

**MINUTES OF THE SPECIAL MEETING OF THE
ROWAN COUNTY BOARD OF COMMISSIONERS
BUDGET WORK SESSION
May 31, 2007 – 4:00 PM
J. NEWTON COHEN, SR. ROOM, ADMINISTRATION BUILDING**

Present: Arnold S. Chamberlain, Chairman
Chad Mitchell, Vice-Chairman
Jon Barber, Member
Tina Hall, Member
Jim Sides, Member

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

Chairman Chamberlain convened the meeting at 4:00 pm.

Chairman Chamberlain provided the Invocation and also led the Pledge of Allegiance.

1. CHAIRMAN'S COMMENTS

Chairman Chamberlain said the purpose of the meeting was to discuss the proposed budget for fiscal year 2007-08. Chairman Chamberlain said the Board may take straw votes during the meeting but the votes would be unofficial and non-binding.

Chairman Chamberlain stated that while the County Manager had delivered his proposed budget to the Board, it would not become the Board's budget until the Board had voted upon it.

County Manager William Cowan stated there were a few items that were not included in the budget that he felt the Board should be aware of. Mr. Cowan said the Board did not have to take action on these items now.

- Mr. Cowan distributed a handout regarding the 800 Rebanding Project and Proposed Radio Upgrades. Mr. Cowan explained that nationwide the Federal Communications Commission (FCC) had ordered a rebanding of the megahertz airways to eliminate bleed-over. Mr. Cowan said due to the

rebanding, Nextel Communications would have to purchase new radios to replace the current analog radios. Mr. Cowan said the County has 235 analog radios and there would be no cost to the County to have them replaced. Mr. Cowan stated that the County could upgrade to a digital radio at a cost of \$655 per radio. Mr. Cowan explained that in 2012 the rebanding process would go completely digital, requiring the County to upgrade to digital radios at that time at a cost of \$3,500 per radio. Mr. Cowan stated the total cost to upgrade the radios now would be \$153,925.

Commissioner Mitchell inquired how many radios are replaced per year and if the process would occur naturally by 2012 to have all 235 radios replaced. Mr. Cowan responded that he was unaware of the average number of radios replaced per year but the proposal was to replace 235 now.

- Mr. Cowan discussed an agreement with Soldiers AME Zion Church to develop a parking lot on the church property for courthouse parking. Mr. Cowan said he had inadvertently left the item out of the budget. Mr. Cowan distributed an email previously sent to the Board, which explained a proposal for a draft agreement and a site plan. Mr. Cowan said the projected cost was \$100,000 and that he recommended budgeting \$55,000 from the County and \$55,000 from the City. Mr. Cowan said the lot would create 40 parking spaces that are needed.
- Mr. Cowan reported that several meetings had occurred between the committee appointed by the Board to work with Rowan Museum staff regarding ownership of the museum building. The committee members were Commissioner Hall, County Attorney Jay Dees and the County Manager. Mr. Cowan stated that as a result of these meetings, Rowan Museum had submitted a letter declining the County's offer to allow the Museum to take ownership of the building. Mr. Cowan said Rowan Museum had also sent a letter requesting a \$10,000 increase to its annual allocation from the County for a total of \$20,000.
- Mr. Cowan said that during the budget process and during the last couple of meetings the Board had discussed the following items:
 1. \$24,000 for the Electronic House Arrest Program, a request recently presented to the Board
 2. \$5,000 for a Gang Summit
 3. \$500,000 for school technology

Mr. Cowan stated that the Board should be aware of these items and continue to discuss them throughout the budget process.

Chairman Chamberlain asked for a total of the projects.

Mr. Cowan said the requests for new digital radios, the parking lot, additional funding for Rowan Museum, Electronic House Arrest Program and the Gang Summit totaled \$248,000.

2. REVIEW & DISCUSSION OF PROPOSED FY 2007-08 BUDGET

Chairman Chamberlain said the Board had received the County Manager's proposed budget of 59.5 cents.

Chairman Chamberlain asked Commissioner Hall to begin the discussions and she began by asking County Manager William Cowan to explain the revenue-neutral tax rate for the public's benefit. Mr. Cowan provided the explanation and confirmed that the revenue-neutral tax rate was calculated to be 57.63 cents.

Commissioner Hall stated that she had several prepared statements to read and Chairman Chamberlain said that she provide her budget information first.

After a brief exchange between Commissioner Sides and Chairman Chamberlain regarding individual Board member's budget presentations, Commissioner Hall presented the following budget recommendations.

Commissioner Hall recommended that the County adopt a revenue-neutral rate of 57.63 cents. Commissioner Hall said that after her discussions with the County Manager, she felt the rate was doable.

Commissioner Hall reviewed her recommendations for eliminating \$1.9 million from the Manager's proposed budget in order to obtain the revenue-neutral rate:

- Not hiring new personnel for the new jail pod at this time; savings of \$454,000
- Fund a 2% Cost of Living Adjustment (COLA) at a cost of \$600,000
- Full insurance for employees at \$250,000
- One time appropriation of \$150,000 to institute a merit program where employees are compensated for exemplary performance (Commissioner Hall noted this rate created a savings of \$400,000 as it is lower than the original request)
- Funding Rowan Salisbury Schools (RSS) at the Manager's original figure of \$1.6 million (approximately \$800,000 less than the current recommendation) and the remainder, if needed would come from the approximately \$4 million in fund balance that the schools have.
- Reduce funds from Rowan Jobs Initiative by \$25,000
- Reduce the Economic Development Commission (EDC) budget by \$89,000
- Not fund the Rescue Squads request at this time to save \$107,500
- Cut membership with the Charlotte Regional Partnership to save \$39,900
- Not purchase new meeting chairs or new furniture for Manager to save \$12,000

Commissioner Hall stated that she believed the County should provide the essential services needed by the citizens without losing or wasting tax dollars. Commissioner Hall said she also believed that economic times were hard for many and that the tax rate mattered to citizens and prospective businesses. Commissioner Hall said in order to be competitive and help businesses, the Board needed to vote to lower the tax rate as low as possible and still provide the essential services.

Commissioner Hall said she had given a lot of thought to the budget process, observed the process as a citizen in previous years, taken a stand on the tax issue, and was making her recommendation after many hours of studying and gathering citizen input. Commissioner Hall said she felt the best course of action for the County would be to establish the revenue neutral tax rate because it was fair for the citizens and an excellent tool for business recruitment.

Chairman Chamberlain asked for Commissioner Barber's budget recommendations next.

Commissioner Barber referred to the County Manager's proposed budget and said he trusted the professionalism of the County Manager and Finance Director. Commissioner Barber said he accepted the proposed budget because he felt it was a responsible budget.

Commissioner Barber stated that he supported the proposed budget for the following reasons:

- Budget would protect the bond rating
- Protect lottery proceeds
- Protect the County's ability to borrow money for capital improvement projects
- Protect state funding for schools
- Continues investment in schools by funding at state average
- Provides additional staffing for public safety in areas of handling the increased of call volumes
- Provides additional staffing for social services and building inspections
- Help with the County employee turnover rate, which is currently 19% annually and costs the County an estimated \$3.9 million annually
- Will not leave future boards in a hole that members can't dig out of
- Will not further deplete the County or the school system's fund balances
- Proposed tax rate of 59.5 is a 3.5 cent tax reduction from the current rate and represents the first tax rate reduction after a revaluation year in the last 8 years

Chairman Chamberlain then called for Commissioner Sides' recommendation.

Commissioner Sides said he supports the 57.63 tax rate and the items that Commissioner Hall had presented. Commissioner Sides stated he hope

Commissioner Barber could explain how a 59.5 cent rate is a reduction when probably 70% of the citizens would be paying more taxes, even at revenue neutral, this year than last year. Commissioner Sides said the tax rate does not represent the true picture and the true picture is when the tax bill comes at \$100 or \$200 more than before.

Commissioner Sides stated that he supports a revenue neutral tax rate of .5763 cents, understanding that there is a possibility of jeopardizing lottery proceeds. Commissioner Sides said it would behoove the Board to ask the local legislators and others to introduce a bill to change the funding formula. Commissioner Sides added that after speaking with the County Manager there is time to consider a tax increase, if necessary, for next year to forestall losing lottery proceeds.

Chairman Chamberlain called upon Commissioner Mitchell next.

Commissioner Mitchell stated he felt the Manager's and Staff's rate of 59.5 cents was a rate reduction even though it brings in additional revenue beyond the revenue neutral rate. Commissioner Mitchell continued by reviewing his recommendations for the budget:

- Fund Rowan Salisbury Schools at the state average
- Supported COLA at the Consumer Price Index rate of 2.5%, requiring an additional \$727,372 in new funding
- Supported putting the merit system in the budget if his questions regarding the system were answered satisfactorily

Commissioner Mitchell said he would like to slow down projects requiring the County to pull from the fund balance. Commissioner Mitchell listed several issues that he could be persuaded to vote for or against, but that he would wait until there could be more discussion on each item.

Commissioner Mitchell said his biggest issue was for Rowan Salisbury Schools (RSS) to receive funding at the state average. Commissioner Mitchell asked if the schools were required to keep a fund balance, what would that fund balance need to be based on County dollars. Mr. Cowan asked if Commissioner Mitchell meant using the Local Government Commissions recommended minimum rate of 8% and Commissioner Mitchell said yes. Mr. Cowan responded that based on \$30 million locally, the figure would be \$2.4 million.

Commissioner Mitchell stated he would like to talk to the school board about an appropriate figure for a fund balance. Commissioner Mitchell said he hoped the Board didn't feel that RSS should completely spend their fund balance because emergencies do come up and money should be available. Commissioner Mitchell said the Board needed to meet with the school board to see what their comfortable level of fund balance would be and how much needed to be held for emergencies. Commissioner Mitchell said the school board members are

elected officials and are just as responsible to the taxpayers and electorate as the Commissioners are.

Commissioner Mitchell said the state mandates school funding and when the budget gets tight, the class sizes get larger. Commissioner Mitchell said in order to affect student achievement, the class size should be lowered.

Commissioner Mitchell recognized that RSS was under corrective action and that now was not the time to be “pushing the envelope” with the school system. Commissioner Mitchell said he didn’t feel any group, such as RSS, the Health Department or Social Services should have a “war chest”, but they should spend their money frugally. Commissioner Mitchell said he wanted the schools to do better, and decreasing the appropriation would not help the schools to do so.

Commissioner Mitchell stated that Rowan County was experiencing growing pains. Commissioner Mitchell said he didn’t like setting the tax rate at 59.5 cents but if the County had proven its need and was not spending money frivolously then the Board had to look at the 59.5 cents tax rate.

Commissioner Mitchell explained if the Board cut back on the COLA, the County would lose employees at a time when each department is already suffering. Commissioner Mitchell said in some cases the County is legally obligated to provide services to citizens and that it could not continue to maintain satisfactory levels of service when losing employees.

Commissioner Mitchell ended by saying he would like to go back and discuss some of the items that Commissioner Hall had listed, but would like more information.

Chairman Chamberlain said he felt the Manager’s proposed budget was more than reasonable and he highlighted his support of the following items:

- RSS funding at the state average
- \$500,000 for school technology
- Full 2.5% COLA
- \$400,000 for the merit program
- Funding of insurance for employees
- \$5,000 for the gang summit
- \$24,000 for electronic house arrest
- Leaving all fire departments at current tax rate and not insisting they go to revenue neutral (suggested Enochville Fire Department should make their request for an increase publicly during the public hearing coming up)
- Recommendation for 28 new employees
- \$55,000 parking lot project

Chairman Chamberlain said he wanted to discuss the \$154,000 for new Nextel radios and he also said he would probably support Rowan Museum's request for an increase of \$10,000.

Chairman Chamberlain noted that most surrounding governments are keeping their tax rates around the same or are going up. Chairman Chamberlain said it looked very probable that at the revenue neutral rate, the County would lose the lottery proceeds it receives. Chairman Chamberlain finished by saying he supported the proposed budget at 59.5 cents.

Commissioner Mitchell asked Mr. Cowan to briefly go through the merit program and how it would be implemented.

Mr. Cowan said that there would be two levels of merit, one at 2% and one at 3%, and the amount of the appropriation established by the Board would determine what grade levels they would be applied to. Mr. Cowan said the scores from employee performance evaluations would be analyzed to determine what rate should be applied. Mr. Cowan said in the past any score from 26-33 would make an employee eligible for an increase but it was at the discretion of the department head as to how much the employee received. Mr. Cowan said a lot of department heads simply gave 1% to all who were eligible, however the new system would not have that flexibility. Mr. Cowan said the percent would be either 2% or 3% and the minimum score would be established by the amount of money appropriated. Mr. Cowan stated that Iredell County had a very similar system however the County's program did not have the components of establishing benchmarks and performance goals, which would require training for the department heads and supervisors.

Chairman Chamberlain asked the Board members in favor of the merit if they would consider in addition to the COLA, a "step-up" program that would increase all employees' salaries this year. Chairman Chamberlain explained that would give the County one year to look into a true merit system.

Commissioner Barber said he wanted to ensure that individuals were rewarded if they had gone above and beyond job expectations. Commissioner Barber said the merit program was important and if it could not be done this year, the Board should take the time to properly implement a program, with training for directors and supervisors on how to evaluate employees for next year.

Commissioner Mitchell asked how much lower could the tax rate have been in 2006-2007 based on the current tax rate of 63.5 and the amount of lottery funds received.

At Commissioner Mitchell's request, Mr. Cowan explained the effective tax rate.

Commissioner Mitchell said when the revenue neutral rate was created it did not take into consideration any normal property value growth that would have

happened without a revaluation. Commissioner Mitchell asked when taking the normal growth into consideration what would the County have received if it were not a revaluation year. Mr. Cowan responded that normal growth is 2.5% and this year the base line was lost due to the revaluation.

Commissioner Mitchell asked what the growth money would have been based on the 2.5%. Leslie Heidrick, Finance Director, responded the amount was approximately \$1.5 million dollars. Mr. Cowan added that during non-revaluation years there is historically not a lot of money or growth of revenue to work with.

Commissioner Mitchell asked at what point the County would lose lottery funds if the County's rate were less than the amount that the State required. Mr. Cowan explained that if the County went revenue neutral next year, then the following year the County would be 6/10 above the State's requirement.

Ms. Heidrick said going into fiscal year 2009, the State would look at the tax rate set in 2008 versus the State's rate at that time to determine if the County would keep the funding.

Commissioner Hall said that a statement had been made by the school system administration prior to the bond approval was that if the bond passed, the money would be used for capital improvements and there would be no additional requests of the County taxpayers for operational funds to open the schools. Commissioner Hall said that she was disappointed the school system had to go back on what they said with the bond and now have to ask for funding.

Chairman Chamberlain said the question on the ballot had informed voters that support of the bond would require a 6.7-cent tax increase.

Commissioner Sides said the Manager's proposed budget included \$1.6 million for RSS and that was not what was being proposed now. Commissioner Sides said he felt the budget being proposed was the budget of 3 Commissioners and not the Manager's recommendation. Commissioner Sides said when it came down to the bond program and being fiscally responsible, the reality was that the County had over-taxed citizens to the point that the school system had a \$13 million surplus. Commissioner Sides said of the \$13 million, the school system had about \$4 million left and the County had come up with an additional \$6 million in the bond program that the County borrowed.

Mr. Cowan stated that he had previously provided several Commissioners with incorrect information pertaining to the revenue neutral tax rate. Mr. Cowan explained his mistake and said he apologized for the error.

Commissioner Hall expressed her displeasure with the error, stating that it had been a critical mistake. Mr. Cowan agreed and said that was why he wished to clarify the information to the Board.

Chairman Chamberlain said he previously stated that he was in favor of money for the Rescue Squad. Chairman Chamberlain said the Manager's proposal included \$84,000 for vehicles, and the Rescue Squad had requested \$107,000 for peak-time employees. Chairman Chamberlain suggested unrestricting the \$84,000 and adding \$23,000 to it to come up to the \$107,000 for peak employees.

Chairman Chamberlain added that when the Board voted on COLA, it would include elected officials. Chairman Chamberlain said he had requested before that the Board vote publicly on whether the Commissioners are included in the COLA.

Commissioner Sides asked if the Rescue Squad had submitted the same information required of the fire departments, including current budgets and accounting records. Ms. Heidrick responded that the Rescue Squad submits the information on an annual basis but that she was uncertain if the County had yet received the information for 2006. Commissioner Sides requested information for the next Commission meeting as to the Rescue Squad's fund balance amount and what they expected to have at the end of the year.

Chairman Chamberlain said the Board was going to have a public hearing on the proposed budget on June 11th at 6:00 pm. Chairman Chamberlain said in preparation for the meeting, he would like to take an unofficial vote on the budget. Through a straw vote, Commissioners Chamberlain, Barber and Mitchell were in support of the proposed 59.5 tax rate with Commissioners Sides and Hall opposed.

Chairman Chamberlain said the Board would prioritize the budget items during the June 11th meeting. Chairman Chamberlain said if a majority of the Board wished to vote on the budget after the public hearing on June 11th, the Board could vote at that time as opposed to waiting until the June 18th Commission Meeting. Chairman Chamberlain encouraged the public to attend the public hearing on June 11th and voice their opinion on the proposed budget.

3. ADJOURNMENT

There being no further business to come before the Board, Commissioner Mitchell moved to adjourn at 5:25 pm. The motion was seconded by Commissioner Barber and passed unanimously.

Respectfully Submitted,

Carolyn Athey
Clerk to the Board