

MEMORANDUM

TO: Centralina Executive Committee

FROM: Rebecca Yarbrough, Regional Initiatives Administrator

THROUGH: A. R. Sharp, Jr.

DATE: October 2, 2006

RE: Rocky River RPO Equipment Settlement

At the end of May 2006, Centralina Council of Governments was notified that the Rocky River RPO wished to discontinue its contract to serve as Lead Planning Agency, effective June 30. That role was assumed by Stanly County. In the course of the transfer of this responsibility, it became necessary to develop a plan for handling equipment purchased using Rocky River RPO funds, but held by Centralina.

Following a number of discussions with the Rocky River RPO, we believe it is important that the Centralina Executive Committee be made aware of the situation.

In every case, the equipment under discussion was purchased using special “equipment grant” funds that were made available to the RPOs statewide by NCDOT on an 80% state/20% local basis, and in every case, Centralina paid the 20% local funds. Some of the equipment was purchased using Rocky River RPO funds for the 80%, and some was purchased jointly by Rocky River and the Lake Norman RPO, because of the potential

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for joint use. The decisions were based on maximizing the utilization of the equipment. A listing of the equipment under discussion is attached, with ownership share and residual value.

During the months of June and July, Centralina and Stanly County staffs worked to determine an appropriate depreciation schedule for the equipment (all of which was two or more years old), and in that time agreed on both the methodology and the schedule for depreciating the equipment. At that time, Stanly County made known its preference that Centralina retain all equipment and provide the County a cash payment of \$35,609 instead of handing over the equipment. Centralina proposed that we keep the equipment shared with the Lake Norman RPO and provide a cash payment for it (\$13,156), but turn over the equipment is not shared. We did turn over to the Rocky River RPO a set of traffic counters and associated hardware and software (agreed value \$4,828). This equipment had been ordered solely for the Rocky River RPO.

At their meeting in August, the Rocky River RPO voted to obtain immediate payment in the full amount of the residual value less cash match (\$35,609), not acknowledging the dollar value of the traffic counters that had already been turned over. We corrected the proposal to deduct the value of the traffic counters (making the total under discussion now \$30,780), and proposed that we make a cash payment of \$20,000 and provide a computer and ARCInfo license valued at \$8,265. This proposal was based on the attached table, and took into consideration both Centralina's recovery of its 20% equity in the equipment being turned over and payment of Rocky River's grant-funded share, with amounts depreciated in all cases. At the RPO's September meeting, they called for an immediate cash settlement of \$27,000 plus the ARCInfo license and computer. We do not know what the \$27,000 figure is based on. At this point, we are \$7,000 apart.

Staff has carried this negotiation as far as we feel able. We value the participation of Rocky River members and want to ensure that their interests are protected. We in no way want to be unfair or take advantage of any situation. However, we have spent an inordinate amount of staff time trying to resolve this situation, and we want to ensure that we do not reimburse more than is fair for any equipment we retain. The proposed payment of \$27,000 plus equipment is in excess of what our agreed valuation was, using NC Department of Revenue standards.

Four options are open to us at this time:

1. To follow through on our original proposal, paying \$20,000 for retained equipment and delivering \$8,265 in equipment and software to Stanly County.
2. To deliver the equipment in question to Stanly County and remit payments of \$11,000 each on November 1 and February 1. This represents an additional

compromise, in that Centralina would be eschewing most of its 20% equity in the equipment being returned.

3. To request that the Executive Committee appoint a subcommittee to assume negotiations, since the RPO membership engaged in the negotiations is also a group of elected officials.
4. To request that NCDOT mediate this situation.

Staff requests your guidance or resolution on this sensitive issue.

Attachment: Table