

The Alleghany County Board of Commissioners met in recessed session on Tuesday, October 11, 2011, at 6:30pm from Monday, October 3, 2011, in the Board Meeting Room of the County Administration Building, 348 South Main Street, Sparta, North Carolina.

Present: Chairman Ken Richardson, Vice-Chair Tom Smith, Commissioner Larry Cox, Commissioner John Goudreau, Commissioner Steve Roten, County Manager Don Adams and Clerk to the Board Karen Evans. County Attorney Donna Shumate was present but arrived late.

Chair Richardson reconvened the meeting at 6:30pm from the recessed meeting on Monday, October 3, 2011. He talked about continuing with the agenda from Monday's meeting with F.1. Smoky Mountain Center.

County Manager Don Adams explained the purpose of this meeting regarding continuing the conversation regarding New River (NR) and Smoky Mountain Center (SMC). He provided a letter emailed from SMC today. He explained that a lot of conversation centered on NR making payroll Friday. He read the letter regarding the Maintenance of Effort (MOE) and NR's critical needs timeline for funding and Alleghany County's portion being \$110,242 to \$112,654. He said that most counties don't want to provide money directly to NR so it will flow through SMC. He provided updated information to the Board regarding NR's current financial cash flow, updated version of counties' funds needed. He reminded everyone that these spreadsheets were created by Lisa Slusher, the finance officer for SMC, by working with NR. He reviewed the breakdown of payroll, payroll-related items, and contracted services for a total amount of \$1,668,327 for October 10. He talked about the health insurance where NR had to pay half of that or employees would lose their insurance. He continued down the spreadsheet including annual leave payroll amounts. He said the new NR board's meeting is tomorrow, and they will have to prioritize expenses and come up with a plan to pay everyone's vacation time. He continued reviewing the spreadsheets of the estimated cash needed to meet expenses during the month of October, which was created by Amy Oliver with NR. He said that they are trying to get all of the finance people together that have been working on these numbers for tomorrow's meeting. He continued with the spreadsheet; upcoming known needs in the amount of \$284,485, summary of cash needs, sources of cash. He explained that some payments have been made since he last talked to the Commissioners and some receivables have come in. He continued with the sources of cash, total cash needed from the counties. He talked about looking at the cash on hand, amounts currently in the bank is close to \$1,000,000 today, when looking at payroll it is \$890,000 is what is needed for October, even if we did not pay out the annual leave, pretty clear that net to employees is \$791,000, other expenses coming close to payroll that must be paid and contracted services payments.

Commissioner Goudreau, Commissioner Cox, County Manager Don Adams and Clerk to the Board Karen Evans talked about payroll taxes and the timeline of when they are to be paid.

Commissioner Roten talked about those are still expenses that must be paid.

The County Manager talked about everything he is hearing during his meetings and everything that is being put in front of him is that these additional funds are needed to get through Friday and Monday. He said he can only present the numbers as they are presented to him. He reviewed the summary sheet where the previous number was \$910,000 and now is \$890,000, previous sheet showed \$71,232 by October 14 and \$41,422 by October 31, which totaled \$112,654, and now the total is \$110,242. He said that all of the counties have approached this differently on how to provide the funds. He explained how Wilkes County has budgeted \$345,000 above the normal MOE, Avery passed a budget amendment for \$90,000 above the MOE, Alleghany's amount falls within the normal MOE but when looking at the total amount needed we do not have that budgeted. He talked about the MOE is required by State law to provide funding to SMC which has provided the monies to NR, \$115,483 this year and is paid out quarterly with the first quarter already paid leaving \$86,612. He continued explaining what the other counties are doing; Ashe is not anticipating needing more than what is available in their line item and have approved using those monies; Watauga is looking to release the funds. He explained that Watauga is looking at this as a loan to NR and looking at putting a deed of trust on the property, managers talked about this today, Avery and Ashe have an interest in doing that and Wilkes already has debt on their building.

County Attorney Donna Shumate arrived at 7:00pm.

County Manager Don Adams continued talking about the deed of trust. He explained that the real issue is when the cash is needed, trying to get the money in place and getting the Deeds of trust in place. He talked about Avery and Ashe counties are interested but do not know if they

can get the deeds of trust in place. He further talked about if NR decides to allow Watauga County to view their money as a loan with a deed of trust then it could follow with a motion that the Alleghany \$110,000 be a loan with a deed of trust to be placed on the property in Alleghany County. He talked about this is caught in the timing which is making this difficult.

Commissioner Roten referred to the letter from SMC and asked about being expected to continue with the annual MOE. He said he has a problem with that because we have been paying more than we should have been.

County Manager Don Adams stated that is the letter from SMC. He said that an answer is to instruct the County Attorney to research continuing with the MOE.

Commissioner Roten said he doesn't think we should be obligated to pay that much.

Commissioner Cox and Commissioner Roten talked about that being part of the budget process.

Commissioner Roten and County Manager Don Adams talked about that was before the 160A Agreement.

The County Manager talked about the State law requires a MOE and would have to be a legal opinion by the County Attorney and the intent of the letter about providing the \$115,000 even when we transfer over to a private provider is that they are expecting those quarterly payments. He talked about ways to release the monies. He explained that they are just trying to make it clear that this \$110,000 is above the MOE.

Commissioner Goudreau talked about page 1 on estimates with three separate \$50,000 expenses with no explanation, and asked how we can vote on it with no explanation. He questioned what the Wachovia payable is for. He asked how much of this is for the other 3 counties not the 5 counties. He said he don't see it broke out anywhere, and it is not our responsibility for the other 3 counties.

Commissioner Cox said he understands but the main thought is making payroll; how will we continue services and make payroll.

Commissioner Roten asked Commissioner Cox is Crossroads asking for money back. Commissioner Cox explained that he understands that if NR services are discontinued before the end of November then they will look at the amount due back to them.

County Manager Don Adams explained that since they have fronted monies to NR for services through November 30 they are stating that if services aren't performed until then they are asking for monies back. He said this brings up different questions. He further said that eventually there will be a final number. He talked about the Board needs to have a conversation with the County Attorney about our liability.

Commissioner Goudreau talked about the Medicaid funding being froze. He stated that everyone was copied on a proposal from Lawson Support Services to provide services and help NR to reduce the liability, which is worth looking into.

Commissioner Cox stated it was forwarded to SMC.

Commissioner Goudreau and County Manager Don Adams talked about the decision to select the service provider is SMC's responsibility according to State law. The County Manager explained there are two people authorized to sign these types of contracts; counties (requirements which Alleghany County doesn't meet) and a LME. The County Manager talked about NR's assets that will have to be discussed because NR still controls all of that, SMC is who signs the contract, NR controls the assets. The County Manager reiterated that the LME and County authorities, which we are not set up to do, are the only groups authorized for sign the contracts.

Chair Richardson summarized what the Manager is asking tonight; use monies already budgeted then an additional \$86,000.

County Manager Don Adams reviewed the conversations with the managers and SMC plus the timing on this makes it difficult to stay very accurate. He explained how the other counties are budgeting the monies. He said that he will come back to the Board on Monday with more

numbers. He explained that he is asking for \$71,232 that it is above the budgeted amount then the question is this considered a loan and have a deed of trust placed on the properties here.

Chair Richardson reiterated conversations about the MOE monies

County Manager Don Adams explained that this will be authorizing him to spend the already budgeted money for a different purpose.

Chair Richardson asked about the spreadsheet showing the 3 different \$50,000 expenses.

County Manager Don Adams answered he doesn't know. He said that everyone involved will be in the meeting tomorrow so those questions can be answered.

Chair Richardson and Commissioner Goudreau talked about the 3 different \$50,000 expenses.

Commissioner Smith asked if the \$71,232 will get us through the October 14 payroll.

County Manager Don Adams answered yes but there are other payroll liabilities. He explained that if the Board does this then he will bring more information back Monday. He further explained that it has changed \$2,000 since the Board met so there are some changes occurring. He said that he likes the concept that any budgeted above the MOE towards NR will be a loan with a deed of trust on the property so before NR dissolves then the property can be transferred to the County for payment of the deed of trust.

Commissioner Cox stated that he needs direction before tomorrow's meeting because this will be a topic of discussion.

Commissioner Roten stated he had no problem with this.

Commissioner Goudreau said that if the other counties are doing then yes. He further said that the County needs to protect the assets. He talked about if all of the counties do this it could end up in a legal battle.

Commissioner Cox said this is properties in each county.

Commissioner Goudreau said he understands that.

Chair Richardson talked about the wording of the motion for providing the additional monies as a loan with a deed of trust.

County Manager Don Adams said that he thinks the motion could be to move to allocate \$71,232 out of MOE monies and that it is considered as a loan to be secured by a deed of trust.

Chair Richardson talked about it only being on the Alleghany County property to be identified in the motion.

Commissioner Cox said that it needs to be for additional monies also.

County Manager Don Adams said he will be coming back to the Commissioners with each money request.

Commissioner Roten and County Attorney Donna Shumate talked every time the Commissioners provide additional money then another deed of trust is needed which will get expensive because of the recording fees.

County Attorney Donna Shumate said she has a lot of questions about the deed of trust, such as the interest rate, when it is due and payable.

Commissioner Roten said he thinks it should be payable when dissolved.

County Attorney Donna Shumate answered it could be on demand or payable when dissolved.

Chair Richardson asked can this be one motion releasing \$71,232 and authorizing Commissioner Cox and the County Manager to pursue the deed of trust.

County Manager Don Adams stated that the County Attorney will need a number to put on the deed of trust and right now it is \$110,000-\$112,000. He talked about having the NR board go ahead and approve the concept.

Chair Richardson and the County Attorney talked about the new NR board has to execute the deed of trust.

County Attorney Donna Shumate said that is correct.

Commissioner Cox said the goal is to put the assets in the hands of Alleghany County.

County Manager Don Adams talked about conversations with the attorneys about if this is done with a deed of trust then they are dissolved it provides a better legal path to claim the property.

County Attorney Donna Shumate said the County will be a secured creditor at that point.

Chair Richardson and County Attorney Donna Shumate talked about if the County has a deed of trust then the County is a creditor.

Commissioner Roten asked would prior debts come first. County Attorney Donna Shumate answered no unless they have been reduced to judgments, which she is assuming they haven't been.

Commissioner Cox and County Attorney Donna Shumate talked about the other debts aren't secured and the order of assets on the collection side.

County Manager Don Adams explained his point of bringing up the \$110,000 is if the Board provides the \$71,000 then he is coming back Monday for the additional money and asked about changing the deed of trust.

Commissioner Roten said that the Commissioners know it is going to be at least that much money or may even be more. He asked if Crossroads and SMC are offering to put any more money into NR.

Commissioner Cox said no, they aren't.

County Manager Don Adams talked to the County Attorney about the deed of trust.

County Manager Don Adams said that if the Commissioners want to stay within the budget it is \$71,232 then do the deed of trust and deal with it on Monday for additional monies.

Chair Richardson asked for that in a motion and includes moving forward on the Alleghany County property.

County Manager Don Adams asked about \$71,232.

Commissioner Cox said as Commissioner Roten pointed out we are going to be spending the \$110,000 on payroll and payroll related items in a very short period of time.

Commissioner Roten and the County Manager talked about there has to be a budget amendment to do that.

Commissioner Roten asked at what point in time will this bring the County's fund balance down. County Manager Don Adams said he thinks this Board and previous Boards have done a good job of protecting the fund balance and that is what it is there for. He explained that approximately a little over \$100,000 is considered 1% of the fund balance. He further explained that it will impact the other funds. He said that the County can handle this expense. Commissioner Roten answered but the Board doesn't know where this is going. The County Manager said he thinks the monies that the Commissioners spend here will impact next year's budget and could impact other services, which will have to be worked out during the budget process, and he can't tell the Commissioners how much until he knows the final amount.

Chair Richardson talked about needing two motions; \$71,232 and then \$110,000 for the deed of trust.

County Manager Don Adams talked about additional budgeting is required for the \$110,000 and the deed of trust.

Chair Richardson asked would the \$71,232 be one motion and the difference be part of the second motion to make it to \$110,000.

County Manager Don Adams said it all depends on when the Board wants to execute the deed of trust. He described different scenarios. He said he doesn't see how you can do a deed of trust for \$110,000 when it hasn't been provided to them.

County Attorney Donna Shumate agreed.

County Manager Don Adams said the Board may have to stick with the \$71,232 and then deal with it Monday and alter the deed of trust accordingly.

Chair Richardson said that Commissioner Cox could take the information to the board tomorrow that we are looking at having a deed of trust.

County Manager Don Adams talked about his conversations with the managers about the amounts the other counties are looking at providing and the timing of providing the monies. He asked about looking at a line of credit up to a certain amount

County Attorney Donna Shumate said it is called a future advance of a deed of trust. She described it, said it is a little more complicated and she couldn't fill it out tonight.

Chair Richardson talked about the motion to be in order to meet payroll authorizes the use of \$71,232 of budgeted monies.

County Manager Don Adams agreed and said with the understanding of a deed of trust coming to secure the loan.

County Attorney Donna Shumate talked about there could be additional deeds of trust.

Chair Richardson asked for a motion for the \$71,232.

Commissioner Roten asked does this allow them to meet payroll.

County Manager Don Adams answered yes.

Commissioner Roten made a motion to authorize the County Manager to loan \$71,232 for New River to make payroll. Commissioner Cox seconded the motion. Vote 5:0.

Chair Richardson asked about when Commissioner Cox goes to the NR meeting tomorrow, he will have the deed of trust in hand or let the NR board know that is the direction Alleghany is going.

County Attorney Donna Shumate agreed and asked about the interest rate and other questions for the deed of trust.

Commissioner Roten said he doesn't know and don't know what the other counties are doing.

Chair Richardson asked about prime plus one and payable on demand.

Commissioner Roten said or when dissolved.

County Attorney Donna Shumate read the language that she wrote down about payment due on demand and the property will come to the County upon NR's dissolution.

County Manager Don Adams talked about the language of the deed of trust.

Being no further business, Commissioner Roten made a motion to adjourn this meeting at 7:45pm. Commissioner Cox seconded the motion. Vote 5:0.

Respectfully submitted,

Karen Evans
Clerk to the Board

Attest:

Ken Richardson
Chairman