

MINUTES
CHATHAM COUNTY BOARD OF COMMISSIONERS
SPECIAL MEETING WITH LEGISLATIVE DELEGATION
MARCH 14, 2005

The Board of Commissioners (the "Board") of the County of Chatham, North Carolina, met in special session with the County's Legislative Delegation in the Governmental Complex, West Wing Conference Room, Pittsboro, North Carolina, at 8:00 AM on March 14, 2005.

ATTENDANCE

Present: Chairman Bunkey Morgan; Commissioners Patrick Barnes, Mike Cross, and Carl Outz; County Manager, Charlie Horne; County Attorney, Robert L. Gunn; Finance Officer, Vicki McConnell; and Clerk to the Board, Sandra B. Sublett

Also Present: Senator Bob Atwater and NC House of Representative Member Joe Hackney

Absent: Vice Chairman Tommy Emerson

Chairman Morgan called the meeting to order at 8:18 AM. He reviewed the following Chatham County issues of concern and opened the floor for comments:

AGENDA

- I. Medicaid Relief**
- II. One Percent Land Transfer Tax**
- III. One Cent Local Option Sales Tax for Schools**
- IV. Statewide Schools Construction Bonds Referendum**
- V. Impact Tax Authorization**
- VI. Industrial Park Assistance**

ONE PERCENT LAND TRANSFER TAX

Commissioner Cross stated that Chatham County faces a very unique and troublesome growth situation; that the County is about to be over run by residential development; that it is important that the County be allowed options to generate the revenue necessary to address this situation and do the best possible job for its current citizens, newcomers, and the Triangle; that in order to understand the County's situation, it must be approached as a "regional perspective"; that the vast majority of Chatham's development is coming in the form of "bedroom" and "retirement" communities located in the northeast quadrant as a result of proximity and good jobs related to Orange, Durham (RTP) and Wake Counties; that it will be years before this residential growth will provide anything close to a tax base; that this influx of residential development is already placing extreme pressures on the County's ability to provide required services and facilities; that the growth is driven by the desires of investors, developers, builders, and most of all buyers; that the North Carolina Homebuilders Association has successfully blocked such legislative efforts for well over a decade; that he does not believe their opposition to be wise in this particular case; and that the growth must be addressed to achieve a community that is beneficial to the citizens, the homebuilder industry and the "Greater Triangle".

He stated that Chatham County is a rural community with the number one revenue generator being the poultry industry supported heavily by Latino immigrant residents; that the median income of \$73,000 is due to the ranking with the Metro Area comprised of Raleigh, Durham, and Chapel Hill; that a more realistic number for Chatham County median income is \$41,000; that most couldn't qualify for the loan even if they wanted one of the fine homes; that this market is certainly not relying on current citizens as buyers, but property taxes are already increasing and will skyrocket without the one percent land transfer tax

He further stated that one percent land transfer fee would put Chatham County revenues in line with school impact fees of neighboring counties, would better protect lower income families, would create an "industry desired" level playing field for developers and builders, would negate the County's need for a school impact fee, would maintain a low property tax rate, would generate the revenue to support the staff, facilities, equipment, services, and infrastructure requirements which must be achieved to manage the growth of the County.

When Chairman Morgan asked how the funding for the State of North Carolina looked, Representative Hackney responded by saying that funding is extremely tight; that it is not as bad as the two previous sessions; that in order to keep from having massive cuts, they will need to keep the ½ cent sales tax for an additional year; that if the Medicaid predicted increase, the State employees health plan increase, a 2% State employee pay raise is assumed, and debt service is added to the base budget, the budget is approximately one billion dollars short out of a sixteen billion dollar budget; that assumes that the 1/2 cent sales is phased out, so that is approximately half the deficit; that a couple of hundred million are always cut trying to discover deficiencies; that that process is just now beginning; that the Governor has suggested some cuts in eliminating positions; that the budget will be balanced; and that the budget is extremely tight and competitive.

Commissioner Cross stated that the Homebuilders Association has been the primary opposition; that he realizes that it has been a tough battle to fight; that he has spoken with three developers including Newland Communities; that it was explained to them that the County would not need the school impact fee if they had the land transfer tax; that they actually seemed to like the proposal; that he is hoping to diffuse some of the opposition and get some support from what has been opposition; that he would like to give out the e-mail addresses of the NC House Representative and State Senator; and that the information will be sent to the Chamber of Commerce; that if everyone is receptive to his presentation, he would like to expand and go to other areas of the County.

Representative Hackney stated that the concept for the land transfer tax was nothing new; that the land transfer taxes were permitted in the 1980s for several counties; that developers have coalesced to make sure that there were no more of them; that in recent sessions it has not been successful; that if the Board of Commissioners wants them to sponsor this tax, they need to go and make a thorough assessment of the General Assembly; that the bills have to go through the finance chairs who head the tax committees; and that the question would be as to whether they would allow the bill to pass through.

Commissioner Barnes stated that the NCACC has been supporting this endeavor for years, and that the idea is if one county has it then all counties should have it.

IMPACT TAX

Commissioner Cross stated that the school impact fee is \$1,500.00 for homes and \$500.00 for apartments; that the School Impact Fund is currently at 3.8 million dollars; that it is apparent that these fees will not cover the growth expenses the County must meet; that if the County could get the one percent

transfer tax, it would not need the school impact fee; and that it would generate plenty of money to do what needs to be done.

LOTTERY

The County Manager stated that the list should not be considered as exhaustive. He asked if there were other ideas which were generated through the General Assembly.

Representative Hackney stated that the Governor is interested in the lottery which would go for early education programs; that some people think that it should be a "Georgia" style lottery to help pay free tuition for college; and that some people think that it should be a construction lottery.

Commissioner Outz raised the question of taxing bottled water, soft drinks, and bicycle riders.

Representative Hackney stated that anytime a small commodity was picked out, one would be talking about a small amount of money. He stated that he did not think that the General Assembly would tax water.

Representative Hackney encouraged Commissioner Cross to talk with the homebuilders and realtors at the central office in Raleigh. He stated that local developer support should go with him.

Senator Atwater stated that he, too, would talk with his constituents about this matter.

The County Manager asked if it would be advantageous to focus on one type of additional revenue as opposed to two or three.

Representative Hackney stated that he felt the Board should continue to talk with the NC County Commissioners Association; that getting more funding sources is a top priority for the Association; that they are talking with and focusing on this subject; and that they have a good feel for which/what has the best chance and what the chances for any of them are.

MEDICAID

Chairman Morgan asked about Medicaid relief.

Representative Hackney stated that the Federal Government is trying to push more of the Medicaid costs onto the states; that he thinks that he and Senator Atwater agree that they are not going to push any more of the Medicaid costs onto the County; that the bills that have been introduced to pick up the County's share and have the State pay it, simply have no voting source for the money.

ONE-CENT LOCAL OPTION SALES TAX FOR SCHOOLS

Chairman Morgan asked if the one-cent local option sales tax was available just for schools.

Representative Hackney stated that some people make that distinction if it's a referendum; that they will vote for it because they do not feel like they are the ones imposing the tax; that the people vote the tax. He stated that it was worth noting that the County does receive funds for school construction from that source.

He stated that Bill Owens, a former Pasquotank County and former head of the State Association introduced a lottery bill each time; that this year he modified it to be a local option lottery; that he does not

sense that people think that this is the best way to do a lottery on a local option basis.

INDUSTRIAL PARK ASSISTANCE

Chairman Morgan stated that the driveway right-of-way had been agreed upon in the Industrial Park and that the Board has received notice that the hospital and juvenile center will be located in the park. He asked for any assistance in helping the park become a reality.

Representative Hackney stated that they have been fighting hard to keep the juvenile facility on track for Chatham County; that Secretary Sweat has consistently kept the concept of the multiple 35-beds rather than combining them into larger juvenile facilities; that the problem they have run into is that the House and Senate subcommittee chairs do not like the concept; that they like larger facilities; that if two larger facilities are combined in Chatham and Guilford, the larger facility would likely end up in Guilford; that they have been working to keep the smaller concept in place; that Speaker Black has announced his support for the smaller concept; and that he is hopeful that the issue can be resolved within the next few weeks.

He stated that with regard to water and sewer money, the last big bond issue has all been allocated and spent; and that they were able to get some for Siler City, Pittsboro, and a small amount for the County.

SCHOOL BOND CONSTRUCTION FUNDS

- The County Manager asked about statewide school bond construction money.

Representative Hackney stated that there were bills introduced every year for school bond construction; that with the State debt service approaching \$600,000,000 per year; that the treasurer and the governor think that it should not be increased at this time; and that they were opposed to any debt proposals that didn't have a comparable revenue stream to pay for the debt.

CONCLUSION

Representative Hackney and Senator Atwater both agreed to research the possibilities of the land transfer tax and share their findings within two to three weeks, support Medicaid relief, and see what State or Federal assistance may be available with regard to the industrial park.

ADJOURNMENT

Chairman Morgan expressed appreciation to the Legislative Delegation for their continued support of Chatham County and its interests.

There being no further business to come before the Board, the Chairman adjourned the meeting at 9:23 AM.

Bunkey Morgan, Chairman

ATTEST:

Sandra B. Sublett, CMC, Clerk to the Board
Chatham County Board of Commissioners