

Approved 5/2/2011

Minutes of Special Meeting
of Thursday, March 17, 2011

The Union County Board of Commissioners met in a special meeting on Thursday, March 17, 2011, at 9:00 a.m. in the Personnel Training Room, Room 131, First Floor, Union County Government Center, 500 North Main Street, Monroe, North Carolina, for the purpose of discussions on the proposed 2011-2012 budget and to take such actions as the Board deemed appropriate relating to the issues discussed during the special meeting. The following were:

PRESENT: Chairman Jerry B. Simpson, Vice Chairman Todd Johnson, Commissioner Tracy Kuehler, Commissioner Kim Rogers, and Commissioner Jonathan Thomas

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

At approximately 9:05 a.m., the Chairman convened the meeting and welcomed everyone present. Chairman Simpson recognized Mrs. Cynthia Coto, County Manager, to begin the discussion.

Mrs. Coto stated that she would be making a portion of the presentation and David Cannon would also be making a portion of the presentation. She said the Board during the budget retreat of February 3 and 4 had provided staff with some fairly broad parameters within which to work, and staff has been working within those parameters. She stated that today she hoped to further define what the Board would like to see in the Manager's Recommended Budget.

Mrs. Coto reviewed the purposes of today's workshop. She said that during the February 3 and 4 budget retreat, staff identified that there was a \$13.9 million deficit at that point in time. She said that staff was directed to not consider, when looking at the budget, a property tax increase and a reduction to the County's reserves below the 16 percent funding level, as has been the Board's policy in the past. She noted that the staff was asked to provide information as it related to the two school bond referendum issues that the voters actually indicated that they were willing to pay for the school bonds through a tax increase, one in 2009 and one in 2007. However, she pointed out that the Board of Commissioners at the time of the bond issues did not pass those tax increases on to the taxpayers. She said that staff

would at least show the Board what those numbers would be today should the Board decide to implement those tax increases during the upcoming budget.

She stated that since the last meeting, staff has further refined the revenue projections and the County's expenditures. She explained that this would be an ongoing process. Mrs. Coto said that she and Mr. Cannon would explain what they have done to make sure that the Board concurs with that direction so that she can provide a recommended budget to the Board. She said that since the educational component comprises approximately 60 percent of the County's budget, that today's presentation includes some slides to show where Union County stands from a comparison perspective as it relates to other counties in the State associated with funding of their educational systems.

Mrs. Coto said that another area that staff will discuss today will be prior expenditure reductions that have taken place since FY 2008-2009. She stated that other areas that she has worked on with staff included looking at alternative revenues that the Board might want to consider; level of service alternatives; and outside agency funding. She said that staff has information to present today to show what percentage of the budget that Union County provides to the outside funding agencies. She stated that the last item she wanted to discuss is how to proceed going forward in the subsequent year of FY 2012-2013, because she wants to start the budget process much earlier next year.

The County Manager said that from discussions with staff members and review of prior budgets, she did not believe that Union County has seen the magnitude of the issue that the Board is facing now with respect to the County's deficit. She stated that Union County was certainly not unique in this respect, and she thought all local governments are experiencing similar situations in trying to structurally balance their budgets from an expenditure and revenue perspective. She said that the State offers local governments limited alternative revenues to implement to assist in meeting the needs of their residents. She stated that there are certain increases in operating costs that are outside the control of the County, i.e., fuel and the retirement system funding. She said that the State establishes what the County must contribute for employees in the retirement system. Mrs. Coto said that she has spent considerable time looking at the County's budget, and, unfortunately, from her perspective the County's position is not sustainable.

She stated that in order to have a true structurally balanced budget, there must be a significant change in the County's approach and focus. She said that all of the available resources that staff has used in the past to deliver a balanced budget have been depleted. Mrs. Coto said that staff is going to have to be much more creative to get to where the County needs to be as it goes through this process.

She said that over the past ten years Union County has made a very conscious decision to invest in the County's youth to provide an educational system of which the County could and should be very proud. She said that over the last ten years, the County built approximately 22 new schools along with making investments in County operations such as construction of a new Criminal Justice Center, a new Agricultural Center, new libraries at Union West and Marshville, and renovations at the Monroe Library. However, she said when it comes to some things that might have helped the County to work smarter such as technology issues, i.e., imaging, the County has not made that investment in the organization. She said that unfortunately when looking at the County's future revenue streams, it is going to be very hard to make those investments in the near future because the revenue is not available. Mrs. Coto said as has been discussed with the Board there are approximately \$200 million in unfunded capital improvements, including the jail and Union Village. Also, she said there have been discussions regarding additional libraries, the park system, and the community college. She said that the Tax Assessor has indicated a need for tax software, and said that she personally believed that a new budget system is needed. She stated that the County's budget process is manually intensive and is not a very streamlined process. Further, she said that there is election equipment for future consideration as well as improvements at the Agricultural Center and a trails master plan that was completed a number of years ago that has not moved forward.

Mrs. Coto shared that under the State Statutes, she is required to deliver to the Board a recommended budget by May 23. She said that by May 31, she will be making a presentation of an overview of a recommended budget and subsequent dates beyond.

She said that she did not believe that the Board would accomplish making all of the decisions today that need to be made as it relates to the budget development. She stated that she sees the opportunity between now and May 31 for the Board to hold additional workshops to further define some of those decisions.

Commissioner Kuehler asked when the public hearing on the budget would take place. Mrs. Coto stated that her understanding is the public hearing usually occurs in June.

Commissioner Thomas referred to some of the unfunded capital improvements mentioned in an earlier slide. He said that he thought those improvements had probably been mentioned when the pig was a little fatter, such as trails. He stated that trails were certainly important to some, and he did not want to minimize it, but when the Board begins to look at tax increases or reductions in some areas that will affect people's lives, to him trails were not as important. He said he did not know if those items need to be looked at again. Mrs. Coto responded that this was an overview and at this time, her two priorities relating to capital improvements, unless directed differently, would be the jail and Union Village. She said that the other items are issues that are important but she did not believe they have as high a priority as the jail and

Union Village. She stated that she thought in the past a number of items were included in the capital improvement program, some of which were needs and some were probably wants, but since they were not funded, it was not an issue. She said that if funding were tied to those items, then she thought the list would become much more real.

Mrs. Coto recognized David Cannon, Finance Director, for his comments.

Mr. Cannon reiterated that staff had provided the number of \$13.9 million as the projected deficit, which was based on information available in December and January. He said that figure now is approximately \$13.2 million. He explained that this change is somewhat due to revenue sources. He said that there have been some increases on the budget side as well. He stated that the community college requested an additional half million over what was projected in terms of operating costs and additional figures in terms of debt, interest rates, and service charges for school debt.

He said that he has had several meetings with Mr. Petoskey, the Tax Administrator, in terms of trying to fine tune the property taxes. He said that now there is a little bit of a decrease in terms of that, but staff is being somewhat conservative over where it is this year. Mr. Cannon said that this year has been a very good collection year at approximately 98 percent. He stated that in the past, the collection rate has been about 97 or 97.4 percent. He said that staff had budgeted that figure at 97.8 percent. In terms of deferred properties, he said that he thought staff had been somewhat conservative on that estimate. He said that he would continue to meet with Mr. Petoskey in terms of revaluation numbers.

Mr. Cannon pointed out that intergovernmental revenue amounts have been updated more by the departments. He said that it is anticipated that there will be some growth in sales tax numbers. He stated that it is anticipated that motor vehicle taxes will decrease based on depreciation and residents not replacing vehicles as often. He said that based on what the departments have seen, the departmental revenues have been updated. He stated that in the Governor's proposed budget, it is projected that the County will receive a quarter of what is anticipated this year in lottery monies. He said this number has been reduced based on what is in the Governor's proposal. Mr. Cannon mentioned the hold harmless dollars and said last year the County received \$1.6 million and from the updated numbers received this week, it is anticipated that the County will receive \$3.5 million. He stated that staff will continue to look at this figure as more information becomes available from the State.

Mr. Cannon said that the County must plan for the future while working on the FY 2012 budget. He stated that if the economy turns around a little, hopefully, there will be increases in sales tax revenues. He said that compared to the last two months, the County has exceeded its collections from a year ago. He stated that gives him some optimism,

since sales tax revenues are not decreasing as they were at the same time last year. He said that the two departments impacted the most by the intergovernmental funding are Social Services and the Health Department.

He said in the past, the County received some ADM monies from the State, but now that funding has gone away. He mentioned there is not a lot of control over the hold harmless dollars. He said he does not anticipate future growth rate in the Inspection Department's revenues.

Mr. Cannon discussed some of the impacts to the County's budget as a result of the Governor's budget. He said that the Governor's proposed budget shifts school bus replacement costs to the counties. He stated that Mr. Karpinski, the School's Finance Officer, gave him a figure of \$1.8 million to \$2.2 million for school bus replacements based on the number of buses that need to be replaced. He said another fairly significant item is the Workers Comp claims which have been shifted from the school system to the County. He noted that the figure provided from the schools for these costs is \$2 million to \$2.5 million. He said the Governor's budget also proposes that the County would pick up the community colleges workers comp claims costs, which are estimated at approximately \$50,000. He stated that there are a number of other issues related to costs from the State coming down to the counties from Social Services and the Health Department, which could have a potential impact to the County of approximately \$7.5 million.

Mrs. Coto interjected that none of the potential \$7.5 million have been identified as a part of the County's deficit. Mr. Cannon responded that the lottery projection has been reduced in the County's budget.

Mr. Cannon said that in a statewide comparison on school funding, Union County provides in terms of current expense (operating expenses) the sixth highest amount, which is \$79.5 million. He stated this puts Union County 18th comparatively on an ADM number but on a per capita basis, it puts Union County third.

He said that in terms of per capita on county school debt, Union County ranks second in the state. He said that the debt for the school system in Union County is approximately \$600 million, and the County will continue to have those debt payments for a number of years. He said that in terms of total school funding, Union County ranks third in the State.

Mr. Cannon said that staff is continuing to look at ways to trim the budget, and he thought Mrs. Coto would be talking about what has already been done to reduce the County's budget in addition to what might be projected in the FY 2012 budget. He said that capital outlay dollars have really been removed from the County's general fund.

Commissioner Kuehler asked Mr. Cannon about obtaining a historical perspective regarding operational expenses for the County going back five to ten years. Mr. Cannon responded that he should be able to provide that information to the Board this afternoon.

Mrs. Coto said that the County continues to see higher expenditures as opposed to revenues. She stated that in years past, in order to bring those amounts into alignment, there was a 12.65 percent reduction in personnel. She said that much of that amount was associated with a reduction in force (RIF) that was implemented over a two-year period. She stated that on the operating side that amount has been reduced by 11.74 percent. She said that there was a reduction in the County's portion of capital funding for the County's budget of \$1.5 million. She stated that last year outside agencies' appropriations were reduced by \$427,000, a good portion of which was associated with the volunteer fire departments as it related to their original requests and the amounts actually granted.

Mrs. Coto said that although the County's population continues to grow, the number of County employees per capita has continued to decrease. She stated that she thought this was a measure of what the organization continues to do. She said that presently the County's staffing levels are less than five employees per 1,000 in population. She said that the ratio of the 2003-2004 number was closer to 6.3 employees per 1,000 population. She stated that the message here is that the County continues to provide pretty much a level of service that has been provided over the years but with fewer staff. She said that unfortunately she did not believe this was the situation any longer, and some decisions will need to be made as it relates to looking at service level reductions.

She reviewed some of the prior year reductions that were taken:

- reduction in force in which 71 general fund positions were eliminated as well as some positions in water and wastewater.
- pay raises eliminated for past three years (and thus far in the FY 2011-2012 budget assumption, there are no pay raises)
- operating budgets reduced
- contracted services (facilities maintenance, landscape maintenance, and custodial) (also reduced the number of days of cleaning per week)
- employee in General Services who works on any capital project that the County has so that the individual's labor is capitalized and this is charged to the project as opposed to the employee being paid from the general fund

- virtually eliminated overtime within the organization with two exceptions: law enforcement and 911 center (replaced with compensatory time and trying to flex schedules.) Mrs. Coto explained that the problem with compensatory time is with a lesser work force and trying to get the same job completed, giving people time off is not helping the situation.
- take-home vehicles reduced (initiative taken in 2009, county has five or six vehicles that are taken home. This does not include Sheriff's Office.)
- continue to look at reducing rolling stock (looking at equipment to determine if the equipment is needed or is it better to sale the equipment. She has asked Barry Wyatt, the General Services Director, to look at all vehicles being driven a minimum number of miles per year and do an analysis of whether it makes more sense to pay a per mileage rate to employees versus maintaining the vehicles. Further, Mrs. Coto explained that staff continues to extend the replacement schedule relating to vehicles.)
- no new funding for capital needs in general fund (need to look at how Union Village and the jail can move forward).
- reduce hours of operations for parks (close an hour earlier) and libraries (four sites previously were opened a total of 243 hours per week in prior years, and this has been reduced to 211 hours per week). She explained that in light of the reduction in library hours, staffing was reduced from 65.25 fulltime equivalent positions to 54.8 fulltime equivalent positions and these were included as part of the reduction in force.
- eliminated the Fairview nutrition site (originally operated four sites but has been reduced to three sites).
- did not fund Other Post Employee Benefits (OPEB) requirement (now approximately a \$5 million unfunded liability as it relates to these benefits)

There was discussion about the remaining take-home vehicles. Wes Baker, Interim Assistant County Manager, explained that there are two take-home vehicles in parks and recreation and four in fire services. He explained that the Public Works take-home vehicles are in addition to the six, but these are assigned to on-call employees.

Commissioner Kuehler commented that the County knew there was a minimum funding level for OPEB requirements, but it planned to increase its funding to stay ahead, but it had basically funded the minimum requirement.

Mrs. Coto discussed the FY 2012 budget development to date:

- February Board of Commissioners' workshop

- County Manager met with the School Board Superintendent on February 15 to inform him of the County's deficit situation in connection with the budget and conveyed to him as a partner with the County that the County had invested a lot of money in the schools' capital programs, and it would be her hope that the schools and the County could work together through the hard times. She said that given that the schools comprise approximately 60 percent of the County's budget, she had hoped that the schools could come to the table with 60 percent of fulfilling the shortfall. She said that Dr. Davis understood there would have to be some type of partnership between the County and schools to try and work through this situation.

Commissioner Rogers asked Mrs. Coto when talking about 60 percent of the County's budget for the schools, how much of that would that be for debt for the schools that had to be built because of growth. Mrs. Coto responded the dollar amount she had told Dr. Davis was \$8 million.

Commissioner Rogers said it is not really 60 percent of the County's budget for schools' operations. She stated that operations are more along the lines of 35 percent. She said that the schools might be able to cut from the 35 percent of their operating budget, but the other part, which is the debt, is for fixed payments. She said that in her mind 38 percent is from operating.

- Subsequent to the Manager's meeting with the School Board Superintendent, there was a meeting of the Board of Commissioners' Chair, the County Manager, the County's Finance Director, the Schools' Finance Officer, and the School Board Chair.

Mrs. Coto stated that this meeting lasted for approximately one and a half hours discussing the school board's concerns relating to the \$8 million, and one of the requests that the schools made and she indicated to them that she would pose a scenario to the Board to split the \$8 million between a two-year cycle versus a one-year cycle. She said that she told them that the County would take that request into consideration. She explained that in order to do that, she thought the second year dollar amount would increase because she thought the County would be dealing with similar issues next year. She said that, in addition, the only way she knew how to fill that \$4 million gap now is to take it out of the County's reserves. She stated that there have been no further discussions with the schools. She said that any direction that staff receives from the Board today would be shared with the schools.

Commissioner Kuehler asked if the County reserves were reduced by \$4 million what percentage would remain in reserves.

Commissioner Thomas said that he thought Commissioner Rogers was opposed to reducing the County's reserves, and he did not believe it was a good idea. Commissioner Rogers clarified that what she was opposed to was not following the County's fiscal policy.

Mr. Cannon stated that reducing the reserves by \$4 million would reduce the percentage of reserves to a little over 15 percent.

Mr. Coto said that she had the same discussion with the schools and would warn that the schools \$4 million would become a larger number the second year, and she did not know that this would really solve the problem.

- From February 17 – 28, Mrs. Coto and Mr. Baker met with each department head and reviewed the respective budgets. On February 16, she sent an e-mail to all employees asking for suggestions for cost savings to the County
- County Manager held a staff meeting with all department directors on March 1 and the guidance she gave was they needed to go back to their 2011 budget (current year) and find five percent in reductions. She said that in some areas that will be impossible for the smaller departments that have two to three staff members, and primarily their department's entire budget is for personnel costs. Departments submitted that information last week, and the Manager is reviewing each one of the proposed reductions and doing an analysis of whether those departments can continue to function with those reductions. She explained that one of the reasons she had chosen five percent is because it brought the amount closer to the \$5 million that was needed from operations.
- Mrs. Coto said that she has also asked each department if there are any revenue streams that have not been identified or any fees that need increasing. She said the departments have submitted options that she will be reviewing today.
- She said that she has asked if departments were to reduce services, where would they recommend those reductions.
- Outside Agency Funding Requests – Mrs. Coto said that she has not done much with this point, but when staff met with the Board previously, staff was requested to identify all outside agencies and what percentage of their budgets are funded by the County. She said that she has made no recommendations at this time regarding outside agencies' funding.

Revenue Alternatives:

Mrs. Coto said that the Library Director approached possible revenue alternatives for the libraries with possible fee increases in some areas that it is believed can be done legally. She said that Ms. Smith is proposing a minimum charge for obituaries for which the library does not currently charge. She stated that there are a number of residents from outside the County who use the Internet services at the library who do not have library cards. She said it is proposed to charge a small fee for use of the libraries' Internet services. She said that there were also some recommendations for increases in overdue fees and some increased fees if someone were to reserve a book and then does not pick up the book. She said that Ms. Smith had anticipated that the increased fees would generate approximately \$80,000. She said that after reviewing this revenue projection, the amount was reduced to approximately \$50,000.

Commissioner Kuehler mentioned the additional expense of trying to collect the increased fees. Vice Chairman Johnson said that this had been discussed at the Library Board of Trustees' meeting.

Mrs. Coto said that she really had challenged the departments to reduce their budgets and to be as creative as possible related to fees.

She said that she had a great deal of discussions related to building inspection fees. She stated they did an analysis of what it costs to send an inspector out on a job and perform a re-inspection, etc, and the County is probably able to recoup 20 percent of the actual expenses. She said that it was estimated that if the County could come a little closer to recouping its actual costs, it could generate approximately \$42,000 per year.

Mrs. Coto said that she had also had discussions with Richard Black, Planning Director, about planning fees. She stated that she talked with him about the number of parcels that have come through the Planning Department for rezonings, land use amendments, etc. in the last ten years, and it was estimated that number would be 9,800 parcels. She said that in 2010-2011, no parcels came through the Planning Department for rezonings or land use amendments. She stated that she thought the land use fees should be reviewed to determine if they pay for the services that are being received and to potentially put appropriate fees in place. However, she noted that there might not be any net revenues related to those fees in the future, but once building increases, the appropriate fees would be in place.

She shared one concept suggested by Larry Brinker, Communications Director, is to allow other providers to install antennas on the County's towers and pay a fee versus having additional cell towers constructed in the County. She said that she does not have a dollar figure for this because it is unknown what the market would be.

Commissioner Kuehler said that she thought this was discussed and directed by the Board last year.

Mrs. Coto said that staff was asked at the last work session to look at prior voted school debt funding. She said that when staff looked at the 2007 bond issue, seven cents were approved, but at that point in time, the Board did not approve the recommended tax rate increase, and it was also a revaluation year, so she is not able to say the seven cents was directly attributable to not funding the debt service payments. She stated that in 2009 there was a 2.75 cents tax rate associated with school bonds that was not levied.

She stated that another area that had been looked at is there is a State Statute that allows the County to charge \$7 per license plate to fund transportation, which would generate approximately \$1.2 million. She said that there are not \$1.2 million in transportation expenditures. She stated that there are two areas of expenditures that this might be applicable to: 1) the Nutrition/Transportation Program – 84.3 percent of that budget is funded through state and federal dollars and the County subsidizes approximately \$250,000 - \$300,000. She said that this number is significantly less than the \$7 per license plate and could go toward filling the gap in the Nutrition/Transportation Program. Mrs. Coto said the only other true transportation program that the County has is the CATS (Charlotte Area Transit System). She explained that this is an express route that runs on US 74 into Mecklenburg County. She said that it does serve the County's population that might not have alternate transportation. She estimated the County's cost of that program is approximately \$122,000, and the monies from the license plate fee could be used to maintain that level of service.

Commissioner Thomas asked about the ridership participation for the CATS program. Mrs. Coto said she thought that number had been as high as 54,000 passengers per year but she thought the number has decreased to 45,600 per year.

Mr. Baker said that CATS has predicted that the ridership will increase due to the price of gasoline. He stated that if the ridership increases, then the revenues generated from the program will increase which means the County's portion would actually decrease. Mrs. Coto said that there was a proposed increase in the County's portion this year to \$122,000, and she thought that was due to a decrease in ridership.

Mrs. Coto said that Mr. Crook is reviewing the Statute that allows for the license plate fee.

She also mentioned a business license tax as a possible revenue alternative. She said that many municipal governments charge a business license tax, and she would want direction from the Board as to whether or not staff should spend time looking at this possibility.

She stated that the last revenue alternative on the list was an enterprise fund evaluation of the full cost allocation. She said that as a business the water and wastewater unit are supposed to be self-sufficient, and her goal is to ensure that these funds pay the costs associated with administrative overhead and other costs. Mrs. Coto said she was not sure a true analysis of these costs has been done, and she is recommending that an evaluation be completed. She explained that some of the measures being presented are longer term measures to get the County toward sustainability, so they are not just a one-time fix but hopefully cover costs into the future.

At approximately 10:15 a.m., the Chairman called for a ten-minute recess. The meeting was reconvened at approximately 10:24 a.m.

Service level Reductions:

Mrs. Coto discussed the following considerations:

- Closing the beach at Cane Creek Park – this item was taken off the list of considerations because the revenues generated versus the costs of the seasonal lifeguards is a wash, and closing the beach would not generate any revenue source.
- Athletic Association Grants – present year not all dollars have been requested. Many of the athletic associations have built many of the facilities, etc., that are needed, so the money needs have reduced significantly - \$157,500

There was discussion that it is believed that many of the athletic association needs have been met and the question was raised does these dollars need to remain available or should there be some other process to consider if there is a significant project that may need funding.

Commissioner Kuehler pointed out that these are matching grants, and the athletic associations do not have their matching portions. She said that she thought the needs still exist, but the associations do not have their portion of the matching funds.

- Reduction in Library Hours – reducing the hours per week from 211 to 199 hours per week which would be the elimination of 1.12 part time staff members - \$32,765.
- Reduce Transportation Trips in the Nutrition/Transportation Program - \$30,000 – planning trips where there would be multiple patrons picked up per trip.

Commissioner Kuehler said that she attended the Home and Community Care Block Grant Committee meetings and one of the issues that has been discussed in those meetings is that the transportation program was not being utilized the way they would like it to be because it does not provide the individual trips.

Commissioner Rogers questioned whether there are other volunteer agencies that provide transportation services. Mrs. Coto responded that there are no other agencies that provide the services and noted that the County's transportation program utilizes all part-time drivers. She said that the nutrition program is done by volunteers.

Commissioner Thomas commented that if the County goes toward greater efficiencies, he would ask if there is some type of infirmity, such as dialysis, that consideration be given to those with frail conditions. He stated that waiting an hour after dialysis is different than waiting an hour after a follow up appointment.

- Monroe Airshow - \$36,000 – Mrs. Coto said that the County's involvement has been a salute to the County's veterans. She explained that prior to that Union County provided a separate program for the veterans for approximately \$2,000 to \$3,000. She said that veterans are charged to enter the airshow.
- CATS Funding - \$122,586 – if a revenue source is implemented, then the CATS service could be maintained.
- SPCC funding reduction – SPCC funded at \$1.1 million has requested \$1.6 million in FY 2012 budget, and it is recommended that there be no new funding to the community college.
- Mrs. Coto said that she has discussed with the directors that she sees no way to provide any new staffing next year. She said that the Sheriff had requested a part-time clerical position and a civil investigator. She said that

Veterans Service requested a Veterans Services Officer; Cooperative Extension applied for a grant position; Social Services has two or three positions associated with working with clients; Health Department has a position that is grant funded; however, the grant provides only operational cost up to \$50,000; and the Register of Deeds had a request for an additional position.

Commissioner Rogers asked if the Sheriff had submitted a request for officers to work in the jail. Mrs. Coto said that the Sheriff had requested only two positions: one for an investigator and a part-time clerical position. She said that Sheriff Cathey has been very responsive to her request to hold the line. She stated that he had another grant position that provided for operating costs but the County would have to pay the salary which was approximately \$75,000. She said that her discussions with the Sheriff were that in these times that Union County is facing and when every other department is being asked to make it work, he would do the same thing. She said that the Sheriff would also be bringing some budget reductions forward.

- Mrs. Coto said that the Homeland Security Director Position is not funded this year and her recommendation is to not fund it in the upcoming budget. She stated she would like the opportunity to review that department and its structure and bring some recommendations in the future as to how to restructure it.
- Discontinue payment of connection fees for volunteer fire departments in the General Fund – Mrs. Coto said she did not have a dollar figure associated with this but is recommending that this practice be considered for possible discontinuance.
- Mrs. Coto stated that she had looked at some of the programs both in the Health Department and Social Services that are non-mandated. She said there is a dental program in the Health Department that was primarily to assist those individuals who would not otherwise go to a dentist. She said the program was originally designated for children only and a survey was done on how to make sure that parents bring their children to the clinic. She said parents responded that if dental services were also provided to the parents of children being seen at the clinic it would be utilized so that was added to the program. She said that later dental services for pregnant females were added to the program. She explained that at one time this program was completely self-sufficient. However, she stated that in more recent years this program has been subsidized. She provided statistics regarding the number

of visits to this program in 2010. She said that she had spoken with Mr. Tarte, and there may be another way to handle this without eliminating the program. She stated that now there is a contract dentist and five fulltime staff members who support this program. She stated that if there are no dental patients, then the five employees are still being paid. Mrs. Coto said they have discussed restructuring the program.

- The Community Alternative Program (CAP) in Social Services is a non-mandated program that the County presently funds at \$176,000. She said this program serves 86 adults and 36 children. She explained the services provided by this program. Mrs. Coto said that the Group Home is also a non-mandated program that the County funds approximately \$122,000.

Outside Agencies Funding:

Mrs. Coto provided information for the Board showing the FY 2011 funding for a number of the outside agencies and the FY 2012 requested funding. She stated that the information also provided the percentage by which the County funds some of these agencies' budgets.

She pointed out that the District Attorney had an individual who left a position that was State funded, and the State took that position. She said that the District Attorney has made a request for the County to fund an Assistant District Attorney position at \$65,000.

She said that the Partnership for Progress is a contractual commitment for the County and FY 2012 is the last year of the County's contract with the Partnership. She suggested that she could talk with Mr. Ewing and request a voluntary reduction of the County's payment.

There was discussion about the funding for the Partnership for Progress. Mrs. Coto stated that the contract does not stipulate what amount of the Partnership's budget comes from private partnerships and what amount comes from the County. She said that the Partnership currently receives very little funding from businesses.

Volunteer Fire Department Funding Request:

Mrs. Coto stated that in the current year's budget the County funded the volunteer fire departments \$343,200, and the requests received from the volunteer fire departments based upon their budget submittals for the new year is \$1.346 million. She said there are a couple of anomalies that she wanted to discuss. She stated that it is her understanding in regards to Providence that two revenue sources from prior year budgets were not included in its submittal this year, which were the revenue it receives from the Town of Weddington as well as the revenue it receives from the contract with Mecklenburg County, which is about \$310,000. She stated that she did not know why these amounts were not included in that department's submittal.

She said that staff also looked at the departments that have fire fees, Allens Crossroads, Providence, and Wingate, and if the fire fee were to be increased from the present level to \$100, it would eliminate those departments' associated shortfalls. Mrs. Coto said she has not had an opportunity to meet with the volunteer fire departments, but she thought it was critical as a part of the budget process to determine what their needs are or what went into their requests before making further recommendations.

Following discussion regarding the fire departments' funding, Mrs. Coto stated that this information was provided to give the Board an overview of the fact that it is about one million from where the fire department funding was last year. She stressed that she thought there needs to be one-on-one discussions with the departments so that staff can provide the Board with better information.

Commissioner Rogers said that the Board needed more information because in those areas where the fire fees were increased last year, this was done with the intent that these would be stepped up each year. She questioned why there were shortfalls in the departments with fire taxes.

Commissioner Kuehler asked what is being proposed in the new budget about sales tax. Mrs. Coto said that it is proposed that each tax district receive their sales tax.

Johnny Blythe, Chief at Hemby Bridge Volunteer Fire Department, explained that the districts with fire taxes are showing shortfalls because this is the way the budget sheet comes to them. He said if they show an increase in their

budgets, it puts the departments in a shortfall category. He said that Hemby Bridge Volunteer Fire Department's budget was increasing by \$64,000 and the department would need to increase its fire tax rate.

Commissioner Rogers explained that last year, the Board increased the fire tax rates so that there were no subsidies or shortfalls for the tax districts. She said the Board has been told no new tax increases especially from Wesley Chapel Volunteer Fire Department, and now it is showing tax increases. She said she needed to know for all the departments that are tax districts, what is going on with their budgets. Mrs. Coto reiterated that she thought staff needs to have a one-on-one discussion with each of those districts to determine their needs and plans for fulfilling those needs.

Commissioner Rogers asked if staff has seen the details on the fire departments' budgets. Mrs. Coto and Mr. Cannon responded that they have not seen the budget details. Mrs. Coto said that staff would be getting these details and bringing additional information to the Board.

Union County Public Schools:

Mrs. Coto said that in regards to the schools, her budget assumes that the schools will within a single year find \$8 million in reductions.

Drop-Off Sites:

Mrs. Coto stated that with regards to drop-off sites, today they operate with a deficit of approximately \$440,000 annually. She said that this deficit can be reduced to approximately \$80,000. She stated one way to reduce this deficit would be to increase the per bag charge from \$.25 to \$.50. She said that staff's proposal is to either transfer the Piedmont and Sun Valley Sites to the municipal governments within which they are situated or to close the facilities. She said that the sites are operated Tuesdays, Thursdays, and Saturdays from 7:00 a.m. to 7:00 p.m. and staff is recommending that the New Salem site only be operated on Saturday.

Commissioner Rogers asked if the County is breaking even on the tipping fees. Mrs. Coto responded no and said that the deficit in the recycling program is probably \$300,000 per year. She explained that she did not think the drop off sites have ever been self-sustaining with respect to the fee structure. She said that when the Construction and Demolition (C&D) and recycling revenues were healthier, those revenues helped to cover the deficits from the drop off

sites. She stated that presently the County is losing monies on the municipal waste and recycling, and the excess revenues are no longer available to subsidize the drop off sites.

Mrs. Coto requested feedback from the Board as to whether or not the direction taken by staff thus far is the appropriate direction. She said that she needed to know if there are any issues that she has brought forth that should be taken off the list. Secondly, she said she had shared with the Board the staff's discussions with the school board and the message that was initially conveyed to them that the schools' share needs to be commensurate with their percentage share of the County's budget. She stated staff has provided the Board with a number of revenue alternatives, service level reductions, as asked whether or not staff may evaluate and continue to bring those back to the Board or whether there are any options that staff should not consider. She said that she did not have a recommendation for the Board regarding funding of outside agencies other than she would recommend that she have a discussion with the Partnership for Progress.

Vice Chairman Johnson said that he has said often the County does not have a revenue problem but it has a spending problem. He requested to remove the \$6.19 million voted school debt funding off the table. He said no matter how you cut it, it is a tax increase.

Commissioner Kuehler commented conversely that those were funds that the schools thought they would have to operate their budget, and the County is now asking them to cut \$8 million from their budget, half of which they cannot cut because it is fixed debt.

Vice Chairman Johnson said that this tax increase was available to the prior two Boards and neither chose to implement the increase, and he could not support the increase this year.

Commissioner Kuehler said she did not see herself supporting an \$8 million cut in the schools. She stated that she did not support taking away the \$6.19 million voted school debt and holding the schools to the \$8 million reduction. She said it is not allowing them the revenues while telling them to cut back at the same time.

Chairman Simpson asked if Vice Chairman Johnson's proposal needed to be in the form of a motion. Mrs. Coto responded that she thought so.

Vice Chairman Johnson moved to remove the voted school debt funding of \$6.19 million from the revenue alternatives available to the Manager.

Commissioner Kuehler offered a friendly amendment that the schools not be held to an \$8 million budget reduction in light of that decision and to work more closely with the schools to accommodate their needs since their funding source is being taken away from them.

Commissioner Thomas stated that the funding source was never given to the schools. Commissioner Kuehler said that the schools had counted on that funding when they made the expenditures.

Vice Chairman Johnson asked why the funding had not been asked for before now.

Commissioner Rogers said that the bond was for capital needs. She stated that two Boards ago, the Board decided not to implement the tax increase because the number was so great. She stated that Board of Commissioners decided not to implement all of the increase in one year but to break it out in several years. She said that her argument has been that this is something that was voted on in 2007 when times were good, and the increase should have been implemented at that time. She stated that she was in agreement with Vice Chairman Johnson on that point. She said what she thought what Commissioner Kuehler was saying is that there has to be some consideration if the schools are not going to receive the revenues that the voters agreed to, then the \$8 million in reductions need to be looked at closer.

Vice Chairman Johnson said that he thought it had been a unanimous vote of the Board to not raise property taxes. He said this is the same thing. He stated that the revenues cannot be raised on the school debt, but the Manager is not being allowed to cut any services. He stated if the Board is not going to raise the taxes, then it cannot say that services cannot be reduced. He said that cuts have to occur somewhere and questioned where those cuts should be.

Commissioner Rogers said that she did not disagree with those comments. She said that the \$6.19 million was voter approved. She stated that the \$8 million from the schools out of a \$13.2 million deficit is maybe a little high. She said she has talked with some members of the school board and they look at it as their share of the operating costs and not the capital so it is the 35 percent versus the 60 percent which reduces the \$8 million.

Mrs. Coto stated that she understood the schools' perspective, but she has to view it from the deficit amount. She said that when she looks at what goes to the schools, she has to consider the debt, capital, and the operating, because it does total approximately 60 percent of the County's budget.

Commissioner Rogers responded that 25 percent of the 60 percent is for fixed debt, so there has to be corresponding revenue for the schools which would be some measure of the bond increase.

Mrs. Coto said that she understood but, as a County organization, taxes have not been increased, and the County has continued to reduce its services, reduce its staffing, reduce its operating costs, and it is the fourth year that the Board has had to make some tough decisions. She said that the schools have not been placed in that same situation, because the County has continued to fund them.

Commissioner Rogers said that if citizens were asked, education is number one and is very important in the County. She stated that from her conversations with the schools, they understand they need to step up to the plate and be a part of the partnership, whether that number is the 60 percent or the 35 percent for the things that are somewhat within their control. She stressed that there has to be some consideration if the \$6.19 million voted school debt is taken off the table, which she agreed with, on the expense side.

Chairman Simpson requested that Commissioner Kuehler restate her amendment.

Mrs. West restated the amendment as follows: in light of the original motion to not hold the schools to the \$8 million in reductions and to work more closely with the schools to meet their needs. Commissioner Kuehler said that she thought her motion was to not hold the schools to a number.

The Chairman called for a vote on the amendment which failed by a vote of two to three. Commissioner Kuehler and Commissioner Rogers voted in favor of the amendment. Chairman Simpson, Vice Chairman Johnson, and Commissioner Thomas voted against the amendment.

Chairman Simpson called for a vote on the original motion to remove the \$6.19 million voted school debt from the revenue alternatives. The motion passed unanimously.

Mrs. Coto asked if there were any other revenue alternatives that were presented by staff today that the Board does not wish for staff to pursue.

Commissioner Thomas commented that he did not think now is the time to tax businesses any more when they are trying to rebound from the economy. Secondly, he said that personally he had a real issue in taxing license plates to support public transportation. He added he did not mind doing it for those residents who are truly in need because of an infirmity or financially in need. He said that he did not think it should take from those who are providing their own transportation and be given to another program. He said he could support the license plate fee if it would subsidize the County's transportation program but with CATS, it would be off the table.

Mrs. Coto asked for clarification if Commissioner Thomas was proposing that the license plate fee be removed or used only to fund the transportation portion that is County and not fund CATS, which he agreed was correct. He stressed that was only his personal opinion.

Commissioner Kuehler said that the only transportation program left would be the Nutrition/Transportation program. Mrs. Coto stated this was correct. Commissioner Kuehler said that she was not sure she saw the distinction in the two programs.

Commissioner Thomas responded that the CATS program essentially carries residents outside the county and it is taking from those who have the means to give to a group that does not. He said that he did not think that government should be subsidizing public transportation.

Mrs. Coto stated that her understanding of the CATS Express service was to transport individuals who live in Union County to their work in Mecklenburg County and to return them to Union County.

Mrs. Coto asked if there were any of the service level reduction proposals that the Board does not wish for her to pursue. She stated that she assumed based upon the prior discussion that the position that she has taken with respect to the school board is supported by the majority of the Board.

Commissioner Kuehler stated for the record that she did not support that position.

Commissioner Rogers moved to consider the Union County Public Schools' reductions in line with their operating portion of the budget which is approximately 35 percent.

Vice Chairman Johnson asked Mrs. Coto if that was a feasible undertaking if there is no property tax increase. Mrs. Coto responded it was not feasible for her to find the funding in county operations. She explained that it would mean using the County's reserves to make up the difference.

Commissioner Rogers stressed that her motion was to consider it. She said that from the last two finance processes, numbers were stated for deficits and then more money was found. She said that for the past two years, the County has been able to hold the line. She stated that she is not saying hold the line, but with respect to that bullet for the school board to share in addressing with the percentage of the County budget, she is saying that number is 35 percent for their operating costs.

Vice Chairman Johnson said that it is unfair for the Board to say to the school board not to plan on this because it is only going to be a certain percentage of reductions if there is a reality that the County may not find the money.

Commissioner Rogers said what she was saying is the 35 percent is what is fair; it is not the 60 percent, because the operations are the only place the schools can cut.

Vice Chairman Johnson said for clarification purposes if he voted in favor of Commissioner Rogers' motion, he would also be voting to allow the County's reserves to go under the 16 percent. Mrs. Coto said that she has spent hundreds of hours reviewing the County's budget, and she does not see millions of dollars in the County's budget. She said that in her opinion reducing the County's reserves is the only way to make up that deficit. She stressed that it is using one-time dollars for recurring expenses that are far into the future.

Mr. Cannon said that he thought Mrs. Coto had mentioned at the last work session if the County ends this year with excess reserves above the 16 percent, those amounts could be used to fill in the budget gap. He said that he thought that might be a possibility.

Mr. Cannon emphasized that staff is providing the Board with the best numbers based on what is known now.

Vice Chairman Johnson said that in all fairness to the school board, the Board needs to be as straight as it possibly can and not give them any false hope.

Commissioner Thomas said he thought he could speak for all five Board members that the Board does not want to have to ask the schools for the \$8 million reductions.

Commissioner Rogers stated that she did not disagree with Commissioner Thomas but all she was saying is to be fair across the board.

Following further discussion regarding the schools' funding, Mrs. West restated the motion on the table to be to consider the Union County Public Schools' reductions in line with their operating portion of the budget of approximately 35 percent. The motion failed by a vote of two to three. Commissioner Kuehler and Commissioner Rogers voted in favor of the motion. Chairman Simpson, Vice Chairman Johnson, and Commissioner Thomas voted against the motion.

Mrs. Coto asked if there were any level of service reductions that she had presented today that should not be considered.

Vice Chairman Johnson asked if the County generated increased sales taxes from the airshow attendance. Mrs. Coto responded that the County might receive some sales tax revenues as a result of the event. She said she would have to go back and do some trend analysis for that period of time to determine if there is a significant spike in sales tax revenues.

Commissioner Rogers said that she had asked if there were profits made from the airshow, and if any of that amount comes back to the County to offset its costs for the licenses or permits required for the events. She said that at the time she had asked for this information, the answer was no.

Chairman Simpson said that he was in full support of the veterans. He asked if the needs of the veterans are being met. Mrs. Coto said that the Veterans Service Officer has requested a position for several years, and it is has not been funded in prior years. She said that she has looked at the statistics with respect to the number of telephone calls and visits, and the needs are being met but maybe not as timely as the veterans would like for them to be met.

Commissioner Rogers said that she has heard from some citizens, and she agreed with the Chairman that she would like to see something part-time for that office and if some of the money for the airshow could go for that position, it would be a better use. Mrs. Coto said that to fully fund a position in Veterans Services would be approximately \$54,000.

Mr. Cannon said that until there is additional space for the Veterans Office, the Veterans Service Officer does not know where she would put that person so it could be budgeted for half a year in the projection count. He said it was not in the current numbers.

Mrs. Coto asked if she should assume that she should look at some way even if it is part-time hours to try and find a way to come up with more services for the veterans. Chairman Simpson said that his only point in looking at the \$36,000 for the airshow was that the priorities need to be right in terms of the veterans.

Commissioner Thomas asked if there is any type of income statement that the Board could review to determine if County funding could be reduced without impacting the airshow. Mrs. Coto said that she has not had any discussions with the City regarding what is generated from the airshow and if there is a smaller portion that the County could provide, but she could have those discussions. She said that she certainly understood what the Chairman and Commissioner Rogers were saying in regards to the veterans.

Commissioner Rogers said it would be good if the Board could get projections from the City about last year's airshow as far as the attendance and the net cost of the airshow.

There was discussion regarding fees such as food inspection fees charged by the County and possible considerations with regards to those fees as opposed to the County providing funding for the airshow.

Commissioner Thomas asked the amount involved with discontinuing payment of connection fees for volunteer fire departments. Mr. Cannon responded that the amount has been \$30,000 thus far this year, and this seemed to be a consistent amount each year.

Mrs. Coto said that she had heard as a consensus that she would meet with Maurice Ewing to try and negotiate a lower contribution from the County on the contract. She asked if there were any other outside agencies that staff should look at further.

Chairman Simpson asked if the outside agencies had received the same message as everyone else that they are going to have to give something. Mrs. Coto said that she was not sure that these agencies had received this message but they were requested to submit their budgets earlier this year. She said they were asked to provide additional information. She said that staff did not send the same message to those agencies as was sent to the departments and school board, and she had not directed them to reduce their budgets by five percent.

Commissioner Kuehler said that there is always the argument of whether government should be giving taxpayer dollars to non-profit organizations at all. Chairman Simpson asked, along that same line, at what point does a non-profit that is getting a donation from a government become a government agency because 95 percent of its budget comes from tax dollars. He said at some point in time, the Board may want to say that the County will fund up to a certain percentage for outside agencies across the Board.

Commissioner Thomas stated that it is difficult to look at the list of outside agencies that has been provided and think of how many others could be on the list that the Board has not chosen to fund. He said that he thought the Board needs to start looking at that issue.

Mrs. Coto asked if there was a consensus that she should go to the outside agencies and tell them that the County is looking for a five percent reduction in their budgets.

Commissioner Rogers said from her perspective, this should not be across the Board but rather to look at the County's percentage of the agency's budget, because some agencies may only receive five percent funding from the County. She stated that she thought it was a good idea to come up with a standard for funding the outside agencies.

Commissioner Rogers stated that she understood that the Manager would meet with the volunteer fire departments and obtain their detailed information and come back to the Board at a future meeting with this information as well as the schools' details. Mrs. Coto agreed that this was what she planned to do.

Mrs. Coto said that the \$13.2 deficit does not take into consideration the reductions that the departments have proposed.

Chairman Simpson asked if the department heads wanted to present their budget requests to the Board, would they have the opportunity to do so. Mrs. Coto stated that she had not done that in the past. She said that one of the

reasons she had met with each department head individually was so she could have a true understanding of the department's budget. She stated she had also asked that the departments provide a service level inventory identifying the department's priorities, programs, and prioritize them so she would know what are the most important things that they need. She said that she would meet with the department heads again as it relates to their reductions they have submitted. She stated that there has been a lot of dialogue with the departments and she hoped that everyone felt there has been adequate representation through those discussions and feel the Manager has represented them fairly.

In conclusion, Mrs. Coto said that once this budget process is completed, she thought the Board needs to focus on FY 2012-2013 to look at new revenue sources to hopefully get the organization more fiscally sustainable. She stated that the organization needs to plan so it is more resilient so when it is hit with some of the bumps in the road that have been seen from an economic perspective, that the organization is able to react not with some of the wholesale changes that are being talked about today but to work on a long-term financial plan. She said that she has always believed that the organization needs to look at a five-year plan and for staff to present that information to the Board on a regular basis. Mrs. Coto stated that the organization also needs to work on finding alternatives to fund infrastructure and at some point in the future, have discussions on how to address controlled growth within the community, what type of growth is wanted, as well as economic development.

She said that at Monday night's meeting, there will be a presentation by the Chamber of Commerce regarding a study done by Wingate University on economic vitality and sustainability within Union County. She said that the core message of that study is since Union County's tax base is 85 percent residential and 15 percent business, Union County is not sustainable as a community. She said that to become sustainable with the 85/15 percent mix the average house value would have to be \$292,000 in order for the County to break even on the services that it provides. She stated that the average home value is currently \$212,000.

With there being no further discussions, at approximately 12:00 noon, Commissioner Thomas moved to adjourn the special meeting. The motion was passed unanimously.