

MINUTES OF THE MEETING OF THE BOARD OF COUNTY COMMISSIONERS HELD AT THE RUTHERFORD COUNTY OFFICE BUILDING IN THE COUNTY COMMISSIONERS' MEETING ROOM ON MAY 18, 2009 AT 9:30 A.M.

**PRESENT: CHAIRMAN BRENT WASHBURN
VICE CHAIRMAN MARGARET HELTON
SUSAN CROWE
EDDIE HOLLAND
PAUL MCINTOSH**

CALL TO ORDER

Chairman Washburn called the meeting to order.

BUDGET 2009-2010

Manager Condrey presented the draft budget for Fiscal Year 2009-2010 and stated that he and Finance Officer Julie Scherer would review the recommended budget, and the Board could decide if they wished to have additional work sessions. A meeting with the Board of Education is being scheduled. If other budget sessions are desired or needed, they will be scheduled at the Commissioners' convenience.

Finance Director Scherer made a presentation on the draft budget, commenting and explaining each of the sources of revenue and anticipated expenditures.

The recommended budget for FY 2009-2010 is \$57,071,064. This is an 8% decrease from the budget of 2008-2009.

All revenues, except designated funds that have to be accounted for separately, go into the General Fund. Sources of these revenues are property taxes, sales taxes, DSS Intergovernmental, EMS revenues (fees), transfers from reserves, transfers from other funds, and other.

Property taxes are the largest source of revenue for the county. Ms. Scherer pointed out that the ad valorem tax rate is unchanged; however, because of what is known as the Medicare swap, the percentage of the budget represented by property taxes is going up because sales taxes are decreasing as a percentage of the total budget. The proposed budget forecasts that collections of property taxes will be lower. Because the budget is designed to be conservative, no revenue is projected from taxes on Greyrock property, which is in bankruptcy, or from the new Duke Power plant in Cliffside, which is expected to be completed in the fall.

Sales taxes are the second largest source of revenue for the county. Ms. Scherer went over each of the four state sales tax levies, describing whether each one is distributed to the county based on point of delivery or on population, the adjustments (reductions) resulting from the Medicaid negotiation with the state, projected losses due to the weakened economy, distribution requirements imposed by the state for schools capital allocations, distributions to the towns who would otherwise lose revenue in the Medicaid swap, and local designation of some sales tax funds, for example to the sewer and water fund.

In October 2008 as the economic forecast began to deteriorate, the county began to impose budget cuts, including a 4% reduction in county departments, a hiring freeze, and deferrals of all bonuses and salary increases. A second round of cuts was imposed in March 2009. As a result of these cuts, current operations were reduced by \$1 million. No cuts were made in the budget for the schools or for ICC.

Departments have been very cooperative in holding the line on the budget by economizing in operations and in delaying expenses that can be deferred. As a result, the budget is appreciably lower than the last budget. To balance the budget for the current operating year and the new budget year, it is recommended that \$1.8 million be taken from the fund balance to meet 2008-2009 and 2009-2010 operations. Since an increase of over \$1 million was applied to the fund balance June 30, 2008, this use of funds will result in a remaining fund balance at June 30, 2010 of approximately 19.31%.

Ms. Scherer explained that in the Medicaid swap, the state is assuming the cost of Medicaid direct payments to clients, and, in return, the state is taking back a portion of sales tax previously allocated to the county. This process, which is being phased in over three years, will ultimately result in an overall net gain for the county. Cities and towns are being held harmless, which means the county must continue the allocation of sales tax funds to them.

One-third of the General Fund expenditures goes to support education. Public safety (the Sheriff's Department and allied categories) and human services (principally Department of Social Services, plus similar services) each represents approximately one-quarter of the budget. Administrative costs are 10%.

Ms. Scherer reviewed the budget for the county departments. She pointed out that the departments have had to incur close to \$1 million in reductions.

Some capital expenses are in the budget. The Commissioners reviewed a listing of the items included in this category.

The budget included an allocation of \$385,000 for special appropriations. Non-profits and other agencies that look to the county for financial support have been asked to submit a formal application this year. These requests exceed the budgeted amount. A worksheet was provided to the Commissioners to assist in the allocation of the available funds.

Revenues and expenditures that are not included in the proposed budget but may materialize during the year are Greyrock taxes, the new Duke Power plant, two tax appeals (Grey Rock and Queen's Gap), and payback of the retiree health insurance program.

Long-range building needs have previously been prioritized by the Board of Commissioners. Because of the uncertain economy, no construction is budgeted for the coming year. The proposed budget includes costs associated with professional planning services. The Building Capital Reserve Fund receives a portion of the sales tax, property tax and interest. If the Commissioners decided to move forward during the year, capital projects can be funded from the reserves and reimbursed by way of long-term financing.

The Schools Capital Reserve Fund faces losses resulting from declining sales tax and the withholding by the state of lottery and ADM funds. Unspent funds from the Rutherfordton Elementary School construction will be returned. The schools propose to reduce funding for technology and for ongoing maintenance. These strategies will not entirely make up the difference. A proposal for both the county and the schools to advance money to the capital reserve fund and pay themselves back is one possible way to shore up this fund.

The Water and Sewer Fund receives a percentage of sales tax. To support projects approved in May 2008, it is proposed to issue long-range financing. The Commissioners will be asked to act on this proposal later.

Ms. Scherer detailed revenue sources and expected expenditures for the automation in the Register of Deeds office, the E-911 fund, Reappraisal and Mapping in the tax department, Transit operations, Solid Waste, and Tourism Development. Paula Roach went over special taxes for fire districts and the Cliffside Sanitary District. Cliffside Fire Department was the only fire department which requested a tax increase for their district.

Commissioner McIntosh asked about grant monies obtained by Representative McHenry. James Harris of the Cliffside Fire Department was present and explained the use of those funds.

Chairman Washburn said he favored asking those fire districts requesting an increase to hold public hearings.

Commissioner Crowe and Vice Chairman Helton asked whether the building inspections department has more employees than is necessary in view of the reduced workload. Manager Condrey described the re-assignment of one person in that office to a special project to reduce utility costs to the county. Another inspector will be retiring this year. A clerical position in the department also has been eliminated.

Chairman Washburn requested that any Commissioner who wished to have additional meeting on the budget contact the County Manager and reference the focus of the meeting.

Manager Condrey expressed the willingness of the staff to answer any additional questions or to discuss at greater length any portion of the budget that Commissioners might desire.

ADJOURNMENT

Chairman Washburn declared the meeting adjourned.

11:47 A.M. - Adjourned.

Chairman, Board of Commissioners

Vice Chairman, Board of Commissioners

ATTEST:

Clerk, Board of Commissioners