

COLUMBUS COUNTY BOARD OF COMMISSIONERS BUDGET WORKSHOP
Monday, May 24, 2004
5:00 P.M.

The Honorable Columbus County Commissioners met on the above stated date and time in the Economic Development Conference Room located at 111 Washington Street, Whiteville, North Carolina for a Budget Workshop scheduled at the May 19, 2004 meeting.

COMMISSIONERS PRESENT:

Bill Memory, **Chairman**
 David L. Dutton, Jr. **Vice Chairman (5:30 P.M.)**
 Kipling Godwin
 Sammie Jacobs
 Lynwood Norris
 C.E. "Gene" Wilson

APPOINTEES PRESENT:

Billy Joe Farmer, **County Administrator**
 Darren L. Currie, **Ass't. Co. Administrator**
 Gayle Godwin, **Finance Officer**
 Gail Edwards, **Deputy Clerk to Board**

COMMISSIONER ABSENT:

Amon E. McKenzie

APPOINTEES ABSENT:

Jim E. Hill, Jr., **County Attorney**
 June B. Hall, **Clerk to the Board**

MEETING CALLED TO ORDER:

At 5:05 P.M., Chairman Memory called the meeting to order that was scheduled at the May 19, 2004 meeting. Chairman Memory asked staff to present what they had to talk about. County Administrator Billy Joe Farmer advised that staff has several questions on policy matters. Mr. Farmer advised the budget is balanced with no tax increase; no rate increases and includes employee pay raises. The budget also includes the "Hill Building", but does not include the items on the \$15 million dollar spread sheet staff is presenting for discussion tonight. The items listed need the Board's direction on them; such as what do you want to do and how do you want to pay for them.

COLUMBUS COUNTY CAPITAL NEEDS

SCHOOLS CAPITAL REQUEST

| | |
|--------------------------------|--------------------|
| Columbus County Schools | |
| Williams Township Classes | \$1,200,000 |
| Auditorium | \$4,000,000 |
| Other Capital Outlay | \$1,377,000 |
| Total | \$6,577,000 |

Whiteville City Schools

| | |
|------------------------|-----------|
| Various School Repairs | \$501,307 |
|------------------------|-----------|

21st Century Request

| | |
|---------------------------|-----------|
| Capital Project Ordinance | \$500,000 |
|---------------------------|-----------|

Prison Property Acquisition

| | |
|--|-----------|
| | \$300,000 |
|--|-----------|

New Detention Facility

| | |
|--|-------------|
| | \$6,000,000 |
|--|-------------|

Courthouse Renovations

| | |
|------------------------------|----------|
| Budgeted for in 04-05 budget | \$32,000 |
|------------------------------|----------|

Water Bond Payments

| | |
|--|-----------|
| | \$750,000 |
|--|-----------|

Chadbourn Parks & Rec. Request

| | |
|--|----------|
| | \$35,000 |
|--|----------|

Travel Reimbursement for Employees

| | |
|--|-------------------|
| | IRS Rate \$0.37.5 |
|--|-------------------|

**State ADM Funding Withheld
(Possible if Gov. Easley's Budget Passes)**

| | |
|--|-----------|
| | \$325,000 |
|--|-----------|

Grand Total

| | |
|--|---------------------|
| | \$15,020,307 |
|--|---------------------|

DISCUSSION ON THE HILL BUILDING:

Commissioner Godwin asked how much money is in the budget for the building next door? Mr. Farmer advised it is about \$800,000.00 and is in Account 506. Darren Currie advised it is located on page 22 (twenty two) in the Budget at the bottom of the page. Mr. Farmer advised that we have a little less than \$300,000.00 from this year that was not expended on the building, which was put back in the fund balance. This will be pulled out as a fund balance appropriated which will be a legal way to carry it over to next year and added about \$500,000.00 with it to total the \$800,000.00. Commissioner Memory asked if this is what the architects have advised it will take to do this? Mr. Farmer advised we are hoping to come in under that, but the cost of steel has gone up. Mr. Farmer advised that a rest room has been eliminated and we are hoping to add a few exterior windows if we come in under budget. Commissioner Wilson asked if we had announced to sell the other two buildings? Mr. Farmer advised that he has not had any direction from the Board so he assumed the plan was to still surplus those buildings. Commissioner Wilson advised the sale should more than cover the Hill Building. Mr. Farmer advised the Register of Deeds office should be valuable and added the Tax Office is probably not as valuable but has a big lot behind it that will help it out. Commissioner Jacobs advised the Tax Office might be more valuable than we think. Commissioner Norris advised that he pushed so hard for another place for the Tax Office because that's where we get our money from and there's not any parking there.

DISCUSSION ON THE \$15 MILLION IN CAPITAL PROJECTS:

Commissioner Godwin asked if the capital outlay for the schools was the same as last year. Mr. Farmer advised it was the same as last year (03-04 budget) for city schools, county schools and the community college. Mr. Godwin advised the schools were asking for \$660,000.00, the budget says \$501,000.00 and your recommendation is \$95,000.00. Mr. Farmer advised that was his recommendation but on his spreadsheet he put the \$15 million dollars. Commissioner Godwin advised that if we don't fund these we will just be funding the \$95,000.00. Mr. Farmer advised yes and too if you fund one you have a schedule that you have to fund the other so he left it identical to what it was. Commissioner Wilson advised he wants the schools to have everything that they can get, but right now he has some reservations since Whiteville School System and their Chairman of the Board are not using county water and one of their school buildings is not using the water, then they are not trying to cooperate with the county. He further advised we met with them six weeks ago, he mentioned it and they still have not made any effort to hook on to county water. Commissioner Godwin advised he did not know how much they could say about a board member not hooking on, but in terms of the school building we should expect that since we provide the kind of funds we do to help them operate. Chairman Memory asked Mr. Farmer to send a letter to Danny McPherson and ask him the status of that since we all agree that the Whiteville City School unit should be using the water. Commissioner Godwin advised that we do not want to fund air conditioning for a pump house and we can strike that from their request.

Commissioner Godwin asked if we decided to go with a bond or some way of financing this as long term debt, is it your thinking we would be able to eliminate this part from this year's budget in terms of allocations from capital outlay in the budget and let them be funded by this or would that be in addition to what you are putting in the budget? Mr. Farmer advised this is an addition; none of the \$15 million is in the budget. Commissioner Godwin asked Mr. Farmer if he is proposing the budget as a stand alone regardless of what we do with this? Mr. Farmer advised yes, the budget is basically balanced. Commissioner Jacobs advised they should then concentrate on the \$15 million.

Commissioner Memory advised they do not have bids for anything in front of them and the price of steel has gone out of sight. The actual costs of construction could be out of sight. Mr. Farmer advised the full detention center could cost more than the \$6 million listed. Mr. Farmer advised this is what we were approved for and then we went up because we bid the project out twice, and went through the bid specs and cut things to bring the cost down. He believes we would be closer to \$8 million now. Commissioner Wilson asked if we were governed by the Local Government Commission on what we can borrow? Mr. Farmer advised yes. Commissioner Wilson advised they probably would not approve the \$15 million. Gayle Godwin advised our debt limit is very low, they use a certain percentage as a ratio that they set if you go up to borrow money and we are nowhere near that. Chairman Memory advised we are talking about \$15 million on paper but it could be \$20 million and if we are going out to borrow we need to prepare. Commissioner Jacobs asked if we have the ability to borrow this? Mr. Farmer advised

we would be sitting in front of the LGC again to prove to them that we can do it. If we do COPS (certificate of participation) we do not have to go before the voters, but if we go general obligation we have to go before the voters. Either way there are pros and cons with it. Commissioner Wilson advised that whatever we borrow, we have to be able to pay it back. Chairman Memory advised that we are looking at paying back \$1.2 million to \$1.25 million per year, which is five (\$.05) cents on the tax rate. Mr. Farmer advised that it is closer to six (\$.06) cents. Commissioner Jacobs advised we are not able to raise taxes to do this year's capital expenditures and our only other choice is to borrow by bond or COPS.

Commissioner Godwin advised that they need to take the items and go through them and questioned the Chadbourn expenditure. Mr. Farmer advised that Chadbourn wants to do away with funding their recreation department. Chairman Godwin questioned the \$32,000.00 for the courthouse. Darren Currie advised this is for roof repairs and two rooms that have never been renovated. Mr. Farmer advised some of these items are not large, but are policy matters that need the Board's approval. Commissioner Godwin advised the 21st Century request of \$500,000.00 to set up the trust fund; he is in favor of doing it but not in favor of borrowing money and paying interest on it for thirty (30) or more years. He advised we need to have money in fund balance to pay for this. Chairman Memory advised that the water bond payment can come off of this list, he is not sure about the ADM, and the thirty (\$.30) cents can stay as it is for travel. Commissioner Wilson advised they can take the auditorium off. Commissioner Jacobs advised we could have built the jail 11 (eleven) years ago for \$3 million and it is costing us now; we have to get serious about it. Chairman Memory advised if we look at \$8 million for the jail, add an additional \$1 million for Williams Township, leave capital outlay where it is, and the Whiteville City Schools \$501,000.00 and \$500,000.00 for prison acquisition property, court house renovations need to go to about \$75,000.00 minimum, parks and recreation and the rest of it we can leave out. Darren Currie advised this is about \$13 million. Chairman Memory advised the public can understand the prisons, the schools and economic development. Mr. Farmer advised the \$500,000.00 would be a capital projects ordinance that would not be spent until we purchased land for an industrial park. Chairman Memory advised \$75,000.00 is not much for the courthouse. Mr. Farmer advised that the capital projects ordinance is a paper entry up to the point you actually purchase the land. Commissioner Godwin asked about how we can go about doing this, does it have to go on the ballots, is it something we can do as a Board. Along those lines, can we actually do a bond order for an amount of money and then see if the projects come in or allocate a certain amount of money? For example, on Williams Township, we upped that up to 2.2 million, they are saying 1.2 million. If they are able to come in under 2.2 million are we able to apply that remaining balance back to the principal? Mr. Farmer advised that he was sure we probably could, but his question was can we do a bond for the \$501,000.00 for miscellaneous repairs or does it need to be more specific? Darren Currie advised they have an itemized list for the expenditures. What he has found is three ways: installment financing, which is like going out and borrowing the money, but there is a cap of about \$8 million or \$9 million. Once you get to that limit they want local governments to go to some type of bond. You can go to general obligation bonds, but they must have voter approval. Bond payments can be stretched out over about a thirty (30) year period. Mr. Currie also advised they could do a certificate of participation which is more in depth which requires you to form a corporation to run the money through but it does not require voter approval and there is not a cap on it. It does require more work. Commissioner Godwin asked if the general obligation bond can be put on the ballot at any time, or does it have to be a general election? Mr. Currie replied it has to be on an election where everybody has the opportunity to vote on it. Chairman Memory advised it would have to be the November election or a special election, or it would be two years later. Commissioner Dutton asked how much we are projecting to raise taxes. Chairman Memory advised three to four (\$.03 - \$.04) cents. Commissioner Jacobs asked if revaluation could pick the slack up. Mr. Farmer advised that we have other things we are not going to be able to balance the budget with next year and revaluation will offset that. Mr. Currie advised that we are paying back about \$13 million in water bonds now. Commissioner Godwin advised that Williams Township wants their auditorium. He advised they have a petition with over 700 signatures that says borrow the money to build it. They want it because they had it. People in the community want us to help put it back and his position is to do it since they had it. Chairman Memory advised we are talking about \$6 million for the jail and \$4 million for the auditorium. Commissioner Godwin advised that Mr. Nance advised him that is what it cost to build the one at West Columbus High School, but he does not believe it will cost that much. Commissioner Dutton advised now is the best time to borrow money.

Chairman Memory advised that in the very near future Whiteville is going to come to us wanting a new high school. He also advised we are blindly shooting in the dark about the figures listed

here. With our best estimates we are still talking about a minimum four (\$.04) cents tax increase to pay all of these bills. Our problem is we have to do it. If we let the voters vote on it and they turn it down, the State is still going to come down here and say bring the jail up to quality and we will have to build a jail. Commissioner Norris advised a bond referendum would never pass. Darren Currie advised with the COPS we would have to have a public hearing. Commissioner Godwin advised this would give the public an opportunity to voice their opinion and the COPS program exists for public facilities.

PROPOSED SOLUTIONS FOR WATER DISTRICTS II and III:

Discussion then began on Commissioner Godwin's proposed solutions for Water District's II and III. Mr. Farmer advised that Commissioner Godwin advised his numbers were not in concrete, it was a concept and to try to work the cost back into it. Commissioner Godwin advised that he was trying to say we would be \$475,000.00 better off under that plan than we are now even at 90% collection. Mr. Farmer advised that District III looked a lot better on the water collections, but they have less customers. District III is collecting more revenue based on water sales, but when you turn it around to a lump sum payment on District III, it does not fare as well as District II because you are looking at roughly 700 fewer accounts to get that one time fee. Going back to the first scenario, if you have 1500 total accounts at \$240.00 at 90 percent collection, that comes up to about \$324,000.00. 800 Water users at 3000 gallons at \$7.00 at 80 percent comes to \$161,280.00. If you take the \$324,000.00 and the \$161,280.00 you get the \$485,280.00. Right now you have \$313,000.00 on P & I, roughly \$226,000.00 on O & M for about \$539,000.00, which comes to about \$53,720.00 short. With the other scenario take \$539,000.00 and divide it by 1500 customers and you get \$359.00. At a 90% collection rate you have \$398.00. Mr. Farmer advised this is at no usage. Scenario number two assumes they are not going to get a water bill. Mr. Farmer further advised this is only based on 800 users in District III, if you have your full 1500 customers using water, then scenario number one does not work any more. If you have the whole 1500 for twelve (12) months the actual rate calculated now would go down. Commissioner Dutton noted that at \$398.00 per year, that would be about a \$33.00 per month water bill on 90% collection in Water District III.

Robert Adams asked how many households are in District III and Mr. Farmer advised a little over 1500. Mr. Farmer advised scenario number one would encourage more usage and get rid of the minimum bill. Mr. Adams advised he assumed the concept would be just strictly a tax, with the \$240.00 fee paying the supplemental debt, and let the water users use water. Commissioner Jacobs advised that this is not in concrete, just something we are looking at right now. Commissioner Dutton agrees we should eliminate mandatory hook-up at the next meeting as long as we are paying for it some way and people will probably feel better about it and hook-up anyway. Mr. Adams advised there are two (2) different concepts, he does not want the water, but he will be taxed for the water, but the people using the water should pay the tax and pay the excess over. He also advised more people would probably hook-up if we drop the mandatory. Mr. Farmer advised scenario number two might actually be the best route, if somebody is paying and they have access to the water, eventually they may want to get on it when they know they are paying for somebody else's.

Chairman Memory asked Mr. Farmer if he would have a budget ready by the June 7th, 2004 meeting. Mr. Farmer advised yes, but he still does not know what to do with the six positions at the tax office and the Sheriff's Department. Commissioner Godwin advised they could discuss that at another meeting. Chairman Memory advised another meeting would be held on Tuesday, June 1st at 5:00 P.M.

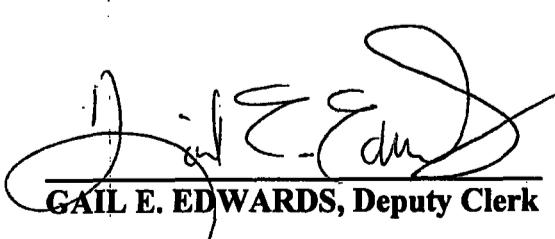
ADJOURNMENT:

The meeting adjourned at 6:55 P.M.

APPROVED:



BILL MEMORY, Chairman



GAIL E. EDWARDS, Deputy Clerk