

**MINUTES OF THE MEETING OF THE
ROWAN COUNTY BOARD OF COMMISSIONERS
BUDGET REVIEWS CONTINUED
SPECIAL CALLED MEETING
JUNE 9, 2003 – 2:00 PM
COMMISSIONER’S MEETING ROOM, ADMINISTRATION BUILDING**

Present: Steve Blount, Chairman
Gus Andrews, Vice-Chairman
Chad Mitchell, Member
Frank Tadlock, Member
Leda Belk, Member

The County Manager, the Clerk to the Board, the Finance Director, Assistant Finance Director, Finance Accountant, Environmental Services Director and Summer Intern Allison Scarborough were also present.

A moment of silence was held for former Rowan County Commissioner Jim Neely.

Chairman Blount called the Special Meeting to order at 2:00 p.m. for the continued discussion regarding the Proposed Budget for FY 2003-2004 and to find consensus on the budget for presentation at the Public Hearing scheduled for June 16, 2003.

DISCUSSIONS ON BUDGET

Commissioner Tadlock withdrew his support of the 6.7-cents tax increase, stating that he felt the effort of trying to save \$10 million dollars was “too aggressive.”

Commissioner Belk encouraged seniors to take advantage of the Homestead Exemption Act. Commissioner Tadlock clarified that citizens may qualify for the Homestead Exemption Act, if their yearly income is less than \$18,000. Commissioner Tadlock also acknowledged that the exemptions to the farmers cost the Rowan County taxpayers \$1.2 million. Commissioner Tadlock asked if this amount could be deferred, to which Mr. Russell responded that no since the Board adopted the Standard of Values.

Chairman Blount suggested that if anyone had any ideas for the budget, to make their comments.

Commissioner Mitchell recommended proceeding with the Manager's Proposed Continuation Budget and adding the following:

- Public Assistance of \$92,519;
- COLA (Cost of Living Adjustments-2.4%) of \$556,316;
- Three (3) additional Sheriff's deputies on top of the originally-proposed budget of \$343,430;
- New Ambulance Station \$226,600;
- Appropriation for Rowan-Cabarrus Community College \$38,694;
- EDC certified site program \$30,000;
- Expansion budget for Rowan-Salisbury Schools \$660,305;
- Staffing of New Library for one-quarter \$42,045
- Deleting Exemption of Rowan Sentencing of \$8,500
- **TOTAL OF \$1,981,364 FOR EXPANSION.**

Commissioner Mitchell suggested using the additional funds from the Continuation Budget of \$602,152, which would leave a deficit of \$1,387,712 that Commissioner Mitchell proposed to move from fund balance. This is with a tax rate of 58.07 cents. Commissioner Mitchell stated that he supported the 1/3, 1/3, 1/3 plan at a rate of 2.04 cents.

Commissioner Andrews commended Chairman Blount for having the special meeting and commended the county staff for doing a phenomenal job and cutting expenses 10%, in addition to the bond rating has dropped, while maintaining services. Commissioner Andrews expressed support for the following:

- Sheriff's grant replacement for two (2) deputies and DSS deputy; part-time office assistant; *two (2) additional deputies, air cylinders and steamer* \$306,481
- EMS South Rowan Site and six (6) positions at \$226,600
- Four (4) jobs recommended at DSS at \$80,632
- Environmental Services Permit Technician at \$41,281
- COLA (Cost of Living Adjustment-2.4%) of \$556,316
- EDC Certified Sites for \$30,000
- Rowan Cabarrus Community College of \$38,694
- EMS of \$14,578 for equipment
- Health Department of \$5,000 for West Nile Virus
- Schools \$660,000
- TOTAL OF \$1,966,713, less new growth money of \$602,152 = \$1,300,000 +

Commissioner Andrews recommended that the amount be taken from reserve funds and remaining at a revenue neutral tax base. Commissioner Andrews also clarified that the following is also included in his recommendations:

- Public Assistance \$92,519
- Deletion funding for Rowan Sentencing of \$8,500

The difference in the budgets between Commissioners Mitchell and Andrews was noted to be the RCSD positions, Health Dept., Telecommunications and the funding of the Library.

County Manager Tim Russell presented handouts and discussed the budget in the two (2) sections: 1) the Operational Budget, and 2) Funding of the School Bonds. Mr. Russell reported that when the (2) budgets are combined, the tax rate would be over .67 cents per \$100. Mr. Russell mentioned the calls of protest that were received from citizens for the proposed .67-cent tax rate. Mr. Russell said that an accelerated repayment of the school bonds would save the county over \$10 million in interest.

Mr. Russell referred to page 5 of the handout and reviewed the proposed changes in the Operational Budget that would reduce the tax rate to 60.5 cents. Mr. Russell emphasized the Medicaid Budget account would result in a reduction of expenditures of \$250,000-325,000. Mr. Russell recommended delaying the hiring of all new positions until October 1, 2003. Both of these items would realize a reduction in the tax rate of ½ cent. Mr. Russell expressed consideration in extending the financing of the SR Library, but is not recommending doing so.

DISCUSSIONS ON SCHOOL BOND

Mr. Russell reviewed page 2 of the handout and revisited the five “facts or assumptions” concerning the School Bond Plan.

Mr. Russell highlighted the proposed tax rates to be levied under each plan, which was listed on page 3 on the handout. Mr. Russell said the proposal that would offer citizens the “1/3-1/3-1/3” repayment plan would delay the construction of two (2) elementary schools for one (1) year.

Mr. Russell reviewed the amount of bonds to be sold under each plan on page 4. Mr. Russell said using a blended repayment process would transfer more of the repayment of principal from early to later years, therefore reducing the tax rate in the early years. Mr. Russell explained that this process would reduce the potential savings from an accelerated retirement plan.

Mr. Russell said the Board must make the decision as to whether to sell the bonds over a 15 or 20-year basis.

Mr. Russell referred to the summary on page 6 which listed the proposed tax rates for Operations and School Bonds. Mr. Russell discussed the proposed revisions and suggested that the Board adopt the Revised Plan that would bring the proposed tax rate to .63 cents for fiscal year 2003-04.

Mr. Russell reviewed the Summary of School Bond Scenarios, emphasizing that the 1/3, 1/3, 1/3 plan did not show a savings:

Accelerated Plan	\$10 million + in savings
Revised Plan (20-year bonds)	\$4.1 million + in savings

Revised Plan (15-year bonds) \$5.7 million approximately in savings

Mr. Russell asked CCC what the extra cost would be to defer the building of the two schools. Mr. Russell recognized that the architect cost would increase, CCC cost would increase, construction cost and interest rates are unknown, but there could be a 5% increase according to CCC.

Mr. Russell is proposed the Board to approve a plan that would keep the tax rate 2.5 cents for two years, 6.00 cents for two years and 6.70 thereafter and look to sell 15-20 year bonds to build the buildings, delay two elementary schools and allow staff to use a blended payment system to pay the indebtedness.

Mr. Russell summarized by stated that the 2.5 cents for school bonds including the 60.5 cents of the continuations and expansion request would bring the tax rate to 63 cents for this coming year.

Commissioner Andrews asked if the Board should allow the Board of Education to decide which projects should be delayed if the Commissioners were to approve the Revised Plan. Mr. Russell agreed and said the county is looking at the savings and the school system is looking at the projects. Mr. Russell continued by saying the elementary schools were suggested because they are prototypes and seemed the logical choice.

Chairman Blount asked if by consensus, the Board would agree to allow the Board of Education to choose which projects to delay, and would agree to incur a 2.5 cent increase for fiscal year 2003-04, 3.5 cent increase for 2005-06 and .70-cent increase for 2007-08.

Commissioner Andrews said that he supports the 15-20 year bond.

Mr. Russell said that Finance is looking at the first sale to be July 29, 2003.

County Manager Tim Russell discussed with the Board if less principle is paid, more interest would be paid. Mr. Russell also commented by saying that if the Board decides to go with the twenty (20) year plan it would be more flexible, but a fifteen (15) year plan would recognize a "lock in rate"

It was noted that after 10 years, the bonds could be paid off with either plan.

Commissioner Belk noted that the bonds are sold in three different packages and the first package could be 15 years and the remaining packages could be 20 years. Commissioner Belk added that this would allow the opportunity to take advantage of the interest rates. There was unanimous consensus on this concept.

The Board came to consensus to sell the first package for \$31.6 million for fifteen (15) year bonds. The remaining two (2) packages would be determined in 2004-05 and 2005-06. There is a commitment to a tax increase of 2.5 cents this year, a tax increase 3.5 cents in 2005-06, and tax increase of .07 cent in 2007-08, which will be determined at the time of sale by the Board of Commissioners.

DISCUSSIONS ON BUDGET

Commissioner Belk suggested pulling \$2.6 million from savings to leave the tax rate at 58.07 cents/revenue neutral plus bonds.

Chairman Blount indicated that he would argue, very strongly, not to pull from fund balance for continuing expenses.

Commissioner Mitchell asked how much of the budget was a onetime expenditures. Mr. Russell responded “not much,” since there is not capital projects, etc.

Commissioner Andrews questioned how much the reserved funds have grown. Finance Director Leslie Heidrick commented that reserve funds grew from \$12.3 million to \$14.3 million. Commissioner Andrews said this would be a \$2 million increase and expressed his concerns for the budget spending. Commissioner Andrews said that through the year, many things were approved and stressed his point that a sizeable sum of money was spent during a difficult year and he voiced concern of jeopardizing the bond rating.

Chairman Blount reviewed that the budgets on the table:

1. Commissioners Mitchell and Andrews in the neighborhood of \$1.3-1.4 million with the use of a fund balance and a tax rate of 58.07 cents
2. The manager recommendation will all expansion items at a rate of 60.5 cents

Both of these items would have the 2.5 cents (school bond) added and a range of 60.67-cent tax rate to a 63.00 tax rate.

Ms. Heidrick informed the Board that the sales tax for third quarter is \$600,000 short of budget and the article 44, which is the new sales tax, is \$270,000 under budget at this point. Article 39, which is the point of sale, is approximately \$300,000 short. Ms. Heidrick stated that, taking the above information into consideration, she could only recommend \$500,000 be taken from fund balance.

Chairman Blount summarized that the difference in the two budgets amount so about \$36 on a \$150,000 house.

Commissioner Belk stated that she supported the manager’s recommendation.

Commissioner Tadlock wanted the Board to review the items being eliminating. Chairman Blount shared with the Board the ones that were not totally supported and also the items that were added by request:

Merit pay	\$350,000
Classification	\$ 94,735
Mileage	\$ 42,000
Telecommunications Position	\$ 19,388

Health Dept. Positions	\$ 50,000
DSS not supported by Mitchell	
SR Library not supported by Andrews	
Parks	\$ 54,335
Information Systems	\$ 25,467
Environmental Sevs.not supported by Mitchell	\$ 41,281
Nature Center	\$162,000
Charlotte Regional Partnership	\$ 1,780
NC Forestry Program	\$ 1,900
Other Appropriations:	
Chamber of Commerce	\$ 10,000
Nazareth Children's Home	\$ 70,000
Voices & Choices	\$ 5,000
Mural	\$ 500
Freedman's Cemetery	\$ 500
Farmland Preservation	\$ 150,000
Greenway Plan	\$ 10,000

Chairman Blount added that this list does not reflect Commissioner Andrew's additions of Sheriff's deputies and Health Department.

Chairman Blount asked for a five-minute break at 3:35 pm.

Chairman Blount reconvened the meeting at 3:40 pm.

Chairman Blount again mentioned the two budgets and asked the Board for input.

Commissioner Tadlock asked how many items were one time purchase, specifically new vehicles. Mr. Russell responded that the vehicles are handled through installment financing for three years and vehicles are replaced each year, based on the mileage. Mr. Russell added that an average vehicles is replace every fourth year and there has been a delay in vehicle replacement for two years due to the budget. Mr. Russell express surprise at only needed to replace 14 vehicles this year. Ms. Heidrick announced that the budget this year for vehicles is \$124,126. Commissioner Tadlock suggested purchasing used cars, to which Mr. Russell responded that this would require an increase cost in maintenance and the vehicles would need to be replaced more often. Mr. Russell suggested that another option could be to delay the purchase of the vehicles.

Commissioner Belk expressed her support for taking \$1 million out of fund balance, which would drop the tax rate over 1 cent and go with Manager's Proposal. Making it a 61.9-cent tax rate, which includes the school bonds.

Chairman Blount said that this would narrow the gap of 60.57 cents vs. 61.9 cents.

Mr. Russell reviewed that Commissioner Andrews is coming from tax neutral and adding items and Commissioners Belk is recommending the Manager's Recommendations and using fund balance to assist in the funding.

The Board discussed the proposals.

Commissioner Tadlock suggested taking the classroom supply money of \$375,000 and merit pay of \$350,000 and taking money out of fund balance. Commissioner Belk said that she could not support this. There was no consensus to pull the teacher supply money.

Chairman Blount indicated he supported Commissioner Belk's suggestion. Chairman Blount mentioned that the two budgets recommend taking about \$1 million from fund balance and the two (2) tax rates that are up for discussion are 60.57-cents vs. 61.9-cents. Chairman Blount also stated that there was a 1.33-cents difference on the tax rate, which comes to a total of \$1.2 million difference in the two budgets. Chairman Blount indicated that this reflects a \$20 per year difference on a \$150,000 house.

Commissioner Tadlock stated he supported the 61.9-cents tax rate.

Commissioner Andrews mentioned he did not support items in Category ten (10) if it would require a tax rate increase. Commissioner Andrews also emphasized the direct need and direct of effect of several services.

Commissioner Belk questioned if we are meeting the needs of all the Departments.

Commissioner Tadlock stated that if there were not support to pull the classroom supply money and merit pay for a total of \$725,000, he would then support the 61.9 cents inclusive of school bonds.

Commissioner Andrews again stated that he was not willing to support a tax increase and he would "ax" to whole category 10 items in the reserve funds. Commissioner Andrews emphasized that the emergency services needed to be supported. Commissioner Andrews added that all these items he supported were in the manager's budget except the two additional deputies.

Commissioner Belk added that we are not meeting the needs of all the departments without a 61.9 tax rate.

Commissioner Tadlock emphasized the Board add additional three (3) deputies at a cost of \$225,963 for a ¼ cent tax increase from Commissioners Belk proposed 61.9-cent totaling a 62.15-cent tax rate.

Chairman Blount reviewed the three (3) Budgets that were up for consideration:

1. 60.57-cents tax rate
2. 61.9-cents tax rate

3. 62.15-cents tax rate

All these budgets require taking about \$1 million from fund balance

Chairman Blount called for a break at 4:25 pm

Chairman Blount called the Board back to order at 4:35 pm.

Commissioner Mitchell stated that he wanted to withdraw his budget and not fund the Library and one Deputy position.

Commissioner Tadlock agreed to support two (2) additional Deputies at a cost of \$75,000/each and also to reducing DSS to two (2) employees instead of four (4) totaling an estimating savings of \$40,000, which would give a tax rate of 62.0657-cents. Commissioner Tadlock then agreed to only support one additional Deputy at a cost of \$75,000 giving a tax rate of 61.9-cents tax rate.

Chairman Blount reviewed the two (2) proposals:

1. 61.9-cent tax rate includes: Manager's Recommendations, one (1) additional deputy, 2.5-cents for school bonds and one (1) million dollars from fund balance.
2. 60.57-cent tax rate includes: 58.07-cents (revenue neutral) tax rate plus 2.5-cents for School Bonds.

Chairman Blount stated that the difference in these two budgets is \$13.00 on a \$100,000 house.

Commissioner Mitchell commended the Board for bringing the tax rate down from 67.7-cents tax rate through discussion.

Commissioner Andrews emphasized the importance of staying revenue neutral and not imposing an increase on the taxpayers. Commissioner Andrews again mentioned the prior spending before coming into these budget sessions and again voiced surprise in prior spending.

Commissioner Tadlock said that he was willing to consider cutting the proposed budget \$75,000 on the proposed land use study and delay this study one year. Commissioner Belk said that she would not support this suggestion and emphasized that the study is needed to implement a county plan. Chairman Blount also did not support this suggestion.

Chairman Blount reviewed that there was consensus on the Board of three members for a 61.9 cent tax rate, including the Manager's Recommendations plus one additional deputy at a cost of about \$75,000, plus the 2.5 cent tax rate for the school bond: for 15-year on the first issuance and the remaining two issuances will be determined at a later date.

DISCUSSIONS ON FIRE BUDGETS

Commissioner Andrews discussed staying revenue neutral with the Volunteer Fire District Budget. Commissioner Andrews mentioned that several districts increased, some decreased and some had no change. Commissioner Andrews added that all department of the county should remain at revenue neutral.

Commissioner Belk informed the Board of regular meetings among the “fire community” and a five-year growth plan has been established. Commissioner Belk added that the growth plan is established to reduce the ISO ratings, which will reduce the homeowners insurance. Commissioner Belk said that this would be a direct benefit to the homeowners and recommended staying with recommendations from Fire Marshall.

Commissioner Tadlock informed the Board that he had requested the Clerk to gather information about the current ISO ratings and future goals on these ratings from the Fire Marshall. Commissioner Tadlock said that, if the goals are to reduce the ISO ratings, it could be a “wash” from the standpoint that any increase from revenue neutral could be a savings. Commissioner Tadlock said that he would like to review this information before making a final decision.

Commissioner Mitchell stated that his position had not changed concerning the fire departments.

Chairman Blount added that his position had not changed either.

Chairman Blount reviewed that there was consensus on the Board of three members, subject to information received on the ISO ratings, to grant the tax rates requested by the volunteer fire departments.

Commissioner Andrews said that he does not question the need factor of the fire departments, but he does question the timing and the tax increases proposed from the County Commissioners, the school bonds and the volunteer fire department.

DISCUSSION ON UNITED ARTS COUNCIL

Chairman Blount reviewed that in last year’s budget, the Board had placed “strings” on the funding going to the United Arts Council (UAC) by designating that 75% of the funds would go directly to the three (3) major arts groups: Waterworks, Piedmont Players and the Symphony. The remaining 25% could be distributed at the discretion of the UAC.

The Board came to consensus to continue this funding formula for United Arts Council.

CLOSED SESSION FOR ECONOMIC DEVELOPMENT

Commissioner Tadlock made a motion to go into Closed Session for the discussion of an Economic Development issue. Commissioner Belk seconded and the motion passed unanimously.

The Board went into Closed Session at 5:00 pm after a brief break.

Chairman Blount brought the Board back into Open Session and with no further information to come before the Board; the Chairman adjourned the meeting at 5:40 p.m.

Respectfully Submitted,

Rita K. Foil, CMC
Clerk to the Board