

**Minutes
Catawba County Board of Commissioners
Special Session
Tuesday, June 14, 2005, 7:00 P.M.**

Budget

Budget Public Hearing

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06/14/05

The Catawba County Board of Commissioners met in Special Session on Tuesday, June 14, 2005, 7:00 p.m. at the 1924 Courthouse, Robert E. Hibbitts Meeting Room, 30 North College Avenue, Newton, North Carolina. The purpose of the special meeting was for a budget public hearing for Fiscal Year 2005/06.

Present were Chair Katherine W. Barnes, Vice-Chairman Dan A. Hunsucker, Commissioners Lynn M. Lail, Glenn E. Barger and Barbara G. Beatty.

Absent: None

A quorum was present.

Also present were County Manager J. Thomas Lundy, Assistant County Manager Joellen J. Daley, Assistant County Manager Lee Worsley, Budget Manager Judy V. Ikerd and County Clerk Barbara E. Morris.

1. Chair Barnes called the public hearing for the Catawba County Budget for Fiscal Year 2005/06 to order at 7:06 p.m.
2. Commissioner Barger led in the Pledge of Allegiance to the Flag.
3. Chair Barnes offered the Invocation.

Chair Barnes stated this was a public hearing for the budget and the recommendation from the County Manager was a budget in the amount of \$194,520,328. Chair Barnes noted this was a decrease from last year's budget which resulted from not having a major capital project funded in this particular budget. Chair Barnes said Mr. Lundy had recommended an increase of one cent in the property tax rate and this is to have impact on education and as a result of studies with FORESIGHT and the recommendations that have been brought forward to the Board. The additional one cent would aid in providing a 2% increase in teachers' supplements to 70% of the teachers, based on performance. Chair Barnes said it should be noted that the budget also provides for 14% increase in social services, namely for the projection of \$850,000 additional expense in Medicaid for the upcoming year. North Carolina is the only state that continues to require a match by local government in Medicaid. Chair Barnes said the Board was diligently working with the legislature to change this but at the present time it results in a cost of 5.5 cents of next year's tax rate – that 5.5 cents equates to 7.2 million dollars. County Manager Lundy pointed out that property tax is 36.5% of the county's revenue and it is projected to grow by 7/10th of one percent next year. Chair Barnes added that property tax is the only tax that the County has any control over. County Manager Lundy told the Board that they would have before them at the June 20, 2005 meeting a resolution that the North Carolina Association of County Commissioners is asking the counties to adopt encouraging a full phase out of Medicaid to use a cigarette tax increase for that purpose but the report will also indicate there is a House bill which proposes to increase this year's Medicaid by 2% and then cap it and if that were to happen, this year's amount plus 2% capped over the next five year would save the County \$15 million – that is assuming that the same 14% increase in Medicaid. County Manager Lundy said, as he had stated in his budget press conference, Medicaid is a wonderful program – the average recipient in Catawba County is a three year old white child living with his/her grandparents – but it is a program the County has no control over and with 14% increases, it has outstricken the County's ability to raise revenue to fund it and it pinches everything else in the budget because it is a mandated expense. Chair Barnes noted that the budget also reflects a 1% increase for the County's departments for operating expenses.

Chair Barnes then opened the floor to the public for comments.

Mr. Robert Vollinger of 1977 12th St NE said it was a little disheartening for citizens to offer suggestions that conceivably could result in considerable savings to the County and apparently not have any public discussion on them. He asked that the Commissioners vote to maintain the existing tax rate until such time that the collective school boards send a signal that they are willing to listen to and work with the taxpayers to control costs.

Mr. Hanni Nassar of Hickory said his concern was for the lack of a second language in the elementary school systems – city or county. He said he was a member of the Mayor's (Hickory) National Council and the Chair of the Education Committee and wants to start bringing up a second language in the school system and would like that to be taken into consideration for next year's budget. He would like to be part of that effort. Chair Barnes thanked him and encouraged him to speak to all three school boards.

Debbie Wilkinson of Hickory, who works with Wachovia and is on the Chamber Board, said she was interested in the educational attainment levels of the children in the County. She said the FORESIGHT team worked long and hard to come up with recommendations and the school boards had voted in their draft to business leaders on their priorities and she said the business leadership team for the Chamber supports the FORESIGHT recommendations for teachers' supplements. She thanked the Board for what they had done for education and when she looked at the expenditures of 44.7% to education already, she said it was a great statement to this community. She said someone on the committee said it was not just about economic development but it was about the whole area of Catawba County and education is critically important to everyone as they look to the future.

Ellie Bradshaw, 629 2nd Ave NW, Hickory introduced herself as a Hickory resident and the Chair of the Catawba County Chamber of Commerce for this year. She said she wanted to echo what Ms. Wilkinson had said thanking the Board for considering education and giving it the time and attention they had. Mrs. Bradshaw referred to the winter meeting with the Chamber and said the Chamber had spent a lot of time studying the recommendations of the FORESIGHT team and were pleased and proud that Tom Lundy had included in his proposed budget the proposed increase in the teachers' supplements, especially based on performance, and they are excited about those possibilities and urged the Board to pass the proposed budget. Mrs. Bradshaw said she stood before the Board as someone who is not a school board member, a teacher, a politician or a parent with a child in the Hickory School System – and coming from Union County farm stock, she said it was awfully hard for her to get up and say she thinks the Board should spend more money but this was an investment in the future and she urged the Board to give it consideration and endorse the proposal.

Danny Hearn, President of the Chamber of Commerce said he had a residence in Iredell County but was now a county property owner and taxpayer and glad to be able to say that so what the Board was doing at this meeting now affected him personally. He said his Chamber Board members couldn't have said it any better about the County Board's commitment to education. He said he was in awe of the quality of work in putting the budget together and he appreciated Mr. Lundy sending the preview of the budget and he was so impressed and felt that the County was turning the corner with the recent economic indicators. Mr. Hearn said 32 years of his working career had been spent dealing with business, education and partnerships and economic development and trying to convince people to come to a particular community and he told the Board they had made a terrific move with this budget to identify education as a priority. He said the Board knew they had not finished their work since FORESIGHT had spent 2 ½ years studying this and their recommendations were yet not all addressed. He said he appreciated the Board's efforts and thanked them for addressing the No. 1 priority that came out of FORESIGHT Education recommendations which were teachers. He thanked the Board for their commitment to education and he said the Chamber would be behind them 100%. Chair Barnes thanked Mr. Hearn and said the Board appreciated the business partnership with the Chamber and the business community.

Hearing and seeing no one else who wanted to speak, Chair Barnes closed the public hearing at 7:23 p.m. She said the Board had had a full day of presentations on June 13 from various departments and outside agencies and there were a few issues that had been reviewed and asked County Manager Lundy to present those requests for additional funding. Mr. Lundy stated the Catawba County Schools and the Hickory City Schools had made a request for full funding of their expansion requests and by law the County must fund the schools on an equal basis per pupil. In addition, the County School System made a request to make two modifications to their capital budget, specifically related to the conversion of Tuttle Middle to an elementary school and the conversion of Maiden High School to a middle school – the requests were for \$103,700 for media retrieval and intercom system at what will be Tuttle elementary school. Mr. Lundy recapped that there was some money in the bonds for Tuttle and that money was spent for a classroom addition at the front of the school. Mr. Lundy had recommended money to do classroom renovations inside but not to do other things like carpet replacement and media retrieval. So this request was for media retrieval and \$28,000 for telephone and cabling and data equipment at Tuttle. Then, at the current Maiden High School as part of the renovations to make it a middle school, there was a request of \$124,030 to convert shop space into fine arts classrooms. Also, Mr. Lundy was \$5000 low on amount they had requested for the hanging air conditioning unit for the gym. Mr. Lundy had also recommended \$1 million undesignated in the County Schools budget waiting for a decision on redistricting. When the Board was in public session for the department budget hearings, there was a thought to fund the Tuttle and Maiden renovations out of that \$1 million so it would not increase the budget. The

total of the proposed budget revisions were \$261,411 and it was proposed that these costs for these renovations be funded and reduce the \$1 million for future projects by that same amount. Chair Barnes pointed out that funding for these projects would not change the total for the budget but it was just a matter of moving funds. Commissioner Barger agreed this was a reasonable proposal.

Vice-Chair Hunsucker said he agreed with Mr. Vollinger that the County needed to look at other areas to try to save money and try to keep the County tax rate as low as possible and that was what the Board had tried to do but the Board felt obligated to give some monies to the schools in light of the FORESIGHT recommendations. Vice-Chair Hunsucker said he had had recommendations since the meeting in January that a business manager look at all three school systems – someone who does not work for the school systems – to try to help them find ways to save money where they can. Chair Barnes said she thought this was an issue that the Chamber Business Group has been discussing – ways they could work with the three school systems and review their processes and Chair Barnes thanked them for this effort.

County Manager Lundy said he thought they sometimes tend to forget what has happened in prior years – he reminded the Board and those present that between 2001 and 2004 when counties and cities were hit with the governor seizing money and cutbacks, the County organization put in effect for the outside agencies and the schools a 13% reduction so if they were at a 100% of their budget in 2001 by 2004 they were operating at 87% - so it was not a case where government just continues to grow – the County has always taken the approach that if there were a reduction in revenue, they would make the appropriate expense reductions so the long term financial situation was not jeopardized as opposed to just dipping into fund balance. The school bore their share of those reductions in those three years. Mr. Lundy pointed out the schools do a lot of cooperating among the three systems but noted that in any organization there is always room for continuous improvement.

Commissioner Beatty said there were partnerships that were being worked on that were items in the FORESIGHT study that would not cost the County additional funds – and these partnerships with these organizations would be very beneficial.

Chair Barnes said the management decisions that had been made over the past three years had resulted in the County's bond rate to be upgraded by Standard & Poors and this was recognition of the County's efforts to maintain their fund balance. At this point, it was decided that Rodney Miller, Finance Director, should report on the refunding of the general obligation bonds and the resulting savings for the County. Mr. Miller noted that the bond market had been positive that morning when the County's bonds were sold – the day prior to the sale, the savings estimate for the refunding was 3.007 (\$460,000) – and bids on the day of the sale came in at 3.207, resulting in \$500,000 in savings. He said the timing was perfect. He said it was very difficult to quantify the effect of the upgrading of the bond rating but Standard & Poor's upgrading the County from AA- to AA could not hurt. He said that \$500,000 would be the net amount realized over a 10 year period and this savings will be rolled back into the school bond pot and available for future school construction.

Commissioner Barger said he wanted to say a few things about the direction of the proposed budget and where it was pointing the County. He said an effective education system takes a lot of partnerships and one of the things the County assumed with the FORESIGHT process was a truly a collaborative effort to improve education. He said this could not be done simply with dollars, it could not be done simply with any group wanting it to happen – but there is a place where it must begin and that is in the classroom. He said in order for the County to have effective learning, there must be quality teachers and it was certainly a challenge to the three school systems to maintain quality teaching staffs, not only in recruiting but retention. He said the FORESIGHT report noted there was a critical problem in Catawba County and in North Carolina in retaining teachers, investing in their training and what goes on in the classroom. He said the budget takes a step in the direction to recruit quality teachers but to also help keep them here. He said he wished all of the public could sit where the Board sits so they could have heard at the department budget hearings the accomplishments of the various departments, including the three school systems. He said that just hasn't happened by luck – it has happened because of partnerships. He said he agreed with Mr. Vollinger in the need to find every possible way to spend the County's dollars most wisely but he noted this was not an increase in expense, this was an investment in the future and an investment in the County and he supports the direction in which the County is moving.

Chair Barnes said the Board would take action on Monday, June 20, 2005 on the budget ordinance which is the actual document which adopts what has been discussed. County Manager Lundy said they would make the discussed changes and it would be on the agenda for Monday.

Vice-Chair Hunsucker asked where the County ranked with its new tax rate among the other counties and Mr. Lundy said Catawba County is now the third lowest of the urban counties and the 14th lowest of the 100 counties. Chair Barnes noted that some neighboring counties had not fared as well financially and said this County had been guided well and had good leadership on the part of the administration to help the County maintain a low rate and as a result there are businesses looking at Catawba County because of the quality of life which the County is able to provide and the tax structure that is provided.

Commissioner Beatty made a motion to adjourn. The motion carried unanimously.

The meeting adjourned at 7:41 p.m.

Katherine W. Barnes, Chair
Board of Commissioners

Barbara E. Morris
County Clerk