

**Regular Session, June 2, 2014 9:30 a.m.**  
Catawba County Board of Commissioners

**Appointments**

Economic Development Corporation Board of Directors	252	06/02/14
Voting Delegate and Alternate for the NACo Annual Conference	252	06/02/14

**Awards**

Outstanding Achievement in Local government Innovations Award from Alliance for Innovation	252	06/02/14
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**Budget**

Budget Adoption for FY2014/15	253	06/02/14
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**Emergency Services**

Donation of Surplus Vehicle to Catawba Fire Department	252	06/02/14
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**Finance**

County Debt Management Policy	262	06/02/14
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**Ordinance**

Budget Adoption for FY2014/15	253	06/02/14
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**Parks, Planning and Development**

Carolina Thread Trail Grant	260	06/02/14
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**Presentation**

United Way 2-1-1	252	06/02/14
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**Resolutions**

Donation of Surplus Vehicle to Catawba Fire Department	252	06/02/14
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**Sheriff's Office**

JAG Grant	253	06/02/14
Approval of Hiring a Relative of the Sheriff		

**Social Services**

Outcome Revisions	261	06/02/14
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The Catawba County Board of Commissioners met in regular session on Monday, June 2, 2014 at 9:30 a.m. in the Robert E. Hibbitts Meeting Room of the 1924 Courthouse, 30 North College Avenue, Newton, North Carolina.

Present were Chair Katherine W. Barnes, Vice-Chair Randy Isenhower, and Commissioners Dan Hunsucker, Lynn M. Lail and Barbara G. Beatty.

Also present were County Manager J. Thomas Lundy Assistant County Manager Dewey Harris, County Attorney Debra Bechtel, Assistant County Attorney Jodi Stewart and County Clerk Barbara Morris. Assistant County Manager Mary Furtado was absent.

1. Chair Katherine W. Barnes called the meeting to order at 9:30 a.m.
2. Chair Barnes led the Pledge of Allegiance to the Flag.

3. Commissioner Barbara G. Beatty offered the invocation.
4. Commissioner Dan Hunsucker made a motion to approve the minutes from the Board's Regular Meeting of May 5, 2014. The motion carried unanimously.
5. Recognition of Special Guests: Chair Barnes recognized County Commissioner Candidate Charlotte Williams and indicated that both she and Randy Isenhower were incumbents in the upcoming election. She also welcomed United Way Director Jennie Connor and wished Social Services Director John Eller Happy Birthday.
6. Public Comments for Items Not on the Agenda: None.
7. Presentations:
  - a. Chair Barnes joined Social Services Director John Eller and staff members at the podium to recognize the recipients of an Outstanding Achievement in Local Government Innovation Award, awarded by the Alliance for Innovation to Social Services' Child Wellbeing Project, which works with families when children leave foster care under age 16 for their reunified, guardianship or adoptive families. These families are offered the opportunity to receive up to two years of extended services. They have a success coach, who works with them to enhance parenting, communication and other life skills.
  - b. Cheryl Abee, Catawba County United Way Director of volunteer Center/Information & Referral presented a summary of United Way's 2-1-1 phone service, which provides free, confidential, 24/7 information and referral about local agencies and services
8. Appointments:
 

Chair Barnes recommended the reappointment of Steve Von Drehle to an unexpired term to fill a vacancy due to Jay Reardon's resignation from the Economic Development Corporation Board of Directors. This term will expire June 30, 2015. Chair Barnes also recommended her appointment as Voting Delegate and Commissioner Barbara Beatty as Alternate Voting Delegate for the National Association of Counties' Annual Conference on July 11-14, 2014 in Orleans Parish, LA. These recommendations came in the form of a motion, which carried unanimously.
9. Consent Agenda:
 

County Manager J. Thomas Lundy presented the following three items on the consent agenda:

  - a. A request for the Board to adopt a resolution approving the donation of a 2006 Ford Crown Victoria to the Catawba Fire Department, as requested by the department. This vehicle will be used primarily to run medical first response calls and may at times be utilized to transport Fire Department members to department meetings and training classes. It will replace a vehicle the department is now using and will not be an expansion to its fleet. The vehicle has been driven for 126,682 miles.

North Carolina General Statute 160A-279 authorizes the County to convey personal property to a non-profit organization without monetary consideration as long as the property will be used for a public purpose. The process begins with the governing board adopting a resolution authorizing the conveyance of the property and a ten-day public notice. The following resolution applies:

**RESOLUTION No.  
DECLARATION OF SURPLUS PROPERTY AND DONATION TO THE  
CATAWBA FIRE DEPARTMENT**

WHEREAS, Catawba County owns a 2006 Ford Crown Victoria that is no longer needed for any governmental use;

WHEREAS, North Carolina General Statute 160A-279 authorizes a county to convey personal property by private sale to a nonprofit organization;

WHEREAS, North Carolina General Statute 160A-279 authorizes the conveyance without monetary consideration if the recipient ensures the property will be used for a public purpose;

WHEREAS, the Catawba Fire Department is a nonprofit organization that provides a public service;

THEREFORE, the Catawba County Board of Commissioners resolves that:

1. A Ford Crown Victoria is declared surplus property.
2. The property will be donated to the Catawba Fire Department without monetary consideration.
3. The Purchasing Manager shall be authorized to conduct the transfer of property and shall publish a notice summarizing the contents of this resolution and the property shall be conveyed anytime after ten days after the notice publication.

This the 2nd day of June 2014.

b. A request for the Board to approve a grant application for a 2014 Justice Assistance Grant (JAG). This Federal funding allocation is based on population and violent crime statistics. The County is eligible for a \$15,702 grant, with no local match required. The Sheriff's Office requested these funds be used to purchase the following equipment to improve law enforcement:

**EZ Child ID Mobile System** – to provide a public service to families that provides contact information, fingerprints, photo, and video interview of children, teens and senior citizens. The family receives a child ID report with a printed ID card and a CD-ROM of photos and video. Files are deleted after each session. All data is kept by the family to use to aid law enforcement in recovery if the person is missing or abducted. It captures all data required by the Amber Alert system.

**Forensic extractor upgrade** – to continue obtaining forensic data from mobile devices, a 2012 system will have to be upgraded by 2015. This is used on many cases, with the bulk being drug cases and crimes against children (especially child pornography). It can recover “deleted” text and photos from older cell phones and newer smart phones, tablets, and computers to be used in trials for conviction.

c. A request for the Board to approve the appointment of Sean Reid to the position of Deputy Sheriff. Per North Carolina General Statute 153A-103, the Board must approve the appointment of an officer who is a relative of the Sheriff. Sheriff Coy Reid requested approval of the appointment of his son, Sean Reid, to an entry level Deputy Sheriff position on the day shift of Road Patrol. Sean Reid was a patrol officer with the Hickory Police Department for over six years. He also worked as a School Resource Officer and obtained the rank of Senior Patrol Officer. He is married with four children and he also has a four year degree. Sean Reid had to put his career on hold for several years to be a stay-at-home dad while his wife continued her career, and is now ready to resume his career. His law enforcement certification is being held by the Alexander County Sheriff's Office, making him ready to move into a full time position.

Chair Barnes asked if any commissioner wished for an item to be broken out from the consent agenda for individual consideration. None was requested. Commissioner Lynn Lail made a motion to approve the consent agenda. The motion carried unanimous.

10. Adoption of the Catawba County Annual Budget for Fiscal Year 2014-15.

County Manager J. Thomas Lundy presented the Fiscal Year 2014-2015 County Budget in the amount of \$214,699,319, which leaves the property tax rate unchanged at 53 cents per \$100 of property valuation while increasing investments in education, economic development and public safety. Vice-Chair Isenhower asked that when referring to joint programs by the school districts be defined as two or more schools involved. With that clarification, Vice-Chair Isenhower made a motion to approve the budget as presented. The motion carried unanimously. The following budget ordinance applies:

## **BUDGET ORDINANCE**

BE IT ORDAINED by the Board of Commissioners of Catawba County:

### **SECTION I**

#### **Budget Adoption, 2014/15**

The following budget with anticipated fund revenues of \$214,699,319 and departmental expenditures of \$214,699,319 (see Revenue and Expenditure Summary in the Summary Section of the budget document for breakdown) is hereby adopted in accordance with G.S. 159 by the County of Catawba for the fiscal year beginning July 1<sup>st</sup>, 2014, and ending June 30<sup>th</sup>, 2015, and the same is adopted by fund and department.

The following procedures, controls, and authorities shall apply to transfers and adjustments within the budget except for the budgets of the Reinventing Departments as shown in Section II.

**A. Transfers Between Departments and Funds:** Transfers of appropriations between departments in a fund, between funds, and from contingency shall be approved by the Board of Commissioners or may be approved by the County Manager in conformance with all of the following guidelines:

1. The County Manager finds that they are consistent with operational needs and any Board approved goals.
2. Transfers between departments and funds do not exceed \$50,000 each.
3. Transfers from Contingency appropriations do not exceed \$50,000 each unless the County Manager finds an emergency exists.
4. All transfers between departments and funds are reported to the Board of Commissioners by its next regular meeting following the date of the transfer (with the exception of performance awards and reclassification/pay inequity funds, which the County Manager has the authority to transfer).

**B. Transfers within Departments and Activities:** Department Heads may transfer line item appropriations between and within activities within the departments under their jurisdiction with the approval of the Budget Manager.

C. **Transfers of Appropriations from Contingency or Departments for Real Estate Transactions:** Transfers of appropriations from Contingency or departments may be made by the County Manager in order to secure options, pay deposits, or pay other necessary expenses related to real estate transactions approved by the Board of Commissioners.

D. **Transfers of Capital Projects Appropriations:** Transfers of appropriations up to \$50,000 between projects within a capital project fund may be approved by the County Manager. All transfers between projects are reported to the Board of Commissioners by its next regular meeting following the date of the transfer.

E. **Transfers of Appropriations from Special Departmental Expense and Revenue Contingencies:** Transfers of appropriations may be made by the Budget Manager from special departmental expense and revenue contingency accounts that have been set aside to accommodate mid-year adjustments for allocations from outside agencies. The budget for such special departmental contingency expenditures will not be used until revenues are received and the related funds are transferred out of the contingency accounts to an appropriate line item.

## **SECTION II**

### **Amendment to Procedures, Controls, and Authorities for Reinventing Departments**

The following procedures, controls, and authorities shall apply to transfers, personnel, and adjustments within the budget for the Reinventing Departments, as determined by the County Manager:

A. As part of this process, the County's fund balance has been maintained by taking into account the average amount of unexpended funds turned back at the end of each year and making a onetime reduction in each Reinventing Department's allotment by that amount.

B. The Board of Commissioners will appropriate funds for the Reinventing Departments based on approved outcomes to be achieved during the fiscal year.

C. Department Heads are hereby authorized to transfer appropriations between activities or from special department contingencies under their jurisdiction with the approval of the Budget Manager. Requests for transfers from the General Fund contingency must be approved by the County Manager. The budget for such special departmental contingency expenditures will not be used until revenues are received and the related funds are transferred out of the contingency accounts to an appropriate line item. Department Heads within the Reinventing Departments are hereby authorized to reallocate existing positions between activities under their jurisdiction.

E. Departments will be allowed to retain all unexpended allocations and/or revenues as defined by the County Manager.

F. Reinventing Departments may create or abolish positions which impact the outcomes approved by the Board of Commissioners and within available revenues upon summary approval of the Board of Commissioners. Approval will come at the next regularly scheduled Board of Commissioners' meeting and will be attached and approved as part of the minutes.

## **SECTION III**

## **Tax Levy Rate**

A tax rate of \$0.53 per \$100 of assessed valuation is hereby levied for Fiscal Year 2014/15, all of which is levied in the General Fund. No discounts will be allowed for early payment of taxes.

The following rates are levied for fire protection service districts:

<u>Fire Protection Service District</u>	<u>Tax Rate Per \$100 Valuation</u>
Bandys Fire	\$0.0700
Catawba Rural Fire	\$0.0700
Claremont Rural Fire	\$0.0700
Conover Rural Fire	\$0.0700
Cooksville Fire	\$0.0617
Hickory Rural Fire	\$0.0700
Longview Rural Fire	\$0.0650
Maiden Rural Fire	\$0.0700
Mt View Fire	\$0.0600
Newton Rural Fire	\$0.0850
Oxford Fire	\$0.0558
Propst Fire	\$0.0615
Sherrills Ford Fire	\$0.0800
St. Stephens Fire	\$0.0900

## **SECTION IV**

### **Hospital Fund**

The Catawba Valley Medical Center Board of Trustees is hereby required to submit a monthly copy of its financial statements to the County Finance Director that will include a budget to actual comparison of all expenses and revenues.

The Hospital maintains a balance of not less than \$4 million with the County, in the Hospital Capital Reserve Fund, to finance and construct major Hospital capital projects. This Fund is intended to be used primarily to finance and construct major Hospital capital projects. However, in an emergency situation, with written request of the Hospital, the County may, in its discretion, permit amounts on deposit in the Fund to be extended for any lawful purpose including payment of operating expenses of the Hospital. As long as a \$4 million balance in the Fund is maintained, monthly depreciation payments from the Hospital are not required. Monthly payments of \$50,000 will be required any time such \$4 million balance is not maintained.

Catawba Valley Medical Center is public non-profit hospital and an entity or component unit of Catawba County Government. The County owns the assets but the Hospital is not a line department of the County and therefore is not included in the County budget. The Hospital is authorized to operate as an enterprise fund.

## **SECTION V**

### **Schools' Current Expense**

The allocation of general revenues for the schools' current expense per school system is \$1,475 per pupil based on the average daily membership of K-12, \$52 per pupil of which is budgeted separately in support of schools cooperating on the following inter-school system programs--Catawba County Bus Garage, HCAM Core Academy, Conover School for Exceptional Children, therapeutic day treatment, and Community Schools.

It is recommended that the three county school systems appropriate from their estimated fund balance an amount not to exceed 5 percent of the current expense fund for the purpose of establishing a contingency account.

In accordance with the School Budget and Fiscal Control Act, each Board of Education is required to submit to the Board of Commissioners, as soon as adopted, a copy of the School Board's budget resolution. The school finance officer will submit a quarterly statement of the financial condition of the Administrative unit to the Board of Commissioners.

#### **SECTION VI**

##### **Capital Projects and Grants**

Project Managers will be designated on a project-by-project basis for all County construction projects and the procedures set forth in "Architectural Procedures – Catawba County", adopted by the Board of Commissioners shall be used to coordinate the efforts of all parties involved in a project. Any changes in the estimate, as a result of bids or otherwise, shall be reported by the Project Managers and carry his or her recommendation of approval to the Board of Commissioners prior to the advertising of bids. When compiled and approved by user agencies, all projects must conform to the Catawba County Design and Construction Specifications.

In accordance with the School Budget and Fiscal Control Act each school system will submit to the County Budget Manager detailed project sheets for each capital project included in this budget on sheets as specified in the "Uniform Budget" format, by January 1, 2015.

The General Capital Projects Fund, the Hospital Construction Fund, the Water and Sewer Fund, the School Capital Outlay Fund, the School Bond Capital Projects Fund, the Schools' Construction Fund, the Fire Districts Funds, and the Community Development Fund are hereby authorized. Appropriations made for the specific projects or grants in these funds are hereby appropriated until the project is completed.

Any grant or capital project budget previously adopted, the balance of any anticipated, but not received, revenues and any unexpended appropriations remaining on June 30<sup>th</sup>, 2014, shall be reauthorized in the 2014/15 budget unless a specific new budget has been prepared.

#### **SECTION VII**

##### **Emergency Approvals, Schools**

Emergency transfers to and from the School Capital Outlay Fund shall be in accordance with the School Budget and Fiscal Control Act.

#### **SECTION VII**

##### **Annual Financial Reports**

All agencies receiving County funding are required to submit an audit report by December 31<sup>st</sup>, 2014. Approved payments may be delayed pending receipt of this financial information.

**SECTION IX**  
**Fees and Licenses**

Charges for fees and licenses by Catawba County Departments or Agencies shall be in accordance with the fee policy. Fee changes to be adopted by the Board of Commissioners are set forth in the attached Schedule A.

**SECTION X**  
**Per Diem Pay**

The Board of Commissioners and members of County boards are authorized to receive per diem pay as follows:

Alcoholic Beverage Control Board – Chair, \$75 per meeting; Members, \$50 per meeting  
Board of Adjustment – Chair, \$50 per meeting; Members, \$35 per meeting  
Board of Commissioners – Chair, \$950 per month; Members, \$750 per month; In-County Travel Allowance, \$250 per month  
Board of Elections – Chair, \$75 per meeting; Members, \$50 per meeting; \$100 for Election Day  
Equalization & Review Board – Chair, \$50 per meeting; Members, \$35 per meeting  
Hospital Board of Trustees - Chair, \$75 per meeting; Members, \$50 per meeting  
Jury Commission – Chair, \$50 per meeting; Members, \$35 per meeting  
Library Board – Chair, \$50 per meeting; Members, \$35 per meeting  
Mental Health Board – Chair, \$60 per meeting; Members, \$40 per meeting  
Planning Board – Chair, \$50 per meeting; Members, \$35 per meeting  
Public Health Board – Chair, \$50 per meeting; Members, \$35 per meeting  
Social Services Board – Chair, \$50 per meeting; Members, \$35 per meeting  
Subdivision Review Board – Chair, \$50 per meeting; Members; \$35 per meeting  
Value Review Committee – Chair, \$50 per meeting; Members \$35 per meeting

**SECTION XI**  
**Personnel**

A. Salaries - Salaries for Fiscal Year 2014/15 are based on the Fiscal Year 2014/15 pay plan for Catawba County that is adopted as a part of this budget and is effective July 1<sup>st</sup>, 2014. Funds are included for a 1 percent cost of living adjustment effective July 1, 2014 and a 1 percent performance pay increase for employees who satisfy performance expectations as reflected in employees' annual performance evaluations. Up to 50 percent of top performers will receive an additional 1 percent increase, also based on performance evaluations.

B. Performance Awards - Funds are allocated in the budget to provide one-time lump sum performance awards to recognize exceptional performance at the discretion of the County Manager.

C. Travel Allowance - The travel allowance rate will be according to the IRS reimbursement rate.

D. Special Payment - Positions that require specialized skills may be compensated by a special payment. This payment will only occur while the employee is serving in that capacity. This special payment is not considered a part of the annual base pay for classification. The amount of special payment is to be approved by the County Manager upon a recommendation by the Human Resources Director.

## **SECTION XII**

### **Budget Policy for State and Federal Fund Decreases**

It will be the policy of this Board that it will not absorb any reduction in State and Federal funds; that any decrease shall be absorbed in the budget of the agency by reducing personnel or department expenditures to stay within the County appropriation as authorized.

This policy is extended to any agency that is funded by the County and receives State or Federal money. This shall remain in effect until otherwise changed or amended by the Board of Commissioners. The County Manager is hereby directed to indicate this to each of the agencies that may be involved.

## **SECTION XIII**

### **Reappraisal Fund**

In accordance with the provisions of G.S. 153A-150, an appropriation of \$369,763 will be made from the General Fund to the Reappraisal Fund for the purpose of providing funds for the next reappraisal.

## **SECTION XIV**

### **Fiscal Control Act**

The Budget Manager and the Finance Director are hereby directed to make any changes in the budget of fiscal practices that are required by the Local Government and Fiscal Control Act. This shall extend to permitted consolidations of funds and "Single Tax Levies" permitted in the Fiscal Control Act.

A. As provided by G.S. 159-25 (b), the Board has authorized dual signatures for each check or draft that is made on County funds. The signatures of the County Manager, Finance Director, Assistant County Manager, and Assistant Finance Director shall be authorized signatures of the County.

B. Operating funds encumbered on the financial records of the County as of June 30<sup>th</sup>, 2014, are hereby re-appropriated to this budget.

C. The Board authorizes the appropriation of all Fund Balances earned by the Reinventing Departments as determined by the County Manager and as a result of the County's annual audit of June 30<sup>th</sup>, 2014.

D. The Board also authorizes (as is the practice) one principal account as depository for all funds received by the Finance Director from any source. Current accounting techniques shall be used to assure that all funds will be properly accounted for in the financial records of the County.

**SECTION XV**  
**Authorization to Contract**

The County Manager or his designee are hereby authorized to execute agreements, within funds included in the Budget Ordinance or other actions by the Board of Commissioners, for the following purposes: 1) Form grant agreements to public and non-profit organizations; 2) Leases of routine business equipment; 3) Consultant, professional, or maintenance service agreements; 4) Purchase of supplies, materials, or equipment where formal bids are not required by law; 5) Applications for and agreements for acceptance of grant funds from Federal, State, public, and non-profit organization sources, and other funds from other government units, for services to be rendered which have been previously approved by the Board; 6) Construction or repair projects; 7) Liability, health, life, disability, casualty, property, or other insurance or performance bonds other than similar items required by the Sheriff or Register of Deeds; and 8) Other administrative contracts which include agreements adopted in accordance with the directives of the Board of Commissioners.

**SECTION XVI**  
**Authorization to Award and Reject Bids**

Pursuant to General Statute 143-129, the County Manager is hereby authorized to award formal bids received in amounts less than \$250,000 within the following guidelines: 1) bid is awarded to the lowest responsible bidder; 2) sufficient funding is available within the departmental budget; and 3) purchase is consistent with the goals and/or outcomes of the department. The County Manager shall further be authorized to reject any and/or all bids received if it is in the best interest of Catawba County. A report shall be made to the Catawba County Board of Commissioners of all bids awarded or rejected under this section and entered in the minutes of its formal sessions.

This ordinance is adopted this 2<sup>nd</sup> day of June 2014.

- 11. Departmental Reports:
  - a. Planning and Parks:  
Planning and Parks Director Jacky Eubanks presented a request for the Board to accept and appropriate grant funds from a Carolina Thread Trail Implementation Grant, to construct a hard surface trail, footbridge and other improvements adjacent to Radio Station Road across the Catawba County Government Center Campus. The Carolina Thread Trail Governing Board approved a grant of \$87,000 to Catawba County to fund the design, permitting and construction of approximately 670 feet of new sidewalk, as well as the design, permitting and construction of a 25 foot bridge along a natural surface trail segment on the campus. This half mile trail segment adjoining the Heritage Trail in Newton will complete a 6.3 mile continuous trail connecting the cities of Newton and Conover. The grant does not require a monetary match by the County. Planning staff is working with a group of volunteers on a series of workdays to construct the new trail as part of its in-kind contribution to the grant. The public, LEED-certified parking lot being constructed at the new Animal Shelter is also a part of the County's in-kind contribution. County Manager Lundy noted that this action was included in the Commissioners' goals. Commissioner Beatty made a motion to accept and appropriate these grant funds. The motion carried unanimously. The following appropriation applies:

**Revenue**

410-460100-682425                      \$87,000

Grant-Carolina Thread Trail

**Expenditure**

410-460100-856900-18024      \$15,000  
Other Professional Services

410-460100-988000-18024      \$72,000  
Bldg. Structures & Improvements

b. Social Services:

Social Services Director John Eller presented a request to approve modification of two existing Social Services outcomes for Fiscal Year 2013-14. Social Services begins its outcome process each fall, well before its budget is finalized. Often times, outcome adjustments have to be made and are taken before the Social Services Board for approval to forward to the Board of Commissioners. The reasons for these revisions include having outcomes that are unrealistic due to lack of available data at the time they were set, changes in State/Federal policy, or local decisions that are made regarding programs.

Day Treatment is a mental health reimbursable service that is primarily provided in an alternative school setting. As of January 1, 2014, Social Services operated three mental health day treatment sites through Family NET. In March, Family NET's Hickory Career Arts & Magnet School (HCAM) day treatment program was closed due to changes at the State and local level regarding mental health services and reimbursement. Effective July 1<sup>st</sup>, Newton Conover and Catawba County school systems are modifying their approach to alternative educational settings and are creating separate programs.

As a result, the Adolescents and Children in Treatment (ACT) program, which serves elementary school children from all three systems, and Catawba County School's Rosenwald program for adolescents will also be making changes. Social Services has discussed needs with the superintendents regarding how the program can look based on the proposed changes. Social Services staff met with day treatment staff at each site in April and discussed the changes the school systems have proposed for the next school year.

Based on these changes, day treatment services are no longer the most appropriate and viable service. To meet the needs of the current students being served and the needs of the overall student population, Family NET will partner with the three school systems to cost-share mental health therapeutic services (individual, group, and family) at specified sites by a licensed clinician. Given that three day treatment sites will close on or before July 1, the day treatment outcome is impacted. Reduction in referrals has occurred in preparation for these changes, which will basically negate progress toward the outcome in the last quarter.

Social Services has another outcome that pertains to the ability to track data related to the processing of Food Assistance applications. Due to the implementation of NC FAST and the challenges associated with this system over the last year, Social Services is requesting to modify this outcome as well. Getting data out of NCFAS has proven to be difficult at the State level. When this outcome was developed it was hoped, and Social Services had been told, that needed data would be readily available. However, this has not proven to be the case. Therefore, the requested change in the outcome mirrors the information that can be pulled from the system with a degree of accuracy.

These approved changes have minimal impact and are reflected in bold and underlined text below:

**Current Day Treatment Outcome:**

To increase appropriate social, emotional, and behavioral functioning in a school setting and to enhance student potential for academic success, 85% of children attending day treatment (33 of 38) will show a significant decrease **(at least 2 points)** in their Child and Adolescent Level of Care Utilization System (CALOCUS) score, used to determine intensity of services, resources required, and duration by assessing multiple dimensions (risk of harm, functional status, co-morbidity, recovery environment, resiliency and treatment history, acceptance and engagement) by FY 2013-14.

**Proposed Revised Day Treatment Outcome:**

To increase appropriate social, emotional, and behavioral functioning in a school setting and to enhance student potential for academic success, 85% of children attending day treatment (33 of 38) will show a significant decrease **(at least 1 point)** in their Child and Adolescent Level of Care Utilization System (CALOCUS) score, used to determine intensity of services, resources required, and duration by assessing multiple dimensions (risk of harm, functional status, co-morbidity, recovery environment, resiliency and treatment history, acceptance and engagement) by FY 2013-14.

**Current Food Assistance Outcome:**

To assure that the needs of citizens are met promptly and the implementation of NCFAST will continue to positively support the mission of the program, 99% of all approved food assistance applicants will be processed **within an average of 8 days or less during FY 2013-14,** as compared to the Federal goal of 97% within 30 days.

**Proposed Revised Food Assistance Outcome:**

To assure that the needs of citizens are met promptly and the implementation of NCFAST will continue to positively support the mission of the program, 99% of all approved food assistance applicants will be processed **within 8 days by June FY 2013-14,** as compared to the Federal goal of 97% within 30 days. Commissioner Lynn Lail made a motion to approve these modifications. The motion carried unanimously.

c. Finance

Finance Director Rodney Miller presented a request for the Board to adopt a new Debt Management Policy, which will be incorporated into the FY 2014-15 budget, to establish a framework for debt management as a part of the County's efforts to improve its bond rating. The County has issued debt for construction projects over the last several years through financing described under North Carolina General Statute 160A-20. This type of financing pledges the asset acquired or constructed as collateral for a loan in case of default. One of those financing methods is through a direct bank loan that includes a fixed rate and term, which has usually been fifteen years for the County. More recently, this type of financing has not been available as banks have shortened the term of loans they are willing to offer.

Another option is to issue fixed-rate bonds, similar to the Certificates of Participation (COPs) the County issued in 2004 and 2005. This financing also uses collateral to secure the loan, but also relies on the credit worthiness of the County through a rating assigned by two of the three national rating agencies. This financing affords the issuer a longer term and access to financial markets across the country, rather than one or more banks in the issuer's region. A credit rating is assigned based on issuing General Obligation Bonds, which pledge the full faith and credit of the issuer/local government. For COPs or Limited Obligation Bonds, the County is not pledging its tax revenues. It is pledging collateral and the ability to repay debt based on its credit rating.

Catawba County has had an Aa1 rating with Moody's (second highest on Moody's scale) since 2010, when the County last received an upgrade of a rating that had been in place for 28 years. This was not a reflection of growth/change by the County. Moody's had recalibrated its rating classification to distinguish local governments from the private sector, which caused the County's rating to increase, leaving it only one step below a top Aaa rating.

The County has had an AA rating from S&P since 2004, when it was upgraded with the issuance of COPs that year. When the County issued \$20 million in bonds to finance the Justice Center expansion earlier this year, staff was hopeful that S&P would give the County an upgrade, which would be equal to Moody's rating, one step below AAA.

County Manager J. Thomas Lundy, Economic Development Corporation President Scott Millar, the County's Underwriter Ryan Maher, and Finance Director Rodney Miller met with both rating agencies in New York to give an overview of the County, describe the project, discuss the County's tax base profiles and economic drivers, and review the County's financial management, outstanding debt and future plans.

Neither rating agency granted an upgrade to the County's credit rating. In Moody's report, the County strengths were: 1) stable financial position and 2) manageable debt burden compared to its weaknesses, which were 1) moderately high unemployment compared to state and national averages and 2) high taxpayer concentration. The County's strengths have been in place for many years and are a testament to prudent financial management by the Board and staff. For unemployment, as well as other economic metrics (income levels, economic makeup and educational attainment), the County continues to be seen in a negative light despite recent improvement in unemployment rates, positive trends in educational achievements and continued diversification in our local economy.

County staff believed the County has improved in all areas of concern with S&P since 2004 and the last upgrade. S&P's report reflected that fact but this did not result in a higher rating. S&P informed County staff that it has a new methodology for 2014 that assigns weights to various economic, financial and management indicators. In all categories except *Economy*, the County had a 'strong' or 'very strong' rating. In the *Economy* indicator, the County's income levels compared to the national average (85%), elevated unemployment rating compared to state and national averages, and high concentration of manufacturing employment did not reflect a sufficiently broad and diverse economy and, therefore, too much uncertainty to justify an increase.

The rating agency analysts informed County staff that the County was at the high end of the AA rating scale. Two areas of improvement were mentioned that would have generated an upgrade in the rating methodology; the County's *Unemployment* rate needed to be consistently less than 10% for the year and, under their *Management* criteria, the County *Debt Policy* needed to be significantly expanded to incorporate all facets of Debt Management.

Catawba County's annual unemployment rate for 2013 was 9%, within 1% of the State average of 8% and significantly under the 10% threshold mentioned by the rating agencies. Commissioner Dan Hunsucker made a motion to adopt this Debt Management Policy. The motion carried unanimously. The following is the applicable policy.

## CATAWBA COUNTY, NORTH CAROLINA DEBT MANAGEMENT POLICY

### INTRODUCTION

Catawba County recognizes that a formal debt policy is essential to effective financial management. Adherence to a debt management policy signals to rating agencies and capital markets that the government is well managed and therefore likely to meet its debt obligations in a timely manner. In addition, it helps to insure that a government maintains a sound financial position and that credit quality is protected. Debt management policies are written guidelines, allowances and restrictions that guide the debt issuance process and it is a recommended practice of the Government Finance Officers Association (GFOA).

Many of the processes for approval, sale and repayment of debt are controlled by North Carolina General Statutes and may not all be repeated within this policy. This debt policy is to be used in conjunction with those laws and regulations along with the operating and capital budgets and other financial policies. Objectives of the debt policy have been established to assist the County in retaining its bond ratings and include:

- Funding a Capital Improvement Plan
- Maintaining an appropriate mix of pay-as-you-go and debt funding
- Maintaining an adequate fund balance, including an appropriate level of unassigned fund balance
- Structuring debt repayment schedules that observers expect of highly rated (AA or AAA) counties

## DEBT INSTRUMENTS

The County will use appropriate debt instruments to provide funding for capital assets and improvements at the lowest cost with minimal risk:

### *General Obligation Bonds:*

General Obligation Bonds are bonds secured by a promise to levy taxes in an amount necessary to pay debt service, principal and interest, coming due each fiscal year until repaid. General obligation bonds are backed by the full faith and credit of the County. These bonds are authorized by a referendum or by non-voted (2/3) authorization by the governing body. The non-voted authorization allows governments to issue up to two-thirds of the previous year's net debt reduction without a referendum.

### *Revenue and Special Obligation Bonds:*

Revenue bonds are bonds that pledge revenues generated by the debt-financed asset or by the operating system of which that asset is a part. Special Obligation Bonds are bonds that are payable from the pledge of revenues other than locally levied taxes.

### *Other Financing Options:*

Installment financings are alternative financing methods that do not require a referendum. Certificates of Participation or Limited Obligation Bonds represent an undivided interest in the payments made by a public agency pursuant to a financing lease or an installment purchase agreement. The security for this financing is represented by a lien on the property acquired or constructed.

An Installment Purchase Contract is an agreement with a financial institution in which the equipment or property is acquired and periodic payments are made to satisfy the debt service. The County will typically use this type of financing to finance a capital asset for ten to fifteen years with the capital asset being used as collateral for the loan. In other cases, this financing will be used for short-term equipment/vehicle purchases of three to five years.

The County will use pay-as-you-go funding for capital improvements or capital assets having a cost of less than \$250,000 or assets having a useful life of less than ten years unless budgetary constraints require the use of financing to acquire the necessary funding for those capital improvements or capital assets.

## PURPOSES FOR DEBT ISSUANCE

The County may issue debt for the purpose of acquiring or constructing capital assets including land, buildings, machinery, equipment, fixtures and any other eligible expenses of a project and for making major renovations to existing capital improvements that are for the good of the public. Exceptions to this rule will be considered on a case-by-case basis to determine if the contemplated debt is in the best interest of the County. Long-term debt shall not be used for financing ongoing operational expenses. When applicable, debt issuance will be pooled together to minimize issuance expense.

Before issuing any new debt the County will consider the following factors:

- Global, national and local financial environment and economy
- Current interest rates and expected interest rate changes
- Cash position and current debt position

- Availability of funds to repay the debt
- Urgency of current capital needs and flexibility to meet future needs
- Appropriate debt issuance practices and debt structuring

## DEBT STRUCTURE

The debt structure is made up of the type of debt, interest rate and principal maturity schedule. This could include General Obligation Bonds, Revenue or Special Obligation Bonds or other installment financings. The cost of taxable debt is typically higher than the cost of tax-exempt debt; however, the issuance of taxable debt is mandated in some circumstances and may allow flexibility in subsequent contracts with users or managers of the improvements constructed with bond proceeds. The County will usually issue obligations on a tax-exempt basis, but may occasionally issue taxable obligations when there is an expected benefit from doing so. The County shall establish an affordable debt level to preserve credit quality and insure sufficient revenue is available to pay annual debt service obligations.

General Obligation Bonds will generally be competitively bid with no more than a 20-year life unless there are compelling factors which make it necessary to extend beyond and applicable law allows a longer term. In a competitive sale, the County may sell its debt obligations by allowing an interested underwriter or syndicate to submit a proposal to purchase and issue bonds. The bonds are awarded to the underwriter presenting the best bid according to stipulated criteria set forth in the notice to sale.

Negotiated sales or private placements may be used where allowed when complex financing or sales structure is a concern with regard to marketability. In a negotiated sale, the bonds may be sold through an exclusive arrangement between the County and an underwriter or underwriting syndicate. At the end of successful negotiations, the issue is awarded to the underwriter. This method offers the most flexibility to the County. The criteria used to select an underwriter or syndicate in negotiated sales should include, but not be limited to the following: overall experience, marketing philosophy, capability, recent experience, underwriter's discount and overall expenses.

The County may elect to sell its debt obligations through a private placement with a financial institution when appropriate. Selection through private placement shall be determined through a Request for Proposal (RFP) process.

Debt service for each issue will be structured in an attempt to minimize the County's interest payments over the life of the issue while taking into account the existing debt obligations of the County. Any debt issued shall not have a maturity date beyond the useful life of the asset being acquired or constructed by the debt proceeds.

The County may also consider various financing methods including fixed or variable interest rate debt in order to minimize the interest costs over the life of the issue. The use of these methods will be evaluated based on market conditions and the maximum benefit to the County while minimizing the County's risk. When appropriate, the County may choose to issue securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities or reset date determined by the bondholder. The County will limit the issuance of variable rate debt to help maintain the County's credit rating. The County's long term variable rate debt will not exceed 10% of the total outstanding general debt.

Investment of bond proceeds will be consistent with those authorized by existing state law, the County's investment policy and applicable bond covenants. Bond proceeds shall be invested and tracked separately from other investments.

## DEBT RATIOS

The County will use an objective, analytical approach to determine the amount of debt to be considered for authorization and issuance. This process involves the comparison of generally accepted debt ratios from

similar counties to the current County ratios. These ratios will be re-evaluated every five (5) years or sooner as market conditions dictate. The County shall adhere to the following ratios:

**Net Direct Debt Per Capita**

This ratio measures the burden of direct debt placed on the population supporting the debt. This is widely used by rating agencies as a measure of an issuer's ability to repay the debt. The County's General Obligation debt per capita will be in line with other North Carolina counties that maintain the same credit rating. The County will maintain per capita debt that does not exceed \$2,000.

**Net Direct Debt as a Percentage of Assessed Valuation**

This ratio measures debt levels against the property tax base that generates the tax revenues used as the main source of debt repayment. The County will maintain its debt at no more than 1.50% of the countywide assessed value.

**Net Direct Debt Service as a Percentage of Operational Budget**

This ratio reflects the County's budgetary flexibility to adjust spending levels as economic conditions change. The County will maintain its net debt service at no more than 20% of the operational budget.

**Ten-Year Payout Ratio**

This ratio measures how quickly the County retires its outstanding indebtedness. A higher payout ratio preserves the County's capacity to borrow for future capital needs. The County will maintain its ten-year payout at a 65% level or higher.

**REFINANCING OF OUTSTANDING DEBT**

The County will continually review its outstanding debt and recommend issue for refunding as market opportunities arise. Debt shall only be refinanced for the purpose of achieving debt service savings, unless required to achieve specific debt management goals of the County. The estimation of net present value savings should be, at a minimum, in the range of 3% of the refunded maturities before a refunding process would be considered unless the County otherwise determines the annual savings warrant the refunding. The County will not refinance debt for the purpose of deferring scheduled debt service, unless unique circumstances are present. The County is aware that refinancing for the purpose of deferring debt service may have an impact on its credit rating.

The County may issue advance refunding bonds when advantageous, legally permissible and prudent while net present value savings are achieved. Advance refunding transactions are those undertaken in advance of the first date the refunded debt can be called for optional redemption and will require an establishment of an escrow account for the defeasance of the refunded debt. All costs incurred in completing the refunding shall be taken into account when determining the net present value savings.

The County may issue current refunding bonds when advantageous, legally permissible and prudent while net present value savings are achieved. Current refunding transactions shall be considered whenever possible. These transactions are undertaken at or after the call date on outstanding debt and provide for redemption and replacement of refunded debt within ninety days of issuance of the refunding debt.

**PAY-AS-YOU-GO FUNDING**

The County shall use pay-as-you-go and other alternative sources of funding for capital projects to minimize debt levels. To have an effective pay-as-you-go program, at least one funding source must be identified that is consistent, reliable and large enough to provide for capital needs in an amount that reduces dependency on debt. In order to reduce the impact of capital programs on future years, the County will annually appropriate funds for its capital improvement plan. The County will also appropriate proceeds from the sale of capital assets and land, as deemed appropriate, for capital projects. This practice will allow additional

funding of capital improvement projects and reduce the County's dependence on borrowing. Pay-as-you-go funding will save money by eliminating interest expense on funded projects and will improve financial flexibility in the event of sudden revenue shortfalls or emergency spending.

#### ISSUANCE OF DEBT

The scheduling and amount of bond sales and installment purchase transactions will be recommended by the Finance Director and County Manager. The Board of County Commissioners must approve the sale. These decisions will be based upon the identified cash flow requirements for each project to be financed as well as market conditions and other relevant factors including debt ratios. If the cash requirements for capital projects are minimal in any given year, the County may choose not to issue the debt and fund the project costs and reimburse these costs when financing is arranged. In these situations the County will adopt a reimbursement resolution prior to the expenditure of project funds.

Fixed rate General Obligation Bond sales are conducted on a competitive basis by the Local Government Commission (LGC), a division of the Office of State Treasurer. Variable rate bonds, revenue and special obligation bonds will be sold on a negotiated basis with a selected underwriter.

The County must receive an opinion acceptable to the market from a nationally recognized law firm that each financing transaction complies with applicable laws and all agreements in connection with any financing are legal, valid and binding obligations of the County.

#### CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission (SEC), Rule 15c-2-12, the County will provide financial and operating information to the repository or repositories designated by the SEC. Where applicable, the County will also provide its Comprehensive Annual Financial Report (CAFR) and other relevant information to rating agencies, corporate trustees and financial institutions as required by continuing disclosure requirements within all debt financing documents.

#### ARBITRAGE LIABILITY MANAGEMENT

The County will maintain a system of record keeping and reporting to meet the arbitrage and rebate compliance requirements of the federal tax code. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law and remitting applicable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the County's outstanding debt issues.

It is the County's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the applicable laws. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, arbitrage calculation will be performed by qualified arbitrage professionals in strict adherence to applicable laws and regulations. These calculations will be done in accordance with required Internal Revenue Service reporting dates.

#### FINANCING TEAM

The County will provide for a solicitation and selection process for securing all professional services required in connection with any debt issues. The service professionals selected will be required to follow the County's debt management policy with the goal of continuity, quality service and competitive prices.

#### ADMINISTRATION AND IMPLEMENTATION

The County Manager and Finance Director are responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this policy.

12. Other Items of Business: Commissioner Beatty asked that Rodney Miller, Facilities Manager, look into the poor handicap accessibility of the 1924 Courthouse and make the necessary changes.
13. Attorney's Report: None.
13. Manager's Report: None.
14. Adjournment. The Board adjourned the meeting at 10:27 a.m.

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Katherine W. Barnes, Chair  
Catawba County Board of Commissioners

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Barbara E. Morris  
County Clerk