

**Minutes**  
**Catawba County Board of Commissioners**  
**Special Session**  
**Thursday, May 31, 2007, 7:00 p.m.**

**Budget**

Budget Public Hearing

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The Catawba County Board of Commissioners met in Special Session on Thursday, May 31, 2007 at 7:00 p.m. in 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 hearing for Fiscal Year 2007/08.

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 Lee Worsley and Budget Manager Judy V. Ikerd and County Clerk Barbara E. Morris.

1. Chair Katherine W. Barnes called the special meeting/budget public hearing to order at 7:00 p.m.
2. Chair Barnes led the Pledge of Allegiance to the Flag.
3. Commissioner Glenn E. Barger offered the invocation.
4. Chair Barnes noted the Board had spent the entire previous day in budget hearings with county departments and outside agencies which receive support from County dollars. She then asked County Manager J. Thomas Lundy to present an overview of the budget.

Mr. Lundy said, in very broad terms, that in a revaluation year the County started with a revenue neutral rate – with the new values, what would bring in the same revenues to the County – and based on the approximate 11% increase in value in properties countywide, the revenue neutral rate would be 46.7 cents. With that base starting point, he reminded the Board that three years prior the Board decided to expand the detention facility after that construction had been delayed from approximately thirteen years by buying into the joint jail facility. The \$18 million expansion will now house 259 prisoners (prior to expansion the facility had 89 beds which were sleeping 169) and to retire the debt on that facility and to cover the increased operating costs which included additional staff, medical services and food, a 3 cent increase in the tax rate would be required. He went on to say that the Board has been on a 4 year building cycle for needed school facilities and community college needs. They were currently completing a 4 year cycle with the construction of the Catawba Elementary School. The recommendation now was that over the next 4 years there were renovations and new schools needed in all three systems and the community college, which would be an additional 3 cents coupled with lottery proceeds. Mr. Lundy pointed out the lottery helps the County but not anywhere near what the State projected it would due to our tax rate being below the 65 cent threshold required to commit more lottery proceeds to the County. The State had projected the County would receive \$1.9 million and the County has received approximately 25% less than that and will probably receive only approximately \$1.4 million. 1 cent was recommended for school technology – 60% of the computers in the schools are over 5 years old and the County has fallen behind in terms of the number of computers per capita. An additional 1 cent was recommended for other school current expense needs. There was a final 1 cent recommended for water and sewer to replace a cent that was diverted four years ago. The total recommendation was a 9 cent increase to bring the rate to 55.7 cent.

Chair Barnes pointed out that the starting point for the recommended budget, prior to these itemized increases totaling 9 cents, was only 1% higher than the approved budget from the year before.

5. Chair Barnes then opened the public hearing regarding the proposed budget for fiscal year 2007/08. Dr. Ric Vandett, Superintendent of Hickory City Schools, came forward. He thanked the Board for everything they had done for the school systems. He asked that they support the County Manager's recommendation for

the 9 cent increase. He pointed out that that morning, the Hickory High School thirty year old air conditioning system broke down. He was concerned about the comfort of the students during testing situations. He used this as an example for the need for the funds for renovations at that school. He pointed out their requests were for needs, not wants and requested that the proposed increase for the schools not be cut. He then went on to say that the portion of the proposed increase that was going for the jail was appropriate since more people were choosing crime because they don't have the skills necessary to compete in the 21<sup>st</sup> century job market – because they dropped out of school - thus the proposed increase for schools and the community college were necessary so larger jails wouldn't be needed in the future.

Chair Barnes confirmed with Dr. Vandett that Hickory High projects were designated Phase 1 and Phase 2 – and asked which phase the air conditioning was in – and it was determined that it was in Phase 2 – but most likely would be moved to Phase 1 and some other project would be delayed.

Chair Barnes asked if there was anyone else who wished to speak and no one came forward. Hearing and seeing no one, she closed the public hearing.

Chair Barnes stated that each of the Commissioners had tried to work through the budget and had listened to citizens and had been out in the community to hear the positive and negatives of the proposed budget. She reminded everyone that back in February or March they had met with the local delegation of the legislature and asked for a local bill (House Bill 1106) to allow an optional 1 cent sales tax that would be put on a referendum. This was done because they knew that these recommendations for the budget were going to be made. She noted they had been lucky there had been no incidences at the jail due to the overcrowding. She pointed out that a 1 cent sales tax would equate to what was proposed in the budget. The delegation supported the bill but the bill was currently shelved. Additionally, they had been seeking Medicaid relief and within the current budget they were looking at slightly over 5 cents going to pay the County's Medicaid expense. Without the adoption of the State budget, the County did not know the outcome of these proposals but did not expect much relief at this point. Counties must adopt their budgets by June 30<sup>th</sup> and it did not look like the State's answers would be available before that date.

Chair Barnes went on to say that all the Commissioners had reviewed the budget and tried to determine how critical the needs were. They had looked at population growth and the age of schools and the number of mobile units and tried to determine how to decrease some of the proposals. Vice-Chair Barbara Beatty said they had taken a hard look at the proposal and had to base their decisions on priorities and the citizens of the County were not in favor of a 9 cent tax increase and she had come to the conclusion that there were things that needed to be cut. It was agreed that the technology cent was necessary for the future of the county's students. Commissioner Dan Hunsucker said it needed to be recognized that they had asked the General Assembly for some options other than placing the burden on the property owners but they could not go to the citizens and ask for a 9 cent increase and he was very concerned about the elderly on fixed incomes. Commissioner Lail said she had agonized over the proposal and believed it was a frugal budget and also believed the average citizen was not aware of what the County was responsible for paying and how much the local government's hands were tied by what happens in Raleigh and the unfunded mandates that are set forth. Commissioner Lail pointed out that North Carolina was the only state which required local government to pay a share of Medicaid costs. She said she believed the sales tax was the best choice because it was a choice, and property tax is not a choice. She agreed with Vice-Chair Beatty and Commissioner Hunsucker that the 9 cent increase could not be done but wanted to do as many things as possible to meet the County's needs without raising property taxes to that level. Commissioner Barger said he supported the 1 cent for school technology to give Catawba County students the tools to succeed. He hoped for some Medicaid relief and hated to have to trim the budget back but empathized with those on fixed income. He went on to say if there was some Medicaid relief that they should commit to redirecting those funds back to where they were trimmed from the budget. Vice-Chair Beatty also pointed out that businesses, as well as private citizens, would be affected by a tax increase and there were many of these businesses which were already struggling. Chair Barnes suggested the reduction that had been discussed by the Commissioners of 3 cents to 2 cents for school building costs and asked County Manager Lundy to address how this would affect the needs list. Based on a request from the Board on the prior day, staff looked at what could be funded with 2 cents coupled with the lottery funds. If the middle school for Newton Conover was removed, then the renovations for the old middle school would also be removed and would leave a renovation for the high school in Newton Conover. In the 2<sup>nd</sup> half of the four year cycle, it would remove the renovations to the Conover School. They would then only fund the first phase of the Hickory High renovations and take out Clyde Campbell renovations because a new school would be built on Snow Creek and would relieve some pressure on Clyde Campbell. Also funds for the land purchase for Propst elementary school would also be removed. Bandy's and Bunker

Hill, St. Stephens additions and renovations would remain as well as CVCC renovations with new building in the 4<sup>th</sup> year. In response to a question regarding projected increases for the school systems, it was noted that Newton Conover was projected to have an increase of 7 students while Catawba County was up 486 with 55 mobile units in Catawba County, 12 in Hickory and none in Newton Conover. A new school for Newton Conover would be then be in the next 4 year cycle unless there was some other funding identified, i.e. Medicaid relief, school bonds, etc. Chair Barnes made a commitment to the citizens that if there was some change within the period of time the Board has to adopt a budget, they would review the budget again. Commissioner Hunsucker then asked about the ability to impose impact fees. Finance Director Rodney Miller reminded the Board that the amount needed to cover needs from impact fees would make the impact fees unreasonable (\$6000 on every new residential lot) and the counties which do have the right to impose impact fees have them right at about \$2000. At \$2000 would generate only about \$1.5 million which would allow borrowing of \$15 million which is equivalent to a penny of the property tax. Chair Barnes said impact fees again tax the property owners where a sales tax would tax everyone buying anything in the county – also the impact fee is regardless of the value of the home, thus hurting the low income first time home buyers. Mr. Miller said to look at impact fees like the lottery – it was a supplement to property tax for school expenses, but definitely not the solution for the expense. A citizen (Dr. Michael Gallo) from the audience suggested building the impact fee into the first time home buyers' (an others) mortgage – thus not hurting them as much.

Chair Barnes then addressed the 1 cent for current expense. She said she thought the infusion for technology (1 cent) helped and hoped to bring that 1 cent for current expense down to .75 cent. It was calculated that .75 cent would equate to \$1,050,000. That would give about a 4.5% increase per pupil over the current year and with the penny for technology would bring that up to a 9% increase per pupil - \$1341 per pupil. Sherry Butler (Catawba County School Board) pointed out that the additional personnel needed for the new Maiden High School and Catawba Elementary School would use a lot of those funds as well as the required increase by the state for those support personnel. Commissioner Lail said she wished they could give the schools everything but could not in good conscience go with the 9 cent increase.

Chair Barnes pointed out that the 3 cents could not change for the jail and that the jail expansion had been extremely necessary. She said she thought the school building costs should be at 2 cents with the lottery funds and school current expense needed to go to .75 cent and technology should remain at 1 cent. She said she would like to hold off on the 1 cent on the sewer and water and wait and see what the State would come up with for those needs. That would bring the rate to a 6.75 increase. Mr. Lundy said currently a little over \$2 million per year was dedicated to water and sewer. The removal of the 1 cent for sewer for this year would delete the Rock Barn project and the set aside for the Rocky Ford project – actually delaying those for a year.

Mr. Lundy then recapped what he had heard from the Board – 3 cents for the jail; 2 cents for school capital (plus lottery proceeds) versus the originally proposed 3 cents which would affect the projects outline above; 1 cent for technology; and .75 versus the 1 cent originally proposed for school current expense and nothing for water and sewer. The tax rate would then be 53.5 cents.

Commissioner Lail repeated that she still thought it was a large increase. Commissioner Hunsucker said he still thought impact fees should be looked at because he would like to see the tax rate reduced another ½ cent. Chair Barnes reminded this would still be an impact on those who were going to build a home. Vice-Chair Beatty said she was against tax increases but struggled with the needs of the County and the needs of our children and they were the County's future and this was an investment to make in them. Commissioner Lail agreed and said that education was economic development.

County Manager Lundy stated the Board would not be approving a tax rate at this meeting but would be instructing the staff to bring back to the Board the budget for a final vote. If anything came from the State between this meeting and the adoption, the budget would be adjusted. Commissioner Lail asked if impact fees had to be with the fiscal year – she was told they could be levied at any time and were not connected to the fiscal year.

Mr. Lundy said budget adoption was originally scheduled for the Monday, June 4, 2007 meeting but one commissioner would be absent and on June 18, 2007, two commissioners would be absent. The agenda included a request to change the meeting from June 18, 2007 to Tuesday, June 26<sup>th</sup> and at that time the budget would be adopted – this would also give the General Assembly time to act on some of the issues that would affect this budget.

Mr. Lundy said he heard from the Board that staff was to bring to the Board on the 26<sup>th</sup> a budget with a tax rate of 53.5 cents as outline subject to any change by the General Assembly.

Mr. Lundy continued to say that in the budget there was a proposal to establish a new erosion control fee of \$50 and the Board had some concern about that and said staff was prepared to remove that fee and there would be a \$35,200 general fund appropriation. He went on to a another minor change – the solid waste fund is self-supporting with fees and GDS is allowed a CPI increase each year (by contract) – they had originally notified the County of a 4% increase and now have revised that down to 2.1% so the solid waste expenditures could be reduced \$5887.

Chair Barnes made a motion to instructed the staff to draft a budget ordinance with a tax rate not to exceed 53.5 cent predicated on what the General Assembly does prior to budget adoption on June 26, 2007. The motion carried unanimously.

6. Chair Barnes stated this was the most difficult budget that she had worked on. Mr. Lundy asked the Board to review the agenda for the Board Retreat for June 11, 2007, following subcommittee at 8:30 a.m.– proposed agenda was an overview of the technology strategic plan, a discussion with the Planning Board on conditional zoning and a presentation on a regional transit plan. The Board approved. Chair Barnes adjourned the meeting at 8:20 p.m.

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Katherine W. Barnes, Chair  
Board of Commissioners

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Barbara E. Morris  
County Clerk