

CUMBERLAND COUNTY BOARD OF COMMISSIONERS  
TUESDAY, DECEMBER 18, 2018 – 8:00 AM  
DEPARTMENT OF SOCIAL SERVICES, 1225 RAMSEY STREET  
CONFERENCE ROOM B  
SPECIAL MEETING MINUTES

CUMBERLAND COUNTY

PRESENT: Commissioner Jeannette Council, Chair  
Commissioner Marshall Faircloth, Vice Chairman  
Commissioner Glenn Adams  
Commissioner Michael Boose  
Commissioner Charles Evans  
Commissioner Larry Lancaster  
Amy Cannon, County Manager  
Melissa Cardinali, Assistant County Manager  
Sally Shutt, Assistant County Manager  
Rick Moorefield, County Attorney  
Vicki Evans, Finance Director  
Candice White, Clerk to the Board  
Press

ABSENT: Commissioner Jimmy Keefe

CUMBERLAND COUNTY  
MAYORS COALITION

PRESENT: Mayor Clifton Turpin, Town of Falcon, Mayors Coalition Chairman  
Mayor Jackie Warner, Town of Hope Mills, Mayors Coalition Vice Chairman  
Mayor Willie Burnette, Town of Godwin  
Mayor Marie Butler, Town of Linden  
Mayor Pro Tem Ted Mohn, City of Fayetteville  
Mayor Joseph Dixon, Town of Wade  
Mayor Larry Dobbins, Town of Spring Lake  
Mayor Marty Jones, Town of Stedman  
Mayor Charles McLaurin, Town of Eastover

Town of Falcon Mayor Clifton Turpin called the special meeting of the Cumberland County Mayors Coalition to order and welcomed everyone in attendance.

Chairman Council called the special meeting of the Board of Commissioners to order and thanked the Mayors Coalition for having the meeting. Chairman Council asked Amy Cannon, County Manager, to provide a presentation on what led to the creation of the local sales tax distribution agreement in 2003 and the County's proposal for an agreement.

Ms. Cannon began her presentation by reviewing the following Articles for sales tax levied in Cumberland County. Ms. Cannon stated sales tax going to the Board of Education is statutorily for capital and debt purposes.

Sales Tax Articles

Article 39	1 cent
Article 40	½ cent - 30% shared with schools (statutory)
Article 42	½ cent - 60% shared with schools (statutory)
Article 46	¼ cent

Ms. Cannon stated County Commissioners are authorized to choose between two methods to establish the distribution of sales tax proceeds between the County and its municipalities:

- Per Capita Distribution (based on population)
- Ad Valorem Distribution (based on tax valuation within each taxing district)

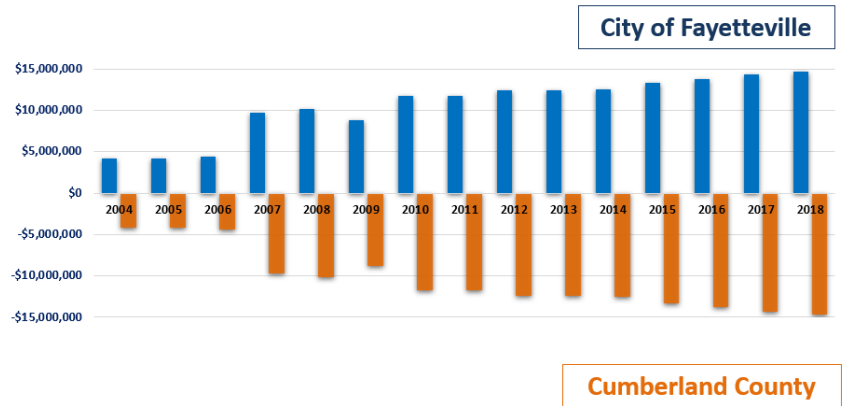
Ms. Cannon stated County Commissioners may change the method of distribution annually in month of April for the upcoming fiscal year.

Ms. Cannon explained what led Cumberland County to have a sales tax agreement:

- Sales taxes in Cumberland County had historically been distributed using the per capita distribution method.
- As Fayetteville and other municipal populations grew through annexation:
  - The County’s relative share of sales tax distribution declined.
  - The County’s responsibilities for providing services did not decline.
- Annexation Result: a shift in revenue from the County to the municipalities – most significantly to the City of Fayetteville.

Ms. Cannon stated to put it into perspective, in 2002 the County had already incurred a \$4 million loss annually in sales tax revenue. Ms. Cannon presented the chart below that shows the shift in revenue.

Annual Impact of Fayetteville Annexations on Cumberland County Without Agreement



Ms. Cannon stated the loss of \$4 million annually and the upcoming planned larger annexation led to the development of a Sales Tax Working Group:

- Sales tax/annexation working group formed in 2002
- Purpose – balance cost of extending services through annexation with the concurrent loss of sales tax revenue to the County
- Working group included representatives from each municipality, the Board of Education and the County

Ms. Cannon stated the School of Government facilitated the work group’s creation of successful tenants of the agreement as follows:

- Address short and long-term impacts of annexation on sales tax:
  - Equitable impact
  - Protect and stabilize sufficient revenue to provide basic mandated services
  - Acknowledge role and value of each jurisdiction and issues shared by all
- Goal to create a solution agreed on and supported by ALL

Ms. Cannon stated the work group took its charge seriously and worked over a fifteen-month period to craft and develop the first agreement. Ms. Cannon reviewed the basic components of that agreement:

County reimbursement per agreement:

- A portion of losses prior to 2003
- Beginning 2003 - 50% of sales tax gains by cities and towns from annexations shared with County

Agreement represents a “win-win” for all jurisdictions:

- Recognizes County’s undiminished obligations to provide basic human services, including education
- Acknowledges financial responsibility of cities & towns due to annexation
  - Cities and towns retain 50% of sales tax gain

Ms. Cannon illustrated the agreement by showing an annual snapshot of the City of Fayetteville estimated cumulative annexation gains:

<b>Annual Snapshot:</b>	<b>FY 2018</b>
	<b>Estimated</b>
Sales tax gain	\$14.7M
Sales tax share 50% with County	(7.3M)
Property tax gain	<u>7.5M</u>
<b>Annexation gain to COF</b>	<b>\$14.9M</b>

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Ms. Cannon stated when the original agreement expired on June 30, 2013, the agreement was extended by all parties through June 30, 2016 and another extension was agreed to by all parties through June 30, 2019. Ms. Cannon stated the following financial effect will occur if the current agreement expires June 30, 2019.

	<b>FY 2018 Per Capita Distribution (no agreement)</b>	<b>FY 2018 Per Capita Distribution (w/agreement)</b>	<b>Net Gain / (Loss)</b>
Cumberland County	\$41.8M	\$48.3M	<b>\$(6.5M)</b>
County Schools	10.9M	12.1M	<b>(1.2M)</b>
Fayetteville	41.2M	33.9M	7.3M

Ms. Cannon stated an important consideration is to compare the County and City’s mandated services under N. C. General Statutes because the comparison demonstrates the County’s undiminished obligations as a result of annexations.

<u>County</u>	<u>City</u>
Law enforcement	Building code enforcement
Jails	
Medical examiner	
Courts	
Building code enforcement	
Public schools	
Social services	
Public health	
Deed registration	
Election administration	
Tax assessment	
Child support	
Community college – capital outlay	

Ms. Cannon stated County service responsibility is not significantly reduced by annexation and provided the following examples:

- County services are available to *all* citizens without regard to where they live within the county.
  - Schools, social services, child support, health, mental health, jail, public safety, Register of Deeds, Board of Elections
- County provides quality of life services: animal control, libraries, FTCC, veterans services, cooperative extension

Ms. Cannon reviewed the following chart that demonstrates the impact of a change to the ad valorem distribution method for sales tax in this community.

	<b>Ad Valorem Distribution</b>	<b>Actual FY 18 w/Agreement</b>	<b>Est. Net Impact</b>
Cumberland	\$51,283,630	\$48,285,934	\$2,997,696
CCSS – Schools	12,696,819	12,142,508	554,311
Fire Districts	2,931,866	0	2,931,866
Parks & Rec District	1,355,063	0	1,355,063
Fayetteville	28,445,241	33,858,063	(5,412,822)
Eastover	268,056	725,337	(457,281)
Falcon	10,382	63,045	(52,663)
Godwin	8,522	24,737	(16,215)
Hope Mills	2,149,797	3,259,639	(1,109,842)
Linden	12,283	24,886	(12,603)
Spring Lake	1,316,507	1,943,059	(626,552)
Stedman	127,044	213,588	(86,544)
Wade	43,948	108,362	(64,414)

Ms. Cannon explained one difference under the ad valorem method is that all taxing districts share in the sales tax. Ms. Cannon stated with that change, the fire districts would share in sales tax and it would be restricted for fire service in that unincorporated area. Ms. Cannon stated the

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unincorporated Parks and Recreation district would also gain sales tax. Ms. Cannon stated ad valorem shifts revenue to the County and other taxing districts while it also shifts the sales tax from municipalities.

Ms. Cannon provided the distribution method of the top largest North Carolina Counties. Ms. Cannon stated while Cumberland County has elected to participate in an agreement that results in a win-win situation, peer counties have taken a different approach as they have faced increasing costs in providing mandated services.

Per Capita Method	Ad Valorem Method
Wake	Mecklenburg
Cumberland	Guilford
Durham w/ agreement	Forsyth
	Buncombe
	Union
	New Hanover
	Gaston

Ms. Cannon stated in October 2018, the City of Fayetteville developed a proposed agreement for consideration by the towns in Cumberland County, an agreement that froze the County at FY2018 distribution levels, eliminated any growth opportunity with the County and eliminated reimbursement to the towns with a phase out after year five. Ms. Cannon reviewed the following:

- 10 Year agreement
  - County
    - Year 1 - 10 Frozen at FY18 levels, no growth
  - Towns
    - Year 2 75% of FY18
    - Year 3 50% of FY18
    - Year 4 25% of FY 18
    - Year 5 12.5% of FY18
    - Year 6 – 10 No distribution

Ms. Cannon stated this is a community issue that does not reside with the City of Fayetteville and Cumberland County alone. Ms. Cannon stated this agreement directly impacts all residents, regardless of where they reside within the County. Ms. Cannon stated the current agreement minimizes budget implications for all jurisdictions in the County and maintains the win-win solution.

Ms. Cannon stated it maintains a win-win solution because the County has to provide its mandated services regardless of where residents live. Ms. Cannon stated through the agreement, the County agreed to give up 50% and the City of Fayetteville and towns shared in that 50%. Ms. Cannon stated the agreement acknowledged the financial responsibilities of the City and towns with their annexations.

Ms. Cannon stated the County has a proposal for consideration by the City and towns. Ms. Cannon reviewed the proposed agreement as follows and stated FY20 would become the base year for future years’ distributions.

- 4 Year agreement
  - FY20 – FY23
- Year 1
  - Same as current agreement
  - Becomes the base for distributions in FY21 – FY23
  - Distribution for towns and county freeze at Year 1
- Years 2 – 4
  - Growth split between county & all municipalities 40/60

Ms. Cannon stated currently growth in sales tax is shared 50/50 and the County is willing to compromise and reduce its future percentage of growth.

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Ms. Cannon reviewed the following timeline:

- The County proposed agreement signed by all jurisdictions no later than January 31, 2019
- Failure to have 100% approved agreements by January 31, 2019:
  - Board of Commissioners:
    - Discussion regarding budget impact of \$6.5 million
    - Discussion regarding few alternatives to make up \$6.5 million

Ms. Cannon passed out copies of the proposed agreement for consideration by the Mayor's governing boards and stated one alternative without an agreement would be to change the distribution method which would create a shift in revenue to the County but would shift revenue away from the City and towns. Ms. Cannon stated another alternative would be to increase taxes; the tax equivalent of \$6.5 million would be an increase of three cents. Ms. Cannon stated an additional alternative would be to reduce services, even though the County cannot reduce mandated services. Ms. Cannon stated the quality of life services would have to be reduced, which would result in the loss of 116 filled positions to be equivalent to \$6.5 million.

- Alternatives without an agreement:
  - Ad valorem distribution
  - Increase property tax rate 3 cents
  - Reduce services –
    - Education funding
    - Eliminate 116 jobs
    - Animal Control
    - Libraries

Ms. Cannon concluded her presentation. Questions and comments followed. Ms. Cannon clarified that in Year 1 under the proposed agreement, the distribution for the City and towns and county would freeze at 50/50 and any growth in sales tax would be split between the County and all municipalities 40/60. Ms. Cannon stated conversely, if sales tax revenues decline, the county would lose 40% of the funding, while the City and towns would lose 60%.

Chairman Council provided closing remarks. Mayor Turpin thanked the County for the proposed sales tax agreement and asked for a show of hands from Mayor's who favored the County's proposal. All hands were raised with the exception of Mayor Pro Tem Mohn who stated the Fayetteville City Council will have to discuss the issue.

There being no further business, the meeting adjourned at 9:00 a.m.

Approved with/without revision:

Respectfully submitted,

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Candice H. White  
Clerk to the Board