

Regular Meeting
Monday September 17, 2012
6:00 pm
Chowan County Public Safety Center
305 West Freemason Street

Minutes

The Chowan County Board of Commissioners held their regular meeting on Monday, September 17, 2012 at 6:00 pm at the Chowan County Public Safety Center. Present: Vice Chairman Keith Nixon, Jeff Smith, Emmett Winborne, Ellis Lawrence, Ralph Cole and John Mitchener.

Chairman Eddy Goodwin was absent.

Staff present: County Manager Zee Lamb, Finance Officer Kim Woodley and Board Clerk Susanne Stallings.

Vice Chairman Nixon called the meeting to order.

Public Comment

Vice Chairman Nixon called for public comment, there was none.

Consent Agenda

a. Approval of Minutes

Attached are the minutes of the August 20, 2012 and September 4, 2012 meetings for the Board's review and consideration.

Board Clerk Susanne Stallings noted a correction to the minutes of the August 20, 2012 meeting.

Commissioner Smith moved to approve the minutes including the corrections to August 20, 2012. Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

b. Budget Amendments

<u>BA 1213-017:</u>		INCR	DECR	
23-4340-700-00	BB&T building payment		25,000	
23-9800-980-30	Transfer to Debt Service Fd	25,000		
30-3980-980-23	Transfer from FD Fund	25,000		
30-9100-710-10	2009 USDA Center Hill-Princ	25,000		
Correct FY 2013 budget to show additional \$25,000 payment on Center Hill fire truck note from the Debt Service Fund rather than the Fire District Fund.				

BA 1213-018:		INCR	DECR	
11-3443-387-00	NIMS grant		1,121	
11-4331-600-00	2008 NIMS Training grant		1,121	
Remove 2008 NIMS Training grant from the budget. Extension was granted through 8-31-12. Training was scheduled twice, but cancelled due to lack of attendance.				
BA 1213-019:		INCR	DECR	
40-3990-990-00	Fund Balance appropriated	20,225		
40-5913-634-00	ECS School Capital Outlay	54,132		
40-5913-993-00	Future appropriations		33,907	
Appropriate remainder of FY 2013 ECS capital outlay projects approved by the BOCC not eligible for lottery funding.				

Commissioner Nixon requested that Ms. Woodley detail the budget amendments.

Ms. Woodley explained that budget amendment 017 is the additional \$25,000 to be paid on the Center Hill Crossroads Fire Department Truck loan and the monies would be moved into the debt service fund. She stated the 018 is a NIMS grant and the monies were to cover a training that had to be cancelled, she added that the grant will expire and the monies had to be moved out of the budget. She stated that 019 includes the original capital outlay requests from the school. She stated part of the monies were eligible for lottery funds.

Commissioner Winborne asked if there was capital outlay that was not covered by lottery monies.

Ms. Woodley stated that the original list was approved by the Board.

Mr. Lamb added that the capital plan presented by the schools during budget planning had projects that were eligible for lottery monies. He stated the Board approved the list not designating the funding source, as some of the projects were paid through land transfer. He stated all lottery eligible projects were taken from the lottery monies first.

Commissioner Cole asked if the lottery funds were exhausted.

Ms. Woodley stated \$3,875 remained.

Mr. Lamb noted that the lottery monies should begin to accumulate quarterly.

Commissioner Winborne asked for clarification that this was not an increase of the original capital request.

Ms. Woodley stated yes this was an increase in the original budget to include all items requested.

Mr. Lamb clarified that the list presented to the Board and approved by the Board has not changed.

Commissioner Mitchener moved to approve the consent agenda as presented. Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

Davenport Presentation

Ted Cole the county's representative from Davenport and Co. provided the Board with a presentation that provided additional information from the August 20, 2012 presentation. He stated that staff and Bond Counsel have pursued formal funding commitments from bank lenders. He stated 30 proposals were sent out. He stated the County received four (4) proposals from BB&T, PNC, Southern Bank and Sun Trust. He stated that after reviewing the proposals staff agreed to move forward with the proposal from BB&T. He stated that BB&T was the only proposal that considered refunding all the pieces of debt. He stated that over the past last week he and staff have worked with BB&T to clarify questions within the proposal. He stated there are a few open items that will need to be addressed by BB&T. He stated that he proposes the County move forward with an October transaction and then another transaction in January which would allow BB&T to clarify the outstanding questions. Mr. Ted Cole then presented the presentation (a copy of the presentation is in the meeting file labeled September 17, 2012). He stated the proposal includes a modification of two existing loans with BB&T which would reduce the interest rate from over 4% to less than 2%. He stated the fixed and pre-payment penalties would be waived. He stated the loans with USDA and PNC would be modified with the terms reduced. He stated this would be a refinancing of approximately \$19.8 million with four loans closing in October and three in January. He stated the rates for the October closing are fixed and one of the items to be clarified by BB&T would be the January rates. He stated that Case 1 in the presentation assumes the rates remaining the same as today.

Mr. Lamb noted that staff has received indication that the January rates will be known by October 1, 2012.

Commissioner Mitchener noted that the rates have potential to be lower than they are currently.

Commissioner Winborne asked if loan number 7 is paid from the fire fund reserve.

Mr. Lamb stated this loan is paid from the fire fund.

Commissioner Winborne noted that there has been Board discussion in the past regarding paying off these loans early.

Vice Chairman Nixon stated the Board has discussed paying off one half of the loan early.

Mr. Lamb stated that case 1 reduces the rate on the fire truck loan from 4.125% to 1.84% and the county would double up on the payment by increasing the yearly payment by \$25,000, thus shortening the term by 9 years.

Mr. Ted Cole noted that case one the revenues match the debt service, adding no extra revenue and uses all dollars that have been identified to support the new shorter debt service schedule. He noted that the total savings are \$10,212,083.

Mr. Lamb stated that the reason for having two transactions is that the county cannot go over \$10 million in a single year in modifications so the additional loans will be done in January.

Vice Chairman Nixon stated that even though the county is paying more in the first 6-7 years, the monies that have been set aside to go towards fund balance would be applied to debt. He stated this refinancing should not affect department budgets.

Mr. Lamb added the additional monies are equal to the 1.5 cent tax designated from the tax rate and the repayment of the solid waste monies.

Vice Chairman asked if there were any questions on Case 1, there were none.

Mr. Ted Cole noted that in Case 2 the \$230,000 reserve built into the USDA loan is added.

Mr. Lamb stated that this Case the reimbursement from the solid waste fund is more conservative to allow for more cash flow and could allow a \$100,000 capital reserve fund in the event there is a major event or emergency. He stated this scenario was requested by the Finance Officer because she indicated concerns over cash flow.

Ms. Woodley stated that the schedule considers that the early tax payment discount will end. She stated she expects to have less cash available from tax collections in the months of October and November than has been realized in previous years. She stated that this fiscal year has seen several repair and maintenance issues and she felt there should be some cushion. She stated that currently there is \$4 million in investments that is liquid however the monies may be tighter with less early payments coming in.

Mr. Lamb stated that he believes that even with the liquid unreserved accounts it may be tight however there is a trend for an increase in sales tax collections. He stated the County could consider implementing a small discount like .01% and the banks are required to take advantage of any early payment discount. He stated that he is of a different opinion than the Finance Officer. He added that the county will spend approximately \$100,000 less in Case 1 as opposed to Case 2 because there will be no contribution to the USDA fund balance.

Commissioner Winborne expressed his concern with doing away with the early payment discount.

Mr. Lamb stated he felt the Board could assess the need to implement a discount and make a decision by early April if it wishes to offer an early payment discount in future years.

The Board discussed the \$221,000 from the USDA reserve account and the additional \$100,000 required for the first year.

Commissioner Nixon noted that the contribution of \$75,000 to the USDA reserve would not be budgeted in the future and the monies returned from departments at the end of the year could be put into a capital reserve to address capital needs.

Mr. Ted Cole noted that Case 2 saves \$200,000 less than Case 1.

Commissioner Winborne stated that the cases assume no growth in 2013 and 2014, and while he is optimistic there will be some growth, he feels the numbers are conservative.

Mr. Lamb stated the County has made estimates on the revaluation to be around a 10% reduction in the tax base. He stated that while there may be some growth it at best will be only be 1-2%. He stated that is a concern that the Board should keep in mind.

Mr. Ted Cole stated that the next steps for the Board include holding a public hearing, which would cover the October and January financings. He stated that the LGC would like to know which scenario the Board chooses. He stated the Board would approve a resolution in October for the October transaction and that would go to the LGC for their October 2nd meeting. He stated the Board would then approve the January transaction in November or December.

Commissioner Nixon stated that the market conditions have worked to the Board's advantage, he added that he was glad the County hired Davenport and Co to advise the Board. He stated this refinancing would save the County money as well as freeing up monies.

Commissioner Winborne stated his support of the refinancing to move the County forward and save money. He stated that this could be attributed to the hard work of the Board and County staff. He thanked Davenport for their work with the County on the refinancing and for the reports being easy to understand.

Public Hearing – Refinancing

Commissioner Smith moved that the Board hold a public hearing to receive public comments on the proposed execution and delivery by the County of (a) one or more installment financing contracts to refinance any of the prior installment financing contracts that the County has entered into to finance the costs of capital improvements in the County, including the acquisition, construction or improvement of public safety vehicles, DF Walker Elementary School, Northern Chowan Community Center, John A. Holmes High School, Shepard-Pruden Library, the Public Safety Center and Adult Day Health Center (now Chowan County Dept. of Social Services) and (b) one or more deeds of trust, security agreement and fixture filing to create a security interest in the real property on which a portion of the projects previously financed under the prior installment financing contracts are located and the improvements thereon was published on

September 5, 2012 stating that the Board of Commissioners would hold a public hearing thereon on September 17, 2012 at 6:00 p.m.

Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

Vice Chairman Nixon then announced that the Board of Commissioners would hear anyone who wished to be heard on the questions of the proposed installment financing contracts and the projects to be refinanced thereby.

The following people spoke at the public hearing:

Jim Brock, 1101 Arrowhead Trail Edenton, NC, stated his concern with cash flow and stated his support of Case 2.

Rhonda Jordan, 222 Country Club Drive Edenton, NC, stated her support of the refinancing and the support provided by Davenport to the County. She stated she felt that Case 1 was most preferable.

Vice Chairman Nixon called for any further public comments, there were none.

Commissioner John Mitchener moved that the public hearing be closed. Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

Commissioner Winborne moved that the Board accept Case 1 and allow the County Manager and staff to move forward with all procedures necessary. Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

Reserve Policy

Ms. Woodley presented the Board with a draft fund balance policy as discussed previously by the Board. She stated this policy addresses unassigned fund balance. She stated that the fund balance should reach 25% this fiscal year. She stated that this policy would be included each year during budget planning and become a part of each year's budget ordinance.

Mr. Lamb stated that unless there is an unforeseen economic downturn the County will add a minimum of 3-4% to fund balance which will make the total fund balance above 25% since it currently stands at 24.7% as of June 30, 2012. He stated these monies will be from sales tax, tax collections and departmental savings. He stated he anticipates a positive net this year.

Vice Chairman Nixon stated he spoke with the County's auditor on the policy the auditor agrees the county should be at least at 25% fund balance.

Commissioner Winborne stated he felt the policy should have more teeth in it.

Mr. Lamb stated that nothing can currently be moved from fund balance without Board approval.

Vice Chairman Nixon stated he felt the policy has a positive point where it may be included in the budget ordinance each year. He stated the Board would be responsible for making sure the policy is put into the budget ordinance.

Commissioner Winborne stated his support of the statement in the policy that does not allow fund balance to be used for reoccurring expenses.

Commissioner Smith stated his concern is that the policy does not require Board resolution to use fund balance.

Vice Chairman Nixon stated that the intergovernmental funds may require an adjustment at the end of the year where a department goes into fund balance because of audit corrections.

Ms. Woodley noted it is difficult to estimate unassigned fund balance, and that is typically done by the auditors because the last two months of the fiscal year require multiple adjustments.

Vice Chairman Nixon stated that if the Board wishes it could adopt the policy to have one on file and if the Board locates another policy it can revisit the policy in the future to put more teeth into it.

Commissioner Winborne moved to adopt the policy as presented. Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

Commissioner Winborne moved to re-name the policy to Fund Balance Reserve Policy. Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

Fund Balance Reserve Policy

1. The County will calculate its “Legally Available Fund Balance” in accordance with Local Government Commission (LGC) guidelines and as outlined in The Local Government Budget and Fiscal Control Act. Legally Available Fund Balance is calculated as: Cash and Investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next proceeding the budget year.
2. Legally Available Fund Balances at the close of each fiscal year should be at least 25% of the Total Annual Operating Budget of the County.
3. The Chowan County Board of Commissioners may, from time-to-time, utilize fund balances that will reduce legally available fund balances below the 25% policy for the purposes of a declared fiscal emergency, financial opportunity

to enhance the well-being of Chowan County or other such global purpose as to protect the long-term fiscal security of Chowan County.

4. Further, the Chowan County Board of Commissioners desires an Unassigned Fund Balance amount of 25% of General Fund expenditure, calculated at the close of each fiscal year.
5. Once the County achieves its goal for Unassigned Fund Balance, the fund balance amount exceeding the targeted amount may be appropriated for any one-time expenditure. The Unassigned Fund Balance amount exceeding the targeted amount should not be considered a recurring source of funds and should only be appropriated for non-recurring expenditures.

Timely and Important Matters

Paradise Road – Surplus of Property

Mr. Lamb stated that the Chairman requested that the Board consider declaring the Paradise Road property as surplus. He detailed the steps for selling a property and the options available to the Board.

Vice Chairman Nixon stated the question that the Board should consider is, if there is a need for the property.

The Board discussed that no requests have been made by County departments for the use of the property.

Commissioner Smith moved to declare the property located at 1833 Paradise Road Edenton NC, 1.2 acres as surplus. Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

Vice Chairman Nixon recommended that the Board look at the property, and consider what set starting price for selling the property should be, or if the Board even wishes to have a starting price for bids.

Commissioner Smith stated he was not sure if a starting bid price would be necessary because the Board has the option to reject bids.

Update on Maintenance Requests

Mr. Lamb reported that a generator has been installed at the Animal Shelter and the facility is capable of being a pet shelter in the event of a disaster. He stated that generator bids would be presented to the Board at the next meeting for the DSS building.

Commissioner Winborne asked if Maintenance looked into a state contract price for generators.

Mr. Lamb stated that he would report his findings at the next meeting.

300th Celebration Update

Commissioner Winborne asked if TDA is participating in the 300th celebration.

Vice Chairman Nixon stated that TDA appropriated \$20,000 towards the event. He stated the County Manager and himself have participated in the meetings of the 300th committee. He noted that Commissioner Mitchener has also been involved in the meetings.

Commissioner Winborne stated he would like for the County to provide some sort of in-kind support to the event.

Being no further business before the Board, Commissioner Cole moved that the meeting be adjourned. Vice Chairman Nixon asked for all in favor, the motion passed unanimously (6-0).

Keith Nixon, Vice Chairman

Susanne Stallings, Clerk