

PERSON COUNTY BOARD OF COMMISSIONERS

FEBRUARY 1, 2016

MEMBERS PRESENT

OTHERS PRESENT

David Newell, Sr.

Heidi York, County Manager

Tracey L. Kendrick

Jimmy B. Clayton

Brenda B. Reaves, Clerk to the Board

Kyle W. Puryear

B. Ray Jeffers

The Board of Commissioners for the County of Person, North Carolina, met in regular session on Monday, February 1, 2016 at 9:00am in the Upper Level of the Kirby Theatre located at 213 N. Main Street, Roxboro. This meeting was designated for the annual board retreat for the Person County Board of Commissioners.

Chairman Newell called the meeting to order and welcomed the group to the annual Board retreat noting the retreat provides an opportunity to give direction to the County Manager for the upcoming recommended budget.

County Manager, Heidi York told the Board the retreat is a time for staff to share relevant information related to fiscal projections. Ms. York encouraged the Board to participate and feel free to ask questions in an informal manner throughout the day.

DISCUSSION/ADJUSTMENT/APPROVAL OF AGENDA:

A **motion** was made by Commissioner Puryear and **carried 5-0** to approve the agenda.

BOARD PRIORITIES AND STRATEGIC PLAN:

County Manager, Heidi York and Assistant County Manager, Sybil Tate revealed the results of an anonymous survey poll taken by each member of the Board prior to the retreat. The poll indicated the following order as the priorities for Fiscal Year 2017:

1. Economic Development
2. Public Safety
3. Education
4. Government Efficiency
5. Quality of Life

The Board had consensus to budget funds for acquisition of land and infrastructure needs for a future business site. Chairman Newell told the group that the Economic Development Commission (EDC) and Person County Business Industrial Center (PCBIC) are forming a subcommittee to search for a new site for the county to market noting two of the county's sites that were marketed to recruit businesses have gone under contract.

February 1, 2016

Vice Chairman Kendrick suggested that instead of purchasing property to market and revitalize the empty facilities in the community. Chairman Newell noted that according to the Economic Development Director, companies are requesting site readiness with a facility that has a 30 ft. ceiling to which there are not many in the county. Chairman Newell informed the group the PCBIC industrial park was currently full with the recent sale of property to US Flue Cured Tobacco generating revenue of approximately \$300,000.

Chairman Newell advocated for other economic projects involved at the airport; one being to set aside \$200,000 in the Capital Improvement Plan (CIP) which would be added to previous years' appropriation of \$600,000 to build a new hangar, or if the Board so chooses, other airport priorities as they deem appropriate. Chairman Newell stated the number one priority of the Airport Commission was to lengthen the airport runway noting the intent to apply for federal and state funding. Chairman Newell told the group of a study performed by NC State University that showed the airport provided 191 jobs and over \$58M in economic benefit to the county last year.

The Board unanimously agreed that the Public Safety Communication System Upgrade/Broadband project was a priority; Person County will construct two telecommunication towers and the state of NC has committed to building two VIPER towers. As this project has transitioned, the county will need to upgrade the radio system for public safety and the volunteer fire departments to function with the three county-wide VIPER towers at a projected cost of \$1.5M.

The Board discussed an idea proposed by the managers for a pay-for-performance program for all schools; an incentive program for additional funding above and beyond the appropriated funding for operations and capital, similar to a one-time bonus for attaining performance measures as set by the Board. The Board concluded not to include this program in the budget.

Vice Chairman Kendrick stated the Board has requested information for the planning of the Early College program from Piedmont Community College (PCC) and Person County School's staff last fall to which the Board has not received. Ms. York stated PCC has requested to be on the Board's February 29, 2016 agenda to request support for the Connect NC Public Improvement Bond. Ms. York noted PCC will also request an additional \$500,000 from sales tax revenues for Early College. Another project PCC has requested capital funds was the construction of an \$18M facility to house both the Allied Health and Early College programs. Commissioner Jeffers stated interest in seeing results of Early College in other areas in the state. Commissioner Clayton advocated for such programs, including the STEAM program to be housed at the former Helena School site and asked for an update.

The Board supported unanimously to maintain the current tax rate.

The Board discussed a capital appropriation of \$758,560 to merge the Person Industries main facility with the Person County Recycling Center to gain efficiencies in having all staff in one facility. Ms. Tate indicated a 7-year payback noting the PI main facility has 11 years remaining on the current lease. Chairman Newell noted the statewide impact of the decreasing value of commodities and the need for staff to evaluate the return on investment and to find a product for PI to generate revenue.

The Board consented to having all required ADA/handicap improvements implemented.

Chairman Newell called a brief recess at 10:16am for a break. The meeting was reconvened at 10:26am at which time a **motion** was made by Commissioner Clayton and **carried 5-0** to adjust the agenda so that the next presentation would be from Mr. Jim Winston for the Audit Report and Fund Balance.

AUDIT REPORT AND FUND BALANCE:

Mr. Jim Winston, CPA of Winston, Williams, Creech, Evans & Company, LLP of Oxford, NC distributed copies of Person County's Comprehensive Annual Financial Report for the Year Ended June 30, 2015 as prepared by the Person County Finance Department.

Mr. Winston shared the following presentation:

Person County
June 30, 2015

Audit Presentation

Winston, Williams, Creech, Evans & Co. LLP

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Overview



- ♦ Person County has received an unmodified opinion on their June 30, 2015 financial statements.
- ♦ Person County again received the Certificate of Excellence in Financial Reporting for fiscal year 06/30/14 and submitted the 6/30/15 report to GFOA.

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February 1, 2016

GASB # 34 Highlights

- ◆ Management's Discussion and Analysis
- ◆ Statement of Net Position

	<u>2014</u>	<u>2015</u>
Total Assets	\$ 52,185,130	\$ 66,021,785
DO of Resources	-	1,020,774
Total Liabilities	16,705,208	15,131,185
DI of Resources	<u>79,710</u>	<u>3,985,261</u>
Net Position	<u>\$ 35,400,212</u>	<u>\$ 47,926,113</u>

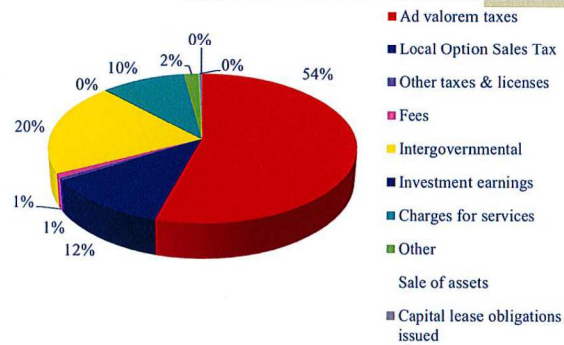
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Statement of Activities

	<u>2014</u>	<u>2015</u>
Revenues	\$ 55,924,670	\$ 67,510,928
Expenditures	<u>54,415,997</u>	<u>52,863,027</u>
Change in Net Position	\$ 1,508,673	\$ 14,647,901
Net Position – Beginning, previously reported	33,891,539	35,400,212
Restatement	-	(2,122,000)
Net Position – Beginning, restated	<u>-</u>	<u>33,278,212</u>
Ending Net Position	<u>\$ 35,400,212</u>	<u>\$ 47,926,113</u>

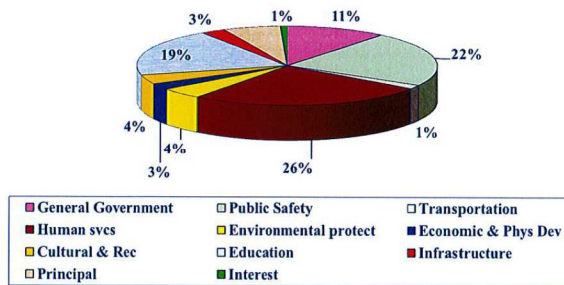
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Governmental Revenues

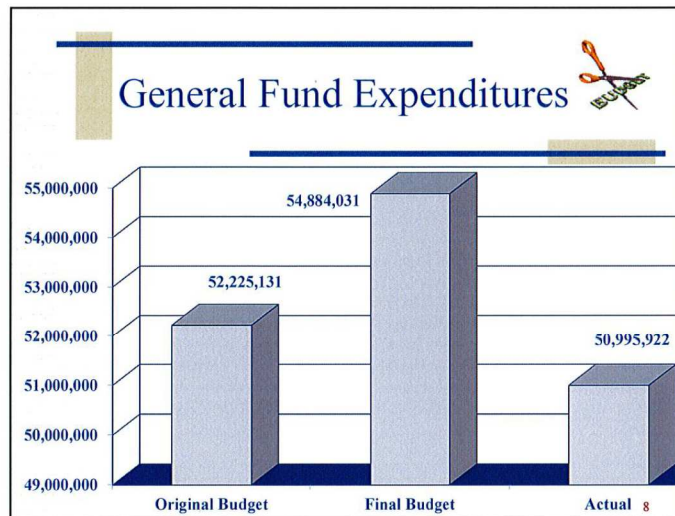
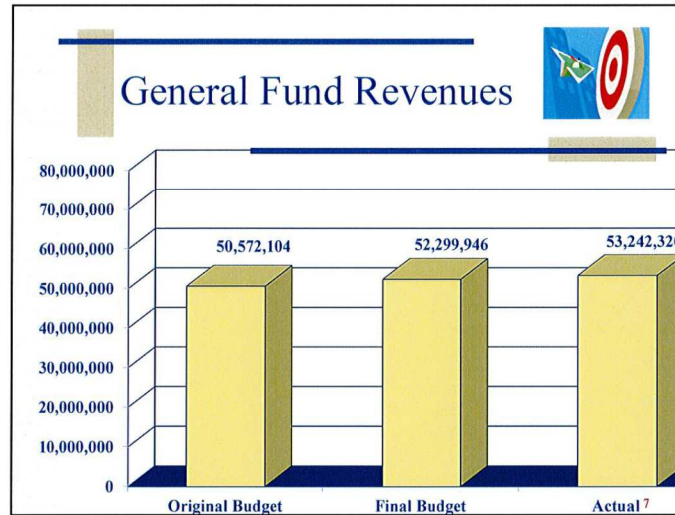


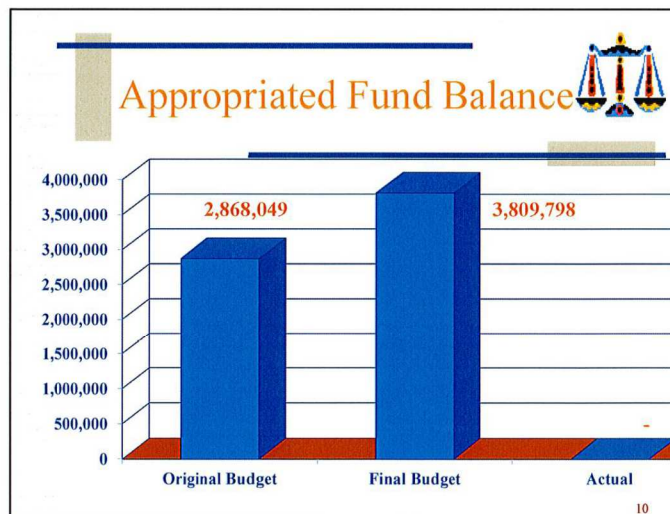
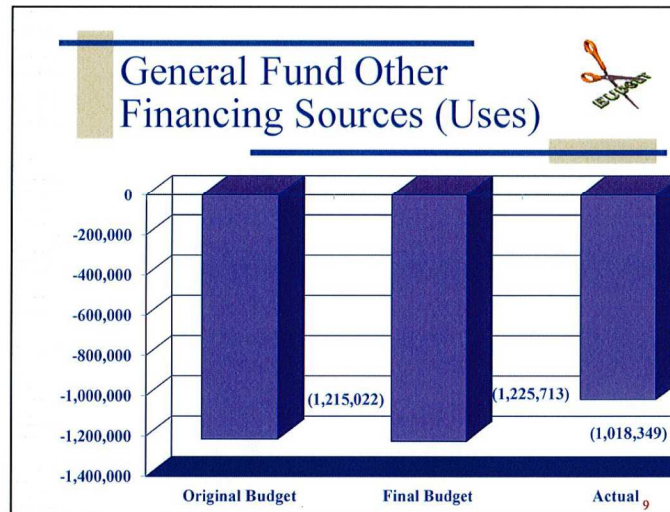
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Governmental Fund Expenditures

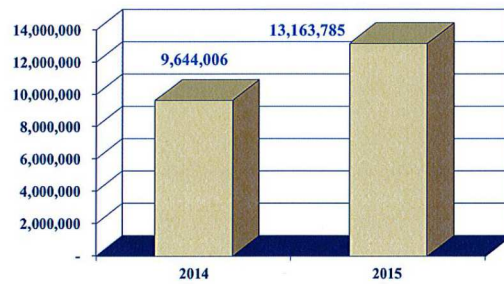


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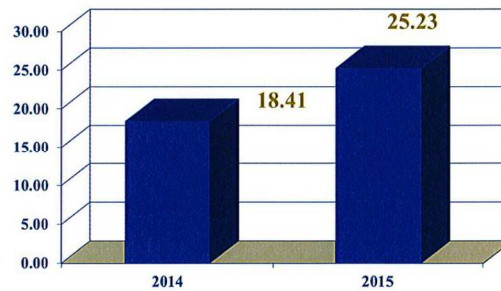


Unassigned Fund Balance- General Fund



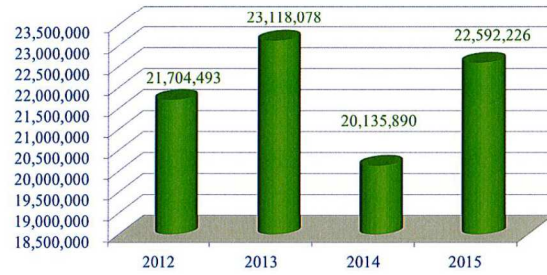
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General Fund Unassigned Fund Balance- as a % of Expenditures



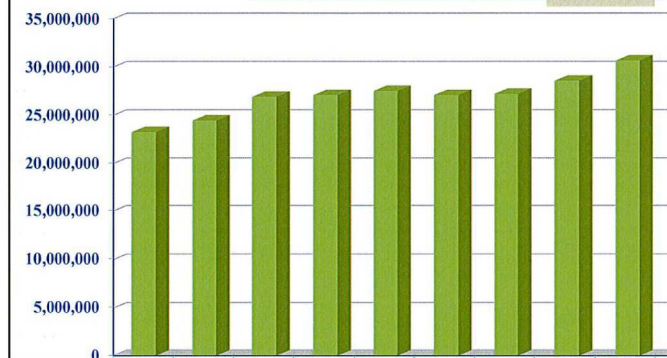
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Cash & Investments (Excluding Fiduciary & Agency Funds)

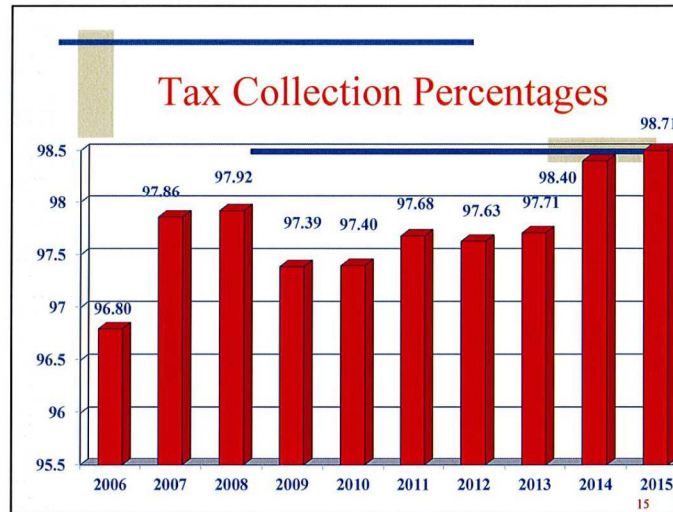


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Adjusted Tax Levy



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Mr. Winston told the Board that Person Industries \$140,000 in accounts receivable in 2015 will be reflected in 2016's income.

Chairman Newell asked Mr. Winston about the audit's notes to strengthen internal controls and operating efficiency. Mr. Winston noted the two control issues noted for Person Industries and the Department of Social Services. The audit noted Person Industries was not making a daily deposit when the threshold of \$250 was met and one Social Services Child Care file incorrectly applied conversion factors when calculating monthly income resulted in the monthly parent fee to be overstated by \$18.

Chairman Newell asked Mr. Winston if the county needed to change its policy in any way to which Mr. Winston stated there was no policy change recommended. Mr. Winston praised the Board and staff for its conservative budgeting.

Commissioner Clayton asked Mr. Winston to further comment on the recognition of the Finance Department related to the Certificate of Excellence. Mr. Winston stated the Certificate of Excellence for financial reporting was based on the county's audit content with only 3% of governments in the United States and Canada receiving such. Ms. Amy Wehrenberg, Finance Director stated this was the 27th consecutive year of receiving the Certificate of Excellence.

Chairman Newell recognized the good efforts by the Tax Collector as well.

County Manager, Heidi York stated the priority of the Board has been to curtail government spending and the audit reflected that was happening. Ms. York noted when the county's Fund Balance was increasing, that was a good indicator spending has been trimmed with a conservative budget.

WORKFORCE IMPACTS:

County Manager, Heidi York and Human Resources Director, Angie Warren presented the Fiscal Year 2017 Workforce Impacts highlighted as follows:

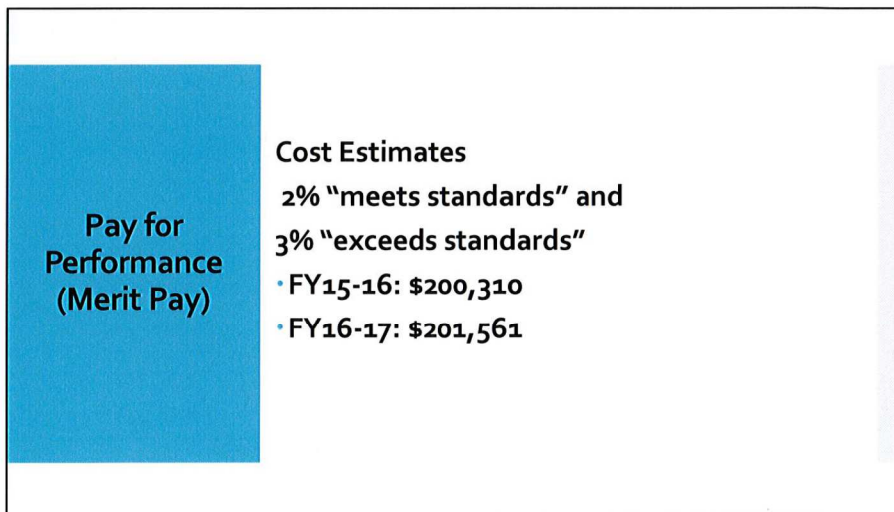
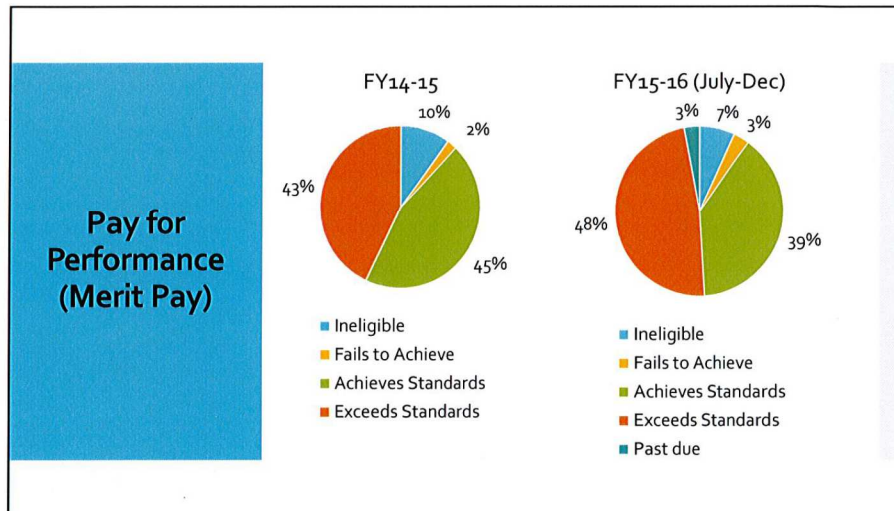
Fiscal Year 2017 Workforce Impacts



Current Status FY15-16

- Total Number of Fulltime Employees: 395
- Position Reductions: 8 (7 were vacant)
- Total Number of Employees Separated: 25 (5 retirees)
- Turnover Rate: 6.3%

The above slide represents six months of data; Fiscal Year 2014-2015 results were 19 separations with a turnover rate of 4.8%.



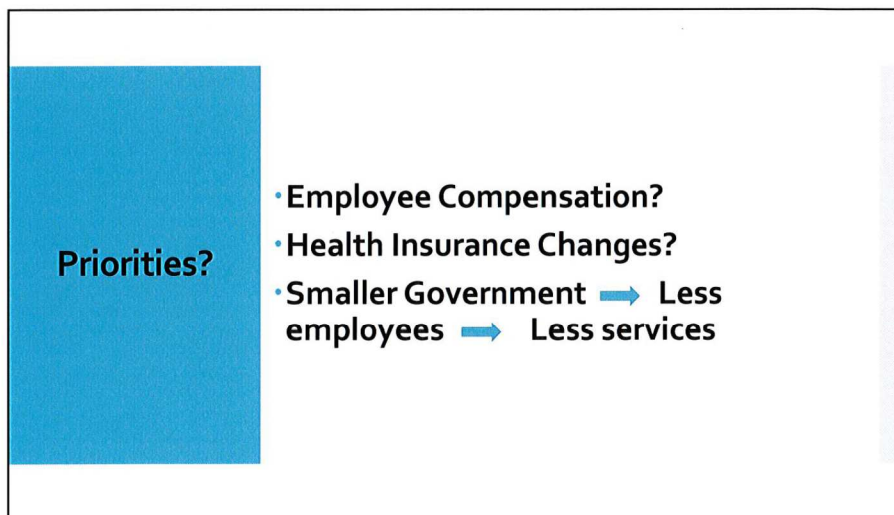
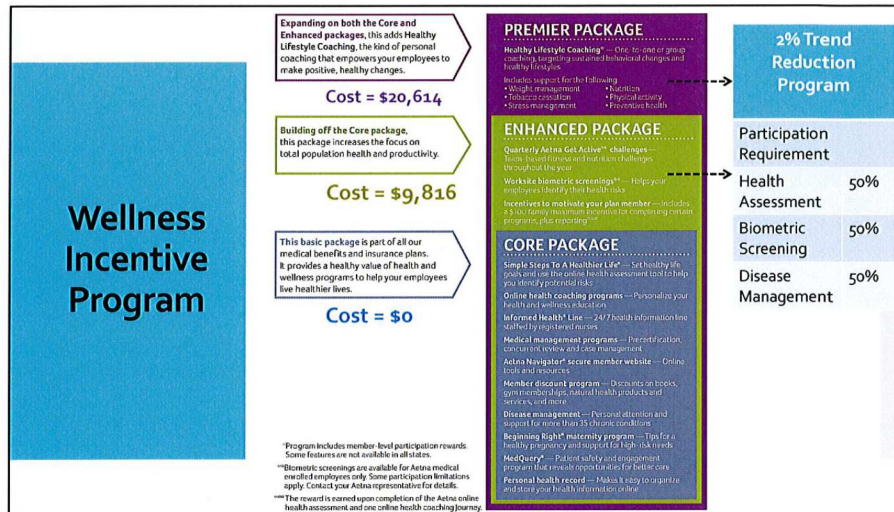
Ms. York stated the pay for performance was not escalating in costs for the new fiscal year and was sustainable and may not need revamping at this time.

Other Options

- Revamp Merit Pay program?
- Cost of Living Adjustments (CPI approx. .5%): \$78,482
- Efficiency Gain-sharing Program: \$500 bonus
- Implement Pay and Classification study over three years: \$280K/year 1

Health Insurance

- Claims/costs are running at 100% of our funding projection (based on 6 mos of data)
- Paid claims on a per member basis are up 12.5% from last FY
- 3 members are over halfway to max cost (\$125,000)
- Pharmacy costs are concerning; 55% increase from FY14-15 to FY15-16 (6 mos)
- Renewal early projection:
Medical: 20.2% increase, cost est. \$3.5M
Dental: 9% increase
- Revamp plan? Offer a buy-up option? Premium differential? Wellness incentive?



The Board discussed implementing the first phase of a three-year phase pay and classification study that was performed and presented to the Board in 2013. The first phase to raise salaries of some of the county employees for public safety employees required budgeting \$280,000 in Fiscal Year 2017. The second phase targeting the human services sector of certain county employees would then be included in Fiscal Year 2018 all other general government considerations for market adjustment in Fiscal Year 2019. Ms. York explained the county was having a hard time attracting and retaining public safety workers noting Person County salary structure was not as competitive to neighboring counties. It was the consensus of the Board to budget for the first phase as presented.

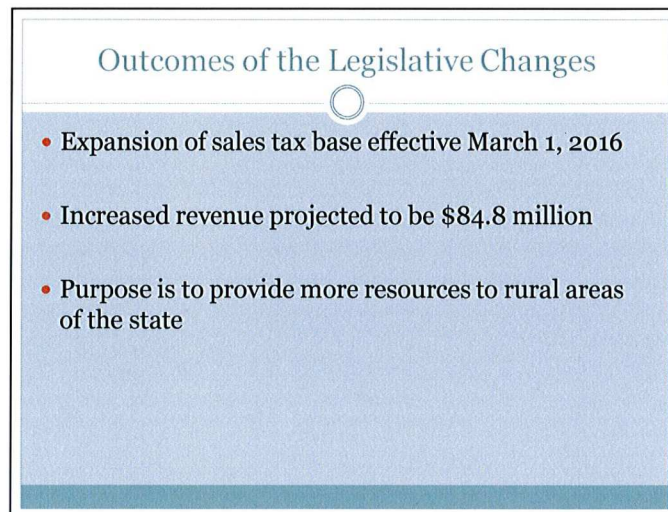
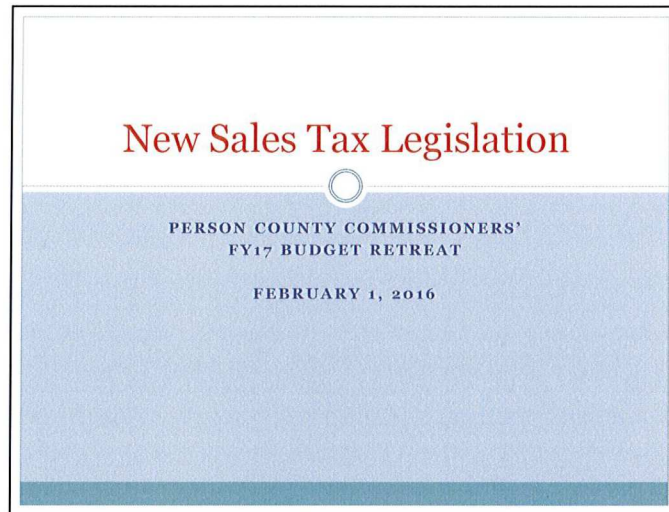
Vice Chairman Kendrick stated support in staff following up with the Board about some efficiency, gain-sharing program to reward those county employees with a one-time bonus in departments that did more with less and operated under budget.

Ms. York led the discussion related to employee's health insurance noting the new budget year indicating renewal increases by 20% for medical and 9% for dental. Ms. York asked the Board for input related to revamping the health benefits, offering a buy-up option and/or any wellness incentives. It was the consensus of the Board to explore all options, including seeking quotes from other group benefits consultants. Commissioner Jeffers inquired about the county having its own clinic to serve the employees and community alike. Ms. York stated staff have looked into this option, including a joint venture with the City of Roxboro although it was not popular with employees. Commissioner Jeffers asked if a buy-in option with a local pharmacy could be feasible. Another option discussed by the group related to wellness incentive programs that would compensate county workers who signed up for a plan to improve their health. Commissioner Puryear described a program he participated with whereby credits are given to employees when outlined expectations are met. Ms. Warren stated a biometric screening day for employees has been scheduled for April 28, 2016. Ms. York stated staff will explore different options for wellness programs and report back to the Board.

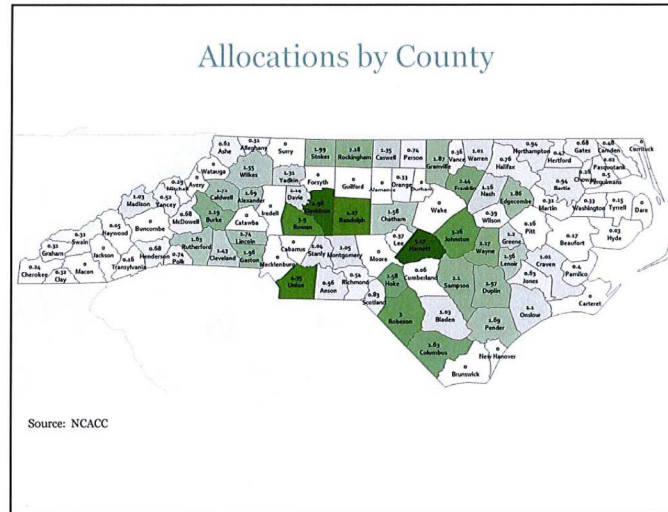
Commissioner Jeffers stated the Department of Social Services, through a state audit, notified that the supervisor/employee ratio for child welfare should be considered resulting in the need for one additional supervisor. This position would be reimbursable by 50% by the state.

NEW SALES TAX LEGISLATION:

Assistant Finance Director, Laura Jensen provided the Board with the following update related to New Sales Tax Legislation.



Ms. Jensen estimated Person County's increase revenue to approximate \$550,000.



Current Requirements

- **Must be spent on one or more of the following:**
 - Public Education (can include debt service)
 - Community Colleges
 - Economic Development
- **No % distribution requirement**
- **May supplant funding in those areas**

However...

- Only an estimated amount at this time
- What form will the county distribution take?
- Concerns that the General Assembly may “clarify” the current requirements

Options

- **Option 1 – Higher Risk**
 - Budget a portion or all of the estimate
 - Decide on distribution to one or more of the three required areas
 - Increase funding? Or replace current funding?
- **Potential consequences**
 - Over estimate how much will actually be collected
 - Not easily able to respond to changes from the General Assembly

Options (continued)

- **Option 2 – More Conservative**
 - Do not budget anything at this point
 - Wait to see what the General Assembly does
 - Wait 6 months to see how much is actually collected and how it is distributed to counties
 - Amend the budget mid-year, using the requirements at the time as a guide for allocating funds
- **Potential consequences**
 - Do not get the advantage of using increased sales tax revenue as part of the FY17 budget process

It was the consensus of the Board to be more conservative and not budget anything at this point, to await what the General Assembly directs counties and to amend the budget mid-year to allocate funds based on the actual distribution to Person County.

Chairman Newell announced a recess at 12:15pm for a lunch break. He requested everyone to return at 1:00pm at which time the retreat was reconvened.

AD VALOREM AND VEHICLE TAX REVENUES:

Tax Administrator, Russell Jones stated prior to the presentation on Ad Valorem and Vehicle Tax Revenues, he requested consideration on the following two items.

Acceptance of the Report of Unpaid Taxes

Mr. Jones told the Board that General Statute 105-369(a) requires that the Tax Collector report to the Board the amount of unpaid 2015 taxes that are a lien on real property as of the first Monday of February noting this was simply a check point for the Board as to the progress that the Tax Office was making on collections and a way to alert the Board if collections are down. Mr. Jones stated as of February 1, 2016, the Tax Office's collection rate was 94.08% and the unpaid real estate tax on 2015 real property was just over \$1.5M (actual amount \$1,552,698). Mr. Jones told the Board that his expectations were to collect the outstanding amount up to 99%.

Mr. Jones stated no motion was required. The Board of Commissioners accepted the Tax Administrator's Report of Unpaid Taxes.

Advertisement of Unpaid Real Estate Taxes

Tax Administrator, Russell Jones stated a motion was required to order the advertisement and set the advertisement date for delinquent 2015 real property taxes. Mr. Jones stated the Tax Office would like for the date to be March 5, 2016.

Mr. Jones noted the newspaper advertisement was required under General Statute 105-369(c) and can be placed anytime between March 1st and June 30th, further noting the newspaper advertisement has been a great collection tool and the sooner the advertisement, the better the ending collection rate will be. The cost of the advertisement is charged to the delinquent real estate bills.

Mr. Jones requested the Board to make a motion to set the advertisement date for March 5, 2016 noting the delinquent real estate taxes must be paid by February 23, 2016 to avoid being published in the newspaper.

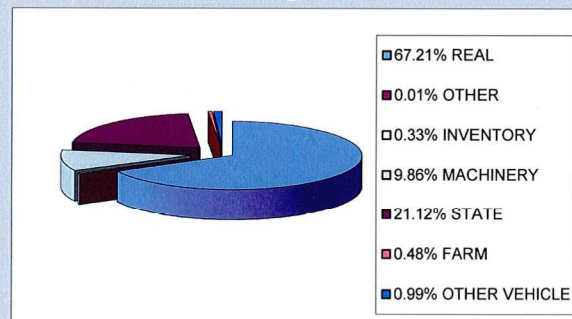
A **motion** was made by Vice Chairman Kendrick, and **carried 5-0** to order the advertisement and set the advertisement date for March 5, 2016 for delinquent 2015 real property taxes.

Ad Valorem & Vehicle Tax Revenues

IN ADDITION:

- ACCEPTANCE OF THE REPORT OF UNPAID TAXES
- SET ADVERTISEMENT DATE FOR MARCH 5TH

Where did the 2015 levy come from?



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Mr. Jones said the biggest players are, of course, real property (land and buildings), then state appraised property (Duke Energy) at just OVER 20% percent, then machinery(business equipment). DMV has transitioned to the new NCVTS system, and it now collected by NCDMV local tag offices. DMV will be shown as an additional revenue source, and represents 8%.

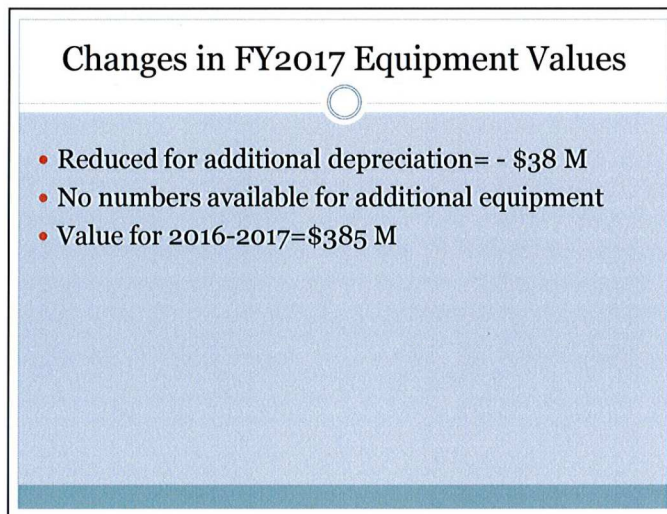
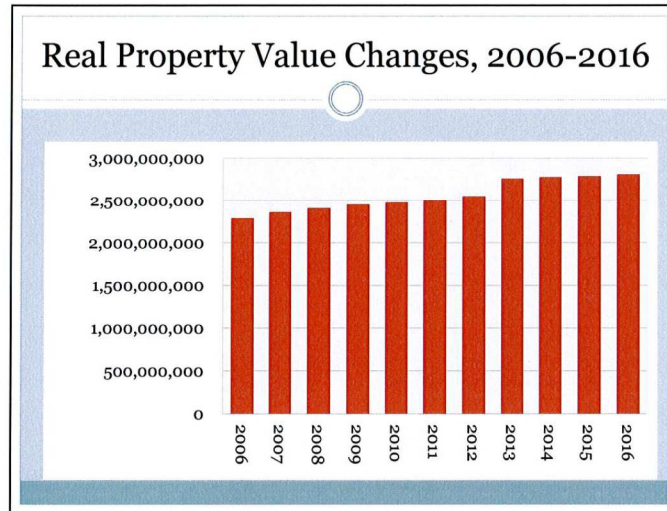
What causes the LEVY to change?

- **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**-New vehicles/current year depreciation(approximately 42,000 total). Collected by NCVTS (NCDMV).

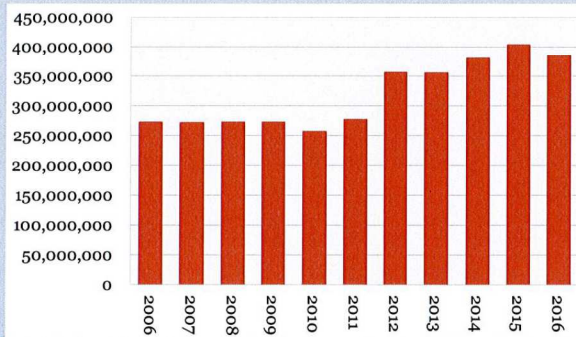
Changes in FY2017 Real Property Values

- Added new construction= +33 Million
- Actual value for 2015-2016=\$2.754 Billion
- Estimate value for 2016-2017=\$2.776 Billion

Mr. Jones estimated .80% growth in Fiscal Year 2017.



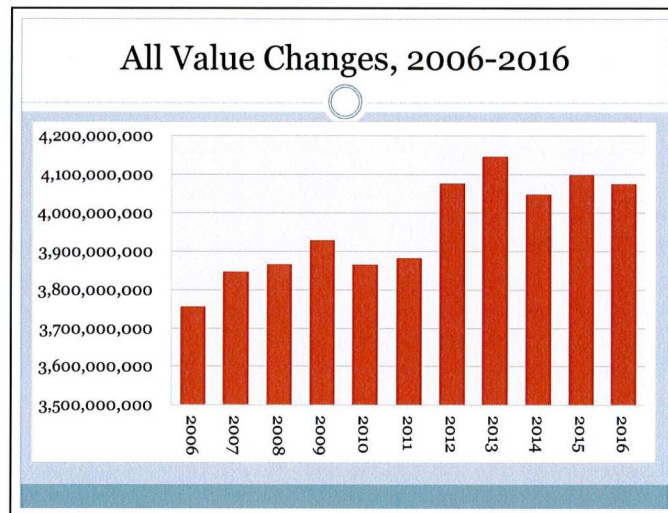
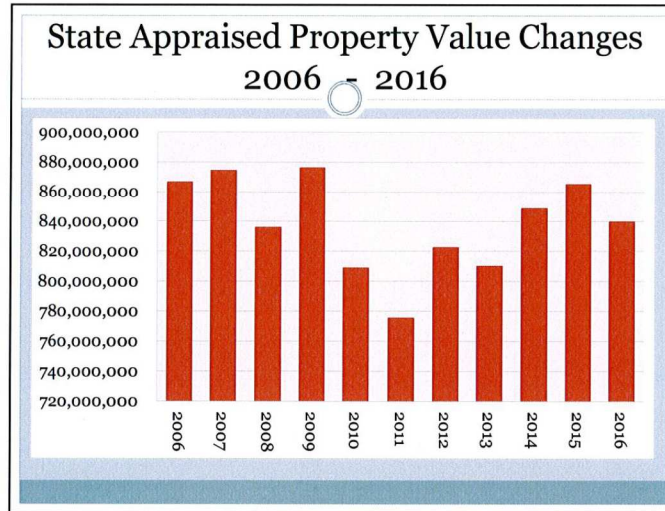
Equipment Value Changes, 2006-2016



State Appraised Property Value Changes

- Appraised annually by the State
- Person County will not receive valuation until September 2016
- Value for 2015-2016 was \$865 M, an increase 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 2016-2017=\$840 M

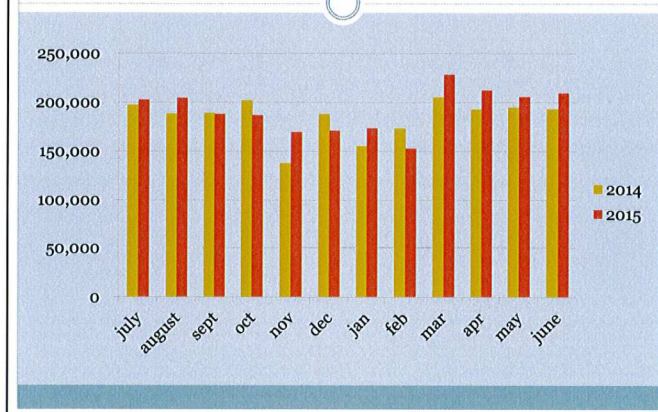
Mr. Jones projected equipment values to slightly decrease from previous year.



Changes in FY2017 Registered Motor Vehicles

- Collected by NCDMV since September 2013
- Collection rate is better than old system
- This revenue source has continued to trend upward
- Budgeting for \$190,000 per month in revenues

Changes in FY2017 Registered Motor Vehicles



Mr. Jones stated in Fiscal Year 2016, one penny generated \$418,175 at 97.25%. One penny generates more for Fiscal Year 2017, due to increase in tax levy and DMV (+\$10,690 per penny).

2/1/2016

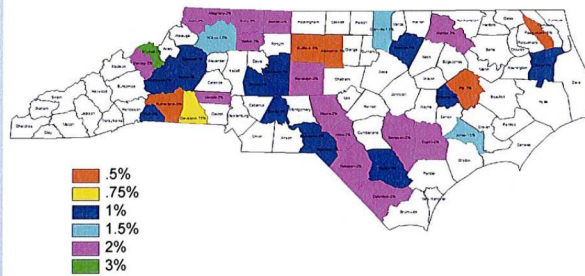
For FY 17,
what will one penny generate?

Collection Rate	Revenue
96.00%	\$423,771
96.25%	\$424,790
96.50%	\$425,809
96.75%	\$426,827
97.00%	\$427,846
97.25%	\$428,865
97.50%	\$429,884
97.75%	\$430,902
98.00%	\$431,921

Early Payment Discounts-NCGS

- NCGS 105-360(c)
- Must be adopted by resolution or ordinance by May 1
- Adoption must contain period of time for discount
- Adoption must also contain discount amounts (%)
- Must be submitted to NCDOR for approval
- Must publish discount schedule at least once in newspaper

Early Payment Discounts-Map



Early Payment Discounts-Costs

- Person County Collection Rate-August 31, 2015-9%
- Estimated Collection Rate if 1% discount offered-60% by August 31, 2016
- Cost of giving a 1%discount=\$166,443
- Revenue from current interest rate=.26% (30-day yield)=\$ 14,425
- Net **loss** from offering discount **\$152,018**
- If state appraised pays early, additional **loss** of **\$55,330**

Early Payment Discounts-Other Issues


- Software, not NCGS, requires that the City of Roxboro adopt the same discount
- Discount will remain in effect unless repealed prior to May 1 of any year
- Anyone paying early must receive same discount
- Discount applies to all taxes collected (software):
 - **Animal taxes**
 - **Stormwater**
 - **City of Roxboro(as stated above)**
 - **Any new taxes or fees (Fire, etc)**

It was the consensus of the Board to not pursue the early tax payment discount program at this time.

FISCAL REVIEW & CIP REQUESTS:

Finance Director, Amy Wehrenberg provided a mid-year fiscal review compared to a year ago. Ms. Wehrenberg stated comparing mid-year revenues and expenditures was often a good measurement of the county's current fiscal indicators, as well as an indicator of where things might fall at fiscal year-end.


2/1/2016



Person County Fiscal Review & CIP Requests

Person County Board of
Commissioners Annual Retreat
February 1, 2016

Amy Wehrenberg
Finance Director



Discussion Summary


- Mid-Year Comparisons: Revenues and Expenditures
- Sales and Use Tax Distribution
- UFB Projection for FY 2016
- Requested CIP Projects
- Debt Service-FY 2017
- Trends and Projections


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February 1, 2016

2/1/2016

Revenues: Mid-Year Comparison 				
REVENUES	Dec'14	Dec'15	Difference	% Change
Ad Valorem Taxes	27,270,813	27,348,347	77,534	0.3%
Sales & Other Taxes	2,354,572	2,660,227	305,655	13.0%
Fees & Licenses	2,360,728	2,404,460	43,732	1.9%
State & Federal Funding	3,729,661	3,430,643	(299,018)	-8.0%
Other Revenues	340,129	194,487	(145,643)	-42.8%
TOTAL	36,055,904	36,038,164	(17,740)	0.0%

Expenditures: Mid-Year Comparison 				
EXPENDITURES	Dec'14	Dec'15	Difference	% Change
Personnel	11,057,763	11,261,299	203,536	1.8%
Operating	11,486,077	11,963,070	476,993	4.2%
Capital	663,793	480,306	(183,488)	-27.6%
Debt Service	2,112,759	1,077,538	(1,035,221)	-49.0%
Transfers to Other Funds	680,120	1,050,737	370,617	54.5%
TOTAL	26,000,512	25,832,950	(167,562)	-0.6%
NET (Revs over Exp)	10,055,391	10,205,214	149,823	1.5%

Surplus is result of larger decrease in expenditures than revenues.

In reviewing the comparison of overall revenue collections in December 2015 compared to December 2014, and the major factors causing the variances, Ms. Wehrenberg stated the county has seen a flat trend in revenues between both years. However, there are large variances between each category that offset each other to provide this minimal difference. Ms. Wehrenberg noted there are five major categories of revenues. Although the increase is less prominent than in other categories, there is still an increase in ad valorem taxes by \$77K and the overall levy collections and DMV revenues are up with the collection rate in-line, if not better than Fiscal Year 2015.

Ms. Wehrenberg noted the two largest changes are in the categories for Sales and Other Taxes and Other Revenues. Included in the Sales and Other Taxes category is Occupancy Tax and Register of Deeds Excise Tax. Sales Tax was up by \$178K, occupancy tax was showing an increase of \$25K, and Register of Deeds Excise Tax was higher due to a significant receipt of \$98K back in July for the large sale of excise stamps from Duke Energy. Occupancy tax, along with sales tax, are strong indicators of the average consumer's confidence in the economy. Ms. Wehrenberg stated fees and license revenues are showing some improvement and the revenues from PATS ridership fees are up by \$56K, recreation and arts fees show an increase of \$26K, and landfill host fees are up by \$19K. Ms. Wehrenberg noted these increases in the first three categories are helping to cover the delays from State and Federal revenues.

After a discussion with the Department of Social Services' (DSS) staff, the \$300K reduction between the two years was primarily due to a later submittal of expenditures for reimbursement from the State. DSS revenues are lagging by \$238K, but this is just a timing issue. The other driver in the decrease for the State and Federal funding category was the reduction in lottery drawdowns for school projects by \$162K. At this time last year, there were earlier drawdowns from the lottery fund, and again, a reimbursement timing issue. In fact, Ms. Wehrenberg noted if these reductions affected by timing issues had been received, the county would actually see an increase in State and Federal revenues due to other revenues that are coming in higher, such as the State Reimbursement for Inmates by \$44K and PATS revenues by \$67K.

The decrease in the last category for Other Revenues, which includes donations and other types of contributions, can be solely attributed to the absence of payments from Piedmont Community College that were received in 2014 for the Kirby Rebirth Project. That project was mostly completed in Fiscal Year 2015, therefore, there are not any associated revenue contributions to show in the current year. In summary, Ms. Wehrenberg computed a small decrease of less than \$18K for the mid-year comparison for the same six months in 2014 related to revenues.

Ms. Wehrenberg stated the five major categories presented for expenditures included Personnel, Operating, Capital, Debt Service and Transfers to Other Funds. Personnel, of course, included salary and benefit costs for all county employees. Ms. Wehrenberg noted an anticipated increase in this cost compared to 2014 due to another

increase experienced in Group Health Insurance, as well as other elevated costs related to higher service demands such as in part-time, overtime and on-call pay. Part-time is actually showing the highest of these increases by \$75K over the previous year, particularly in Emergency Management Services due to various staff transitions and retirements they have recently experienced. Some reductions that are helping to offset some of these increased costs are found in Unemployment, Retirement contributions due to State's decrease in employer's rates, and Cell Phone expenses.

The next category for Operating expenditures increased by almost \$477K, mostly due to the costs associated with increases to Schools and PCC, the Volunteer Fire Departments, expenditures for medical supplies, utilities and property insurance. Expenditure decrease offsets include the absence of costs for the Kirby Rebirth, reductions in expenditures for contracted services, fuel, equipment maintenance and repair, and Special Appropriations funding. Factoring out the non-recurring increase from the school's laptop initiative which was almost \$835K, an overall decrease in general operating expenditures between the two years of \$358K, or a reduction of over 3%. Ms. Wehrenberg noted this increase was heavily affected by this one-time program initiative to the Schools and doesn't really reflect a legitimate strain in recurring operating costs. The next smaller category for regular capital is down by almost \$184K due to the reduction in Kirby Rebirth expenditures that were mostly evident in Fiscal Year 2015. Other capital reductions show up in the slow-down of federal seizure purchases. Other than that, Ms. Wehrenberg stated there were no other reasons for the reduction in regular capital.

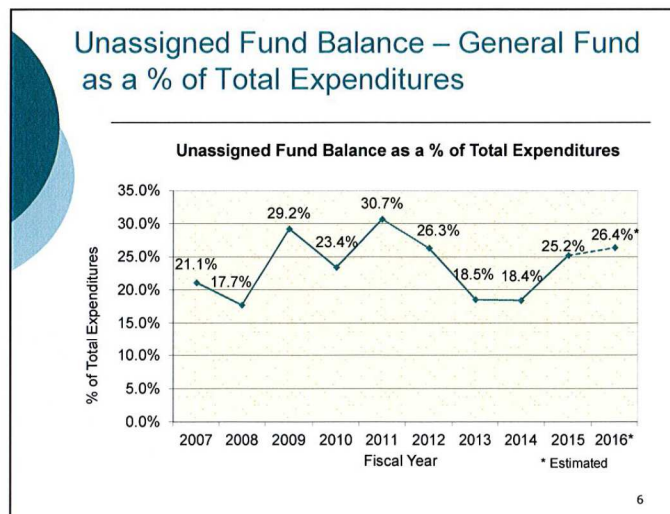
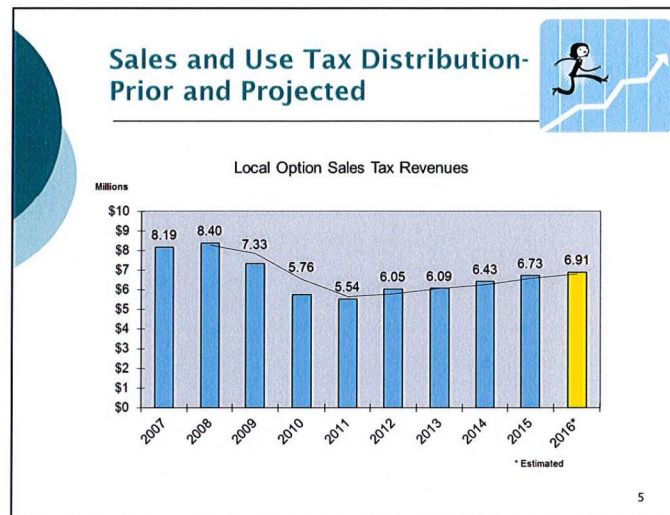
Ms. Wehrenberg said the county's largest change occurs in the next category for Debt Service by more than a \$1M reduction that was solely due to the drop-off of debt for the 2008 Refinancing. This reduction helped to minimize the overall increase to expenditures.

The Transfers to Other Funds showed an increase of more than \$370K which was a result of a higher level of funding support approved for the Economic Catalyst Fund by \$220K, and Person Industries and the Recycling Center by \$166K due to an increase in rates by their temporary agency contract. There was also a larger transfer to the Person County Tourism Development Authority due to the larger amount of occupancy tax being reported by \$25K. The only transfer that posted a reduction compared to the prior year was the amount appropriated to the CIP Fund by \$91K since the majority of major projects were financed in the current year.

Ms. Wehrenberg reported overall expenditures were down at mid-year by almost \$168K, a decrease of .6%, primarily because of the large reduction in debt. Revenues minus expenditures for the six months through December 2015 was approximately \$10.2M, an increase of almost \$150K compared to the year before. Ms. Wehrenberg said this surplus was basically the result of a larger decrease in expenditures than in revenues.

Ms. Wehrenberg stated Sales and Use Tax increased by \$178K, or 8.1% for the four months compared to last year.

2/1/2016



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February 1, 2016

Ms. Wehrenberg stated the county recognized a health increase in unassigned fund balance to 25.2% at FYE 2015, an increase of 6.8% noting this was well above the 18% minimum Fund Balance target provided in the Capital Reserve Fund Resolution. The deferral of pay-as-you-go capital and increase in debt investment in the current year caused a much needed boost to fund balance which was right around the minimum target in Fiscal Year 2014. A reduction in unfinished contracts to carry forward into the current year was also a contributing factor to this increase which was the result of an earlier scheduled cutoff for contractual obligations and purchase order commitments. This carry forward amount affects unassigned fund balance levels at year-end since they become dedicated for other purposes, reducing the amount as unassigned. Ms. Wehrenberg noted that by implementing an earlier cutoff for these contractual obligations also allowed for better planning in an attempt to tighten controls on spending and strengthen the management of fund balance levels. The above graph also provides for a cautious projection of unassigned fund balance for the current year's end to increase to 26.4%. Higher property tax and sales tax collections, and the recognition of additional fee revenues in various departments resulted in a projection for a slightly higher fund balance level at June 30, 2016. Ms. Wehrenberg acknowledged there are many other factors that could greatly impact this projection, but she forecasted that unassigned fund balance will move in a positive direction by the end of this fiscal year.

Ms. Wehrenberg used the next four slides to outline a list of Capital Improvement Projects that were submitted by various County departments, the Schools, and PCC. Ms. Wehrenberg stated while there are still various buildings that require re-roofing, the majority of the large roofing projects were addressed in the current year's proposed financing. Additional maintenance projects for county buildings include a new floor and air conditioning units for the Animal Services shelter required to meet animal care standards and codes. Also, the Tax Office has requested new software for \$750K with half to be expensed for next year as their current vendor has announced his retirement and will be dissolving his company due to the absence of anyone to take over his business. Therefore, the Tax Office has no choice but to begin the search for a new software provider.

Requested CIP Projects for FY 2017

Project Title	Estimate (\$)
Potential Financing Projects:	
Senior Center	2,870,000
Public Safety Communication System Upgrade & Broadband Project	4,000,000
Building Maintenance Projects:	
Roofing-airport, parks, museum, library, and grounds maintenance buildings	305,717
New floor-Animal Services	60,000
AC units-Animal Services	70,000
Miscellaneous Equipment:	
Tax software (total \$750K)	375,000

New Construction:	
Shell building (Total \$2.4M, contingent upon other revenue sources)	1,120,000
30K sqft pad around Airport	50,000
Industrial Park infrastructure (Total \$1.5M, contingent upon other revenue sources)	150,000
Northern Satellite facility: EMS	335,000
Renovation:	
Merger-PI/PCRC (includes 10% contingency)	742,720
Helena Satellite facility: Library	368,500
Parks & Arts Maintenance Projects:	
Light replacement-Bushy Fork	55,114
Seating-Kirby Auditorium	85,000
Restroom facility-Olive Hill	63,250
ADA upgrades-all parks	60,000

Ms. Wehrenberg noted that Economic Development has requested new construction of a shell building to house potential industries, a 30 square foot pad that would be constructed around the Airport, and the construction of a new industrial park; all combined would cost \$1.32M in FY 17. EMS has requested a satellite facility to be located on the northern side of Person County for \$335K. Renovation projects include the Person Industries and Recycling Center merger and a Helena satellite facility for the Library which is a new requested project. Parks and Arts Department has submitted four project requests including some light replacements at Bushy Fork, seating upgrades at the Kirby Auditorium, the construction of a restroom facility at Olive Hill Park, and ADA upgrades to all parks for a combined request of over \$263K.

The projects submitted by the Schools total almost \$1.85M. Ms. Wehrenberg further noted that some of these projects are new, but many are on the current CIP plan; they encompass repaving, installation and upgrades to equipment, ADA upgrades, window replacements and reroofing of school buildings.

The more complex request comes from PCC. Ms. Wehrenberg stated their requests were divided into two categories. The group at the top are projects that PCC will be requesting only local dollars for that total \$1.58M for Fiscal Year 2017. Ms. Wehrenberg anticipated that the group of projects grouped in red are for over \$2M and will be 100% covered by State bond proceeds should citizens vote in favor of the State's proposal to borrow \$2B for repairs and expansions across a large majority of educational facilities in addition to agricultural research, parks, and water and sewer improvements. PCC's allotment for the campus in Person County would be \$3,395,605. The sum of the projects in red would be ones PCC would request funding for in Fiscal Year 2017 for just over \$2M with the remaining balance of the state bonds to cover projects in Fiscal Year 2018. However, PCC will request all the projects listed to the County if the referendum fails.

The Board asked the Sheriff to speak to any known issues related to continuing education instruction at PCC. Sheriff Dewey Jones noted there has been turnover at PCC with noted issues in the past related to certification resulting in his personnel attending on-line courses through Richmond Community College. Vice Chairman Kendrick asked staff could find out if there was general statutes that require community college to provide training/continuing education to public safety personnel.

2/1/2016

Schools	
Repaving bus lot-PHS	90,000
Fire alarm system-NMS	150,000
Media upgrades-PHS	103,000
ADA upgrades-Woodland Elem	50,000
ADA upgrades-Oak Lane Elem	75,000
ADA upgrades-North Elem	150,000
Bleachers-NMS	75,000
HVAC-NMS (total \$536K)	150,000
Chiller unit-PHS	300,000
Window Replacements-Woodland Elem	247,000
New Floor-PCOB (BOE)	65,500
Roofing-El, North Elem, North End	390,368

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PCC:	
Allied Health Building (total request \$10M)	1,000,000
Roofing-Bldg D, L, & Walkways	335,436
Architect study/upgrade-Bldg A (total \$575K)	75,000
Generator-Bldg S	55,000
Campus alert system	117,000
*Renovate-BDEC	600,000
*HVAC upgrade-campus wide (total \$400K)	100,000
*Architect study-Bldg D (total \$1.075M)	75,000
*Upgrade Dining Facility	70,000
*Renovate-Bldg E	400,000
*Construct road to Allied Health	840,605

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February 1, 2016

CIP Funding Requests-Summary

- County Projects: 10.71M (66.0%)
- School Projects: 1.84M (11.4%)
- PCC Projects: 3.67M (22.6%)
- **TOTAL REQUESTS 16.22M**



Notes:

- PCC anticipates funding almost **2.1M*** of their requested projects for FY17 (**1.3M** in FY18) with State bond proceeds should they get voter approval, leaving 1.58M (11.2%) to be considered for funding by the County for FY17.
- FY16's total approved projects were 5.5M. The requested increase of 10.7M for FY17 is primarily driven by additional County projects and PCC's requests.

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Senior Center Project



- The Board voted to demolish existing Senior Center on October 5, 2015 to prepare construction of 12K sqft facility and development of a community park on adjacent lot.
- Total estimated cost at this time is **\$2.87M**.
- Architects will be holding a community meeting on **February 8th** for public input on the design.
- General Obligation (G.O.) Bonds are the least costly financing option available to the County and may be the recommended financing mechanism for this project.
- The LGC granted a 3 year extension until November 2018 to issue/sell the bonds at a 20 year term.
- A&E contract was approved for \$315,200. There is \$316,507 remaining in this Project Fund that includes \$10,600 spent to date in A&E Fees.

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The Senior Center project is one of the two potential projects that the county will likely finance within the next year. Ms. Wehrenberg projected a favorable interest rate for this loan and once the county obtains loan proceeds, the county will reimburse the General Fund for the expenditures that have been advanced to this project up to that point.

Ms. Wehrenberg noted another large potential CIP project was the Public Safety Communication System Upgrade & Broadband Project with many developments to date. Since the last Retreat, the State has offered to construct another tower, leaving the County to fund two towers out of the four that are to be built on each corner of the county. Ms. Wehrenberg further noted that implementation of the Viper system with VHF backup was also a new development with this project with the cost of the Viper system implementation uncertain at this time, but seems to be the desired communication system by the majority of all public safety agencies. The latest estimate for the Viper system costs was projected at \$4M, but is dependent upon the results from the updated feasibility study. Ms. Wehrenberg said staff wanted to get a clearer picture of project costs before presenting any funding options to the Board. The current timeline for construction commencement was Fiscal Year 2017; however, this schedule may be revised by the consultant in the updated study. Ms. Wehrenberg stated this large and complex project was unique to Person County in that the county hasn't done anything similar on this scale with regards to communication equipment, and it affects all public safety agencies, county-wide.

Public Safety Communication System Upgrade & Broadband Project



- The Board set aside \$100K for environmental studies to be done on 4 towers (currently \$62,100 remaining).
- The State will construct 2 towers; leaving 2 towers funded by the County.
- Latest estimate to construct 2 towers using Viper System with VHF backup and Broadband equipment is **\$4M** (pending results from updated feasibility study).
- Will consider financing options for this project
- Current timeline for construction commencement is FY 2017

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Debt Service – FY 2017



Description	FY 2017
Debt Cost Reduction	\$ (295,000)
New: Roxplex & Various Improvements	143,471
Potential:	
P.S. Comm Sys Upgrade & Broadband	290,000
Senior Center	240,000
Projected Debt Cost Increase	\$ 378,471


A significant amount of debt came off for Person County in FY 2016 for \$1.96M. The debt cost reduction going into FY 2017 is \$295K, but as table above demonstrates, this reduction will likely be offset with new and potential debt, causing an increase to our Debt Service expenditures.

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Ms. Wehrenberg then addressed the Debt Service impacts for Fiscal Year 2017 with a summary of the county's debt service costs going into Fiscal Year 2017.

Compared to the debt reduction for the current year at approximately \$1.9M which included the new debt for the Recycling and Various Roofing Debt, the debt reduction for Fiscal Year 2017 is much smaller at \$295K. Ms. Wehrenberg stated a firm figure for the debt for the Roxplex and Various Improvements Project, which is \$143,471. Adding this to the reduced amount nets a smaller reduction in debt cost for \$151,529. It is likely that this reduction will be offset with new potential debt payments for the two projects (Senior Center and Public Safety Communication System), the county will experience an increase in debt cost from Fiscal Year 2016 to Fiscal Year 2017. Ms. Wehrenberg told the group that loan rates are still extremely favorable, and county's debt service ratio according to the latest annual report was still below 8%, so financing options for CIP projects are still a viable option. In fact, with the large drop-off of debt, Ms. Wehrenberg anticipated the debt service ratio to drop to around 4% which is well below the maximum target rate of 15%.

As Ms. Wehrenberg spoke to trends and projections she noted that revenue growth was evident so far, particularly with tax collections, sales tax, excise and occupancy tax. Certain fees are also showing a higher use in services such as in PATS and Recreation fees. The overall reduction in expenditures has been primarily due to the significant drop-off of debt compared to Fiscal Year 2015, the absent expenditures associated with the Kirby Rebirth since its completion in the prior year, the large reduction in fuel costs, the fact that the county had no election in November of the current year as in Fiscal Year 2015, reductions in positions that were implemented for the current year, and a decrease in retirement contribution rates by the State. Ms. Wehrenberg didn't include any specific projections for expenditures, she has heard that the retirement rates may go back up after another evaluation by the State Retirement System. Other increases anticipated are in overtime and part-time costs in various departments, reserve funding for the new Self-Funded Health Insurance Plan, requested funding to accommodate the State-mandated increase for Medical Examiners services, and PCC and School requests associated with the Early College Program. A short term analysis of revenues and expenditures tentatively indicates a conservative increase in Unassigned Fund Balance. Ms. Wehrenberg stated this will go up due to the revenue growth being experienced, and will more than likely continue to improve. With over \$16.2M in CIP requests received for the consideration, including the two large projects that are still in development, Ms. Wehrenberg noted these will continue to show up on the CIP until a Capital Project Ordinance has been approved, affirming the Board's intent to move forward with the project, having established a firm estimate of revenues and expenditures for proceeding as necessary. Usually, this doesn't occur until after construction bids have been obtained, and the project is close to breaking ground. Ms. Wehrenberg anticipated an increase in the County's debt costs, subject to approval of new projects that the Board may want to finance due their large expense.



Trends and Projections

- Revenues from Ad Valorem, sales tax, excise and occupancy taxes, PATS and Recreation fees are trending to come in stronger compared to previous year.
- Primary drivers for the decrease in expenditures include the significant drop-off of FY16 debt, completion of the Kirby Rebirth Project, reduction in fuel costs, absence of elections, position reductions, and decrease in retirement contribution rates.
- A short-term analysis of revenues and expenditures tentatively indicates an increase of Unassigned Fund Balance at FYE. The additional anticipated revenue should cause a surplus of funds at year-end.
- Over \$16.2M in CIP requests for FY17 to be considered, including potential financing projects (ie. Public Safety Communication System Upgrade & Broadband Project and Senior Center Project).
- An increase in the County's debt service costs is likely for FY17 due to new and potential projects.

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Commissioner Jeffers told the group that he was told the Tourism Development Authority was not planning to allocate any funding to the Person County Museum in the next budget year and for the Board members to consider what the county needed to do.

BUDGET PRIORITIES:

County Manager, Heidi York led discussion for the Board's budget priorities which included funding to the volunteer fire departments. Chairman Newell advocated for the funding for the volunteer fire departments to increase. Staff noted the operational costs budgeted for volunteer fire departments was at \$550,000 with a designated capital budget of \$90,000 and that equipment and Viper upgrades for the volunteer fire departments will cost \$500,000 which will be a one-time capital cost.

Commissioner Jeffers stated the Access North Carolina website data for Person County was out of date.

Commissioner Puryear asked the Finance Director about the earnest credit rating and average fees to which she replied she would review and let the Board know the results.

Ms. York presented the following Fiscal Year 2017 Board of Commissioners' Action Plan as a follow-up from the retreat discussion.

FY17 Board of County Commissioner's Action Plan

	Project	Cost	Department
#1 Economic Development			
	Infrastructure for Industrial Park	\$150K	Econ. Dev.
	Airport infrastructure, as needed	\$200K	Econ. Dev./Airport
#2 Public Safety			
	Public Safety Communication System Upgrade/Broadband	\$4M	Emergency Svcs./ Manager's Office
#3 Education			
#4 Government Efficiency			
	Maintain current tax rate	N/A	Manager's Office
	Implement Pay and Classification study	\$280K/ year 1	HR/Manager's Office
	Efficiency, Gain-sharing program	One-time bonus	Manager's Office
	Wellness Incentive		HR/Manager's Office/Wellness Committee
#5 Quality of Life			

CLOSING REMARKS & EVALUATION:

County Manager, Heidi York asked Board members to complete the retreat evaluation and return to staff.

ADJOURNMENT:

A **motion** was made by Vice Chairman Kendrick and **carried 5-0** to adjourn the meeting at 2:53pm.

Brenda B. Reaves
Clerk to the Board

David Newell, Sr.
Chairman