factor in this budget. Commissioner Coulson said they could use 23% increase from revaluation. Commissioner Garris said the CPI is 20% and the Board may only choose to increase by 10%. Chairman Ward said this Board has not made any long range plans. Ms. Bryan said the \$11 million could be used for the \$8.6 million deficit. Commissioner Garris said he would like to see them find a way to replenish whatever hospital funds they have to use to balance the budget. Commissioner James said the county cut other programs but gave education an increase and that is why the County is in this position.

A break was taken at this time for dinner.

Commissioners present: Commissioner Coulson, Commissioner Minges, Commissioner Garris, Commissioner James, and Chairman Ward.

Mr. Elliott asked about budget reductions and service cuts. Ms. Bryan said that if the Board requires an across the board cut, current positions will have to be reduced. Mr. Elliott said some departments would be able to eliminate vacant positions while smaller departments will have to eliminate people. Mr. Glenn Cutrell, Tax Assessor said there is an expected 3.5% increase in growth in Pitt County. Ms. Bryan said they already anticipated ad valorem growth and growth in sales tax in projected the FY 03-04 deficit.

Preferences/Cuts \$8.6 million deficit

Commissioner Garris said he does not want to lay anybody off. Commissioner Coulson asked about how many people will retire during this fiscal year? He suggested that if thirty people retire, only replace fifteen. Mr. Elliott spoke about how staff had been sharing workloads between departments. Commissioner Coulson spoke about productivity pieces and to get people to find new ways of doing things. Mr. Elliott said the County already has incentive programs for increase productivity in place.

Mr. Elliott asked what services the Board would have staff reduce. Commissioner James said to eliminate positions by attrition. Commissioner Coulson suggested that instead of seeing people every 30 days, like at Mental Health, make it 32–35 days. He said to spread services over longer terms. Commissioner Coulson suggested that commissioners be broken into groups and review specified sections of the budget.

Chairman Ward said that the County might be on the right track. She noted that twice the departments had to cut budgets. She said the Board needs to trust the department heads and the Board needs to let them know that they have their support. All departments will have to join in the cuts. Mr. Elliott said staff needs to know portions that will be taken from the fund balance versus department cuts.

Commissioner James said he would support going back to the Hospital for more of a contribution to the County. Commissioner Bowen asked why there was a three percent cap put on the payment from the Hospital for Medicaid reimbursement. Ms. Bryan said they had to put a cap on it because they were borrowing money and had to show the impact on them. After some discussion, Commissioner James said he would withdraw his suggestion to go back to the Hospital for additional funds.

Mr. Elliott said that if the staff has to figure a 65% portfolio funds/35% reduction in services split, there would be layoffs. He stated that even with the 85/15 split there could have to be shifts in staff. Commissioner Minges asked if there was a one-time tax increase that would sunset and if there was the possibility of the portfolio being brought in house to manage.

Education Compact

Chairman Ward said she had attended the No Child Left Behind meeting and that this plan will impact Pitt County. She suggested the Board have the Manager look at the past positions that served on the compact committee for representation. They could then begin to plan and form the Education Compact II committee so that the first planning meeting could be held in March. Commissioner Bowen said he thought the Board should address it on Monday at a regular Board meeting. Commissioner Bowen said he wants to see if the County has met its obligation. If so, do not look at the second compact until the first one has been completed. Chairman Ward said the first compact was for five years. The compact was established to make the funding issues more palatable and to have County Commissioners and Board of Education members working together for the children. She said the Board of Education has not had to be accountable in the past but with the compact they have had to be accountable. Commissioner Garris said that the compact is a benefit and agrees it should begin but should wait and discuss it Monday, since two commissioners are absent now. Commissioner Coulson said that the schools were far less aggressive in some areas than they should be. Chairman Ward said the compact is the only way to have an influence on this area.

Mr. John Bulow presented the Education Compact information.

Education Compact Funding

Year 1	FY 00-01	\$2.4 million	\$2.4 mil
Year 2	FY 01-02	\$1.6 mil	\$4.0 mil
Year 3	FY 02-03	\$1.7 mil	\$5.7 mil
Year 4	FY 03-04	\$1.8 mil	\$7.5 mil
Year 5	FY 04-05	<u>\$1.9 mil</u>	<u>\$9.4 mil</u>
		\$9.4 mil	\$29 mil

Mr. Bulow stated that the County keeps cutting back on county departments and services but is raising the education funding greatly. Additionally, the school system is getting \$750,000 each year for capital outlay.

Mr. Bulow reported that there were nineteen goals in the education compact of which five have been reached, five have almost been reached and nine still have a long way to go and they are in the third year of this compact. Chairman Ward said the No Child Left Behind will require more local funding. Commissioner Bowen said the compact says we will "strive" to do it not that we "will" do it. Chairman Ward said it took over a year to get the first educational compact written and they need to start thinking about the next one and planning soon.

Mr. Bulow said that some things had worked well with the compact and some had not worked so well for the County. He said that before the compact, the education staff did not know what to budget for in education and the compact has accomplished this goal. Ms. Bryan said it has worked well to have a mechanism to do the schools budget. Commissioner Bowen said most county employees are carrying home less this year than they did last year but the schools keep getting increases.

Ms. Smith stated that the rest of the agenda will be delayed. Mr. Elliott said he will add the items that were not covered to a regular agenda over the next few months.

The meeting was concluded at 8:25 p.m.

Respectfully submitted,

Susan J. Banks, CMC