

Approved: June 6, 2011

Minutes of Special Meeting of
Thursday, February 3, 2011
12:30 P.M.

The Union County Board of Commissioners met in a special meeting on Thursday, February 3, 2011, at 12:30 p.m. in the Personnel Training Room, first floor, Union County Government Center, 500 North Main Street, Monroe, North Carolina, for the purpose of conducting a budget planning retreat. The following were

PRESENT: Chairman Jerry B. Simpson, Vice Chairman Todd Johnson, Commissioner Tracy Kuehler, Commissioner Kim Rogers, and Commissioner Jonathan Thomas (joined the meeting at 12:40 p.m.)

ABSENT: None

ALSO PRESENT: Cynthia A. Coto, County Manager; Wes Baker, Interim Assistant County Manager; Lynn G. West, Clerk to the Board of Commissioners; Jeff Crook, Senior Staff Attorney; David Cannon, Finance Director; members of the press, and interested citizens

Welcome:

At approximately 12:30 p.m., Chairman Simpson opened the meeting and welcomed everyone present. He recognized Cindy Coto, County Manager, for her comments.

Mrs. Coto stated that the budget would be one of the most important issues with which the Board will be dealing within the next year.

Introduction of Facilitator:

Mrs. Coto introduced Margaret Henderson of the School of Government, who would be serving as the facilitator for this budget retreat.

Ms. Henderson shared information regarding her background and public service. The Agenda listed the following goals to be accomplished during the two-day retreat: 1) Clarify the values and expectations that guide our work together; 2) Receive overview on departmental budgets; 3) Identify our top short- and long-term goals; 4) Clarify how we will hold ourselves accountable; and 5) Make a plan for moving the work forward. She stated that today the Board would be learning about the financial big picture.

Ms. Henderson reviewed the guidelines for the discussions:

1. Okay to disagree
2. Share all relevant information
3. Work on the problem, not the distractions
4. Stay focused
5. Explain the “why.”

She stated that one of the purposes of the retreat is to train “the new kids on the block.” She said that some staff members are new to Union County as well as three of the Commissioners came on the Board in December. Ms. Henderson stated that staff would be learning more about the Board’s values and their expectations of staff and what success looks like for the Board.

Introductions:

Ms. Henderson asked each of the Commissioners and staff present “What Do you Hope to Gain Through Your Participation Today?” and “What do you have to contribute to our collective success today?”

Summaries of the responses are listed below:

What do you hope to gain through your participation today?
<ul style="list-style-type: none">• Understanding of BOCC’s expectations of staff (County Manager Cindy Coto)• Where this board is going...what’s off limits to cut? (Commissioner Kuehler)

- Hearing from department heads about impact of prior cuts and concern about enterprise fund (Commissioner Kuehler)
- Where are we now financially (Chairman Simpson)
- Where do we need to be in 2020 (Chairman Simpson)
- How the budget mechanics work (Vice Chairman Johnson)
- Difference in mandatory and 'optional' services (Vice Chairman Johnson)
- How to best obtain staff input; enlist their help (Commissioner Thomas)
- Open discussion; understanding why we say what we're saying (Commissioner Rogers)
- Direction for my work: future projections and plans for resources (David Cannon, Finance Director)
- Get insight on likely future questions from BOCC and provide answers before Board of Commissioners has to make the decisions (Jeff Crook, Senior Staff Attorney)
- Understand how I can better help and support the board (Lynn West, Clerk to the Board)
- Determine the Board's priorities (Wes Baker)

What do you have to contribute to our collective success today?

- Perspective from other local governments (County Manager Cindy Coto)
- Experience from previous budget cycles (Commissioner Rogers)
- Geographical diversity (Commissioner Kuehler)
- Listener; willing to gather information before deciding (Chairman Simpson)
- Fresh eyes...fresh thoughts (Vice Chairman Johnson)
- Positive approach (Commissioner Thomas)
- School board and business experience: Finance and Human Resources (Commissioner Rogers)
- Time, effort, experience in making budget plans (David Cannon)
- Legal answers; historical perspective (Jeff Crook, Senior Staff Attorney)
- Broad experience across all county departments and knowing programs (Wes Baker, Interim Assistant County Manager)
- Asking useful questions (Jason DeBraun, Reporter with *The Enquirer Journal*)
- Many years of experience working in Union County and long-time resident of the

County (Lynn West)

She asked the Commissioners “If you overhear someone in the community talking about how the county commissioners, county manager, and staff conduct their work, what would you hope to hear them say?” Below is a summary of the comments from the Board members:

Identify the values that guide your work together:

- **If you overheard someone in the community talking about how the county commissioners, county manager, and staff conduct their work, what would you hope to hear them say?**

- They seem like a team, but they don't just rubber-stamp the staff's recommendations and each other's decisions (Commissioner Rogers)
- They're good stewards of tax money. (Commissioner Thomas)
- They're too conservative in spending dollars. We are listening to the community. (Vice Chairman Johnson)
- They're accessible, on the right path. (Vice Chairman Johnson)
- They are responsive. (Chairman Simpson)
- They're action-oriented. (Chairman Simpson)
- They get stuff done. (Chairman Simpson)
- They do a good job about explaining decisions to me. (Commissioner Kuehler)
(This item was discussed briefly. Commissioner Thomas asked if there were other cost effective ways of getting the information to the public other than through the television channel. Ms. Henderson said that this matter would be discussed further on Friday morning. She stated that she thought the single most important function informally is that Commissioners are the cross pollinators in the community in terms of sharing information about county decisions through conversations.)

Ms. Henderson asked the Board to complete the following statement, and a summary of the responses are listed below:

Create the vision for Union County's future that will guide our decisions:

- ***To ensure Union County's long term prosperity and health, it is important that county government succeeds in [what].***

- Figuring out how to grow at a sustainable rate. (Commissioner Kuehler)
- Protecting health and safety of each citizen. (Chairman Simpson)
- Providing good education. (Chairman Simpson)
- Enhancing economic opportunities. (Chairman Simpson) (Commissioner Thomas)
- Figuring out how to balance or diversify our revenue. (Vice Chairman Johnson)
- Planning growth pro-actively. (Commissioner Thomas)
- Keeping taxes "low" (Commissioner Thomas)
- Vital that we gain trust of citizens (Commissioner Rogers)
- Celebrating our diversity (Commissioner Rogers)
- Figuring out how to work together (Commissioner Rogers)
- Being proactive in designing our economic base (County Manager Cindy Coto)
- Figuring how to balance expectations of services of citizens with their willingness to pay (David Cannon, Finance Director)

At approximately 1:30 p.m., Chairman Simpson called for a short recess. The Chairman reconvened the meeting at approximately 1:40 p.m.

Budget Overview:

Mrs. Coto complimented Mr. Cannon and his staff concerning their work on the budget. She stated that the intent of today's presentation begins the thought process as to what the services are and the financial challenges ahead and how to get the two to blend. She recognized Mr. Cannon for his comments.

Mr. Cannon provided an overview of the County's budget as a whole. He said today's focus would be more on the General Fund. He stated that based on this year's budget the total General Fund Revenues are \$219 million. He reviewed the revenue sources for the General Fund and stated that there are some anticipated cuts in the intergovernmental revenue sources.

He discussed "Where the Money Goes."

Commissioner Kuehler asked what amount of the educational expenses is non-adjustable because it is school debt. Mr. Cannon said that the debt is approximately \$50 million with \$48 million of that amount being for the schools, one million dollars for the community college, etc. Commissioner Kuehler said if the debt amount is deducted, what would be the percentage that goes truly to education. Mr. Cannon responded that he had not calculated that amount but estimated it to be 35 to 40 percent.

He reviewed the County's budget history for the past three years. He said that this year the revenues and expenditures look to be on track. He stated that the County has done a good job in maintaining its fund balance.

Mr. Cannon said that since 2009, there has been an 11 percent reduction in work force in Union County with the majority of those positions in General Government.

Mrs. Coto interjected that this number was significant because no services have been cut despite the reductions in force. She said that she thought it was a tribute to the County employees that the same level of service is being provided with fewer staff.

Commissioner Rogers said that she thought it was also important to point out the rate of growth that the County experienced as a result of being number one in growth in the State and number seven in growth in the United States, but stressed that County staff did not grow.

General Government:

Mr. Cannon reviewed the components of the General Government portion of the budget (\$12,431,408/5.62 percent of County Budget). He discussed issues concerning the General Government Budget including:

- Staffing Levels/Depth of Organization

Mrs. Coto said that when she looks at potential retirements that could occur with County staff over the next three to five years, she looks to see if there is someone who has been groomed or trained to step into those positions on a permanent or interim basis, and said there really is not. She said there has been discussion about succession planning and discussions on how to develop staff so that if someone were to leave, there would at least be someone who is

prepared to step into that position on an interim basis and who would have enough of a foundation to do so. Mrs. Coto said as the Manager, she has concern about how to have continuity and delivery of service to residents when staff has not been developed to fill in in situations such as that.

Commissioner Rogers said that she had noticed from the beginning of her term as a Commissioner that there has not been succession planning in the departments.

Commissioner Kuehler said there have been two budget years where the tax rate was not increased and there were reductions in force, but staff never said “I can’t do that.”

Commissioner Rogers said that she thought it was important to point out that the past two years have probably been some of the most intense years for everyone, and, therefore, some drastic decisions had to be made. She stated that there a lot of costs that were done when the economy was booming that are now coming to fruition as far as payment goes, but the revenue has decreased in some cases or has remained stagnant.

Mr. Cannon reviewed the following General Government issues:

- Service Levels
- Property Revaluation
 - Cost of Revaluation
 - Revenue Neutral
 - Increase in Tax Rate to Offset Declining Values
- County Facilities/CIP; Higher Interest Rates Could Impact Cost of Variable Rate Debt or Liquidity Provider Costs.
- County Facilities/CIP
 - Information Technology - \$2.7 Million
 - Tax Appraisal Software - \$2.0 Million
 - Board of Elections Equipment Replacement

- Board of Elections Facility - \$3.5 Million
- Service Center Bay - \$260,000
- Historic Post Office Roof Replacement - \$150,000
- Records Management System
- Higher interest rates could impact cost of variable rate debt or liquidity provider costs

Mr. Cannon explained that some of these items have been on the County's Capital Improvement Plan or some are requests that the departments have brought up to make the Board aware that the requests exist but these have not been funded.

He next reviewed the Public Safety portion of the budget and discussed the following Public Safety issues:

Public Safety Issues - \$29,834,394 (13.47 Percent):

- Sheriff Staffing – Requesting 3 to 10 new positions/year
- Homeland Security Director Position
- 911 Phone Switch
- Jail Expansion
 - \$67.2 Million – Approximately \$4 million/year
 - Operating costs - \$2 to \$4 million per year
 - Emergency Operations Center
- Fire Dept. Funding
 - County Subsidy/Shortfall - \$465,085
 - Fire Tax Departments receive share of sales tax
- Level of EMS Service
 - Union EMS/Fire Departments

Commissioner Kuehler said that she thought it was important to note for informational purposes that last year, one of the areas cut was in the D.A.R.E. program. She said the Board received many letters requesting that this program not be cut.

Economic Development Issues - \$3,465,913 (1.57 Percent):

- Legacy Park – County Funding
 - Not currently in Comprehensive Plan
- Partnership for Progress
 - Level of Funding
 - Incentives
- Land Use Ordinance
- Cooperative Extension Office/CIP
 - 4H Pavilion - \$4.2 Million
 - Agriculture Museum - \$650,000
 - Horse/Livestock Barns - \$1.3 million

Human Services Issues - \$39,617,515 (17.90 Percent):

- Level of State Funding
 - DSS \$17.3 Million in Intergovernmental Funding
 - ❖ \$13.8 Million Federal
 - ❖ \$9.3 Million Local
 - ❖ \$3.5 Million State
- Health \$1.7 Million in Intergovernmental Funding
 - ❖ \$4.2 Million Local
 - ❖ \$1.2 Million Federal
 - ❖ \$500,000 State
- New Facility - \$56.0 Million - \$3.2 Million/Year
- DSS Staffing Issues/Case Load Increases
 - Requested 6 – 8 New Positions/Year
 - Majority are 50 Percent reimbursed by Federal Dollars
 - Included 6 in FY 2012 Projections

- Income Maintenance
 - Requested 9 new caseworkers over next 5 years
- Vehicles – 50 Percent Reimbursed by State
 - Safety Issues
 - New/Replacement
- Communications with Government Center
 - Server
 - Network Switch

Mrs. Coto added that the County does not have a vehicle standardization policy, and she said that one of the things that she thought needs to be considered is that any new or replacement vehicle should be based on the job function. She said that during this budget cycle, staff will be looking at where vehicles are assigned and determining if the vehicles are appropriate for the jobs being performed, and there might be some economies that can be achieved by doing so.

Education Issues - \$130,028,913 (58.74 Percent):

- State Funding Decrease and what will be impact on schools' budget
- School Operating/Capital Funding Level
 - Current Expenses flat funded past two years
 - School Facility Plan - \$20 Million Per Year
 - Maintenance of Current Facilities - \$8 Million Per Year
 - FY 2011 - \$1.3 Million from General Fund for CIP
- SPCC Facilities
 - Multi-Purpose Facility - \$17.2 Million
 - Land Purchase - \$400,000
- Debt Burden - \$520 Million
 - Municipal bond market volatility could increase in 2011
 - No new UCPS debt anticipated for 5 years

Cultural & Recreation Issues - \$6,001,207 (2.71 Percent):

- Additional Parks/CIP
 - \$14.4 Million in Parks
- Trails
 - Pilot Trail Project \$574,000
- New Libraries
 - Waxhaw - \$5.6 Million/\$1.8 Million Operating
 - Southwest - \$5.9 Million/\$940,000 Operating

Mr. Cannon reviewed some of the revenue sources that were seen during the boom years. He said that in the new year's budget projections there are some anticipated growth (2 to 3 percent range) over the next five years. Mr. Cannon noted that there has been a decrease in the motor vehicle tax revenues. He said that people are not replacing motor vehicles so there is a decreased valuation of motor vehicles. He stated that in regards to investment earnings, when the interest rates were high, the County was able to fund some of its operations with investment earnings. He said that he thought going forward that the Board might want to have a policy in terms of how much investment income it wants to invest in ongoing costs or is it something that could be used to fund future capital projects with and not tie it to ongoing general fund costs.

He stated that the two unknowns in the next year's budget are (1) what will the State do with its budget and (2) the schools' request.

Mrs. Coto commented that Mr. Cannon met with the Schools Finance Officer but noted that the schools' budget will not be received until May.

Mr. Cannon stated that many of the revenue sources are economy based. He reviewed the various revenue projections and discussed the following FY 2012 budget issues:

- State Funding
 - Anticipated Reductions

- Potential Affected Revenues
 - Lottery
 - Human Services Programs
 - Grants
- Limited Options for Additional Revenue
 - Weak economy will hold down revenues
 - Many County revenue sources based on economy – FY07/FY11
 - Sales Tax \$36.9/\$22.5
 - Building Permits \$8.8/\$2.4
 - Investment Income \$4.7/\$1.0
 - Property Transfer/Stamp Fees \$2.7/\$1.0
- Few Options for Additional Revenue Sources
 - Transfer Fee – Voted down previously
 - One-Fourth Percent Sales Tax Referendum

Commissioner Kuehler stated that the remainder of the 2006 school bond tax increase was never implemented. She said the voters voted to approve the tax increase but the increase has never been invoked. She stated that the increases were phased in so the taxpayers never fully realized what they had voted for.

Mr. Cannon stated that hopefully going forward the County and schools can work to develop a plan so the schools will know what level of funding the County can provide them.

He continued discussion on the FY 2012 budget issues:

- Increase in School Request
 - Operating
 - State Funding Cuts
 - Increase in Personnel Costs for Insurance/Retirement
 - School Capital

- \$1.3 Million Provided in FY 2011
- No Bond Savings Available - \$4.7 in FY 2011
- Facility Plan - \$20 Million/Year
- Building Maintenance - \$8 Million/Year
- Only \$5.00 Million included in CIP Projections

Mr. Cannon noted that there were no salary increases for employees projected in the new year's budget. He said that adjustments have been made for increases in insurance, retirement, retiree insurance coverage, and workers' compensation.

- Current Projected Budget Shortfall - \$13.9 Million
 - Priorities
 - Service Levels/Programs
 - Outside Agencies
- FY 2011 Budget Identified \$18.3 Million in Unfunded Costs for FY 2012
 - County Pay-Go Capital
 - OPEB Funding
 - Debt Step-Up
 - UCPS/SPCC Capital Project Funding
 - Wage Adjustments to Remain Competitive in Market Place
- County Reserve Policy at 16 Percent
 - Bond Rating
 - Slower economic recovery
 - Cash flow
 - Emergency
- County Capital Improvements
 - Priorities
 - Should not defer on-going Capital/Maintenance to Capital Fund
 - Additional borrowing on already high debt burden
 - Additional CIP will add to projected deficit

- Tax Rate
 - \$.01 tax rate generates \$2.25 Million
 - Approximately \$6.18 cents to generate \$13.9 Million
 - \$61.80 for a \$100,000 home
 - Approximately 9.6 cents change in rate due to projected 14 percent lower valuation
 - Revenue Neutral
- Current Tax Rate 66.5 cents per \$100

At approximately 3:00 p.m., Chairman Simpson called for a short recess in the special meeting. The Chairman reconvened the meeting at approximately 3:10 p.m.

Ms. Henderson asked the Commissioners to share the positives that they had received from today's session.

Commissioner Rogers said that the way the information was presented to the Board was at a high-level detail but not so high, they could not grasp it. She stated that she thought that Mr. Cannon had done an excellent job. She said a lot of information was covered during today's presentation.

Chairman Simpson said that people take for granted the level of preparation that it requires for the budget. He expressed appreciation to Mr. Cannon and staff for the information presented today.

Ms. Henderson said that she heard over and over again during today's discussion that staff has been dealing with cuts and they are saying to do the work at a certain expectation, here is what is needed. She stated that it appears that the Board received good solid information from staff upon which to make decisions and when the Board has more specific questions, staff will provide the answers.

Mrs. Coto commented the next two weeks she will be meeting with each department director and reviewing their budgets, asking them to give her all of the department's programs and services, and giving her a ranking of the services and programs based on a return on investment, the number of clients served, etc. to help her in assisting the Board in developing priorities.

Commissioner Kuehler asked Mrs. Coto if a part of those discussions would include if there is a service that is currently provided but is not provided to a large number of people, if the service should be provided by some other entity and to also look at the costs associated with those services or programs. Mrs. Coto responded that this would be included in the discussions as well as if the County currently provides those services, and determining whether the County should continue to provide them and also determining if the County is providing them effectively or efficiently.

Mrs. Coto stated that she anticipated that there would be a couple more work sessions before development of the budget.

In response to a question from Commissioner Kuehler, Mrs. Coto stated that in regards to solid waste, the drop off stations do not pay for themselves. She said that this had not been an issue in the past because the landfill and transfer station compensated for the deficit. She stated that due to the decrease in construction, there is not a lot of construction and demolition material and with the economy, the waste stream is much less because people are not eating out, etc., so the cost of the drop-off centers are no longer covered. She said that there are reserves, but she did not think that was the solution. She stated it comes down to more than just a money issue: are the drop-off centers appropriately placed; do they need to be operated as frequently as they are operated; and defining the level of service. She said this is a discussion that is far too detailed for today's meeting, but it is one that the Board will definitely need to have as part of the budget process.

Commissioners Kuehler and Rogers asked that the Board be provided with much more information regarding the fire department funding.

In closing, Ms. Henderson asked the Commissioner to think about what the Board needs to focus on in the next year, and that would be the beginning point for tomorrow's discussion.

Review Progress of the Day, Closing Thoughts, and the Plan for Tomorrow:

Ms. Henderson asked the Commissioners what they thought had gone well today and what might they change for another time.

Commissioner Kuehler said that she thought the overall review of the budget was just enough but was not overwhelming. She stated it was a good foundation upon which to build.

Commissioner Rogers prefaced her comment by saying her comment might not be fair to say because it might be covered more tomorrow, but she would like to hear more from the Commissioners on their thoughts and ideas of the direction they want to follow with the budget.

Ms. Henderson reminded the Board that this meeting is scheduled to reconvene in the morning at 8:30 a.m. Commissioner Kuehler said that she would probably be late for the meeting in the morning.

With there being no further comments or discussion, the Chairman moved to recess the special meeting until 8:30 a.m. on Friday, February 4, 2011, in the Personnel Training Room. The motion passed unanimously.