

**MINUTES OF THE MEETING OF THE
ROWAN COUNTY BOARD OF COMMISSIONERS
Budget Work Session
May 30, 2006 – 5:15 PM
J. NEWTON COHEN, SR. ROOM, ADMINISTRATION BUILDING**

Present: Arnold S. Chamberlain, Chairman
Jim Sides, Vice-Chairman
Steve Blount, Member
Frank Tadlock, Member
Chad Mitchell, Member

County Manager William Cowan, Clerk to the Board Carolyn Athey and Finance Director Leslie Heidrick were present.

Chairman Chamberlain convened the meeting at 5:15 pm.

Chairman Chamberlain provided the Invocation.

County Manager William Cowan expressed his gratitude for Finance Director Leslie Heidrick and Finance Staff Members Suzanne Burgess and Rita Peters for their hard work and assistance with the proposed budget.

Mr. Cowan said the current estimated revenues for fiscal year 2006-07 was \$115,435,649 compared to \$111,968,344 in the current year. Mr. Cowan reviewed the estimated revenues as follows:

- Property Tax Revenues - \$9.754 billion, an increase of \$1,448,327 in property tax collections
- Local Option Sales Tax – Projected growth will yield \$1,535,650 in new sales tax revenue. An estimate of \$2,059,400 is recommended for disbursement to the two local public school systems.
- Lottery Revenues - \$2.5 million from Lottery proceeds is budgeted as debt service revenues. Mr. Cowan mentioned that the General Assembly was in session and that bills had been introduced, which could change the way these funds could be used.

Mr. Cowan said the Continuation Expenditure Budget for fiscal year 2006-07 proposed no new initiatives and allowed for no new positions. Mr. Cowan highlighted the Continuation Expenditure Budget as follows:

- No change to County's self-insured hospitalization program at \$596 per month per employee. Mr. Cowan said there would be some reduction in benefits in order to accomplish the no increase in cost for this benefit.
- Reflect debt service payments for all obligations incurred prior to July 1, 2006. Total payment of principal/interest for fiscal year 2006-07 totals \$13,541,579.
- 28 vehicles to be replaced under vehicle replacement policy
- Appropriations for public schools' current expense and capital outlay based on projected average daily membership by the Department of Public Instruction.
- Appropriations were continued at the same level for Rowan-Cabarrus Community College and Piedmont Behavioral Healthcare Program

Mr. Cowan discussed the Expansion Budget and said the total expansion requests were \$15,117,724 and the recommended Expansion Budget was \$9,288,012. Mr. Cowan said Medicaid Public Assistance Payments went below the previous year's level with the total decrease in public assistance payments estimated at \$558,903. Mr. Cowan continued to review the Expansion Budget as follows:

- Employee Medical Insurance Program an 80/20 plan
- Recommended 3.4% Cost-of-Living at a total cost of \$953,188
- No recommended funding for Merit Program

Capital Improvements

- Rowan-Cabarrus Community College Classroom Building - \$84,045 included in the 2006-07 budget to cover start-up costs
- Emergency Ambulance Station – Cash allocation of \$500,000
- Town Creek Sewer Line - \$500,000 will be carried forward from purchase orders encumbered for the project
- Detention Center Pod - \$2,000,000 from Fund Balance for completion of 48 additional beds
- Rowan-Cabarrus Community College – Recommendation to support increase of \$143,140 in current expense allocation and an increase of \$9,559 in capital outlay allocation
- Recommendation to add 16.5 new positions at a cost to the General Fund of \$764,449

Special Appropriations

- Rowan Rescue Squad - recommendation for an increased appropriation of \$118,400, which will provide funding for the per call stipend program and for a debt service plan for the vehicle replacement program
- Rowan Jobs Initiative - \$100,000
- Public Schools- recommended increase to Rowan-Salisbury Schools (RSS) of \$2,800,113
- Classroom Supplies – recommended appropriation of \$375,000

Capital Outlay – increase of \$627,595, which will yield to RSS and Kannapolis City Schools a total of \$2,059,400.

Public Schools General Obligation Bonds – Second Sale

- Debt service on the bonds in fiscal year 2006-07 is \$5,880,600
- \$6 million committed to complete the projects in the 2002 bond referendum

At the request of Commissioner Mitchell, Mr. Cowan explained the difference between the effective tax rate and the actual tax rate. Mr. Cowan said the County's current effective tax rate is .62 cents and the actual tax rate is .63 cents.

Chairman Chamberlain questioned the classroom supply funds. Mr. Cowan said Rowan-Salisbury Schools Superintendent Dr. Judy Grissom had assured him that the school system would handle the classroom supply funds as requested by the Board. Commissioner Mitchell said the "purchase order" system would prevent the teachers from having to "front" the money. Commissioner Mitchell said the only caveat would be that the entire \$375,000 would be turned over to the school system and that the County would not realize any of the unspent funds.

Commissioner Sides discussed the following items that he would like to see changed in the proposed budget:

- Would like to see a total allocation of \$40,000 to the Rufty Holmes Senior Center
- Would like to see the .65 cent 911 fee eliminated from the telephone bills
- Institute a 1 ½ cent tax cut
- Delete the proposed \$100,000 allocation for Rowan Jobs Initiative
- Change the County Manager's recommended 3.4 percent cost of living increase to 1.5 percent; maintain \$250,000 merit pay to be used as a merit bonus
- Suggested \$150,000 to Rowan Museum, with the Museum adding an additional \$50,000
- Defer expenses to the next budget year for the technology hardware for the Sheriff's Department, unless the 911 system upgrades were

completed during the year. If the 911 system upgrades were completed and funds were available, consider the request for the Sheriff's Department at that time.

- Allocate \$2 million to Rowan-Salisbury Schools as opposed to \$2.8 million
- Allocate \$150,000 to the Economic Development Commission as opposed to the recommended \$289,000
- Suggested cutting \$34,000 from Rowan Rescue Squad

Commissioner Blount questioned Commissioner Sides regarding the total amount of monies that would be saved with the elimination of the 911 fees and Commissioner Sides responded \$668,000. Mr. Cowan pointed out that one-half of the fund is a wireless fund, which the County has no control over.

Commissioner Blount stated that the \$200,000 for the Rowan Museum, which was mentioned by Commissioner Sides, was not recommended in the County Manager's budget.

Commissioner Blount referred to page 1 of the Executive Summary regarding the flat growth of the tax base at 2.2%. Commissioner Blount said this had been the range for the second consecutive year. Commissioner Blount said it was a troubling trend to see the property tax natural growth reduced to a very low number while "we're lucky at the same time to see our sales tax revenue going up." Commissioner Blount felt a study should be performed regarding the projections for the County and what impact these trends would have on future tax rates in the County.

Commissioner Blount discussed the following items:

- Suggested conducting a true market study of employees/salaries against surrounding counties; possibly put funds in contingency in the event that salaries needed to be adjusted in order to remain competitive.
- Commissioner Blount pointed out that the benefit structure for health insurance had been changed in order to keep health costs down.
- Commissioner Blount said the Capital Improvement Plan was an effort to follow a schedule as to when certain needs would be met. Commissioner Blount asked the Board to consider adding the improvements to Dan Nicholas Park and the East Rowan Library project to the budget.
- Noted that the Rescue Squad was a valuable resource but agreed with Commissioner Sides that the Rescue Squad should understand that future approval for purchases must be made in advance.
- COLA versus merit bonus versus merit pay. Commissioner Blount suggested that the Board put contingency funds in the budget and reconsider adding the merit pay system back in.
- Suggested appropriating \$600,000 from Fund Balance to add to the County Manager's recommended figure of \$2.8 million.
- Supported the requested increase to the Rufty Holmes Senior Center as suggested by Commissioner Sides.

Commissioner Mitchell said his number one goal in providing Current Expense Funding was to keep classroom size small. Commissioner Mitchell supported the following items:

- Increasing the Current Expense Allocation to the schools to approximately \$3.4 million
- Increase for the Rufty Holmes Senior Center.
- Transferring the administration of the classroom supply money to RSS. Commissioner Mitchell expressed hope that RSS would utilize a purchase order system for the reimbursement of the funds.
- Supported a tax cut as long as the County could continue to perform its obligations.

Commissioner Tadlock commented on the following budget issues:

- Supported the increase to the school system in order to fulfill the goals previously set by the Board.
- Supported the increase to Rufty Holmes Senior Center
- Expressed mixed feelings regarding the 3.4 percent COLA increase
- Felt a tax decrease would be very popular

Chairman Chamberlain said for the record that as of today he would support:

- Increase to Rufty Holmes Senior Center
- Elimination of approximately .33 cents on the phone bill
- \$100,000 for Rowan Jobs Initiative, but said he would be flexible on the amount of total dollars
- Funding of the Economic Development Commission for the 2006-07 fiscal year
- \$118,000 for Rowan Rescue Squad
- Agreed that a “more professional look” should be taken regarding county employees salaries
- 3.4% COLA
- Provide additional funding for schools at a minimum of \$2.8 million and possibly up to \$3.4 million.

Chairman Chamberlain said it might be possible for the County to have a tax decrease this year.

Mr. Cowan highlighted the following funds:

- Fund 201 – Fire District Fund; 2-cent increase to Enochville Volunteer Fire Department (VFD) and 0.2-cent increase to Franklin VFD
- Fund 202 – Emergency Telephone System Fund - \$700,000 upgrade to the current software

Finance Director Leslie Heidrick explained Fund 202 in the Continuation Budget.

Mr. Cowan continued his review of the various funds:

- Fund 601 – Landfill Fund – Estimated revenues, \$3,145,000; Expansion expenditures totaling \$284,421
- Fund 501 – Risk Management – Estimated revenues, \$1,291,028; Estimated expenditures, \$1,291,028
- Fund 602 – Estimated revenues, \$286,280; Estimated expenditures, \$286,280

Chairman Chamberlain said the Board would hold the public hearing for the proposed budget June 5, 2006. Chairman Chamberlain said another work session could be scheduled after the public hearing if the Board felt it necessary.

Commissioner Mitchell moved, Commissioner Blount seconded and the vote to adjourn the meeting at 6:56 pm passed unanimously.

Respectfully Submitted,

Carolyn Athey
Clerk to the Board