

Approved

Minutes of Thursday, April 28, 2011
SPECIAL MEETING

The Union County Board of Commissioners met in a special meeting on Thursday, April 28, 2011, at 8:00 a.m. in the Personnel Training Room, Room 131, First Floor, Union County Government Center, 500 North Main Street, Monroe, North Carolina. The following were

PRESENT: Chairman Jerry B. Simpson, Vice Chairman Todd Johnson, Commissioner Tracy Kuehler (joined the meeting at 8:55 a.m.), Commissioner Kim Rogers (joined the meeting at 9:00 a.m.), and Commissioner Jonathan Thomas

ABSENT: None

ALSO PRESENT: Cynthia A. Coto, County Manager; Wes Baker, Interim Assistant 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

Opening of Meeting

At approximately 8:00 a.m., Chairman Simpson convened the special meeting and welcomed everyone present. He asked that everyone remember those individuals and families in Alabama as they recover from the storms. He recognized Cindy Coto, County Manager, for her presentation.

Discussion on Budget

Mrs. Coto welcomed everyone and stated that this was the third budget work session of the Board as part of the development of the FY 2011-2012 budget. She said her goal today is to present the Board with updated information based upon what staff has been working on for the past six weeks, and to provide the Board with some options, alternatives, and recommendations. She stated that it was also her goal today that by the end of the meeting she would have sufficient information to prepare a budget.

She stated that at the March 17, 2011, work sessions, staff reviewed actions taken by the Board in prior years to reduce some of the ongoing expenses, and said she would briefly review those again today. Mrs. Coto stated at the March 17, 2011, work session, staff had provided the Board with some revenue alternatives to consider, and staff has completed further research on those alternatives and will present that data today. She said she had some recommendations for those alternatives that she believes the Board should pursue and also recommendations on some that should be dropped based on staff's research. Further, she said that staff will also be discussing level of service alternatives. She stated that since the March 17th work session staff has spent a great deal of time looking at the mandated services versus the non-mandated services that are being provided. She said that she would also be discussing the outside funding agencies. Mrs. Coto said that the courts is an area that staff has looked at since the March 17th meeting primarily from the perspective that in the good years, when the State started reducing the courts' budgets, the County made up those deficits. She noted that those are not mandated costs in many cases. She said that staff has talked with the courts and made some recommendations to them as part of the budget reductions, and staff believes those are some of the services that the County can no longer fund. Mrs. Coto said she would also be reviewing how Social Services' agencies are funded this year as well as staff's recommendations for subsequent years.

She stated that staff would be reviewing the County's financial forecast and discuss school board funding. She pointed out that the schools' funding comprises approximately 57 to 58 percent of the County's budget, and when looking at future revenues and expenses, there are deficits in subsequent years which will not only impact the County but also impact all other agencies that the County funds. Mrs. Coto said that staff would also be talking about the volunteer fire departments and their associated requests. She said she has met with 16 of the 18 fire chiefs. She stated that this process helped her gain a great deal of insight into their budgets and also let her know how diverse the 18 fire districts are.

Mrs. Coto stated that she would like to say that what she was going to propose today relative to the fire departments would solve the situation but all it will do is to try and put a band-aid on it with the goal going into next year's budget, that she wants the fire chiefs involved. She said she thought this was one area that is significant and the Fire Commission agrees that there are some inequities in service and in funding. She stated that she did not know the answer to this issue, but it was something that will take a great deal of time and collaboration.

She stated that staff would also be talking about the solid waste drop-off sites. She reminded that at the March 17th meeting, staff had mentioned the deficit in the solid waste fund. She said that staff has an update regarding some of the matters discussed at the last session relative to the solid waste program and will be providing information about some capital improvements at the transfer station.

Mrs. Coto stated that to date there have probably been four meetings with the school board including Chairman Simpson, the school board chairman, the school superintendent, and her, and in some cases also the County's Finance Director and the schools' finance officer. She said that she had a subsequent follow-up meeting with the superintendent as recently as Monday.

She reviewed the following in connection with the FY 2012 Budget Development:

- In mid-February, Manager met with all county departments and reviewed their budget requests.
- Manager requested that employees provide some suggestions, many of which will be implemented by one means or another.
- On March 1, the Manager went to the departments and asked them, based upon the \$13.2 million deficit, to make reductions to the 2010-2011 budgets.
- March 17th Budget Work Session was held and discussed:
 - Revenue Alternatives Analysis
 - Level of Service Analysis
 - Outside Agency Funding Request
- Since March 17 – there have been at least two to three meetings with each department to follow up as to the Manager's recommendations with respect to the department's budget – Mrs. Coto complimented the County departments in that they have been very receptive. She said although some of the reductions she has recommended have been difficult, the departments understand the need for the reductions.

Mrs. Coto stated that the budget process for FY 2012/2013 will begin in August. She said that she thought the FY 2012-2013 budget needs to work on how to bring the County to a more sustainable situation. She reported that unfortunately one of the things she has yet to determine is a funding formula for the huge capital needs of the County. She stated that this is an area that needs to be focused on in the FY 2012-2013 budget.

She said that she and David Cannon, Finance Director, have spent some time with the County's bond counsel and the financial advisor about the County's 16 percent reserve, which is a policy adopted by the Board. Mrs. Coto said they feel comfortable with that reserve limit and given the current bond market, they strongly recommend that the County continue with that policy. She said that the County needs to continue to look at the stability of its revenue sources. Mrs. Coto stated there has been a significant decrease in the motor vehicle taxes, significant decrease in lottery funding, and sales taxes continue to be flat. She said that she did not see a significant increase over the next five years but thought it would be a very gradual increase, because she thought consumers will be changing their spending habits.

Mrs. Coto stated that she would be putting together a long-term financial plan as part of the budget process to try and determine how in future years the County does not have a deficit situation and how that impacts the annual budget process. She reminded that there are still the infrastructure needs: the jail and Union Village, that need to be addressed. She said that Union County ranks second in the State with debt per capita (\$266 per capita), and this tells the County that it needs to be careful with its debt.

She stated that from the study that was done by Wingate University for the Chamber of Commerce, in her opinion, the County needs to do a better job in planning its growth versus letting the growth occur. She said one of the areas that has been discussed is the bypass and having a plan in place so that when it does come, that the County in conjunction with the municipalities has a plan of how it would like to see the bypass developed. She said the tax base needs to be diversified in order to ensure that the residential property owners are not carrying the majority of the tax burden.

Mrs. Coto presented the following proposed budget schedule:

May 23	-	Budget and Budget Message filed with the Clerk to the Board
June 6	-	Budget Discussion in Session/Public Hearing
June 20	-	Proposed Budget Adoption
August 1	-	Start FY 2013 Budget

She stated that one question she would have for the Board at the conclusion of today's presentation "Is whether or not the Board believes another workshop between May 23rd and the June 6th public hearing is necessary?"

Mrs. Coto briefly reviewed the reductions that have been made in prior years as follows:

- Reduction in Force (71 General Fund Positions)
- Pay raises eliminated for past three years
- Operating Budgets reduced by approximately 12.1 percent
- Contract services (facilities maintenance, landscape maintenance, and custodial) versus in-house staff as a way to reduce the overall overhead and spending
- Capitalized labor costs and charged salary dollars to projects versus charging the salaries to the general fund
- Overtime virtually eliminated (use Comp Time and Flexible Schedules)
- Number of take-home vehicles reduced
- Continue to look at Rolling Stock Reductions and Replacement Schedules
- No new funding for capital needs in the General Fund

- Reduce hours of operations of parks/libraries
- Eliminated Fairview Nutrition Site
- Did not fund OPEB Requirements – currently there is an unfunded liability of \$5 million.

She stated that in her introduction to today's meeting, she mentioned some of the things that were studied in the 2011-2012 budget either for reduction or elimination. She reviewed those areas as follows:

- Reduce/Eliminate County funding level for non-mandated programs
- Pay raises eliminated for the fourth straight year – Based on the cost of living, Chairman Simpson asked what figure this would be. Mrs. Coto responded if the Board were to approve a CPI adjustment, it would be approximately 1.3 or 1.5 percent. Commissioner Thomas asked what that percentage equates to in real dollars. Mr. Cannon stated that it would be approximately a half a million dollars.
- Operating Budgets reduced
 - Reduction in Departments/Agencies Budget Requests
 - Food and provisions/travel and education
- County employee versus contract services evaluated
- Review of labor charges for Public Works
- Overtime virtually eliminated/part-time reduced
- Take Home vehicles reduced
- Funding for Sheriff Capital Needs in General Fund - \$801,231
 - Vehicles
 - Jail HVAC Units
- Library Operations
 - Fees
 - Hours of Operations
- Look to fund other post employee benefits (OPEB) Requirement in General Fund – Mrs. Coto stated if there are dollars left over in the budget process, she thought this unfunded amount of \$500,000 is significant, and that dollars need to start being applied towards funding it.

Mrs. Coto reviewed some basic assumptions that she has made as part of the budget development:

- Balanced Budget for FY 2012 – In prior years fund balance has been used to fund the deficit. This has not been done this year.

- Progress has been made toward a sustainable budget but needs more planning
 - Two uses of one-time funds
 - ❖ \$1.1 million in radio system debt service paid by 911 funds
 - ❖ \$1.5 million from school debt service funds
 - Future needs – Jail/Union Village not addressed
- Schools
 - Propose \$6.2 million in cuts from Operating/Capital from beginning estimate
 - \$1.5 million from debt service reserve fund to reduce UCPS cuts
 - Debt Service increase of \$2.0 million funded
- County
 - No pay increase
 - Reduction made to programs
 - Look to contract or privatize services
 - Continued reduction in operating funds

Mrs. Coto stated that representatives of the School Board are scheduled to be present at 9:00 a.m. today. She updated the Board regarding her meeting with Dr. Davis on Monday. She explained that the schools have unofficially identified approximately four million dollars in reductions that they would be willing to recommend to their Board. She said that subtracting the four million dollars from the \$6.2 million from operating capital, there is a difference of approximately \$2.2 million in what has been requested from the schools in reductions. She stated that this issue remains unresolved.

She said as was discussed at the March 17th work session, some of the revenue alternatives were:

- Increased Library Fees – The Library Director estimated approximately \$80,000 in additional revenues, but Mrs. Coto reduced that amount to \$50,000, because many of the new revenues will come from people who live outside Union County who do not have a library card and who use the Library’s Internet and other services. She stated one of the fees was for individuals who do not want to obtain a library card but still use the Library system and who are not residents of the County. There was going to be a charge created and associated with that usage, she explained.
- Increase Inspection fees – Mrs. Coto stated that this would be brought to the Board at a future date. She explained that what was looked at in this area was if the County recovered its costs in relation to the services provided, which it did not.
- Increase Planning fees – no new monies included in the budget – in the last ten years there have probably been 98 parcels that went through some type of change such as rezoning, land use, development, etc. and in 2010, there were no parcels. She said she did not want to include any dollars in the budget because she was unsure that the trend will turn around next year. Mrs.

Coto said staff would be coming to the Board with some recommendations relating to those fees so when development activities increase again, the fees will be in place.

- Allowing use of radio towers by cellular companies to install their antennas – Staff is still working on those numbers. No monies have been included in the budget for these revenues. She estimated the amount to be less than \$100,000.
- Enterprise fund evaluation of full cost allocation to make sure it is paying its fair share.

Mrs. Coto stated that staff is not recommending the following items be considered any further:

- Voted school debt funding - \$6.19 million – discussed at the March 17th session whether this Board wanted to go back and look at the debt approved by the voters several years ago.
- Business License Tax – Mrs. Coto stated when she looked at this for North Carolina counties, this is extremely limited. She said municipal governments have a number of options relating to business license tax but at the County level it is restrictive as to what vendors can charge. She said that also in looking at the administrative costs of the program versus what could be collected, staff decided it was not a program worth pursuing.

The next discussion focused on some of the assumptions made by the Manager in order to achieve a balanced budget as follows:

- Elimination of Athletic Association Grants - \$157,500 – Mrs. Coto stated that based upon the quality of the projects being submitted, staff believes that this program could either be eliminated or suspended for awhile. She said it appears that many of the associations have completed their large projects, and from some of the applications, it appears that the associations are struggling to find projects to fund with the dollars. Also, she said that the associations are having difficulty in providing the matching funds.
- Reduce library hours – Mrs. Coto said that with each library branch, it is different but currently all branches are open a total of 211 hours a week and this would reduce it to 199 hours per week (Reduce 1.12 part-time staff - \$32,765)
- Monroe Airshow - \$36,000 – This was discussed on March 17th – Mrs. Coto stated that she had a discussion with the Manager for the City of Monroe and explained the County's budget situation and asked if he believed that the County's withdrawal of funding would put an unnecessary burden on the City. She said that the City Manager had indicated that he did not think so, and the City itself would fund it again this year. She stated that she told the City Manager that the County does not waive fees but for some of the expenses they have with the Health Department, etc. in connection with the airshow, the County has not charged the City for those fees but these have been paid from the \$36,000. She said she had made the commitment that the City would not have to pay those fees which have been less than \$1,000.
- South Piedmont Community College (SPCC) Funding Reduction
 - \$1.6 million requested in FY 2012

- \$1.1 million provided in FY 2011
- Proposed cut based on SPCC percentage of general fund budget – approximately \$9,000 (consistent with the Public Schools)
- No Additional staffing at County level (unless 100 percent grant funded)
 - Requests for additional staffing received from:
 - Law Enforcement
 - Veterans
 - Cooperative Extension
 - Social Services
 - Health
 - Register of Deeds
- Do not fill Homeland Security Director Position
- Public Health Service Level Reductions
 - Reduce/Eliminate County funding for programs where not required
 - WIC
 - Bioterrorism Grant
 - Susan Komen Breast Cancer Grant
 - Loving Support Peer Breastfeeding Program
 - Dental – Mrs. Coto explained that the dental clinic at the Health Department originally began for children only, and in order to have more participation from the parents and encourage them to bring the children to the dental clinic, they also started treating the parents or guardians of the children they were treating. She said it is a program either handled through Medicaid or payment by the individual being treated. She explained that in the early years, the clinic was completely self-sufficient, but today it is costing the County \$188,000 to continue to provide the program. She said her discussions with the Health Director has been that the program must be brought in line to where it is self-sufficient or the County funding would have to be reduced, which could eliminate the program. Currently the program serves 694 children and 362 adults – there is no County funding in the budget for the program.
 - Environmental Health – continue to look at some of the mandated services and not providing the services that are not required
 - Delete One Vacant Position/Did not Fund a Position – Contracted for services to save dollars
- Social Services Level Reductions
 - No funding for new positions
 - Community Alternative Program (CAP) is currently operated by county staff, and it is recommended that these services be contracted out (approximately \$111,000 annually)

- In-home Aid Program is recommended to be phased out – to be provided by a Private Company with Social Services screening and ensuring that the level of services provided is adequate
- Group Home – Continuing to evaluate this so funding has not been taken out of budget at this time. The Group Home has a capacity to accommodate up to nine children. Mrs. Coto said that from staff’s research and discussions with Social Services, she thought Union County is the only county in North Carolina to provide this service. She said she has not been able to determine how much money would be saved by eliminating it.

Commissioner Thomas referred to the services that environmental health may be providing that are not required. He asked for any examples of these services.

David Cannon stated that as far as the timeliness of the program, the County is required to provide 100 percent of the inspections. He stated that not all counties are providing that for restaurant inspections. He said that an option is to meet 95 percent of the restaurant inspections versus 100 percent. Mrs. Coto said that she thought the number of inspectors in environmental health also needs to be studied.

Mrs. Coto reviewed the amount of dollars reduced in each of the areas:

[Commissioner Kuehler joined the meeting at approximately 8:55 a.m.]

- General Government Cut by \$1.0 Million
 - Propose cuts or reduced overtime hours or temporary work hours
 - ❖ No additional personnel – all contract employees have to be approved by the Manager
 - ❖ Continue “Soft” Hiring Freeze
 - Propose cuts to travel/education/food and provisions
 - Propose allocating portion of cost of collections to Public Works
 - Propose reductions to courts over \$20,000 in operating – Mrs. Coto stated that all of their discretionary funding was not reduced. They have been notified of the recommended reductions.
 - Propose funding 50 percent of Electronic Poll Books for Board of Elections- recommend funding over a couple of years rather than in a single year.
 - Propose efficiencies to County Garage
- Public Safety Cut \$1.6 Million
 - Propose using one-time 911 funds for FY 2012 radio system debt service
 - Propose increase in Inspection Fees - \$41,000

- No change in funding to Emergency Medical Services
- Sheriff Proposed More Cuts than Requested – Mrs. Coto said Sheriff Cathey gave more cuts than were requested.
 - None of his expansion items included in the budget
 - No additional personnel
- Funded equipment within General Fund
 - Vehicles/Replacement Weapons/Jail HVAC Units
- Propose five percent reduction to Jail Life Skills Course
- Economic Development Cut \$300,000 – Mrs. Coto said after the March 17th meeting, she met with Maurice Ewing of the Partnership for Progress and discussed the budget situation and asked if an agreement could be reached as to the Partnership’s funding level. She said they agreed that the County would fund the Partnership at the 2009 level versus the automatic increase that occurred this year and scheduled for next year. She said Mr. Ewing discussed this with his board, and she understands that the Partnership Board is in agreement with that but she is waiting on written confirmation.
- Propose Funding Provided for Land Use Ordinance – some monies were budgeted this year and the remaining balance has been budgeted in the next year’s budget for a consultant to do the work
- State Eliminating One Cooperative Extension Position
 - This reduces the County’s reimbursement costs
 - Savings of approximately \$18,000
- Reviewing Charges for Ag Center Use – Mrs. Coto stated that the Agricultural Advisory Committee is reviewing the charges for the facility compared to other facilities as to whether or not any fee changes should be made to the use of the center. Any recommendation by that committee will be presented to the Board.

[Commissioner Rogers joined the meeting at approximately 9:00 a.m.]

At approximately 9:00 a.m., Chairman Simpson called for a short recess in the special meeting. The meeting was reconvened at approximately 9:10 a.m.

Union County Public Schools:

[Dr. Ed Davis, Superintendent of the Union County Public Schools, Dean Arp, Chairman of the Union County School Board, and Dan Karpinski, Finance Officer for the schools, joined the meeting]

Mrs. Coto stated that, as she had indicated earlier, she met with Dr. Davis on Monday. She said that presently, based on their discussion, the schools’ proportionate share of the budget deficit is \$7.7 million. She said that \$1.5 million was allocated out of debt

service to reduce the deficit to \$6.2 million. She stated that Dr. Davis has indicated that the schools have identified potentially \$4 million in reductions, so as of the time of their meeting on Monday, there was a \$2.2 million issue that had not been resolved.

She explained that of the \$6.2 million, staff has a recommendation on how those monies would be applied. She said that the schools' have had a reduction in the State monies that affects the teachers in the classroom and their federal stimulus monies have run out this year, a portion of which are used to fund teachers' salaries. She said that staff is recommending to decrease the expense and operating funding from the \$79.5 million, which the schools received this year, to \$76.8 million, and recommend that their funding for capital projects, which was originally estimated at \$5 million, be funded at \$1.5 million. She explained that last year in general fund cash, \$1.3 million went to the schools' capital funding. She said the balance came from bond savings. She stated an additional challenge is that debt service has increased by \$2 million as it relates to the schools.

Mrs. Coto also said as it relates to South Piedmont Community College (SPCC), the same proportionate funding was used with the public schools as it relates to SPCC's operation. She said that SPCC received no new funding. She stated that Dr. McKay came before the Board requesting that monies be set aside for purchase of the four acres at the entrance of the community college. She said that the proposed budget does not contain any dollars for the acquisition of that property or any dollars for SPCC's expansion to its campus.

Commissioner Rogers asked if the \$4 million in reductions that have been identified by the schools were one-time reductions or are those reductions sustainable. Mrs. Coto stated that she did not know where the reductions were made.

Chairman Simpson recognized and welcomed Dean Arp, Chairman of the School Board, and Dr. Ed Davis, Superintendent of the Union County Public Schools.

Chairman Arp stated that the idea is that as everybody shares in the pain, the schools want to share in the healing as well. He said that these reductions would be ongoing until such time as revenues would be increased, and they could be re-established. He stated a key piece of what they would be looking for is as the situation gets better, they want to share in the same percentage of increases as they have shared in the cuts.

Commissioner Rogers said her understanding was that the \$4 million in reductions was one-time funds. She asked if the \$4 million would carry the schools through this year or if it were sustainable. Dr. Davis responded that he thought it was sustainable depending upon future funding, but \$2.5 million of that amount is from current expense and \$1.5 million would be from capital. Commissioner Rogers asked if what she is hearing from School Board Chairman Arp is that in reducing the operating budget from \$79.5 million

number to \$76.8 million he is also asking that if revenues increase that the \$76.8 million number will increase proportionately. Chairman Arp agreed that this was correct.

Chairman Arp said that it is real important for the schools to keep the operating budget, because they feel that is the level of funding with which they have been successful in the school system. He stated as the discussions are continuing, possibly they will look at holding the funding at \$79.5 million and doing away with the \$5 million in capital.

Commissioner Rogers said that the starting point for the schools for the next fiscal year would be \$79.5 million as opposed to \$76.8 million. Chairman Arp agreed and said that it would be zero dollars in capital. Commissioner Rogers said that they are working toward a sustainable budget, and she needed to know from the schools what amount is sustainable. She said what she was hearing was that the \$79.5 million in operating is sustainable, and they can try and make the capital side work by coming up with cost savings throughout the year to use some of the operating costs to move to the capital.

Dr. Davis stated that he and Mrs. Coto had discussed flexibility; however, they did not discuss any numbers. He said basically what they were saying is they could probably find another million dollars. He stressed that to him it was more important to keep the operational figure at \$79.5 million or as close thereto as possible and make it work on the capital side out of those funds. Dr. Davis said he would make cuts on a year-to-year basis based on the needs.

Commissioner Rogers cited as an example the roof repair at New Salem Elementary School and repairs at some of the older schools, and asked if this were an example of what would be funded from the operating funds. Chairman Arp said that some of the other districts reserve the right to come back and talk with the Commissioners about emergency or outstanding issues that occur. He said that what they were saying is in order to achieve and close the gap, the schools would propose \$79.5 million with flexibility.

Commissioner Rogers asked Chairman Arp and Dr. Davis if they were to accept the \$79.5 million, what would be the expectations if the revenues increased. Chairman Arp responded to receive a proportionate amount equal to cuts received the same as they received the cuts.

Commissioner Rogers asked Chairman Arp and Dr. Davis about the schools' predictions for growth. Dr. Davis asked Mr. Karpinski for his comments regarding growth. Mr. Karpinski stated that one of the challenges is the schools still have growth and an operational challenge will be the retirement rates. He said that they were looking at increases in retirement rates in the range of 20 percent, and the health insurance is expected to increase as well. He said not only will the growth have to be absorbed, but also the retirement and health insurance rates for the existing locally paid employees, and then, as far as trying to keep the \$79.5 million whole, they can per State law, do minor capital projects such as repairing roofs as opposed to replacing roofs for operating funds.

Chairman Arp asked if with the cuts, will the schools be given as much flexibility as possible to meet the needs of the schools.

Commissioner Rogers asked if the schools were bound to go through the State for insurance or if they have the ability to shop around if the rates are increasing. Mr. Karpinski stated that the retirement is pursuant to the State, so there is no choice on that; the health insurance is State and part of that cost is passed to the employees. He said that the employees are going to have to start paying some on their health insurance where they never have had to do so in the past. He stated the only flexibility that they have are on general liability, and they are trying to work with the County on that issue.

Dr. Davis said he thought it was important for the Board of Commissioners to know if the current General Assembly's budget passes, the schools' cuts, when combined with federal funding, is over \$23 million. which is all operations.

Commissioner Rogers asked what those cuts typically fund. Dr. Davis replied that the specific cuts they are considering fund things such as non-instructional support [such as clerical staff and custodial staff, assistant principal, instructional support, nurses, guidance counselors, media specialist, career and technical education teachers, teacher's assistants, and teacher's assistants would be taking a 49 percent cut in this equation], etc.

Commissioner Rogers said that she had spoken with Senator Tommy Tucker and Representative Craig Horn and told them that one of the things that was needed is a funding formula for the schools. She asked if the schools were working with the representatives on a funding formula. Dr. Davis stated that because the County has grown so much and hired so many new teachers, much of the County's allotment is position allotments, and teachers newer in their careers make less money than more experienced teachers. He said that Union County has a higher rate of teachers with less than five years of experience than many of the other districts.

Commissioner Thomas expressed appreciation to Dr. Davis, Chairman Arp, and Mr. Karpinski for attending today's meeting. He said that he has been following Dr. Gorham in Mecklenburg County, who has formed a task force to look at outsourcing, etc. He questioned what Union County Schools have done with regard to outsourcing. Dr. Davis responded that they have looked at it in the area of transportation, and have received a report on it, and also with regards to custodial services, but does not have a report on the study. He said that he thought it needs to be looked at on the basis of benefit analysis. He stated that the preliminary information he received in regards to transportation, but clarified that he had not seen a formal report, is that one company they talked with could save the schools approximately one million dollars. He said that he thought what they would give up for that million dollars, may not be worth it. He stated that he thought safety issues would be a big concern.

Chairman Arp pointed out that payment for custodial services is typically allotted from the State funds, not local. Commissioner Thomas asked if the custodial staff is required to be employees of the schools or could services be provided by an agency. It was clarified that they could be provided by an agency. Mr. Karpinski stated that he thought the difficulty they would find, and he was unsure of the status of the report, is essentially the way that would work would be cutting custodial hours to make them part-time employees. He said that over time the current employees might receive the same pay as they receive now, but going forward, new employees would be hired either part-time or benefits would be taken away. He said that he has talked with people in other systems and they have found less loyalty to the school system, the principals cannot tell these people what to do, and it creates other operational issues.

Commissioner Rogers says that many times when she drives into the school lot, that there are the custodial staff directing traffic. She said there are many different roles that they play because they are a part of the schools, and that would have to be taken into consideration with outsourcing. She stated that she is not against outsourcing, and if services can be outsourced, it makes sense to do, but the school family is unique in how people have dual roles.

Chairman Arp stated that he thought the position of the School Board is they want to investigate all avenues and cost saving measures. He said he did not know if that would directly affect the local situation. He said they would suggest working in partnership, such as with insurance, in terms of how they can partner with the County. Chairman Arp said whenever it makes sense, they want to investigate those options. He said they are not opposed to outsourcing but stated at the same time, he does not know if that will change the local condition.

Commissioner Thomas said his point is that the Board of Commissioners has had several teachers come and address the Board at meetings. He stated that he thought their concerns are extremely real. He said that anything that can be done that does not affect the classroom needs to be studied. He stated that the perception is that if more part-time people are hired, you can save a million dollars; and that scenario is working well in nursing homes across the state. He said that the reality is not as bad as the perception. Commissioner Thomas asked the amount of the schools' current fund balance.

Chairman Arp stated that with the proposal that has been discussed, the schools have a certain number of local paid teachers and salaried staff. He said with the cuts that have been identified, the majority of cuts proposed by Dr. Davis and presented to the board have been in terms of media assistance so they are losing personnel paid on the local funding, but in terms of classroom teachers, that is the schools' last resort. He said that with this proposal it does not cut teachers paid locally; however, local positions are being cut and supplements will be cut that affect every teacher. He stated that in terms of personnel in the classroom, the proposal, if they are forced to accept cuts other than those discussed, will be to the local positions in terms of classroom teachers.

Commissioner Rogers asked how this affects the class size. Dr. Davis responded that he thought it would depend on what happens with the State's budget. Commissioner Rogers further asked if the schools are not cutting or adding teachers but adding three percent to the population, what will the schools do about that. Dr. Davis said that he thought the class sizes will increase slightly.

Chairman Arp clarified that the \$79.5 million proposal will not affect teachers in the classrooms but it will affect the classroom. He said that media assistants and other personnel cuts that support the classrooms will be affected.

Dr. Davis said that typically the schools' current expense budget has grown and in some years it has grown tremendously because of the growth. He said that there is a de facto impact because as the schools grow, typically there would be additional state and local positions.

Commissioner Thomas repeated his inquiry regarding the schools' current fund balance. Mr. Karpinski stated that the schools provided Chairman Simpson with a projection of the fund balance. He said at the end of last year, they had a \$7 million fund balance of which approximately one-half million dollars were reserved by State Statute. He said that approximately \$3 million of the fund balance would fund this year's operations. He explained that the schools' worker's compensation program is self-insured which means there is a potential liability if people are hurt. He said over the five years that they have been self-insured, the fund has made approximately one million dollars. He stated that as of the end of last year there were \$2.7 million in undesignated fund balance. Mr. Karpinski said the estimate for the end of this fiscal year is approximately \$4.2 million of which they plan to use \$2.8 million to fund FY 2011-2012, which would bring the balance to \$1.5 million at the end of next year. He said that of the \$1.5 million, approximately \$600,000 is reserved by State Statute and \$900,000 would be set aside for the worker's compensation.

Commissioner Thomas stated that earlier in the meeting it was noted that the County has a liability of approximately \$5 million for funding of OPED benefits. He asked if the schools' Central Administration staff has received a pay increase in the last three years. He noted that County employees are looking at four years without having received a pay increase.

Dr. Davis said that he did not think there have been any raises for the schools' Central Administration staff. Chairman Arp stated that the top personnel is by contract basis. Mr. Karpinski added that for the last two years, there have been no across the board raises, and the year before that it would have been minimal at best. He said by the fact that a percent of the health insurance cost is being passed on to employees next year, the employees will in fact take a de facto cut.

Commissioner Thomas asked if it were possible for the Board of Commissioners to see a copy of the schools' current numbers, year-to-date projections, etc. Mr. Karpinski said that he has a sheet with a projection of the fund balance that has been given to Chairman

Simpson. Chairman Arp stated that the audited reports are posted on the website. Vice Chairman Johnson interjected that he thought what Commissioner Thomas was asking for was an updated report. Commissioner Thomas agreed that it was for an updated report.

Chairman Simpson expressed appreciation to the schools for the relationship that the County has shared with them thus far. He said that everyone understands that this is a trying time and thanked the schools for the sacrifices that they have made as an organization.

Parks and Recreation and Libraries:

Mrs. Coto reviewed the reductions in the Parks and Recreation and Library's budgets of \$600,000:

- Proposed fee increase adopted by Library Board - \$50,000

Schools:

Chairman Arp interjected that he wanted to clarify the status of the process. He said the schools are trying to meet the May 15th day for submitting the budget. He stated that they have a meeting tomorrow with the Schools' Finance Committee. He said that the schools have identified the \$4 million in reductions, and there is approximately a \$1.2 million gap. He stated that if they can hold the \$79.5 million in operating and hold the capital and have the flexibility, that is what they would ask of the Board of Commissioners. Dr. Davis stressed that the caveat would be that this proposal would be subject to the approval of the School Board. Dr. Davis said they have a Board of Education meeting next week and a tentatively scheduled work session on May 10. He said that they really need some indication of where they are in the process, so he can make a recommendation to the Board of Education. He said if he is to recommend to the Board of Education the \$79.5 million level funding and no capital, he needs to know there is reasonable support from the Board of Commissioners.

Mrs. Coto commented that her goal today is when the meeting is over that she has a very clear consensus from the Board on all aspects of the budget. She said she has to submit a budget to the Board of Commissioners in approximately three and a half weeks. She stated that her goal is on each of the topics being discussed today that she will be given a consensus from the Board. She offered to call Dr. Davis after the conclusion of today's meeting.

Chairman Arp expressed appreciation for working with the Board of Commissioners. He said that Union County has one of the most outstanding school systems in the State. He stated that there are several reports that show Union County Public School System is one of the most efficiently run systems in the State. He said that hopefully the Board of Commissioners can see that the schools are not

unsympathetic to the County's financial condition. He said that are trying to share in the reductions while maintaining the level of educational services that they provide.

Commissioner Rogers said she would make one correction to Chairman Arp's comments and that is that he said Union County has one of the most outstanding school systems, she stated she thought it was "the best." She said that the community supports the school system. She said she has always been a supporter of the schools, and she appreciates the schools trying to work with the County. She stated that the schools are the number one economic driver for the County. She stated that there are a lot of challenges but the goal is to have a sustainable budget.

Dr. Davis added that this is his sixth year of serving as School Superintendent, and he has been through the budget process six times. He said that the discussions that the schools had with Chairman Simpson, Mrs. Coto, and Mr. Cannon have been very straight forward, honest, and open and has been one of the best processes that they have had to this point.

Parks and Recreation and Libraries Continued:

Mrs. Coto continued her presentation regarding reductions to the Parks and Recreation and Library's budget as follows:

- Reduce Library Hours – effective May 2011
- Propose Delay Library Computer Replacement
- Propose Elimination of Parks and Recreation Athletic Association Grants - \$157,000
- Propose Eliminating Request for Jesse Helms Park Passive Area Expansion - \$315,000

Human Services Cut \$1.1 Million:

- No additional staffing - \$315,571 requested
- Capital Items not Funded
 - Vehicles Replacements - \$39,600
 - Computer Equipment - \$62,193
- Other Administrative Program Cuts - \$124,544
- Reduce/Eliminate County Funds for Non-Mandated Costs
 - WIC - \$18,617
 - Bioterrorism Grant - \$10,851
 - Susan Komen Breast Cancer Grant - \$7,097

- Dental Program - \$188,894
- Environmental Health - \$187,079
- Contract or Privatize Department of Social Services Program
 - In-Home Health - \$92,761
 - CAP Program - \$112,837
 - Group Home – continue to evaluate

Commissioner Rogers stated that she has received several e-mails regarding the Group Home and asked that Mrs. Coto explain what is being considered with regards to the Group Home. Mrs. Coto said that staff has been working with Social Services to try and determine what monies the County receives to support that program and what are the expenditures for the Group Home. She said that she did not have a dollar amount at this time as to what the savings would be if the Group Home was closed. She said she thought there would be savings but did not know the amount.

Mrs. Coto said that in discussions with other counties, they have found a solution other than a Group Home to address the needs of the children.

Commissioner Rogers asked if someone from Social Services could provide the Commissioner with how this has been perceived and if there are any specific areas that would have a huge impact on the County either in Social Services or the Health Department if these reductions are made.

Mrs. Coto said that the Dental Program in the Health Department serves 694 children and approximately 360 adults. She stated that when the program first started it was self-sufficient, and now the County subsidizes it almost \$189,000. She said that her discussions with Phillip Tarte, Health Director, is if they can arrive at a solution with the County not having to provide a subsidy, the County would be agreeable to it so that the program is self-sustaining. She stated that she personally does not believe the reductions in environmental health will have a serious impact on the level of services that the residents receive. She said that on the In-Home Health and the CAPS program, the County is looking at privatization on both of these programs.

Commissioner Rogers asked Chairman Simpson if the Commissioners could speak with County staff from the Health Department and Social Services present today. After receiving a positive response, she asked if staff wanted to add any comments or requests.

Phillip Tarte stated that they see over 2,000 visits a year through the dental clinic. He said that the program was originally set up on a sliding fee scale. He stated it is not a zero pay but is certainly not a 100 percent pay either. Commissioner Rogers asked if the program began sliding into the negative when the adults started receiving the services. Mr. Tarte said that two years ago the County

funding dropped from 20 percent to 15 percent, and last year it started increasing as a result of the fixed costs, in his opinion, for employees and having a decreased patient load. He said they did see an increase in the number of people qualifying for a lower reimbursement. He stated that the adults were incorporated into the program as a result of the findings on a client satisfaction survey for no shows.

Suzanne Moose of the Department of Social Services addressed the CAPS program. She said that there are 84 adults currently in the program and 38 children. She stated they would be able to receive the same level of service by privatizing the program.

Mrs. Moose stated that as far as the Group Home, the services would still have to continue to be provided to place the children in other facilities.

Commissioner Thomas asked if there has been an effort to identify some other parties that might be willing to help with funding the Group Home service, such as churches, etc. Mr. Cannon responded that it is difficult to put a number on the Group Home because of estimating the number of children using the services, where the placement would be, and the level of service required.

Outside Funding Agencies:

Mrs. Coto said that there had been discussion early on about trying to do a more systematic approach as to how to fund the outside agencies. She stated there had not been enough time to get information to the Board about a more systematic approach and not enough time to communicate with the agencies. She said that what she has done is to reduce the funding by five percent from their current year funding. Mrs. Coto stated that she has told all of the outside agencies that the County would be establishing a methodology for reviewing their funding, determining what degree of funding the County provides, and developing some suggestions to the Board for future years as to how they should be funded and whether or not all of them should be funded.

She said that she had talked about the courts, and she has not heard any repercussions from the courts on the recommendations for funding this year.

Future Year Forecast:

Mrs. Coto provided information showing projections of how future years would look if the Board takes the actions discussed today. She said the reason that she stated that this was a good news slide was when the Board met on March 17th, before many of these recommendations were made, the deficit for FY 2015 was \$56 million.

- Current projections reflect projected budget deficits
 - FY 2013 - \$4.7 million
 - FY 2014 - \$5.6 million
 - FY 2015 - \$7.2 million

Mrs. Coto reviewed some of the assumptions that have been included:

- Assumptions
 - 2.0 percent Pay Adjustment
 - Corresponding Changes in Other Payroll Costs
 - 8.5 percent – 9.5 percent Health Insurance Cost Increase
 - 1.5 percent increase in Operating Costs
 - Additional Staffing
 - Sheriff's office
 - Veterans Services
 - Social Services
 - Health Department
 - \$1.5 million reduction for one-time use of Debt Reserve Funds
 - \$1.1 million increase for one-time Debt Service in Communications

Commissioner Rogers asked if there is anything in today's presentation as it relates to fund balance and the monies anticipated from the hospital. Mrs. Coto stated that there is nothing in the presentation regarding the hospital as there is nothing to report.

Volunteer Fire Department Funding:

Chairman Simpson introduced Johnny Blythe, President of the Fire Chiefs Association.

Mrs. Coto acknowledged that Mr. Blythe has been very helpful to her in making sure that the Fire Chiefs respond to her requests. She said as was discussed on March 17th there is a significant gap between the funding provided last year and what has been requested this year. She explained that in the FY 2010-2011 budget, the volunteer fire departments' budgets totaled \$7.6 million. She said that with the recommendations she would be presenting today, that will increase to \$7.7 million. She said that in the shortfall and subsidy funding she is recommending \$386,061.

The Manager reviewed the following recommended parameters for the Board's Consideration for the volunteer fire departments:

- Consistent with County Operations Approach Inclusive of Sheriff's Department
 - No pay increases
 - No additional staffing
 - No new apparatus unless it has no net affect on the budget
 - No additional subsidy from County
 - In the long-term to eliminate the shortfall funding
 - Direction requested on increase in fire fee or tax rate

Mrs. Coto reviewed the following with regards to the departments within parameters:

- Bakers
 - Budget - \$437,050
 - \$55,050 increase/\$49,218 shortfall
 - Fire Fee presently is \$61.27 – Manager recommends increasing the fire fee to \$66.00 (7.7 percent increase)
- Fairview
 - Budget - \$152,802
 - \$13,702 Increase/\$24,454 Shortfall
 - Fire Fee presently is \$59.23 – Manager recommends increasing the fire fee to \$71.87 (21.3 percent increase)
- Griffith Road
 - Budget - \$94,082
 - \$4,000 increase/\$2,597 shortfall
 - Fire Fee presently is \$71.53 – Manager recommends increasing to \$71.90 (.5 percent increase)
- Jackson – Mrs. Coto said this station asked for no increase.
 - Budget - \$126,587
 - No increase/\$366 shortfall
 - Fire Fee presently is \$66.78 – She stated that all fire districts underwent a parcel adjustment to assure the correct number of parcels. She stated for this station, the fire fee would decrease from \$66.78 to \$64.04.

Commissioner Rogers asked with the departments not having an increase, does that provide them the ability to have reserve funds. Mrs. Coto stated that for each department, she had requested that they provide her with their long-term apparatus replacement, long-term building needs, and what is needed for future capital reserves. She said that she was told in this situation they were fine well into the future. She said, in her opinion, moving forward to FY 2013, something needs to be done about establishing some capital reserves for the departments. She said in many cases the departments do not have a reserve fund. She said she would recommend that is something that needs to be addressed, but there was not enough time to address it this year.

- Lanes Creek
 - Budget - \$126,000
 - \$8,676 increase (replacement of engine but there was no net budget impact)
 - Fire Fee is presently \$81.65 (Decreased to \$79.94 because of parcel count adjustment)

- New Salem (One main station and two substations)
 - Budget - \$296,910
 - \$5,884 increase/\$10,570 shortfall
 - Fire Fee is presently \$82.75 - Manager recommends increasing to \$83.44 (.8 percent increase)

- Sandy Ridge
 - Budget - \$161,350
 - \$27,350 increase/\$25,291 shortfall
 - Fire Fee is presently \$72.14 – Manager recommends increasing to \$83.72 (15 (16 percent increase)

- Stack Road (Mrs. Coto has not been able to meet with the Fire Chief as of yet)
 - Budget - \$147,010
 - \$8,785 increase/\$19,585 shortfall
 - Fire Fee is presently \$69.63 – Manager recommends increasing to \$81.94 (31 percent increase)

- Unionville (main station and substation)
 - Budget - \$328,379
 - \$17,750 increase/\$11,011 shortfall
 - Fire Fee is presently \$62.75 – Manager recommends increasing to \$62.95 (.3 percent increase)

She then reviewed the fire departments outside the parameters that added personnel, pay adjustments, or new equipment that affected their budgets:

- Hemby Bridge
 - Budget - \$1,253,500
 - \$101,400 increase/\$64,592 shortfall
 - Current tax rate - .0476 would need to increase to .0498 (4.6 percent increase)
 - Replacement of 1995 engine which was wrecked and repaired – experiencing significant repair costs
Manager recommends that they be allowed to proceed forward with the replacement truck based upon expenditures in repairs and maintenance

- Beaver Lane
 - Budget - \$260,850
 - \$30,150 increase/\$26,199 shortfall
 - Fire fee is presently \$74.91 – Manager recommends increasing to \$80.48 (7 percent increase)
 - Increase in pay: \$2 per hour
 - \$15,500 in A/C replacement and parking lot improvements
Manager recommends the AC replacement and parking lot improvements but does not recommend pay increase
Taking out the \$5,000 from the budget for pay increases brings the fire fee to \$78.43 versus the \$80.48 (4.6 percent increase)

Commissioner Thomas asked the amount of the average base pay. Mrs. Coto stated that in most of the fire districts that she spoke with the base pay is \$12.00 per hour, and they want to increase it to \$14.00 per hour. She stated that some of the departments use a tiered system based upon certain certifications.

Commissioner Rogers asked if it is known what the breakdown is on the number of paid firefighters versus the volunteer firefighters. Mrs. Coto said that there are probably only four departments with no pay for their volunteers out of the 18 districts. She stated the remaining departments are a combination of all volunteers or the volunteers receive some pay for call out, etc. She stated that she had all of that information by district that she would provide it to the Board. Commissioner Rogers said that she would like to have a five-year plan so that citizens have an understanding. Mrs. Coto said that she has spoken with the departments and told them she thinks a long-term plan needs to be developed as to their funding, and all are in agreement.

- Springs

- Budget - \$422,750
- \$43,646 increase/\$39,941 shortfall
- Current tax rate is .03 which would need to increase to .0334 (11 percent increase)
- Increase in pay and truck payment (Two increases are additional \$17,000 in new personnel costs and \$10,045 for truck payment) - If request is reduced by \$27,045 the shortfall would go to \$12,895 which means the tax rate would go to .0308 which is the Manager's recommendation
- Stallings
 - Budget - \$1,118,000
 - \$84,155 increase/\$60,934 shortfall
 - Current tax rate is .0428 which would need to increase to .0435 (1.6 percent increase)
 - Increase in staffing paid and volunteers (salary line increased by \$100,000 – Manager recommends leaving tax rate at present level and does not recommend new salaries, which reduce budget to \$1,031,564)

Commissioner Thomas asked, given the density of Stallings Volunteer Fire Department, are they unable to meet the needs of the community without additional paid personnel. Mrs. Coto responded that she thought in all situations that all the departments are struggling. She said if the Board is in agreement with the direction that she has laid out, she would ask that for the departments that she has made recommendations to modify their budget, that she have additional discussions with them as to what would be the implications if the budget is modified.

- Waxhaw
 - Budget - \$1,071,409
 - \$387,954 increase/\$378,548 shortfall
 - Current tax rate is .0370 would need to increase to .0572 (55 percent increase)
 - Increase in personnel to add a fourth shift (\$86,049)
 - Increase in 800 MHz radios (\$16,125)
 - Replacement of rescue
 - Purchase of two Quick Response Vehicles
 - Taking out the monies for personnel for the fourth shift and the new equipment, the department's budget would be reduced from \$1,071,409 to \$723,060 – did not have a tax rate -
- Wesley Chapel
 - Budget - \$1,441,732

- \$27,100 increase/\$31,166 shortfall
 - Current tax rate is .0220 would need to increase to .0222 (.9 percent)
 - Increase in pay from \$12 to \$14 per hour
 - Increase in paid personnel
- Taking out the increase in pay, it would reduce the department's budget by approximately \$30,000 – Manager recommends leaving tax rate at present level

Departments with Shortfalls with Max Fire Fee:

- Allens Crossroads – Mrs. Coto said she had not been able to meet with the Fire Chief
 - Budget - \$169,410
 - \$3,450 increase/\$65,415 shortfall
 - \$82.75 present fire fee – even if fire fee is increased to \$100 (21 percent increase), the shortfall is still \$42,861
 - Budget decrease of \$49,283 since 2008/09

Mrs. Coto stated that this is the only district that she is recommending shortfall funding. She clarified that her recommendation was to increase the fire fee to \$100 plus the shortfall funding of \$49,283.

- Wingate
 - Budget - \$283,633
 - \$4,999 increase/\$81,299 shortfall
 - \$82.75 present fire fee – even if fire fee is increased to \$100 (21 percent increase), the shortfall is \$42,696
 - New part-time secretary position within budget
 - 2008/2009 to present \$60,000 increase – Manager recommends increasing fire fee to \$100 but does not recommend the shortfall funding and requesting that the department find those dollars within its budget.

Commissioner Kuehler asked what amount of the department's budget comes from Wingate University. Mrs. Coto responded that amount is \$2,000. She stated that her understanding is the University does not pay into the fire fee.

Commissioner Rogers asked for a breakdown on the calls from the University. Mrs. Coto stated that she had a breakdown of the calls but was unsure if it shows how many calls are on the University's grounds. She stated that she could provide that information later to the Board.

- Providence – Mrs. Coto stated that there is ongoing dialogue between Wesley Chapel and Providence.

- Budget - \$584,750
- \$67,383 increase/\$449,853 shortfall
- \$82.75 present fire fee – even if fire fee is increased to \$100 (21 percent increase), (square mileage that department covers is only four square miles), shortfall is still \$426,402
- Loss of \$100,000 from Mecklenburg County (they have been advised that this year is the last year that Mecklenburg County will provide them with any subsidy)
- No commitment from Weddington (sought money associated with improvements that need to be made to the building, presently does not meet fire code, because there is no fire wall between dormitories and where the apparatus is stored. They have estimated the need for approximately \$450,000 to fund those building improvements. Mrs. Coto said that the department does have approximately \$400,000 on hand in cash.
- Increased hourly pay rate to night staffing (\$57,250)
Mrs. Coto stated that her recommendation is instead of paying cash for the improvements to the building, they might need to finance the improvements and look at cash on hand. She said that if the fire fee is increased to \$100 and provide no shortfall funding, its budget is \$157,475. She said that she thought she needed to go back and talk with the Fire Chief.

Commissioner Rogers asked how much the Fire Study had been looked at in overall comparison. Mrs. Coto said that she had read the Fire Study earlier. She said that it recommended that there be a consolidation of Wesley Chapel and Providence. She stated that as she recalled the Fire Study did not go into a lot of detail as it related to fire tax and the fire fee.

Commissioner Rogers complimented Mrs. Coto on the information that was provided to the Board in regards to the fire departments. She said it was the most information the Board has ever received for the fire departments, and it is exactly what she has wanted to see. She said she would like to hear what Providence's call volume is.

Commissioner Kuehler stated that Providence has always had a shortfall, and the County has not ever subsidized Providence. She pointed out that meeting the fire code so that the volunteers can continue staying overnight in the fire station is extremely important, because none of the volunteer firefighters can afford to live in that district.

Mrs. Coto asked the Board if she was proceeding in the right direction with regards to the fire departments. She said that she would like to go back to Beaver Lane, Springs, Stallings, Waxhaw, Wesley Chapel, Wingate, and Providence and have a final discussion with them before this becomes part of the budget.

Commissioner Kuehler asked if the Manager's recommendation for Waxhaw is that the replacement of the rescue vehicle and purchase of two Quick Response Vehicles would not be included in this budget year. Mrs. Coto stated that she has taken the same

approach that she has with other departments of having to recommend it operates one more year with what it has. She said that she did not get the impression that Waxhaw was unable to respond to calls, and that is why she wanted to go back to them one more time to make sure that she did not hear something clearly or make an incorrect assumption.

At approximately 10:45 a.m., Chairman Simpson called a short recess in the meeting. The meeting was reconvened at approximately 10:55 a.m.

Mrs. Coto stated that at the March 17th work session, there was some discussion about a vehicle registration tax. She said that such a tax could only be imposed to fund transportation programs. She explained that it would require a public hearing by the Board and would require that it go into effect six months after approval by the Board. She said that there are approximately \$200,000 to \$300,000 in costs with respect to the Transportation and Nutrition Program. She said if the registration tax were to be two dollars per license plate (maximum that can be levied is seven dollars per license plate), it would fund the shortfall in that program.

She stated that the other issue discussed at the March 17th work session was the Charlotte Area Transportation Services (CATS) funding, and if the vehicle registration tax were to be used as an alternate funding source for that program, one dollar would have to be added for each license plate.

Mrs. Coto stated that the present system with CATS of providing four trips per day cost approximately \$122,586. She said that CATS pays the same proportionate share and the ridership pays approximately \$101,000. She discussed the following options for this funding:

- Maintain the existing number of trips (four ([4] round trips/day) – She stated that she spoke with representatives of CATS and asked if one of the legs were eliminated both ways, what did they anticipate the new expenditure would be. She said the number provided was approximately \$86,000. She said that another option would be to eliminate the contract. She stated if the Board were to eliminate the contract, then her recommendation would be to provide the ridership with a couple of months' notice.

Commissioner Rogers asked Mrs. Coto had she considered the suggestions that had been received from the ridership. Mrs. Coto stated that one of the suggestions was to reduce one of the legs. Commissioner Rogers stated that another suggestion she had received was increasing the fare for the ridership. Mrs. Coto stated that was completely controlled by CATS, and she did not know if that was a possibility but probably was not.

Commissioner Thomas asked if there could be one trip coming into Monroe and then stop in Indian Trail. Mrs. Coto stated that much of the ridership comes from Indian Trail and a lot comes from Monroe. She said that without having seen a complete breakdown of the number of riders from Indian Trail and the number from Monroe, she did not know any way to define those individuals. She stated that her concern would be that there might be a portion of the population that could not make it from Monroe to Indian Trail because of having no transportation.

Vice Chairman Johnson asked for the amount of per rider subsidy that the County provides.

Commissioner Rogers said that she thought it was important to note that the riders are not asking the County to subsidize their trips, they want to have the transportation.

Vice Chairman Johnson said that many of the people that he has spoken with are willing to pay an increased fare. He stated that he thought if there is some combination of reducing the amount of trips plus a fare increase it would be a fair compromise.

Mrs. Coto asked if it was the Board's desire to continue this program and for her to go back to CATS and try and find a way to reduce the County's subsidy. She asked what amount of subsidy is agreeable to the Board.

Mrs. Coto stated that when staff prepared the recommended budget, it was not assumed that the Board would approve the vehicle registration tax, and full funding of CATS was assumed at \$122,586.

Commissioner Thomas suggested that it be limited to no more than one to two round trips per day. He said that he could not see asking the County to continue to subsidize the program at a very difficult time when it is facing the schools' funding, the retirement funding, etc. He said that without a doubt it is a very valuable program, but his opinion is for a maximum of two round trips per day.

Mrs. Coto stated that looking at the run times, she did not know what would happen to the ridership and the fare box if the trips were reduced to two per day. She said when she spoke with CATS that based on the ridership for each of the time slots, it was CATS' opinion that three trips per day was probably what would work because there would probably be some decrease in ridership.

Commissioner Kuehler said she did not disagree with anything that has been said, but if the majority of people are utilizing the program to maintain their income and that ability is eliminated, then that will hurt the County if they are not spending money in the County, etc.

Vice Chairman Johnson stated he was surprised to hear that many of the people who made comments to him were ones that had good paying jobs. He said he thought much of it is from a convenience and cost savings aspect. He asked that in speaking with the representatives of CATS, if Mrs. Coto could find out what CATS can do to work with the riders.

Mrs. Coto asked if it were fair to say that based upon the discussion she is to go back and talk with CATS as it relates to potentially eliminating a leg as well as potentially a fare box increase. There was no objection voiced by the Board.

She stated that she assumed the vehicle registration tax was off the table. No objection was voiced to this assumption.

She stated that staff had presented today a proposed allocation for the Public Schools of monies that would be provided to the school board. She said that the Board also heard the schools' alternative today. She said she has had discussions with Chairman Arp and Dr. Davis that they need to understand that by the County taking the school debt service and applying that to the \$7.7 million that is one-time money, and that is a challenge they will face next year because of the fact it is not recurring costs. She asked direction from the Board with respect to the schools' funding.

Chairman Simpson stated that he would like to hear a little more discussion with regards to the flexibility in the funding that the schools had requested. He asked if that created a problem for the County. Mrs. Coto responded that it does not. She said that the Board has the option of determining how it wishes to allocate the monies it provides to the schools. She said that the Board has not done that in the past. She stated that from staff's perspective, she did not know from a difficulty situation it matters how to arrive at the number. She said that from the schools' standpoint it could provide some challenges to them next year depending on how they use that allocation.

Vice Chairman Johnson asked if it is the understanding that the \$1.5 million and the \$2.1 million will be on the cutting block next year. Mrs. Coto stated that during the most recent discussions with the schools, it was indicated that any one time monies they were using was an issue they would have to deal with the next year. She said she thought they acknowledged that. She said that she thought they wanted to decide how the dollars are allocated versus the County determining how many dollars are allocated to operating and how much money to capital. She said that when she and Dr. Davis met on Monday, they were still \$2.2 million apart. She said today what she heard was zero in capital, so they have increased their participation, but still not to \$6.2 but to \$5 million.

Vice Chairman Johnson asked from where would the \$1.2 million come cut be made. Mrs. Coto said that as part of the budget process money has been set aside to start funding the OPED liability as well as putting money aside for emergencies. She said some of those dollars would be taken from those funds if the schools did not come up with the \$2.2 million.

Commissioner Rogers said that she was willing to look at the fund balance policy on the 16 percent reserve. She stated that she had a telephone conversation with Mrs. Coto, Mr. Cannon, and bond counsel, and she thought there was flexibility on the fund balance.

Commissioner Thomas said that the County cannot continue to print money and make money available and at some point everyone has to pony up. He said that he thought staff has done a wonderful job coming to the table. He stated that he had not been a part of the negotiations with the schools. He stressed that it is tough, and said that he did not feel that there is full cooperation when he had asked for documentation from the schools today, and he was referred to its website.

Mrs. Coto suggested that if the Board is unable to reach a consensus today on this issue, that perhaps the Chairman and she could meet with Chairman Arp and Dr. Davis and the respective finance directors to see if they are able to sort it out.

Chairman Simpson said he would like to have the feeling of the full Board. He stated he had asked the question of the Manager “Has the school board ever had a cut?” He said it was his understanding that they have been at level funding or an increase in funding as far back as could be remembered. He stated that this is the first time that they have come with a willingness to make cuts. He said that he and the Manager had spoken with Dr. Davis and Chairman Arp and tried to make them understand that the County was looking at budget deficits far into the future, and one-time monies could not be counted on. He referred to the study by Wingate University and said that it was not a rosy picture in terms of the County’s economy, but noted that quality of life and schools were pluses. He said that he looked at the \$2.2 million that was discussed which would be one million dollars on the County’s side. He said he would be happy to sit down with the schools and talk about it some more, and, as the liaison with the schools, that would be his suggestion.

Mrs. Coto said that she thought what the Chairman has suggested is that versus the \$6.2 million, it might be \$5.2 million that the schools are reduced.

Commissioner Kuehler stated she would agree as long as nothing prohibits them from having the flexibility requested.

Mrs. Coto asked if there was a consensus. Commissioner Rogers asked that the recommendation be repeated so that she was clear on what the consensus was being asked. Mrs. Coto stated that the school board reduced its budget by \$5.2 million.

Chairman Simpson said to be clear it was the \$2.2 million splitting the difference of \$1.2 million on their part and \$1 million on the part of the County.

Commissioner Rogers asked if that maintained the operating costs at \$79.5 million. Mrs. Coto stated that she thought there was some discussions that needed to take place. She said she wanted to make sure that by providing that flexibility, that the schools are using recurring costs so it does not end up with a significant problem next year that was not resolved this year.

Commissioner Rogers said that both Dr. Davis and Chairman Arp said they needed \$79.5 in operating costs. She stated she was agreeable with the \$79.5 million in operating costs. She said that if \$5 million needed to be cut from the capital to resolve it, that was fine. She said as long as it is the \$79.5 million in operating costs, she would agree to the consensus, but if it were anything else, then she would not consent.

Vice Chairman Johnson repeated his question of where is the source for the monies. Mrs. Coto stated that she would have to go back and review the funds allocated to emergency reserves. She said she thought it was doable and her goal would be to make sure the County maintains its fiscal stability to the greatest degree possible.

Mrs. Coto stated that she thought she had received clear direction from the Board as it relates to the volunteer fire department funding.

She reviewed information regarding the transfer station, the C & D (construction and demolition) landfill, and some capital improvements that need to be made at the landfill. She said at this time there are no recommendations for change in rates at the transfer station. She stated that the current rates for the municipal solid waste and C&D cover the operating costs.

Mrs. Coto discussed the following capital improvements for the landfill:

- \$1.5 million to remove and treat contaminated groundwater
- County has to submit a plan to the State for remediation
- State has approved plan for landfill
- Construction of those improvements to start in FY 2012

- \$500,000 for additional cover material for the C&D landfill either through equipment purchase to mine dirt from contiguous landfill property or contract
 - Solid waste permit requires the County to cover the C&D material on a weekly basis
 - Cover (dirt) stockpile is depleting

Mrs. Coto stated that the Board had discussed the drop-off sites at the March 17th work session, and at that time, staff recommended increasing the per bag fee from \$.25 to \$.50. She said that one of the issues that she and the Public Works Director have talked about is that the County does not differentiate at the drop-off sites whether they are 13 gallon bags or trash cans. She stated that they do think some refinement needs to be done, so possibly a 13 gallon bag could remain at a quarter but the 30 gallon bags need to be charged at a higher rate. She said that there was discussion about closing two of the sites: the Sun Valley site, which is in the incorporated limits of Indian Trail, and the Piedmont site, which is within the incorporated limits of Unionville. She stated that they met with the Finance Director and the Town Manager of Indian Trail, and they have a lot of interest in that site. She said they have not made a commitment but based on their citizens' survey, the citizens want more recycling opportunities. She stated that Indian Trail has asked for more statistical data from the County so they can do an analysis, and they should let us know within the next couple of weeks whether or not they are willing to assume the site. Mrs. Coto said one thing that remains unknown is about how the Town would provide service to the unincorporated residents surrounding Indian Trail.

She shared that they met with the Mayor of Unionville, and Mr. Goscicki is scheduled to go before the Unionville Town Council on Monday evening to present a proposal.

She stated that the New Salem site presently operates from 7:00 a.m. to 7:00 p.m. Tuesdays, Thursdays, and Saturdays. Mrs. Coto stated that staff is recommending that the New Salem site operates on Saturdays only.

She said that these recommendations reduce the deficit at the drop sites from \$443,932 to \$98,154 per year.

Mrs. Coto stated that staff believes that a system needs to be established for the drop-off sites other than a cash system.

She said that the solid waste operation total including the drop off sites is operating at a deficit of \$174,852, and much of that is because of the drop off sites and recycling. She said that the recycling program is costing much more than the County receives in return.

Commissioner Rogers asked if there are plans in place to reduce the deficit to zero. Mrs. Coto stated that recycling is a whole new challenge and much of it is based upon market as it relates to what is received in return for the products. She stated the only way to resolve that deficit would be to increase the landfill fees, which staff believes is appropriate at this time. She said that the shortfalls are currently being made up through reserves.

Commissioner Thomas requested that the Manager provide an update following Mr. Goscicki's meeting with Unionville.

Mrs. Coto stated that staff has studied other alternatives. She said that they have considered if the Sun Valley and Unionville sites are not closed but continue to operate, if their hours of operation are reduced, and the per bag fee is increased to \$.75, whether this would bring the drop off sites out of a deficit situation. She said that it would, but she was unsure on how palatable it would be in going from \$.25 per bag to \$.75 per bag.

Chairman Simpson asked if the issue of solid waste has been discussed in terms of privatizing. Mrs. Coto stated that she did not know. She said that the County does not have an operating municipal landfill. She said that staff could look at it, but usually the C&D, the municipal solid waste, and the transfer station are not nearly as attractive. She said currently there is no deficit for those two but the recycling and drop off centers are causing the deficit.

She suggested the County could, through a third party, have a disposal site. Vice Chairman Johnson asked if there was a way to roll everything into one contract. Mrs. Coto said those discussions could certainly take place.

Mrs. Coto pointed out that with a private company, the County might lose rate control.

Commissioner Kuehler asked if anything has been done about the County's recycling opportunities or capabilities. Mrs. Coto said that in prior years the County provided the municipalities with a recycling credit, which was eliminated last year.

Mrs. Coto stated that staff will continue to work with Indian Trail and Unionville, and she will provide the Board with an update regarding those discussions.

Commissioner Kuehler expressed appreciation for the level of detail being given to the fire departments. She said that these are conversations that needed to take place. Mrs. Coto said that the fire departments have been extremely cooperative and have welcomed the dialogue.

Chairman Simpson thanked Mrs. Coto and Mr. Cannon for the time that has been spent on the budget process.

With there being no further discussion, at approximately 11:40 a.m., Chairman Simpson moved to adjourn the special meeting. The motion passed unanimously.