

PERSON COUNTY BOARD OF COMMISSIONERS
MEMBERS PRESENT

JANUARY 21, 2014
OTHERS PRESENT

Jimmy B. Clayton
Kyle W. Puryear
B. Ray Jeffers
Frances P. Blalock
David Newell, Sr.

Heidi York, County Manager

Brenda B. Reaves, Clerk to the Board

The Board of Commissioners for the County of Person, North Carolina, met in regular session on Tuesday, January 21, 2014 at 9:00 am at the Mayo Park Environmental Education Community Center located at 1013 Neal's Store Road, Roxboro for the annual Board Retreat. The purpose of the Board Retreat is to provide an opportunity for the Board to discuss the Fiscal Year 2014-2015 budget and any other topics as deemed appropriate.

Chairman Clayton called the meeting to order.

County Manager, Heidi York welcomed the group to the annual budget retreat. Ms. York told the group the retreat is an opportunity for the Board to set goals for the upcoming budget. Ms. York stated there would be no public comments and she would facilitate the group discussions to keep on track with the agenda. Ms. York outlined the retreat agenda and the rules of engagement to share all relevant information, participate and be willing to ask questions.

STATE REVENUE AND ECONOMIC OUTLOOK:

Dr. Barry Boardman, Chief Economist, Fiscal Research Division of the North Carolina General Assembly stated his objective is to provide revenue and economic trends. Dr. Boardman gave the Board of Commissioners the following presentation:

OVERVIEW OF GENERAL FUND REVENUE

Barry Boardman, Ph.D.
Fiscal Research Division
January 8, 2013



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A Staff Agency of the North Carolina General Assembly

Presentation Outline

- State Tax Structure
- Consensus Revenue Forecast
- Current Revenue and Economic Trends



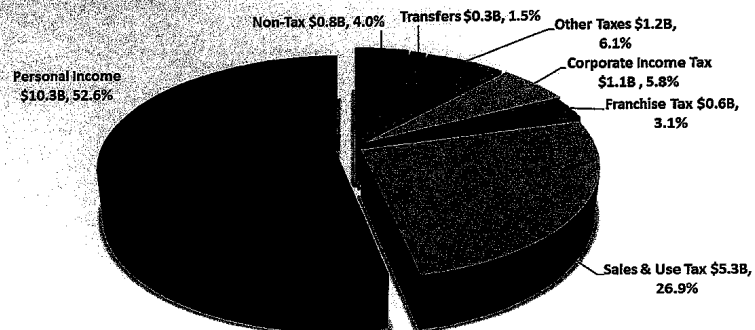
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1

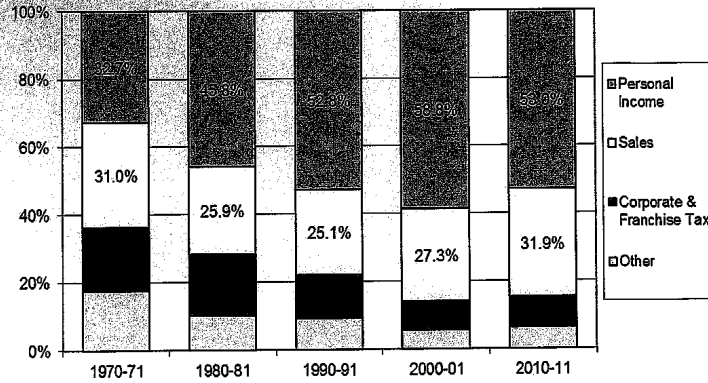
January 21, 2014

State Tax Structure

State General Fund, FY 2012-13



State Tax Structure



Consensus Revenue Forecast

Consensus Revenue Process

- Statutory Guidelines do not address the budget revenue forecast
- Since the 1990s, a consensus forecast has been used
- Fiscal Research and the Office of State Budget and Management develop forecasts independently

Consensus Revenue Process

- Prior to release of Governor's biennial budget, forecasters meet to develop a consensus forecast
- In early May, after April receipts have been recorded, the legislature and/or the Governor can request a revised consensus forecast

Consensus Revenue Process

- Finally, a small informal revision may be warranted before final passage of the budget
- In even-numbered years a consensus revision to the second year biennium forecast takes place in early May

Consensus Forecast: FY 2013-14

Baseline growth forecast (previous year in parentheses)

- | | |
|----------------------|--------------|
| • Sales Tax | 2.9% (3.1%) |
| • Personal Income | 1.0% (10.9%) |
| • Corporate Income | 2.6% (10.8%) |
| • Total General Fund | 2.3% (7.8%) |

Current State Revenue and Economic Trends



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How Do 2013-14 Revenues Look So Far?

- Collections through December - \$83.5 million above the \$10.0 billion target.
- Key revenue sources are essentially on target.
- **Caveat:** Most of the forecast risk occurs in second half of the fiscal year.
 - 2013 Final Payments and Refunds, plus 2014 Estimated Payments in April and June



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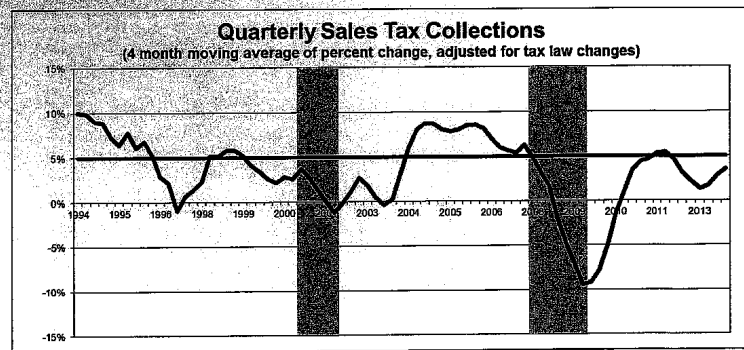
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January 21, 2014

How Do 2010-11 Revenues Look So Far?

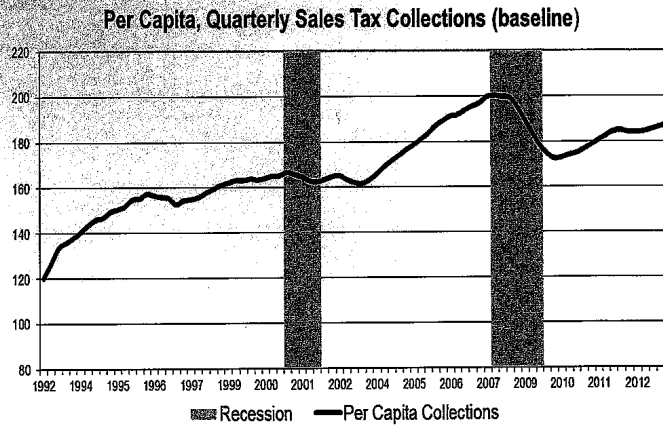
- Net withholding income tax is up 3.3%.
- Sales tax collections are slightly ahead of target.
- We will not know how holiday sales affected collections until January numbers are tabulated.

Tracking Economy-Based Collections



The consensus forecast growth rate for the current fiscal year is 2.9 percent. In the first quarter growth was at a revised 3.9 percent, and second quarter growth was 4.1 percent.

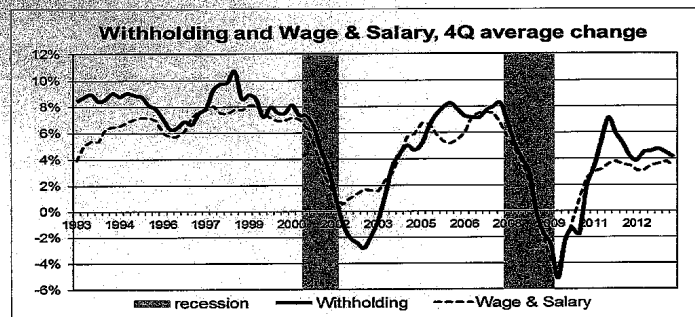
Tracking Economy-Based Collections



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14

Tracking Economy-Based Collections



Withholding income (the income tax on wages and salaries) improved the first-half of 2013 with 4.9 percent growth, but has weakened the second-half of the year growing only 3.3 percent. The growth rate target for the current fiscal year is 4.3 percent.

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15

January 21, 2014

Challenges to Revenue Outlook

- Changes in economic conditions and their impact on revenues are often difficult to recognize.
- New tax laws enacted this past session (S.L. 2013-316) add to complexity.
- The added uncertainty will warrant greater caution when assessing the revenue picture for this fiscal year and how we revise next year.

Economic Outlook



Economic and Revenue Outlook

- Economic conditions and revenues meeting expectations.
- The economy has settled into modest, steady growth pattern.
- 2014 has most economist expecting growth to remain slightly below average.
- Pace of recovery may not create a robust job market.

State's Economic Outlook

Since the revenue forecast in May, the State's economic forecast has seen little change.

<u>FY 2013-14 Forecast</u>	<u>April</u>	<u>December</u>
Gross State Product (nominal)	4.6%	4.5%
Wage & Salary Income	5.4%	5.3%
Employment (Non-Ag)	1.8%	2.0%
Unemployment Rate	8.5%	7.9%
Retail Sales	5.9%	6.1%

Dr. Boardman informed the Board that NC will be the 20th state of the union for Amazon to voluntarily start to collect sales tax.

January 21, 2014

State's Economic Outlook

The table below has some key economic indicators for FY 2012-13, and what we expect in the current and upcoming fiscal years.

North Carolina Economic Indicators

	FY2012-13	FY2013-14	FY2014-15
	Actual	Projected	Projected
State Gross Product	5.3%	4.5%	5.9%
Personal Income	3.6%	5.2%	6.0%
Wages & Salaries	3.4%	5.3%	6.1%
Retail Sales	6.3%	6.3%	6.5%
Unemployment Rate	9.3%	7.9%	7.3%
Employment (Nonagricultural)	1.7%	2.0%	2.1%
Population	1.5%	1.8%	2.1%
Existing Single-family Home Sales	20.5%	7.9%	3.1%

State's Economic Outlook

What would 2% growth in employment mean?

- This would add as many as 85,000 to 95,000 jobs next year.

What about the unemployment rate?

- The unemployment rate has fallen dramatically in the past several months (1.5 percentage points since July), but may not continue to fall as encouraged job seekers re-enter the labor force.

Dr. Boardman emphasized the forecasted 2% growth would mean 60,000-100,000 new jobs in North Carolina over the current 30,000-40,000.

State's Economic Outlook

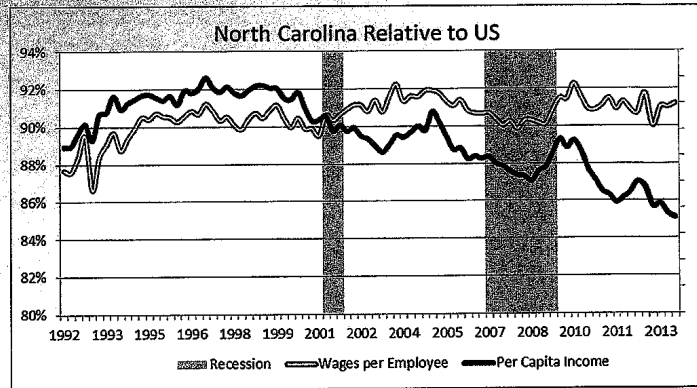
- Two key drivers that influence State revenue are:
 - **Employment and Personal Income**
- Unfortunately some related statistics can, at times, be misleading:
 - **Per Capita Income**
 - **Unemployment Rate**

State's Economic Outlook

Per capita Income

- Per capita income = total personal income / total population
 - ✓ Population includes children, working adults, and retirees.
- There are three main components to Personal income:
 - **Earned Income** (62.9%) – traditional income from labor including salaries and bonuses
 - **Property Income** (17.2%) – payments in the form of dividends, interest, and rents from the use of capital
 - **Transfer Payments** (19.9%) – Social Security income, Medicare payments, Medicaid payments, and Veterans Benefits are the main components.

State's Economic Outlook



Each line in the graph represents the State's share of income relative to the US.

State's Economic Outlook

- The main culprit for the drop-off in relative per capita income appears to be demographics.
- US Census data shows North Carolina's population grew at nearly twice the pace of the US between 2000 and 2010, *and*
- The percent of children under the age of 18 and the elderly (65 or older) increased in NC, while it was falling in the US.

Dr. Boardman explained the drop-off in the per capita income appears to be a function of demographics, not economics, i.e., a shrinking labor force noting job growth within growing population that is non-labor. Ms. York noted the retiree population growth impacts the demand of services locally.

State's Economic Outlook

The Unemployment Rate

- Employment is another key driver of General Fund revenues and is also an important focus of policymakers in the State.
- Unfortunately, the unemployment rate is difficult to understand at times.
- The unemployment rate is a ratio:

$$= \frac{(\text{Labor Force} - \text{Employed})}{\text{Labor Force}}$$

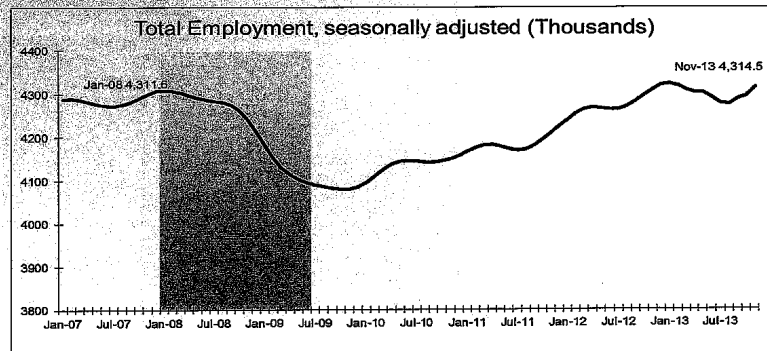
State's Economic Outlook

- A change in the rate requires an analysis of both factors.
- It makes it difficult to interpret the recent decline in the State's unemployment rate.
- Year-over-year employment increased by 6,082 employed this November (a 0.14 percent increase).
- The unemployment rate fell from 9.4 percent the previous November to 7.4 percent.
- Since last November, the labor force shrank by just over 95,000 people.

State's Economic Outlook

- The participation rate (the labor force as a percent of the adult population) fell over the same period from 63.2 percent to 61.3 percent.
 - Prior to the onset of the Great Recession, by comparison, the participation rate was 65.2 percent.
- The good news is that household employment has improved and has returned to the pre-recession employment levels seen in 2007.
 - Despite the recent decline in the labor force, it is still larger than it was in 2007; and in November, the unemployment rate was 2.5 percentage points higher than in 2007.

State's Economic Outlook



Because the unemployment rate can at times be misleading with respect to economic conditions, we tend to focus on the level of employment and the rate of employment growth. The chart shows how total employment has recovered since the end of the recession.

Conclusion

- Revenue collections are slightly above the consensus target, and were essentially on target the second quarter.
- The first half of the fiscal year has provided mixed results.
 - Personal Income (53%)
 - Sales (27%)
 - Corporate Income (6%)
- The national economy continues to strengthen, yet the pace of growth remains below average.
- Given the recently enacted tax laws affecting 2014, there will be added uncertainty to any swings in revenue collections.

Commissioner Newell requested the County Manager to give the Board the last five years of per capita income data. Finance Director, Amy Wehrenberg noted this information can be found in the Financial Report.

Dr. Boardman stated not much change is anticipated within health economics.

Dr. Boardman noted he did not expect any new tariff laws noting a trend referred to as re-shoring is taking place noting the costs of shipping goods manufactured overseas is more currently than manufacturing the product stateside.

Dr. Boardman concluded his presentation speaking to the Board about corporate tax rates noting if fiscal goals are met, the plan is for the rate to drop as follows:

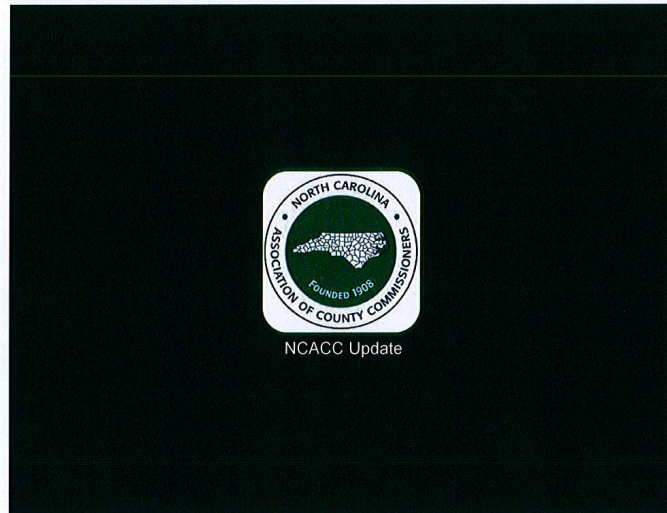
2012	6.9%
2013	6.9%
2014	6%
2015	5%
2016	4%
2017	3%
2018	2%

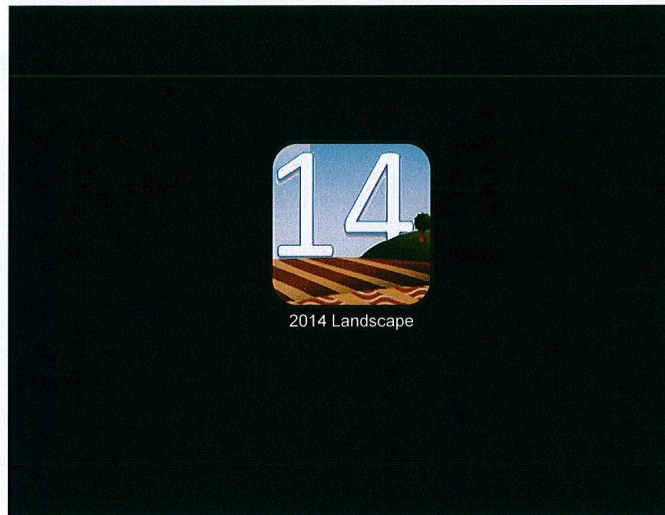
Dr. Boardman stated South Carolina currently has the lowest corporate tax rate at 5%.

Chairman Clayton thanked Dr. Boardman for his information and announced a brief break at 9:59 am.

STATE LEGISLATIVE UPDATE:

Mr. Kevin Leonard, Deputy Director with the NC Association of County Commissioners (NCACC) introduced Matt Gunnett as the new legislative Grassroots Coordinator. Mr. Leonard gave the Board the following presentation titled NCACC Update:






The legislative short session is slated to begin May 14, 2014 and estimated to end mid-July.



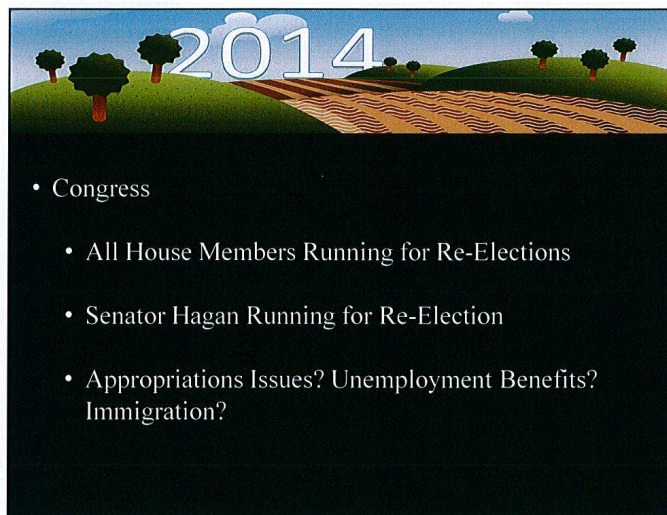
- Speaker Thom Tillis is running for U.S. Senate
- President Pro Tempore Phil Berger is not running for U.S. Senate
- All 170 Members of the NCGA are up for election
- Impacts:
 - Short Session? Controversial Issues? Budget?



- Make up of the General Assembly is still relatively new
 - Out of 170 Legislators:
 - 58 in their 1st Term
 - 44 in their 2nd Term
 - 59% of Legislators have been in office 3 years or less
- Governor McCrory begins his second year
- State Agency Leaders Beginning Second Year*
 - *Secretary Frank Perry was appointed in August 2013, replacing Secretary Shanahan

3

Mr. Leonard estimates a short session without many controversial issues.



Mr. Leonard noted Amazon is volunteering to charge sales tax and is doing so under the Marketplace Fairness Act that has passed in the Senate and is currently in the House.



2013 Highlights



- Overall, Counties had a very good legislative session
- Achieved a majority of our NCACC goals
- Tax Reform
- Lottery Funding - \$100M
- Lottery Funding Language a disappointment
- Inmate Medical Legislation
- No Unfunded Mandates *(There were attempts)*



Tax Reform

- Remember where we started...
- Lower the Rate - Broaden the Base

• HOUSE

- Lowers corp tax
- Lowers personal income tax
- Broadens tax base
- Leaves intact county rate

- County impact = +\$75 million: all winners

• SENATE

- Eliminates Local sales tax refunds
 - Earlier proposal to eliminate Food Tax for Counties set aside
- Caps sales tax refunds for Non-Profits
- Restructures base & applies to warranties

- County impact = \$57 million: some losers



Tax Reform

- Leaves intact county rate & county refund
- County impact = +\$10 million in 2013-14; all winners: \$30 million when fully implemented

Huge Thanks To NCACC Members!!

Great example of Commissioners and County Staff talking to their Legislative Delegation and making the difference in convincing the General Assembly that certain proposals would be harmful to counties.



Tax Reform

- Slightly broadens tax base
- Applies to service warranties
- Includes amusements, movies
- Eliminates sales tax holidays



Tax Reform

- Lowers personal income tax
 - 5.8% (2014); 5.75% thereafter
 - \$15K standard deduction
 - \$20K limit on mortgage & prop tax itemized deduction; unlimited charitable
 - Personal exemption eliminated
 - Child credit only
 - \$50k business deduction eliminated 2014



Tax Reform

- Lowers corporate income tax
 - 6% 2014; 5% 2015; triggers thereafter to lower if enough revenues collected
 - Eliminates ADM corporate tax set aside
- Leaves intact municipal privilege licenses
- Caps non-profit refunds at \$45 million
 - \$13.3M for local
 - Applies to no NP now



Tax Reform

- Revenue Laws to Study:
 - Authority of cities and counties to impose privilege tax
 - Impact of eliminating NP sales tax refund
 - Feasibility of expanding sales tax base to add. services
 - Simplification of franchise tax



- Budget
 - Spending at \$20.6 billion
 - Revenue growth still below recovery
 - No salary increases
 - Fully funds health & retirement cost increases
 - 5 additional vacation days



- Budget – Key County Issues
 - **Lottery Funding**
 - \$100 M Appropriated
 - Statutory language eliminated
 - **Unfunded mandates**
 - Counties paying for volunteer fire & EMS workers' comp. costs proposal eliminated
 - **Article 44 Hold Harmless payments**
 - Extends for 1 yr at 50%
 - **\$4 M Federal HAVA Funds**
 - State Maintenance of Effort (MOE): starts in year 2


9

Commissioner Newell asked that percent of state employee's retirement is paid. Mr. Leonard stated he would find out and send along to the Board.

Commissioner Puryear asked the County Manager to report the last five years trend of Person County lottery funds.

January 21, 2014

Vice Chairman Jeffers asked about the new law related to volunteer fire and EMS workers' comp costs. Mr. Leonard stated the Department clarified that the law did not apply to volunteer fire and EMS workers.



County Inmate Medical Cost Containment, S321

- Provide parity with state prison medical cost containment initiatives
 - Payments to providers limited to 70% of prevailing charges or twice Medicaid rate
 - Enables counties to pay Medicaid rates for in-patient medical care
 - Counties to fund non-federal share of cost
 - NCACC to organize county Medicaid claims/payments



2014 Landscape



2013 Highlights



Hot Topics



Budget Outlook



2014 Short Session



Get Connected



Hot Topics



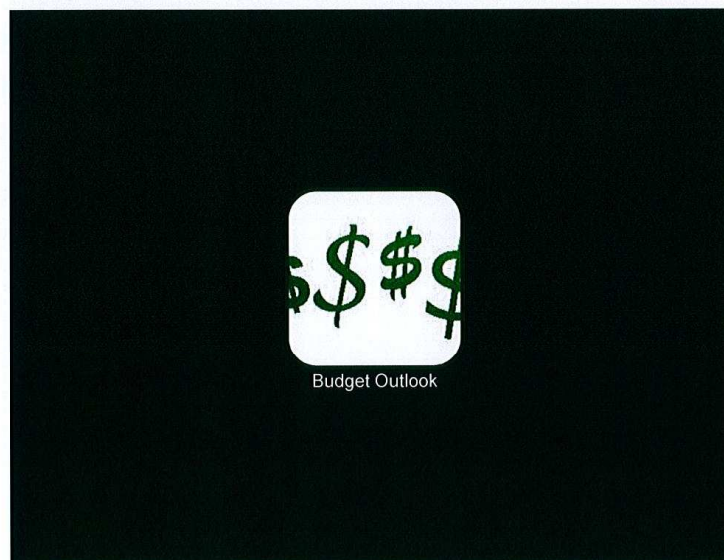
- Education Funding
 - Teacher Pay
 - Lottery Statutory Language
 - *Counties Must Tell Their Story!*
- Economic Development
 - Dept. of Commerce Transition – Non-Profit
 - New Division of Rural Development



- Pension Reform
- Adoption of Local Regulation
- Tweaks to Tax Reform
 - Privilege Licenses (Mainly a City Issue)



- Dept. of Health & Human Services
 - NC FAST / NC TRACKS
- Affordable Healthcare Act (ACA)
 - Implementation Issues
 - MAGI (Modified Adjusted Gross Income)
- LME/MCO Consolidation – Governance
(Local Mental Health Entity / Managed Care Organization)





- 1st quarter, General Fund revenue up \$80 million above \$5.0 billion target
- Stronger Corporate Income tax revenue; \$52 million
- Total Personal Income collections were \$15 million



- Wage and salary withholding 1% below target
- Sales Tax collections up \$19 million over target; gross collections up 4.2% over 2012-13
- Improvements in overall economy more widespread & housing appears poised to begin a solid recovery



- NCACC Budget and Tax Survey
 - *For over 20 years, NCACC has collected data on county budget and tax trends*



- County economic conditions improving
 - 84 report budget increase
- School funding increasing
 - 61 report current exp increase
 - More using purpose & function 17 v. 11



- Use of school funding formulae:
 - None = 65; Yes = 15; Considered = 3; Discontinued = 7
 - Bladen, Greene, Halifax, Hoke = Statewide Avg.
 - Brunswick, Cumberland, Montgomery, Robeson, Union, Wake = Tax Base Growth
 - Chatham, Cleveland, Currituck, Dare, Haywood = Inflation
 - Gaston, Onslow, Polk = Benchmarking
 - Forsyth = Hybrid
 - Duplin = mediation lawsuit agreement
 - Camden, Onslow = funding tied to school performance



- Inmate medical
 - 32 have discount service rate agreement in place; 60 have no agreement in place
 - \$19.8 million in external medical costs
- E911 funds availability
 - 63 decreased, 27 increased, 8 at same
 - 61 denied reimbursement



Counties Executing HHS Consolidation Authority



2014 Landscape



2013 Highlights



Hot Topics



Budget Outlook



2014 Short Session



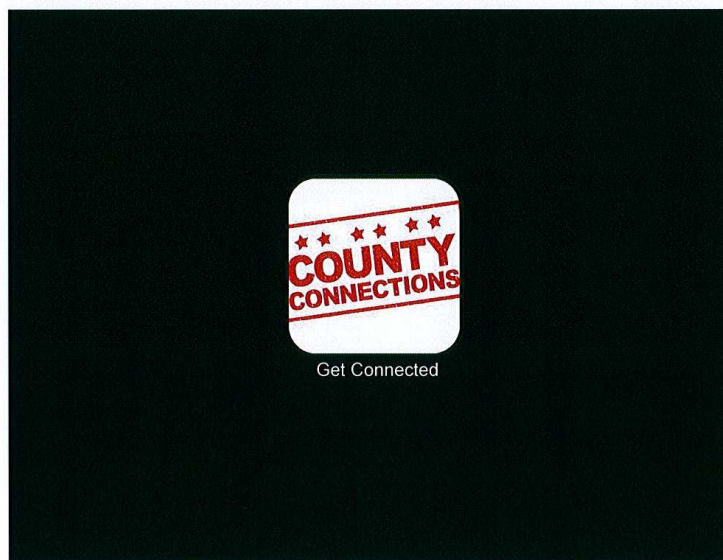
Get Connected



2014 Short Session



- Short Session – May 14th
 - Will it really be short??
- No Controversial Issues?
 - What is eligible?
 - Cross over bills, Appropriations & Finance Bills, Resolutions, Constitutional Amendments, Study Committee Recommendations
- Teacher Pay Raises...State Employees?...Retirees?
- Top County Issues





- YOU are the best advocate
- Tell your county story
- Show and Tell – Invite Legislators to visit your County Facilities



Ways to Get Involved

- Steering Committees
- County Assembly Day – May 28
- Meeting in a Box Discussions
- Visit Raleigh

Vice Chairman Jeffers stated County Assembly Day registration is free this year.



District Meetings

- March 26 Moore County
- March 27 Rockingham County
- April 2 Haywood County
- April 3 Catawba County
- April 9 Bertie County
- April 10 Onslow County



Ways to Stay Informed

County Lines
Facebook
Twitter
Manager Calls
You Tube

Email or Call Us

County Manager, Heidi York noted one unfunded mandate coming to counties is related to the Voter Registration Act that is effective in 2018 with the paper ballot.

Chairman Clayton stated data from the NC Lottery Commission website indicates Person County has received \$10,753,996 since its inception in March 2006 and in fiscal year 2013 Person County received \$1,635,667.

Finance Director, Amy Wehrenberg asked Mr. Leonard about the sales tax impact on electricity. Mr. Leonard stated he was unsure and he would check with Dr. Boardman and others to research.

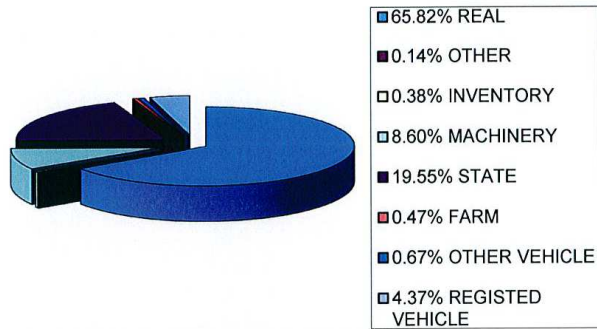
Chairman Clayton announced a brief break at 11:12 am. The meeting reconvened at 11:21 am.

AD VALOREM AND VEHICLE TAX REVENUES:

County Manager, Heidi York stated revenue projections are estimated noting the real numbers come later in some cases, i.e., state appraised properties from May – September.

Tax Administrator, Russell Jones outlined the following presentation to provide information to the Board related to Ad Valorem and vehicle tax revenues.

Where did the 2013 levy come from?



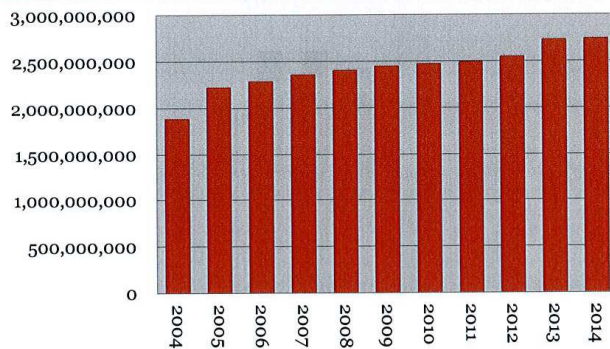
What causes the LEVY to change?

- **Real Property**-Growth (new construction), splits of parcels, demolitions, changes in exempt status, changes in acreage in deferred (farm use)
- **State Appraised**-Changes each year, unpredictable by the County
- **Equipment**-Additions/Deletions, depreciation
- **Registered Vehicles**-Transitioned to NCVTS (now collected by NCDMV)

Changes in FY2015 Real Property Values

- Added new construction= +12 Million
- TOTAL value for 2014-2015=\$2.71 Billion
- Growth is less the .5% (1/2 of 1%)

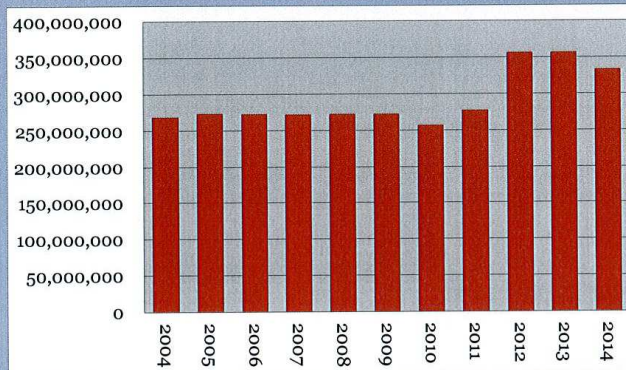
Real Property Value Changes, 2004-2014



Changes in FY2015 Equipment Values

- Reduced for additional depreciation= - \$24 M
- No numbers available for additional equipment
- Value for 2014-2015=\$333 M

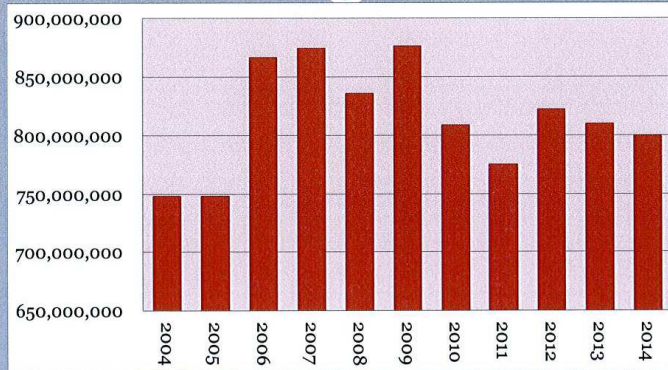
Equipment Value Changes, 2004-2014



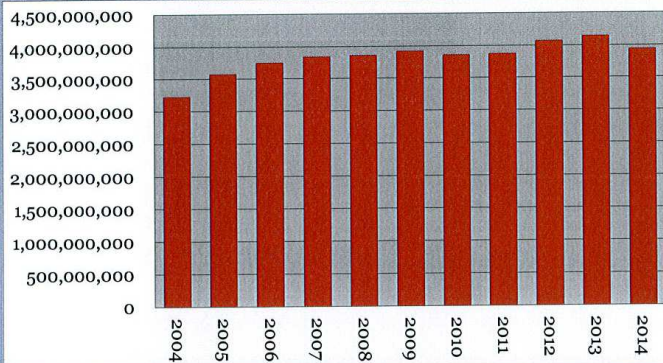
State Appraised Property Value Changes

- Appraised annually by the State
- Person County will not receive valuation until September 2014
- Value for 2013-2014 was \$810 M, down from prior year
- Declined in 2010-2011 and 2011-2012, but increased in 2012-2013 by \$47 M to \$822 M
- Highest value was in 2009 at \$876 M
- Recommended value for 2014-2015=\$800 M

State Appraised Property Value Changes 2004-2014



All Value Changes, 2004-2014



Changes in FY2015 Registered Motor Vehicles

- Now phased in NCVTS
- Collected by NCDMV
- Only 3 months of collections have been reported
- Over time, collection rate should be better than old system
- Without more data, collection rate should be conservative
- Revenue from start of system until January 9, 2014 was \$545,000.

FY-14 Budgeted Tax Revenues & NCVTS

Source	Value	Revenue
Tax Levy-excluding Motor Vehicles	\$3.887 B	\$26,392,730
Tax Levy-Motor Vehicles collected by Tax Office	\$168 M	\$342,780
NCVTS	\$254 M	\$1,731,000
Bonus 4 Months	\$117 M	\$797,940
Total		\$29,264,450

FY-15 Budgeted Tax Revenues & NCVTS

Source	Value	Revenue
Tax Levy-excluding Motor Vehicles	\$3.945 B	\$26,786,550
Tax Levy-Motor Vehicles collected by Tax Office	\$0	\$0
NCVTS	\$300M	\$1,848,000
Bonus 4 Months	\$0	\$0
Total		\$28,634,550

Mr. Jones stated motor vehicles can be tax as an un-tagged vehicle is not renewed or charged retroactively if a skip-tag renewal.

For FY 15,
what will one penny generate?

Collection Rate	Revenue
96.00%	\$405,120
96.25%	\$406,106
96.50%	\$407,093
96.75%	\$408,079
<u>97.00%</u>	<u>\$409,065</u>
97.25%	\$410,051
97.50%	\$411,038
97.75%	\$412,024
98.00%	\$413,010

Questions?

7

Based on 88% vehicle taxes paid in a calendar year and budgeted 97% of real taxes paid (last year actual 97.71%), one penny equates to \$409,065 in the upcoming budget. Current year one penny equals \$387,000 without one-time bonus DMV months or \$417,000 with one-time bonus months.

January 21, 2014

FISCAL REVIEW AND PROJECTIONS:

Finance Director, Amy Wehrenberg outlined the following presentation for Person County's Fiscal Review and Projections outlining Person County's mid-year comparison for revenues and expenditures, sales and use tax distribution, recent unemployment trends, fund balance available and unassigned amounts, fund balance policy, and the next six months forecast.

Commissioner Blalock asked Ms. Wehrenberg about tax on services. Ms. Wehrenberg stated more information will come on this issue as she is not sure the debate is settled.



Person County Fiscal Review & Projections

2014 Person County Board of
Commissioners Annual Retreat
January 21, 2014

Amy Wehrenberg
Finance Director



Discussion Summary

- Mid-Year Comparisons: Revenues and Expenditures
- Sales and Use Tax Distribution
- Recent Unemployment Trends
- Fund Balance Policy
- Fund Balances: Available and Unassigned
- The next six months: What's it look like?

2

Revenues: Mid-Year Comparison

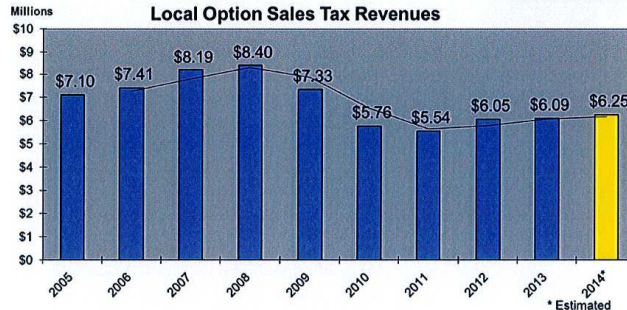


REVENUES	Dec'12	Dec'13	Difference	% Change	Comments
Ad Valorem Taxes	23,034,867	23,867,585	832,718	3.6%	Ad Valorem tax collections showing 2% increase; new revenue recognized for tax & tag collections
Sales & Other Taxes	2,128,906	2,261,101	132,195	6.2%	Sales Tax collections are 6% higher; Occ Tax collections are 17% higher, surplus of \$12K over prior year
Fees & Licenses	2,229,534	2,088,365	(141,169)	-6.3%	Inspection and Zoning Fees coming in strong; however, EMS & Home Health and Hospice fees are behind
State & Federal Funding	3,952,459	3,658,241	(294,217)	-7.4%	Delay in grant expenditures in Health Dept; majority of lottery proceeds drawn down in prior yr (\$263K less this year)
Other Revenues	312,452	143,966	(168,486)	-53.9%	Vehicle claims for hail damage shows up in prior year
TOTAL	31,658,217	32,019,259	361,041	1.1%	Increase in Revenues YTD

Expenditures: Mid-Year Comparison

EXPENDITURES	Dec'12	Dec'13	Difference	% Change	Comments
Personnel	10,322,340	10,402,521	80,181	0.8%	Representing merit pay impact & 401K restoration
Operating	12,127,140	11,534,380	(592,760)	-4.9%	Completion of Lottery project exp in prior yr
Capital	253,476	349,466	95,990	37.9%	Additional vehicle replacements
Debt Service	1,945,914	2,073,705	127,792	6.6%	New SMS/PHS roofing debt
Transfers to Other Funds	3,337,515	1,945,053	(1,392,462)	-41.7%	Appropriated less for CIP projects (\$956K); SMS/PHS Proj Startup funds in prior yr (\$476K)
TOTAL	27,986,384	26,305,126	(1,681,258)	-6.0%	Decrease in Expenditures
NET (Revs minus Exp)	3,671,833	5,714,133	2,042,300	55.6%	Large decrease in expenditures plus increase in revenues

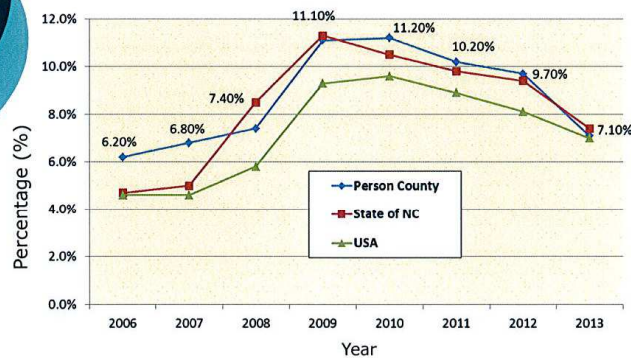
Sales and Use Tax Distribution- Prior and Projected



Sales tax is showing positive trends upward. Through December 2013 (5 mos. through November), sales tax collected is 6.2% (increase of \$153K) higher than what was budgeted for that period. At the current growth rate, it is anticipated that collections will reach \$6.25M by current fiscal year end, an increase of \$160K.

5


Recent Unemployment Trends




6

Ms. Wehrenberg confirmed unemployment is based on residency.

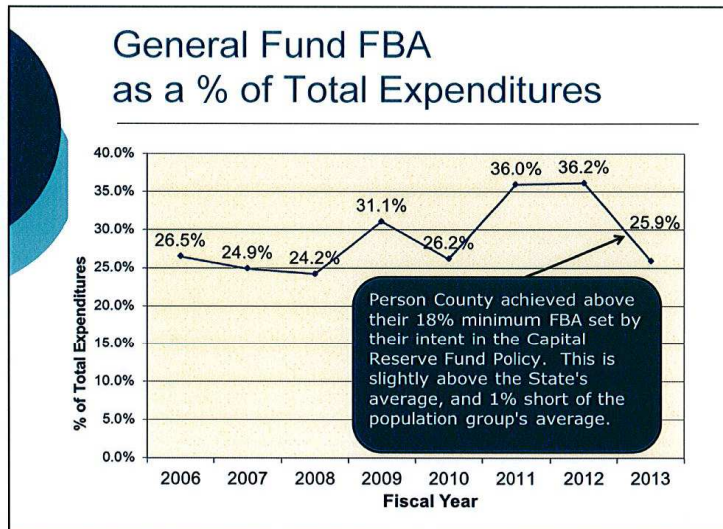
Fund Balance Policy



- **Fund Balance Policy????**
 - Person County has no separate Fund Balance Policy
 - Reference to Board's fund balance targets in section of 2004 County's Capital Reserve Fund (CCRF) Resolution
 - To maintain an available fund balance as a % of expenditures in the General Fund at a minimum of 18%
 - Any fund balance in excess of 18% should be primary source of funding the County's capital needs
 - To fund annually from fund balance in the General Fund the amount that exceeds 21%
 - Creation of CIP Fund has replaced use of CCRF, making this Resolution no longer effective
 - Average county fund balance level (FY11-12) across the State is around 25%, comparative population & budget size groups is 27%
- **LGC's Recommendation:** Maintain minimum of 8%



7



Ms. Wehrenberg requested Board consideration of the Fund Balance policy with directions/actions to be taken should the balance fall beneath the recommended minimum.

Unassigned Fund Balance (“UFB”)

- Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.
- This is the amount that the County has remaining at year-end that the Board has decision control over and can appropriate for any purpose.
- Person County reported a decrease in the UFB portion from 26% to 18% at end of FY 2013. This is the second consecutive year that the UFB has fallen.
- Continued efforts to catch up on delayed capital items have been the primary cause for the decreasing UFB.
- Attempts to restore fund balances will require cuts to operating and/or capital expenditures, or increases in revenue.



9

The next six months: What's it look like?

- Property Tax Collections- forecasted to come in higher
- Occupancy Tax Collections - coming in higher than anticipated, expecting trend to continue in Spring months
- Sales Tax Collections- projecting a \$160K increase based on current YTD trend
- Decreasing unemployment rates-hopeful to see this continue; small commercial development and expansions are contributing to this pattern for the local economy
- Strain on fund balance likely to continue due to personnel and operating cost issues over next several months
- Anticipating more delayed capital requests and other new projects in CIP (ie. Broadband Project)
- Budget Strategies needed to address next year's challenges and the declining fund balances



10

5

Ms. Wehreberg stated the General Fund FBA 25.9% represented \$9.9 million. Prior fiscal year, according to the Financial Report, the General Fund FBA was at 36.2% which represented \$12.6 million. Ms. Wehrenberg stated the unassigned Fund Balance went from 26% prior fiscal year to 18% at end of fiscal year 2013.

January 21, 2014

Chairman Clayton asked Ms. Wehrenberg about debt coming off the books. Ms. Wehrenberg stated in fiscal year 2016, \$2 million in debt will be relieved. Ms. Wehrenberg suggested the Board could delay large capital projects until fiscal year 2016 or borrow/finance projects in the upcoming years instead of paying for such from Fund Balance. Vice Chairman Jeffers asked what the County's biggest debt payment is currently. Ms. Wehrenberg stated the 1999-2000 school debt payment is over \$1 million. Ms. Wehrenberg confirmed any new project(s) could absorb that debt or the County could borrow for any large project(s).

Commissioner Newell asked Ms. Wehrenberg what were the interest rates for the County's debt. Ms. Wehrenberg stated the County's debt is based on fixed rates, below 3% along with one re-financed debt just over 3%. Ms. Wehrenberg noted today's interest rates range from 3% to 3.5%.

Chairman Clayton announced a break for lunch at 12:26 pm. The meeting reconvened at 1:17 pm.

STRATEGIC PLAN GROUP PRESENTATIONS:

Assistant County Manager, Sybil Tate announced each of the Person County Strategic Plan's focus groups have met and completed action plans as well as priorities for fiscal year 2015 for Board consideration to fund in the upcoming budget. Ms. Tate stated each focus group will have a short presentation by a representative(s) of the group.

Re-Imagine Our Future

Ms. Beth Townsend of Piedmont Community College Foundation, Ms. Abby Gentry of Roxboro Development Group, Ms. Erin Hill of the Kirby and Ms. Margaret McMann of Tourism Development Authority appeared before the Board for funding consideration for the Re-Imagine Our Future Strategic Plan goal noting branding creates a vision for the future, partnerships promote growth and economic development. The group discussed community events, calendaring those events, and the opportunities for festivals. Ms. Townsend presented the priorities as follows:

Re-Imagine Our Future Fiscal Year 2015 Priorities

Project	Cost
Branding and marketing campaign	\$20,000-\$50,000
Provide performing and visual art field trip opportunities for Person County students	\$2,000-\$5,000
TOTAL	\$22,000-\$55,000

Protect Our Land

Ms. Kim Woods, Interim County Extension Director stated she along with Wanda Rogers, Person Industries Director, Becky Clayton, Person Industries Assistant Director and Dr. Claudia Berryhill, citizen and advocate for the County, developed a plan for the Protect Our Land Strategic Plan goal. Ms. Woods presented the funding request for the priorities as follows:

Protect Our Land Fiscal Year 2015 Priorities

Project	Cost
Host an agri-tourism producer-consumer listening session	\$1,000
Small business /industry waste audits	\$2,400
Beautification program	\$16,137
TOTAL	\$19,537

Foster a Sense of Community

Ms. Jayne Bremer of United Way and Mr. John Hill, Arts, Parks & Recreation (P&R) Director presented to the group the Foster a Sense of Community Strategic Plan goals for funding consideration noting each of the priority projects are connected. Ms. Bremer presented as follows:

Foster a Sense of Community Fiscal Year 2015 Priorities

Project	Cost
Afterschool program, administered through JCPC	\$12,000
P&R scholarships	\$10,000
Adding promotion of volunteer opportunities and other community events to the P&R seasonal brochure	\$1,500
TOTAL	\$23,500

Lifelong Learning

Dr. Walter Bartlett, Piedmont Community College President presented the Lifelong Learning Strategic Plan goal priorities to the Board for funding consideration noting the recommendations were formed by community education leaders, i.e. Gordon Powell, Tara Holmes, Ronnie Dunevant, Margaret Bradsher and John Betterton with the objectives targeting three age groups plus a community initiative. Dr. Bartlett presented the following:

Lifelong Learning Fiscal Year 2015 Priorities

(Goal.Objective.Strategy) - Project Description	Cost
1.1.1 – Administer subsidy enhancement funds. <i>(Pre-School Focus)</i>	\$18,000
1.3.1 – Implement a public safety/broadband project. <i>(Community-wide Focus)</i>	\$3-4 Million
1.4.2 - Collaborative feasibility study for an Enhanced Early College. (travel) <i>(School Age Focus)</i>	\$8,000
2.2.2 – Contract with EMSI to conduct a local program/job analysis study. <i>(Adult & Economic Development Focus)</i>	\$12,000
TOTAL	\$38,000+\$4M

The group discussed difference in an Early College (located on a college campus) and an Enhanced Early College (located off-campus, proposed to be located in the main building at the former Helena School site). Dr. Bartlett stated the innovative school concept will target middle schools student that are average performers to obtain a high school diploma plus an associate's degree upon high school graduation.

Vice Chairman Jeffers referred to stats from a profile on Person County that depicted 81.1% of Person County residents age 25 and up have a high school diploma and 14% that have obtained a bachelor's degree.

Commissioner Puryear stated his support and his desire for the full Board to seize the opportunity and not let it slide through as done in the past.

Economic Development

Person County Economic Development Director, Stuart Gilbert stated the mission of Economic Development is to recruit industry, expand existing industry and promote small business growth. Mr. Gilbert presented the Economic Development Strategic Plan priorities to the Board for funding consideration as follows:

Economic Development Fiscal Year 2015 Priorities

Project	Cost
Uptown Development Projects (In form of Grant to RDG)	\$20,000-\$30,000
Long Term Fiber Optic Plan for Person County	\$3-4M
Website Upgrade and Marketing Material ON WEB	\$10,000
TOTAL	\$30,000 & \$3-4M

Mr. Gilbert stated the Uptown Development projects would include public restrooms, new development, improvement, restaurants and retail shops which would mean new jobs working in partnership with the City of Roxboro through a grant to RDG.

Mr. Gilbert explained the difference in wireless and broadband options noting the broadband strategy has been a long term goal for Person County. Mr. Gilbert passed out information related to broadband strategies. The long term fiber optic plan noted as an Economic Development priority offers a network for public facilities. Mr. Gilbert told the group that PCBIC funded a broadband study with the report due within sixty days.

Assistant County Manager, Sybil Tate added the \$3-\$4 million estimate cost for the public safety/broadband project included the majority of the costs for the construction of the towers with only \$100,000 tabbed for broadband services.

Mr. Gilbert said the website upgrade will enhance the current information and allow for more data to be marketed about Person County.

Vice Chairman Jeffers referred to a County Profile for Person County by the Commerce Economic Development noting his preference to improve the weaknesses as listed on the profile. Mr. Gilbert stated data and site analysis ranked higher than local incentives when industry considers a location.

Ms. Tate followed up with the total costs to implement the Strategic Plan Priorities for Fiscal Year 2015 excluding the multi-million dollar projects:

Strategic Plan Priorities FY15

Protect Our Land

Project	Cost
Host a producer-consumer listening session	\$1,000
Small business /industry waste audits	\$2,400
Beautification program	\$16,137
TOTAL	\$19,537

Foster a Sense of Community

Project	Cost
Afterschool program, administered through JCPC	\$12,000
P&R scholarships	\$10,000
Adding promotion of volunteer opportunities and other community events to the P&R seasonal brochure	\$1,500
TOTAL	\$23,500

Re-Imagine Our County

Project	Cost
Branding and marketing campaign	\$20,000-\$50,000
Provide performing and visual art field trip opportunities for Person County students	\$2,000-\$5,000
TOTAL	\$22,000-\$55,000

Lifelong Learning

Project	Cost
Administer subsidy enhancement funds	\$18,000
Implement a public safety/broadband project	\$3-4 Million
Collaborative feasibility study for an Enhanced Early College	\$8,000
Contract with EMSI to conduct a local program/job analysis study	\$12,000
TOTAL	\$38,000+\$4M

Economic Development

Project	Cost
Uptown Development Projects (In form of Grant to RDG)	\$20,000-\$30,000
Long Term Fiber Optic Plan for Person County	\$3-4M
Website Upgrade and Marketing Material ON WEB	\$10,000
TOTAL	\$30,000 + \$3-4M

Grand Total

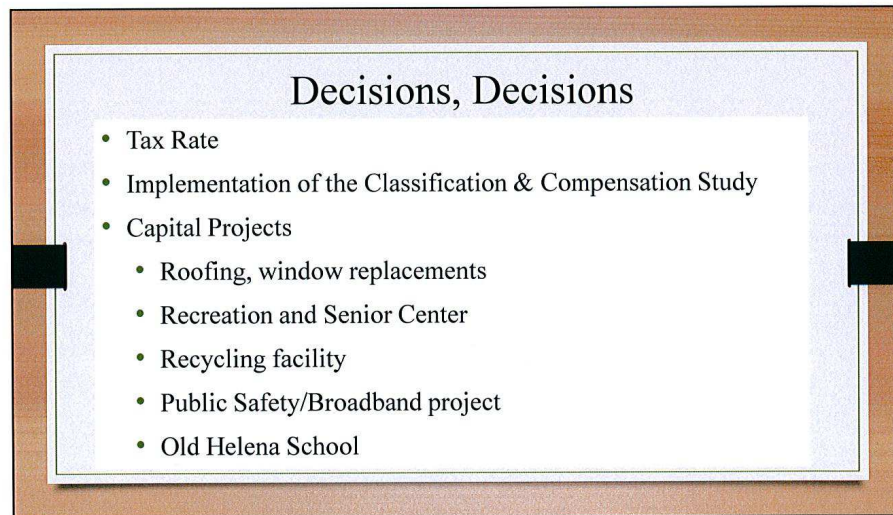
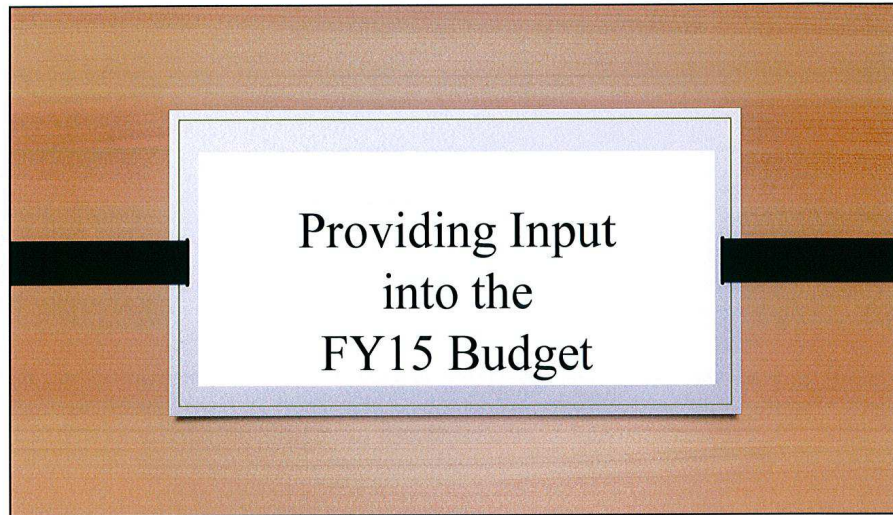
Project	Cost
Protect Our Land	\$19,537
Foster a Sense of Community	\$23,500
Re-Imagine	\$55,000
Lifelong Learning	\$38,000
Economic Development	\$30,000-\$40,000
Grand TOTAL	\$176,037

Ms. Tate recognized the hard work and dedication of the many Strategic Plan committee members.

Chairman Clayton announced a brief break at 2:36 pm. The meeting was reconvened at 2:48 pm.

INPUT ON THE FY15 BUDGET:

County Manager, Heidi York presented the Board the following slides to provide some input on considerations related to the Fiscal Year 2015 budget:



Decisions, Decisions

- Fund Balance Policy
- Economic Incentive Policy
- Funding the Strategic Plan Priority Projects
- Healthcare Benefits
- Commissioner Priorities

Departmental Budget Impacts for FY15

- **IT** –new phone system is needed
- **Parks & Rec** – increase in part-time for maintenance due to increased use
- **Emergency Services** – overtime increase, change in pay structure
- **Sheriff's Office**- inmate population increases
- **Elections** - Voter Information Verification Act compliance- (increased trainings and 3 new one-stop locations- rent & staffing)
- **Finance**- need for part-time assistance & additional MUNIS trainings
- **Performance Pay** impacts
- **PI/Recycling Facility** – PCRC lease expiration in April

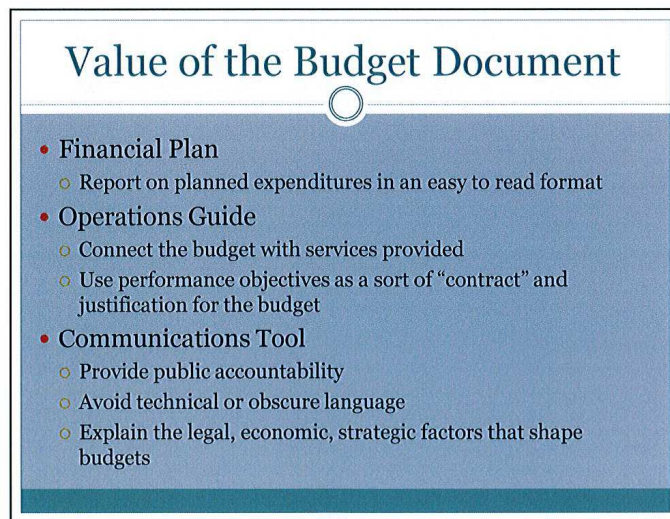
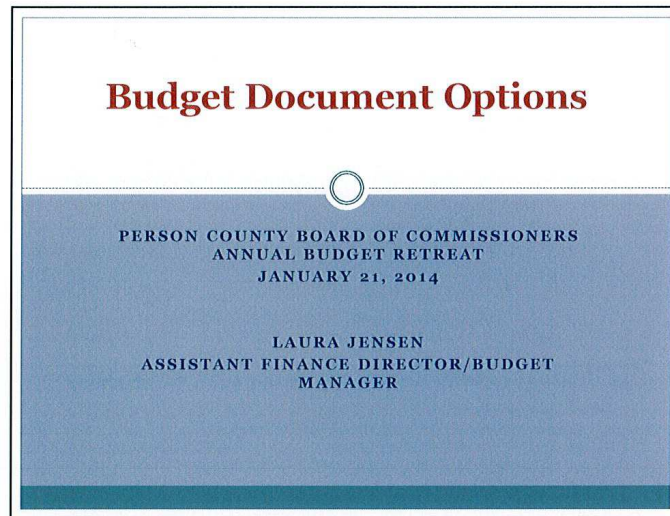
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Ms. York stated she would provide the Board follow-up information related to turnover. Vice Chairman Jeffers suggested the Sheriff to review the possibility of the local hospital providing meals for the Jail.

January 21, 2014

BUDGET DOCUMENT OPTIONS:

Assistant Finance Director and Budget Manager, Laura Jensen presented to the Board for consideration best practice budget document options:



EXPENDITURES									
2013-14 BUDGET									
ORG NO.: 1004130									
DEPT NAME: FINANCE									
MUNIS OBJECT CODE	LINE ITEM DESCR	Prior Year	Current Year	Budget Year				APPROVED % CHANGE FROM	
		2011-12 ACTUAL 6/30/2012	2012-13 ADOPTED BUDGET	2013-14 REQUEST	2013-14 CO MGR RECOM	2013-14 BOARD APPROVED	INCR (DECR)	2012-13 ADOPTED	
412000	SAL & WAGES	236,815	241,872	241,771	246,023	246,023	4,151	1,721	
413200	CELL PHONE	780	780	780	780	780	-	0.00%	
418000	401K CONTR-NON LEO	9,846	8,466	8,462	12,301	12,301	3,835	45.30%	
418100	SS CONTRIB	17,230	18,504	18,496	18,821	18,821	317	1.71%	
418200	RET CONTRIB	16,644	16,302	16,296	17,394	17,394	1,092	6.70%	
418300	GRP HOSP INS	26,442	28,701	31,388	27,078	30,030	1,329	4.63%	
418600	WORKERS COMP	577	872	592	702	702	130	22.73%	
419000	PROF SERVICES	54,893	52,940	61,035	61,035	61,035	8,095	15.29%	
420000	SUPP & OPER EXP	4,380	5,800	5,800	5,800	5,800	-	0.00%	
430000	CONTR SVCS	108	300	400	400	400	100	33.33%	
431100	TRAV/MTGS/CONFS	4,173	3,900	4,030	4,030	4,030	130	3.33%	
431300	EMPLOYEE TRAINING	-	-	-	4,600	4,500	4,500	100%	
431500	DUES & SUBSC	440	440	440	440	440	-	0.00%	
432000	TELEPHONE	423	500	500	500	500	-	0.00%	
432500	POSTAGE	3,032	3,200	3,300	3,300	3,300	100	3.13%	
434000	PRINTING/COPYING	908	1,000	1,000	1,000	1,000	-	0.00%	
435200	MAINT/REP EQUIP	10,900	15,062	36,130	36,130	36,130	21,068	139.88%	
446000	CAP OUT \$750-\$4999	-	-	4,700	4,700	4,700	4,700	100%	
TOTALS		387,592	398,339	435,120	444,934	447,855	49,547	12.44%	

REVENUES											
2013-14 BUDGET											
FUND NO.: 139				FUND NO.: 139				FUND NO.: 139			
FUND NAME: HEALTH				FUND NAME: HEALTH				FUND NAME: HEALTH			
Prior Year		Current Year		Budget Year		Budget Year		Prior Year		Current Year	

EXPENDITURES 2013-14 BUDGET									
ORG NO.: 1004130									
DEPT NAME: FINANCE									
MUNIS OBJECT CODE	LINE ITEM DESCR	Prior Year	Current Year	Budget Year			APPROVED FROM 2012-13 ADOPTED	APPROVED % CHANGE FROM 2012-13	
		2011-12 ACTUAL 6/30/2012	2012-13 ADOPTED BUDGET	2013-14 REQUEST	2013-14 CO MGR RECOM	2013-14 BOARD APPROVED			
412000	SAL & WAGES	238,815	241,872	241,771	246,023	246,023	4,151	1.72%	
413200	CELL PHONE	780	780	780	780	780	-	0.00%	
418000	401K CONTR-NON LEO	9,848	8,466	8,462	12,301	12,301	3,835	48.30%	
418100	SS CONTRIB	17,230	18,504	18,496	18,821	18,821	317	1.71%	
418200	RET CONTRIB	16,644	16,302	16,296	17,394	17,394	1,092	6.70%	
418300	GRP HOSP INS	26,442	28,701	31,388	27,078	30,030	1,329	4.63%	
418600	WORKERS COMP	577	572	562	702	702	130	22.73%	
419000	PROF SERVICES	54,893	52,940	61,035	61,035	61,035	8,095	15.28%	
420000	SUPP & OPER EXP	4,380	5,800	5,800	5,800	5,800	-	0.00%	
430000	CONTR SVCS	108	300	400	400	400	100	33.33%	
431100	TRAV/MTGS/CONF	4,173	3,900	4,030	4,030	4,030	130	3.33%	
431300	EMPLOYEE TRAINING	-	-	-	4,500	4,500	4,500	100%	
431500	DUES & SUBSC	440	440	440	440	440	-	0.00%	
432000	TELEPHONE	423	500	500	500	500	-	0.00%	
432500	POSTAGE	3,032	3,200	3,300	3,300	3,300	100	3.13%	
434000	PRINTING/COPYING	908	1,000	1,000	1,000	1,000	-	0.00%	
435200	MAINT/REP EQUIP	10,900	15,062	36,130	36,130	36,130	21,068	139.88%	
446000	CAP OUT \$750-\$4999	-	-	4,700	4,700	4,700	4,700	100%	
TOTALS		387,592	398,339	435,120	444,934	447,886	49,547	12.44%	

FINANCE							
MISSION							
The mission of the Person County Finance Department is to provide financial management services to our community and to County departments in compliance with federal, state, and local government fiscal control laws and regulations aiming for the highest level of professional excellence, integrity and efficiency.							
Summary	2011-12 ACTUAL EXP	2012-13 ADOPTED BUDGET	2013-14 BUDGET REQUEST	2013-14 CO MGR RECOM	2013-14 BOARD APPROVED	INCR (DECR)	APPROVED % CHANGE FROM 2012- 13 ADOPTED
Expenditures							
Personnel	308,135	315,197	317,795	323,019	326,051	10,854	3.44%
Operating	79,257	83,142	112,635	117,115	117,115	33,993	40.89%
Capital	-	-	4,700	4,700	4,700	4,700	100%
Total	387,392	398,339	435,120	444,934	447,866	49,547	12.44%
FY 2012-13 ACCOMPLISHMENTS							
<ul style="list-style-type: none"> Implemented <u>Munis</u>, the new financial and human resources software system Achieved Government Finance Officers Association Certificate of Excellence in Financial Reporting for FY2012 Comprehensive Annual Financial Report (CAFR); the County maintained the highest rating "Proficient" in all areas of reporting 							
FY 2013-14 OBJECTIVES							
<ul style="list-style-type: none"> Implement new time-entry system within <u>Munis</u> Financials Improve customer service delivery through more efficient and effective processes Use reporting capabilities within <u>Munis</u> to provide greater detail to departments about current revenues and expenditures Train all departments on how to enter FY 2014-15 budget requests into <u>Munis</u> 							
FY 2013-14 BUDGET HIGHLIGHTS							
<ul style="list-style-type: none"> Personnel budget includes the restoration of 401k contributions to 5% Contract services in operating budget increased due to higher volumes of shredded payroll documents Employee training increased due to further <u>Munis</u> training needs that were not part of the original purchase contract Operating budget also includes increased costs for maintenance of <u>Munis</u> Capital budget expenditure is for the one-time replacement purchase of a check folder/sealer machine for accounts payable and payroll divisions 							

Proposed Changes

- Collapses line item detail into major categories of expenditures
 - Focuses on overall expenditure growth or reductions rather than micro-level
- Frees space for including more narrative information
 - Reader can get a basic understanding of the department's mission, general activities and accomplishments,
 - Departments will connect budget requests to objectives for the next fiscal year

[illegible]

Proposed Changes

- Combines expenditures and revenues into one chart, giving us the ability to show net expenditures
- Collapses line item detail into major categories of expenditures
 - Focuses on overall expenditure growth or reductions rather than micro-level
- Frees space for including more narrative information
 - Reader can get a basic understanding of the department's mission, general activities and accomplishments,
 - Departments will connect budget requests to objectives for the next fiscal year

Effect of Changes

- Readers will have a better understanding of departments and the county as a whole
- Budget increases or decreases will be justified and transparent
- Brings the document in line with what other cities and counties in NC are doing

Ms. Jensen noted the collapsed version of expenditures would include personnel, operating and capital while revenues would report intergovernmental such as state funds, federal funds, Medicaid, Medicare and grants as well as any other revenues.

Vice Chairman Jeffers stated his preference to have the proposed budget documents in addition to the current budget line detail but not in place of such. Vice Chairman Jeffers stated the collapsed version is not as transparent which is why he would prefer both formats.

BUDGET WRAP-UP/STRAW POLL:

County Manager, Heidi York wrapped up the Board Retreat by reiterating the following:

- Many operating cost constraints in departments; property & sales tax revenues may help offset these if tax rate remains
- Revenue delays in EMS & Health Dept due to the State's NC Tracks System
- All departments will have increases in salary lines due to performance pay implementation (& possible classification/compensation study adjustments); also changes in E911 pay structure
- Increase in inmate population has again strained public safety budget
- May need to consider delays to capital projects
- Drop in Fund Balances (Gen Fund); Need strategies to address for next year.

Assistant County Manager, Sybil Tate asked the Board members to participate in a brief, anonymous, non-binding survey through use of their iPad. The survey asked each participant to rank the importance of the budget items listed in the survey for inclusion in the Fiscal Year 2014-2015 budget. The survey results are as follows:

Budget retreat survey 2015

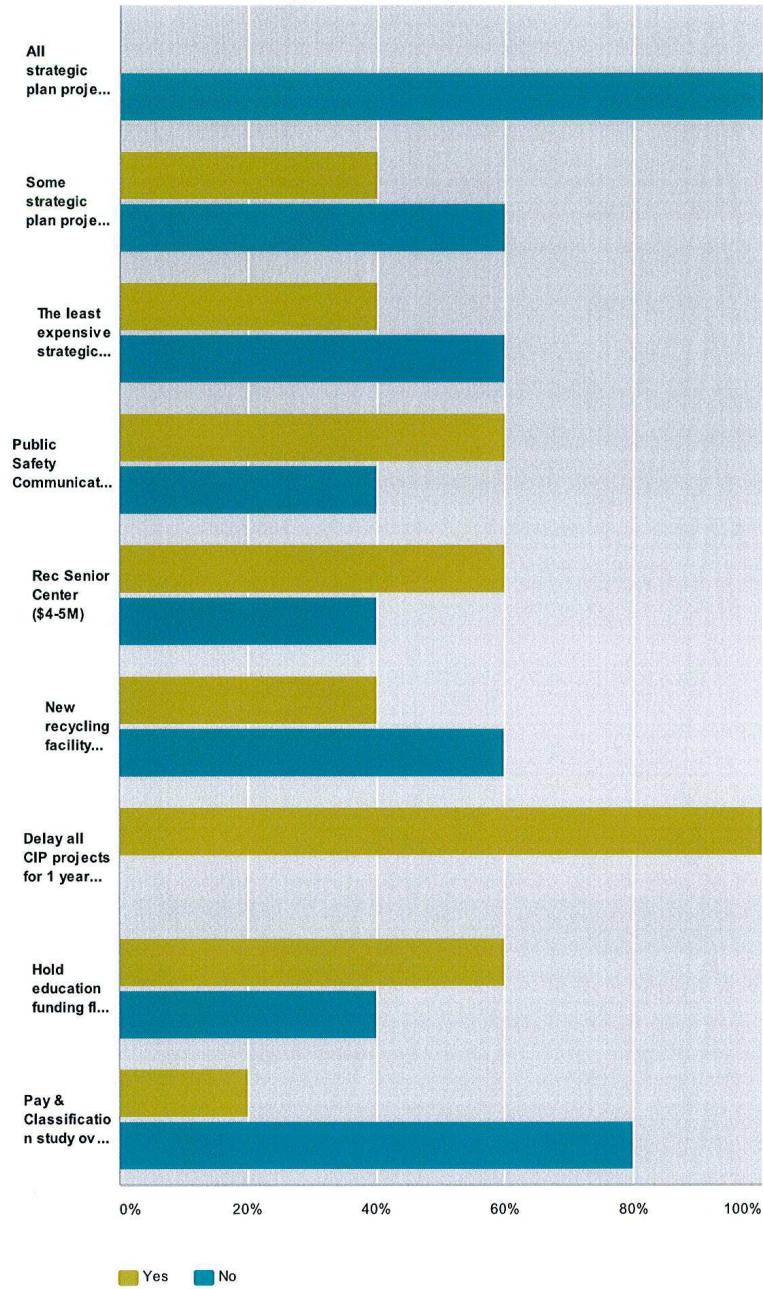
**Q1 Should the FY15 Budget include
funding for the following:**

Answered: 5 Skipped: 0

1 / 4

January 21, 2014

Budget retreat survey 2015



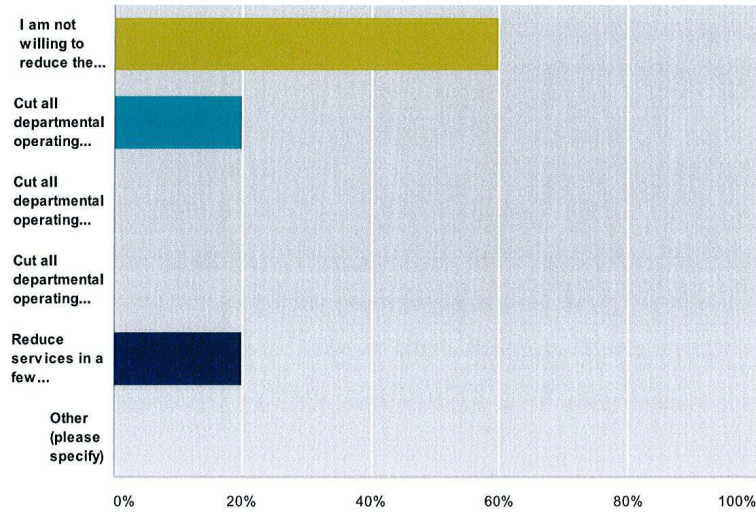
Budget retreat survey 2015

	Yes	No	Total
All strategic plan projects (\$166,037)	0%	100%	
	0	5	5
Some strategic plan projects (\$116,137)	40%	60%	
	2	3	5
The least expensive strategic plan project from each group (\$25,500)	40%	60%	
	2	3	5
Public Safety Communication/Broadband project(\$4M)	60%	40%	
	3	2	5
Rec Senior Center (\$4-5M)	60%	40%	
	3	2	5
New recycling facility (\$2-3M)	40%	60%	
	2	3	5
Delay all CIP projects for 1 year (-\$1.487M)	100%	0%	
	5	0	5
Hold education funding flat (\$10.6M)	60%	40%	
	3	2	5
Pay & Classification study over three years (\$279,836/year 1)	20%	80%	
	1	4	5

Budget retreat survey 2015

Q2 In order to reduce the tax rate by one cent (\$409,065), where would you make cuts?

Answered: 5 Skipped: 0



Answer Choices	Responses
I am not willing to reduce the tax rate	60% 3
Cut all departmental operating budgets by 5% AND Reduce the CIP by \$409k	20% 1
Cut all departmental operating budgets by 5% AND Reduce School funding by \$409k	0% 0
Cut all departmental operating budgets by more than 5%	0% 0
Reduce services in a few particular departments (state specific dept in other field below)	20% 1
Other (please specify)	0% 0
Total	5

CLOSING REMARKS & EVALUATION:

County Manager, Heidi York requested the Assistant County Manager, Sybil Tate to email the Board members a retreat evaluation survey to include any feedback from the day long retreat process.

Chairman Clayton and Ms. York thanked everyone for this participation during the budget retreat.

RECESS:

A **motion** was made by Vice Chairman Jeffers, and **carried 5-0** to recess the meeting at 4:19 pm until February 3, 2014 at 6:00 pm at the Person County Recycling Center located on 741 Martin Street, Roxboro for the purpose of a tour.

Brenda B. Reaves
Clerk to the Board

Jimmy B. Clayton
Chairman