

**PASQUOTANK COUNTY, NORTH CAROLINA
APRIL 25, 2012**

The Pasquotank County Board of Commissioners met today in a work session on Wednesday, April 25, 2012 in the Community Room at the Pasquotank Public Safety Building.

MEMBERS PRESENT:

Lloyd E. Griffin, III, Chairman
Jeff Dixon, Vice-Chairman
Bill Trueblood
Cecil Perry
Dr. William R. Sterritt
Gary G. White
Joseph S. Winslow, Jr.

MEMBERS ABSENT:

None

OTHERS PRESENT:

Randy Keaton, County Manager
Rodney Bunch, Assistant County Manager
R. Michael Cox, County Attorney
Sheri Small, Finance Officer
Karen Jennings, Clerk to the Board

The meeting was called to order at 9:10 AM by Chairman Lloyd Griffin.

1. BUDGET WORK SESSION:

County Manager Randy Keaton highlighted projected expenditure and revenue increases in the general fund budget over last year's budget. He stated that the sizable increases in expenses thus far are for jail debt service, health insurance, College of The Albemarle, Social Services, debt service, and fire truck debt service if the Board chooses to finance the Nixonton fire truck which has been ordered. He noted that he still does not have all of the budget requests and does not have the proposed budget from the schools. The anticipated revenue increases include sales taxes, ad valorem taxes which is expected to be minimal, other taxes, franchise fees, and Sheriff's fees. At this point the projected expenditures exceed projected revenues by \$246,664.

Mr. Keaton stated that an issue the Board needs to consider is whether to use \$400,000 in capital reserve funds from the sale of assets to help balance the budget. He explained that \$800,000 was received from the sale of the beach property during the current budget year and \$400,000 of that was used to balance the budget while \$400,000 was put in capital reserve. He said if the \$400,000 is not transferred from capital reserve to fill a gap in the budget, there will be another \$400,000 decrease in revenues.

Mr. Keaton also advised that during the past year the amount that was being put aside each year for revaluation was reduced from \$50,000 to \$40,000. It is estimated that the revaluation will cost \$380,000 and the county has \$250,000 in reappraisal reserve funds. Another \$130,000 will be needed over the next two years to pay for the revaluation. He suggested an increase of about \$25,000 in the amount being set aside for reappraisal reserve for the next two budget years.

The Board discussed how to pay the \$246,000 cost of the Nixonton fire truck and agreed to finance the truck over a seven-year period rather than paying the cost upfront. The yearly debt payment would be about \$40,000.

Mr. Keaton stated that health insurance is estimated to increase by 12% or less and the health insurance committee is looking at several different options including comparing the current self-insured plan to a fully insured plan. Commissioner Bill Trueblood noted that the county needs to be thinking about its options and have a contingency plan beyond the self-insured plan.

Commissioner Trueblood asked how Chowan County's joining the Albemarle District Jail will impact the budget. Commissioner Cecil Perry replied that all of the details are still being worked out as to how it would be structured and whether the Chowan County Jail would remain open in order to maximize space. Mr. Keaton said that other questions need to be answered such as the

operational costs, additional staffing requirements, funding percentages, fund balance buy-in, and how this would impact revenue for housing federal prisoners. He said the Jail Commission began the process of getting the answers to these questions at its meeting last week. Commissioner Perry added that the jail budget does not take Chowan County into consideration at this time because nothing has been finalized.

Commissioner Gary White suggested that the county begin to push the additional 1/4¢ sales tax which has been authorized by the General Assembly. He said it will provide \$917,000 in revenue which is equivalent to a 3¢ increase in ad valorem taxes. He stated that the legislation that allows the 1/4¢ sales tax provides that groceries would be exempt. He said he does not see that the county has any alternative but to put this on a referendum for the voters to decide.

Motion was made by Gary White, seconded by Joe Winslow to direct staff to prepare a resolution calling for a referendum during the November election on an additional 1/4¢ sales tax.

Discussion followed and Vice-Chairman Dixon said he cannot support this until he knows what the ad valorem tax rate will be this year. He added that he would not be able to support a sales tax increase in the same year as an ad valorem tax increase. Commissioner White said he supports Commissioner Dixon's intent to not increase property tax, but to increase sales tax in lieu of a property tax increase. Chairman Griffin suggested that staff prepare a resolution calling for a referendum on the additional 1/4¢ sales tax and have it available for the Board to consider after the budget is finalized.

Commissioner Winslow asked if the voters approve the additional sales tax whether it will give the county the option to increase the sales tax by 1/4¢ or if it makes it mandatory to increase the sales tax by 1/4¢. Mr. Keaton responded that voter approval would give the Board the authority to levy the tax and the Board would also have the authority to repeal the tax any time after it is enacted.

Chairman Griffin said the county cannot anticipate passage of the referendum when planning next year's budget. Mr. Keaton said if the referendum passes, it would take approximately 120 days before it could be enacted. Since it would not become effective until next spring if it receives voter approval, it would have only a minimal impact on the 2012-13 fiscal year budget. He stated that it would be a revenue source for the 2013-14 budget.

Commissioner Sterritt asked if the sales tax would have a sunset. The County Manager stated that he does not believe the enabling legislation includes a sunset provision, however the Board could repeal any sales tax any time it wants to.

The motion to direct staff to prepare a resolution calling for a referendum during the November election on an additional 1/4¢ sales tax carried by a six to one margin with Commissioner Trueblood voting against the motion.

Chairman Griffin directed staff to prepare the resolution to be considered by the Board at the end of the budget cycle.

Mr. Keaton asked for any direction or ideas from the Board regarding the budget. He said there is still a lot of information to fill in and as soon as the school budget is presented he would like to have another more in depth budget meeting. He added that the Board of Education would like to have a joint meeting with the Board of Commissioners to present the school budget.

2. APPROVAL OF INTERLOCAL AGREEMENT WITH CITY REGARDING CDBG NC CATALYST GRANT APPLICATION:

Chairman Griffin referred to a proposed Interlocal Agreement with the city on the CDBG NC Catalyst Grant application for renovations to the first floor of the former Elizabeth City Middle School for use by the Police Athletic League, the Boys & Girls Club and other organizations. He outlined the agreement which provides that the city will submit the grant application and will work with the county to facilitate the necessary improvements. The city will administer the grant with the county's concurrence. The improvements will include ADA related code improvements, repairs to the HVAC system, and other cosmetic repairs. The building will remain open and available to children of low and moderate income for a period of ten years and

the agreement will remain in effect for ten years. The former Elizabeth City Middle School and the improvements will remain an asset of Pasquotank County. The county will remain landlord of the former school and will be the construction manager for the grant.

Chairman Griffin then read an interlocal statement to accompany the grant which stated that the city and county will provide operational costs for the former middle school building for at least the next ten years. The Board discussed this statement at length and members stated that they voted to provide the \$75,000 grant match for improvements to the building, but did not vote to pay for any operational costs. Chairman Griffin said the interlocal agreement which was drafted by the County Attorney outlines exactly what the county agreed to do. He noted that the separate statement was drafted by the city and was just provided by the City Manager at the beginning of today's meeting. The County Manager pointed out that the county does provide funds to subsidize the operation of the building because when PAL began using the building the county agreed to pay the first \$200 of the electric bill, which is the base amount, and the county also pays for insurance on the building. He said these may be the operational costs referred to in the statement.

The Board requested clarification from the City Manager before taking action on the statement and City Manager Rich Olson was called to the meeting to provide an explanation.

Note: Vice-Chairman Dixon left the meeting at this time.

Mr. Olson arrived at the meeting and the Board Members explained their problem with the statement. They advised Mr. Olson that they are not interested in paying the operational costs of the former Elizabeth City Middle School. The Board suggested that those costs be defined. Mr. Olson responded that the county is already paying some of those costs, and if the grant is not approved the county will still have operational costs associated with that building. He said it is a requirement of the grant that the facility be maintained for ten years after the grant is received. He suggested that the words "will provide operational costs" be replaced with "will maintain" in the statement because the county is going to do that anyway. The Board concurred with this wording.

Motion was made by William Sterritt, seconded by Cecil Perry to approve the Interlocal Agreement with the city regarding the CDBG NC Catalyst Grant application for renovations to the first floor of the former Elizabeth City Middle School which specifies a \$75,000 contribution by both the city and the county. The motion carried by a five to one margin with Commissioner Trueblood voting against the motion.

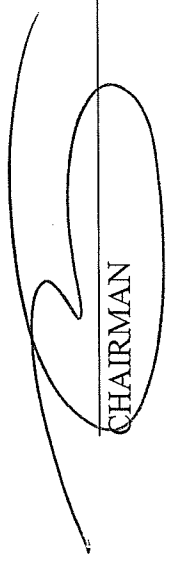
Commissioner Trueblood stated that he voted against the motion because he believes the ten year obligation is excessive.

Chairman Griffin read the revised operations statement and asked for the Board's decision on the statement.

Motion was made by Gary White, seconded by William Sterritt to approve the operations statement as revised. The motion carried by a four to two margin with Commissioners Trueblood and Winslow voting against the motion.

Assistant County Manager Rodney Bunch advised the Board that he met with Randy Midgett, the DOT engineer in charge of the Elizabeth Street project, to discuss access to the basement area at the old middle school that is currently used as a feeding site for the homeless. He said Mr. Midgett informed him that sometime in June work will begin on Elizabeth Street and it will begin on the school side of the street. Once the project begins, not only the road, but the sidewalk up to the edge of the building will be torn out and there will no longer be access to that area until the project is completed. Mr. Keaton said the feeding program has requested that they be given access to that area another way, however this would involve either taking out a window and cutting a door and would present other problems as well, such as handicap access and parking for the volunteers. Mr. Keaton said the feeding program will need to find another location once the Elizabeth Street construction begins.

Motion was made by Gary White, seconded by Cecil Perry to adjourn the meeting. The motion carried and the meeting was adjourned at 10:30 AM.



CHAIRMAN



CLERK TO THE BOARD