

March 7, 2011

The Washington County Board of Commissioners met in a regular session on Monday, March 7, 2011 at 6:00 PM in the County Commissioners' room, 116 Adams Street, Plymouth, NC. Commissioners Alexander, Collins, Manning and McCray were present. Also present were County Manager David Peoples, Clerk to the Board Julie J. Bennett, Finance Officer Gayle Critcher and Assistant County Manager/County Attorney Cheryl Young. Commissioner Johnson was absent.

Vice-Chair Manning called the meeting to order. Commissioner Collins gave the invocation; Commissioner Alexander led the pledge of allegiance.

ADDITIONS / DELETIONS:

Mr. Peoples stated that the representatives from the Hospital would like to meet in a closed session after their public remarks are made.

Ms. Bennett requested to add Mr. Woody Collins to the agenda to comment on a presentation made by Domtar last week to the Commissioners. Mr. Peoples, Commissioners Alexander, Collins, Johnson and Manning attended a Ribbon Cutting and Breakfast at Domtar on Friday, March 4, 2011 in celebration of the #5 Fluff Machine being operational. During the celebration, Domtar presented a commemorative plaque to Commissioner Johnson. Since Commissioner Johnson was unable to attend tonight's meeting, Commissioner Collins presented the plaque to Vice-Chair Manning who accepted on behalf of the Commissioners. Commissioner Collins explained that the lighthouse and the Domtar symbol are both made of the new type of pulp from the new machine.

CONSENT AGENDA: Commissioner Collins made a motion to approve the Consent Agenda as follows:

- a) Approval of Minutes—with noted change of changing the effective tax rate in Ms. Critcher's report to \$.67 instead of \$.82.
- b) Tax Refunds & Releases and Insolvent Accounts

Commissioner Alexander seconded, motion carried unanimously.

PUBLIC FORUM:

Mr. Al Joyner of Roxie Reese Road, Plymouth spoke to the Board regarding Mediacom and their quality of their service. Mr. Joyner stated that since Mediacom changed to digital cable the audio and words are out of sync and if you are watching an HD channel the screen turns green and freezes. Mr. Joyner stated that if the State governs Mediacom, then maybe the Commissioners could petition someone to have it fixed.

WASHINGTON COUNTY HOSPITAL UPDATE: Mr. Peoples introduced Mr. Dennis Davis, Mr. Gordon Docking and Mr. Al Arrowhead from HMC/CAH (the company that owns and operates the Washington County Hospital (WCH)) in Kansas City, MO.

Mr. Davis addressed the Board stating that his purpose of speaking to the Board tonight is to bring the Commissioners up to date on the efforts to replace the existing facility with a new facility. Mr. Davis reviewed the history of the hospital purchase. The hospital was purchased from the County in June 2007. In the agreement, a commitment was made by CAH to secure financing and begin construction of the new facility in 3 years. The agreement also stated that if CAH did not perform as agreed to then the County could impose a \$700,000 penalty on CAH. CAH started planning and developing the new facility. The process took 9 months to come up with a plan and specs. Mr. Davis stated that the plan and specs were filed and CAH asked for a Certificate of Need from the Health Department of North Carolina. This took longer than expected to get approved. The Health Department would only approve a facility with 8 beds. The hospital currently has 25 beds and that is the maximum amount of beds that a critical access hospital can have. CAH applied for 15 beds and was denied which meant their first attempt to get a Certificate of Need was denied. CAH entered into settlement negotiations (which added a 6 month delay) and ended up with 12 in-patient beds. The next step under NC law for getting permission to build is to have the plans approved by a State architect. Mr. Davis noted that it took another 11 months to get approval from a State architect. In June 2007, CAH was ready to get their bank loan in place through High Point Capital, an investment bank, but it was not secured until the end of 2009. Mr. Davis stated that it was at this time that the economy nose-dived. USDA went from 70% guarantee of loan amount to 90% guarantee using stimulus funds. By mid-year 2010 CAH was ready to bid the project to get a firm amount for the loan. CAH was hoping to close in November 2010; however the attorneys that handled the original purchase from the County failed to take into consideration the reverter statute. Mr. Davis was not aware of that particular statute. Randolph Bank and Trust, CAH's new investors, would not give the loan to CAH with the reverter statute in the contract. Mr. Davis explained to the Board that CAH hired NC lawyers to split the property in half with 10 acres that are not subject to the reverter statute and leaving the old hospital subject to the reverter statute. Mr. Davis noted that CAH is getting close to the end of the 3 years of the promise that was made to have the new hospital built. CAH has been working in good faith and with due diligence to get where they are tonight. Mr. Davis said he also needed to share some bad news regarding this process. The new hospital is an \$18M project and Randolph Bank and Trust will only loan 80% on the bank loan. The other 20% (which equals not quite \$4M) has to come from HMC. Mr. Davis explained that CAH had a loan ready to close in Feb, but they didn't have the equity piece in place. CAH asked Randolph Bank and Trust if they would hold loan in place for 6 months so CAH could find funding for the remainder of this project. Mr. Davis noted that they have prospects, but no commitments for anyone to provide the approximate \$4M needed.

Commissioner Manning asked Mr. Davis how long has CAH existed. Mr. Davis explained that they have been in existence since May 2007. Mr. Davis stated that CAH now owns 12 hospitals and approximately 10 of them are profitable. CAH owns another hospital in NC (Yadkinville), 5 in OK, 3 in KS, 1 in MO, 1 in TN; all are in rural areas. Mr. Davis told the Board that in order to be a Critical Access Hospital that no other hospital can be within 35 miles and a certain distance from a metropolitan area.

Mr. Peoples asked Mr. Davis if there was a predecessor company in place. Mr. Davis replied yes, Mr. Arthur managed part of this company beforehand and then consolidated with

CAH. Mr. Docking stated that they are delighted to have our hospital. CAH's commitment to build the new hospital is unchanged. CAH is excited that the bank and the USDA is sticking with them. Mr. Docking noted that Mr. Davis and Mr. Arthur have worked tirelessly in getting this project completed. Mr. Docking explained that CAH actually has 4 projects on hold due to High Point Capital not supplying funding as originally planned.

Mr. Docking introduced himself to the Board as the Chief Operating Officer of the Washington County Hospital. Mr. Docking noted he was coming before the Board to see if the Board would consider a 30 month delay for the opening of the new hospital. Mr. Docking also stated that the operational performance of the WCH is not profitable right now. CAH has contributed a significant amount of their own money to keep WCH operational. CAH has infused about \$800K in the last 6-7 months. Mr. Docking did go on to say that WCH had their best two cash collections in the last couple of weeks and in the last week they were able to pay some local vendors.

Commissioner Alexander made a motion to go into closed session pursuant to NCGS 143-318.11(a)(6) to discuss personnel issues with CAH. Commissioner Collins seconded, motion carried unanimously.

Commissioner McCray made a motion to come out closed session. Commissioner Collins seconded, motion carried unanimously.

Ms. Young asked Vice-Chair Manning if she could address the Board. Vice-Chair Manning was agreeable. Ms. Young stated that the Board entered into closed session under 143-318.11(a)(4) and 143-318.11(a)(5) for economic development property and property acquisition not personnel issues.

Commissioner McCray made a motion to correct the minutes. Vice-Chair Manning seconded, motion carried unanimously.

DISCUSSION AND POTENTIAL APPROVAL OF THE WASHINGTON COUNTY MEDICAL CLINIC LEASE: Mr. Peoples stated that he would like to discuss the potential approval of the Washington County Medical Clinic Lease with the Board.

Commissioner Alexander made a motion to defer this discussion to the closed session. Commissioner McCray seconded, motion carried unanimously.

ECONOMIC IMPROVEMENT COUNCIL: Ms. Wendy Hedgepeth, Case Manager, Washington, Tyrrell and Hyde, spoke to the Board regarding the Community Services Block Grant Program. Ms. Hedgepeth explained that the Community Services Block Grant Program is funded for the period of July 1, 2011 through June 30, 2012. Funding is awarded via grant application to the North Carolina Department of Health and Human Services, Office of Economic Development, Raleigh, NC. The approved planning budget as provided by the Office of Economic Opportunity is \$371,909. The Community Services Block Grant will serve ten (10) counties of the Albemarle area. Specific counties include: Camden, Chowan, Currituck, Dare, Gates, Hyde, Pasquotank, Perquimans, Tyrrell and Washington. Ms. Hedgepeth noted that this program will serve 21,783 low-income individuals. Ms. Hedgepeth stated that the program to be offered for the 2011-2012 program year is the Family Self-Sufficiency Program. The client

services offered will be job referral and placement, housing referral and placement, child care assistance and weatherization assistance.

PUBLIC HEARING ON THE COMMUNITY TRANSPORTATION PROGRAM (RIVERLIGHT TRANSIT): Commissioner Alexander made a motion to open the public hearing on the Community Transportation Program (Riverlight Transit). Commissioner McCray seconded, motion carried unanimously.

Mr. Jerry Rhodes spoke to the Board about the FY 2011-2012 Community Transportation Program Grant Application. Washington County is again eligible to apply for grant funding through the Community Transportation Program (CTP) for the new fiscal year that begins on July 1, 2011. The Public Transportation Division of the NC Department of Transportation administers the CTP grant application process on behalf of the NC Department of Transportation.

Commissioner Collins asked Mr. Rhodes what was the funding for this past year. Mr. Rhodes replied that it was a little more than the \$17,775 of this year—approximately \$20,000.

Commissioner Collins made a motion to close the public hearing on the Community Transportation Program (Riverlight Transit). Commissioner Alexander seconded, motion carried unanimously.

Commissioner Collins made a motion to approve submittal of the FY 2011-2012 Community Transportation Program Grant application. Commissioner Alexander seconded, motion carried unanimously.

UPDATE ON STATE AND FEDERAL BUDGET FOR HEALTH & HUMAN SERVICES: Mr. Jerry Rhodes spoke to the Board regarding the State and Federal budget for Health and Human Services. Mr. Rhodes gave the Commissioners a handout (*which is attached to and will become a part of these minutes*) showing the different programs that are being affected by the State and Federal budget changes and how they affect the County's programs.

Commissioner Collins commended Mr. Rhodes' efforts in trying to work with agencies and other counties to provide services with a limited budget.

PROPOSED BUDGET PREPARATION TIMELINE AND GUIDELINES DISCUSSION: Mr. Peoples and Ms. Critcher spoke to the Board regarding the proposed budget preparation timeline and guidelines for the 2011-2012 budget.

Ms. Critcher stated that the budget kick-off meeting is scheduled for tomorrow, March 8. Ms. Critcher and Mr. Peoples will relay the guidelines to the Department heads working on the budget. Ms. Critcher noted one change on the timeline is to have a Commissioners' meeting specifically for the budget on May 9, 2011.

Mr. Peoples remarked to the Board that annually as a staff we share information with the Board to see if that is the direction that the Board wishes us to move forward in.

Mr. Peoples spoke to the Board regarding the guidelines that would be used if the Board approved them:

- Attempt to maintain current service levels but no expansion or new services unless a revenue stream can be established
- Attempt to avoid an ad valorem tax increase
- Increases in spousal or family health and dental insurance coverage will be passed on to employees
- There potentially will not be a recommendation to increase employee compensation
- Attempt to not layoff or furlough employees
- No new positions unless funded by grant, appropriation or revenue generated funds
- There will be no new capital projects unless repair is needed to ensure safety or operability of a facility
- All mandated statutory funding requirements will be met
- Reserve fund balance will be maintained at least at the approved minimum requirement as approved by resolution of the Washington County Commissioners

Mr. Peoples noted that the County might possibly have a 5-7% ad valorem increase due to the Governor's budget. Mr. Peoples noted that a \$.26 tax increase would become necessary if the secondary roads become the County's responsibility to maintain.

Commissioner Manning stated that he doesn't want to see a tax increase. He promised his voters he would not vote for a tax increase.

Mr. Peoples stated that our ad valorem tax rate is \$.79 and has not been increased in ten (10) years.

Commissioner Collins made a motion to approve the proposed budget timeline and guidelines for the FY 2011-2012 budget. Commissioner Alexander seconded, motion carried unanimously.

BOARD & COMMITTEE APPOINTMENTS: Ms. Bennett spoke to the Board regarding the following Board/Committee appointments.

Planning Committee:

Mary Hill and Carol Stubbs are scheduled to expire from the Planning Committee on March 31, 2011.

Both of these individuals have agreed to serve on the Planning Committee if re-appointed.

NC Senior Tar Heel Delegate:

Barbara Hoggard resigned her position as NC Senior Tar Heel Delegate; therefore The Albemarle Commission is seeking a replacement and has recommended Gail Spiewak for consideration.

Commissioner Alexander made a motion to approve re-appointing Mary Hill and Carol Stubbs to the Washington County Planning Committee and appointing Gail Spiewak as the NC Senior Tar Heel Delegate for The Albemarle Commission. Commissioner McCray seconded, motion carried unanimously.

FINANCE OFFICER'S REPORT: Ms. Critcher noted that the County has no bonded debt as of February 2011—the first time in 30 years!

Ms. Critcher spoke to the Board about a recommendation from our auditors to change the County's capitalization threshold from \$2,000 to \$5,000 effective July 1, 2010. This change will help us to improve operations and eliminate audit weaknesses.

Commissioner Alexander made a motion to change the County's capitalization threshold from \$2,000 to \$5,000 effective July 1, 2010. Commissioner Collins seconded, the motion carried unanimously.

Ms. Critcher asked Mr. Brian Hardison, Sheriff's Deputy to speak to the Board about the enhancement of the Washington County Communications Center using the State 911 Supplemental Grant funds (\$454,358). Deputy Hardison noted that the Sheriff's Department has tried to keep costs from affecting taxpayers while maintaining their current services. Deputy Hardison stated that one of the biggest cost items in the Sheriff's Department is their 'reporting'. The Sheriff's Department needs new software to streamline their reporting. The Sheriff's Department has even missed a reporting deadline to the State due to software issues. Deputy Hardison explained that if the Sheriff's Department receives new software that they will be more efficient in the field since only one person will have to do the reporting.

Ms. Jonzi Guill, Deputy Finance Officer, stated that the County went out for bids for replacement CAD (Computer Aided Dispatch) software and received two bids.

Commissioner Collins made a motion for the County to proceed with the enhancement of the Washington County Communications Center using the State 911 Supplemental grant funds. Commissioner McCray seconded, the motion carried unanimously.

Ms. Critcher discussed the following Budget Appropriation Amendment/Adjustments:

- Budget Amendment 10124 (Health Clinic Construction—Water & Sewer Project) \$171,200
- Budget Amendment 10125 (Enhancement of Communications Center -911 Board Grant (no match)) \$454,358
- Budget Amendment 10126 (DOT Grant Reimbursement of unspent funds—prior year, State Energy Grant (additional funds)) \$22,610 & \$10,477

- Budget Amendment 10127 (DSS Day Care) \$26,484

Commissioner Alexander made a motion to approve Budget Amendments 10124, 10125 and 10126 and 10127. Commissioner Collins seconded, motion carried unanimously.

The Board gave Ms. Critcher kudos for not touching contingency on the Communications project!

Ms. Critcher noted that there was a .6% decrease in sales tax collected (Dec) compared to the prior month, that we are on target with our budget estimates.

OTHER ITEMS BY CHAIRPERSON, COMMISSIONERS, COUNTY
MANAGER, CLERK, ETC.:

Ms. Bennett distributed a couple of handouts to the Commissioners:

- ABC Board report: Law Enforcement Accountability Monthly Report
Ms. Bennett stated that according to HB 1717 that the local ABC Board must submit this report to the Board of Commissioners every month. No action is needed; this is for information only.
- Washington County Drainage Committee Minutes
Commissioner Manning requested that the latest Washington County Drainage Committee Minutes be distributed to the Commissioners.

Commissioner Collins made a motion to go into Closed Session pursuant to NCGS 143-318.11(a)(3), 143-318.11(a)(4) and 143-318.11(a)(5) and 143-318.11(a)(6).

Commissioner Alexander made a motion to come out of closed session: Commissioner McCray seconded, motion carried unanimously.

Commissioner Alexander made a motion to approve the performance agreement between Washington County and HMC/CAH for the Medical Center. Commissioner McCray seconded, motion carried unanimously.

Commissioner McCray made a motion to approve Mr. Peoples signing the Medical Center Lease between Washington County and HMC/CAH. Commissioner Collins seconded, motion carried unanimously.

Commissioner Collins made a motion to authorize Mr. Peoples to inform HMC/CAH that Washington County will give them 6 months to get their equity in place for building the new hospital and also to inform them that we will call the \$700K at the end of said 6 months if they haven't secured funding; and inform HMC/CAH that if they succeed in securing the funds, the County will grant them a 24 month extension. Commissioner McCray seconded, motion carried unanimously.

Commissioner McCray made a motion to recess the meeting. Commissioner Collins seconded, motion carried unanimously.

Buster Manning
Vice-Chair

Julie J. Bennett
Clerk to the Board