

Approved June 21, 2010

Minutes of the
Special Meeting of
Tuesday, June 1, 2010

A special meeting of the Union County Board of Commissioners was advertised for Tuesday, June 1, 2010, at 9:00 a.m. in the Conference Room, first floor, Union County Government Center, 500 North Main Street, Monroe, North Carolina. The purpose of the special meeting was for the purpose of deliberations on the proposed 2010-2011 budget, and to take such action relative thereto as deemed appropriate.

A quorum of the Board was not present at 9:00 a.m. Commissioner Mills arrived at approximately 9:35 a.m., and a quorum of the Board was established at that time. The following were

PRESENT: Vice Chairwoman Tracy Kuehler, Commissioner Allan Baucom, and Commissioner A. Parker Mills, Jr.

ABSENT: Chairwoman Kim Rogers (who was sick) and Commissioner Lanny Openshaw, who was absent due to a flight cancellation

ALSO PRESENT: Al Greene, County Manager; Lynn G. West, Clerk to the Board of Commissioners; Jeff Crook, Senior Staff Attorney; Kai Nelson, Finance Director; Crystal Crump, Register of Deeds; Mark Watson, Personnel Director, and members of the press

Call to Order:

At approximately 9:35 a.m., Vice Chairwoman Kuehler called the special meeting to order and recognized Al Greene, County Manager, for comments.

Mr. Greene stated that he thought the Budget Message provided a good overview of the recommended budget. He said his budget message did not include how much he appreciated staff's work on the budget, and in particular the work of Mr. Nelson and the Finance Department. He noted that this is probably the last budget process in Mr. Nelson's career as Finance Director for Union County. Mr. Greene said that Mr. Nelson has done a tremendous job for the County.

Mr. Nelson provided the Board with an agenda for today's meeting and reminded that the next budget session is scheduled for Wednesday, June 9, at 9:00 a.m. He reviewed briefly the budget format. He pointed out that 80 percent of the County's budget comes from property taxes and sales tax and the next largest source is intergovernmental, which is generally federal and state financial assistance to fund Health and Human Services principally.

Mr. Nelson said that roughly two-thirds of the County's budget goes to fund the schools. He explained what is meant by assigned and unassigned revenues. He referred to the Child Support Enforcement Program, which is a program that the State recently mandated that the counties take over, accounting for approximately \$1.2 million in expenditures. He stated that the \$1.2 million is the gross number, and in terms of federal revenue, the County receives assigned revenues of approximately \$800,000 to operate the program. He said that the net County costs to fund the program is \$400,000. He further said that unassigned revenue is principally in the form of property taxes, sales taxes, some investment income, and revenues received from CMC-Union.

He referred to the Manager's Budget Message and stated that the total sources for unassigned revenues is actually down this year by \$2.5 million, but the County's net debt cost are also down by \$2.9 million. He stated that retail sales are down, and he estimated the County's sales and use tax receipts are down by 18 percent. He noted that the rental income from CMC-Union was budgeted in the current year's budget at \$1.4 million, because that was the amount received year before last, but it looks as though the rental income will be over \$3 million this year. He said that there has been a small increase in property taxes, and the tax collection rate has improved moderately year over year.

Mr. Nelson explained that in regards to lottery money, there is a 65/35 promise from the State that out of every dollar that comes to the counties, 65 percent would be distributed based on statewide ADM (Average Daily Membership). He said that 35 percent of the lottery dollars is set aside for those counties that have a tax rate that is higher than the effective average, and Union County is one of those counties. He stated that the Governor's proposed budget keeps the promise, and that is what is included in the Manager's Recommended Budget. He stated that the Senate's Budget proposal takes 100 percent of the lottery monies and

distributes them statewide, and under the Senate's proposed budget, Union County would receive two percent of that total which is one million dollars less than what is contained in the Governor's proposed budget. He said that the House's proposal is for one year to take the increase in lottery sales tax and divert it to the schools to save jobs (moves money from capital outlay to current expense).

He said that he thought there is a significant impact perhaps on the school system if there are less lottery proceeds and those proceeds are funding current expense operations. He stated that he thought the Board would probably be faced with reducing the pay go or reducing the schools' current expense. He stated the original intent was to use lottery monies at the local level for capital outlay and not for teachers.

Mr. Nelson stated that the original budget included a year-end estimate to use \$1.2 million in fund balance, but the current year-end estimate is roughly \$2 million to the good. He said that this is really occurring more because of the County's expenditures being under budget than because of revenues being over budget. It was pointed out that the increased revenues from CMC-Union accounts for almost that entire amount. He stated that he thought this was something for the Board to think about when talking about the budget in the coming weeks and looking forward to next year's results. He said that on the revenue side, he did not think much would be generated in terms of favorable variance in FY 2012. He said that if there are any savings, they would come from expenditures. Mr. Nelson said that historically in recent years, a great deal of that variance came from debt service where the County budgeted conservatively because of its potential exposure to variable rate debt in the hedged debt. He said that as more and more of that debt is converted to a fixed rate, it reduces the amount of contingency in the debt service, so there is less risk and less opportunity.

Mr. Greene said he thought this reflected Mr. Nelson's advice that before increasing the fund balance appropriation in the budget that the Board discuss it and understand the implications because there is not the same amount of flexibility that there has been in the past. He said that in the past few years favorable debt service variances have come from debt service and salaries and wages.

Mr. Nelson said that it is recommended that approximately \$9 million be transferred from the unreserved fund balance pursuant to the County's financial policies to either the capital reserve or a reduction in debt (16 percent).

Vice Chairwoman Kuehler asked if there are currently dollars in the Capital Improvement Plan that are unassigned. Mr. Nelson stated this was correct. Vice Chairwoman Kuehler questioned why another \$9 million would be transferred to capital reserve rather than issuing a tax cut.

Mr. Nelson responded that the answer was twofold stating that the Capital Improvement Plan is over \$200 million and includes libraries, schools, etc. and at some point the Board will have to begin to make decisions on these projects. He stated that the answer to the other question is if the Board does a tax cut, year over year the net cost of funding County government is approximately \$187 million. He said if property and sales taxes are reduced by \$9 million, then in the 2012 budget there is a \$9 million to \$10 million hole just for operations.

Mr. Greene added that Mr. Nelson was correct and there are two key issues. He said that financial planning is the first one and looking out beyond the current year in terms of the General Fund CIP. Secondly, he said the other key issue is it would be dipping in the savings and liquidating certificates of deposit to pay monthly bills. He stated that based on what is known on the County's future capital needs, it would be counterproductive. Mr. Greene said that he thought a final point is that of the \$9 million, staff is recommending that a significant portion of it go to capital expenses in the 2011 year.

Mr. Nelson reviewed slides that showed the number of County employees per 1,000 population. He noted that as the County's population continues to increase, the number of County employees per 1,000 population continues to decline. Commissioner Mills asked about Union County's ranking within its peer group in regards to the number of employees per 1,000 population. Mr. Nelson responded that he did not know the answer to that question. He explained that one of the reasons he had not focused on that number has been in part because of utilities. He said that Union County has 100 employees in water and sewer. He stated that many counties in North Carolina do not have water and sewer operations nor do they have the size of water and sewer operations as Union County. He noted that another area where the number of employees can become skewed is emergency medical services. He said that Union County contracts with Union EMS, and there are no full time employees for EMS because the County has contracted that service.

Commissioner Baucom said that he would hope that the reason why the trend line is decreasing on the number of employees per 1,000 population is because of technology utilization. Mr. Greene responded that he thought part of the reason for the decrease in the number of employees per 1,000 population would be efficiency, and the budget recommends improvements in technology in the coming year that hopefully will make the County more efficient, particularly in Social Services.

Mr. Nelson said that in the area of property taxes, when comparing the original budget with the recommended budget, the amount has increased. He stated that sales tax is impacting the County negatively and said that it has trended down around ten percent with a continued trend. He explained that this reduction has nothing to do with any further erosion in the sales tax, but it contains a full 12-months, which will be the first fiscal year of the Medicaid swap. He said that the assumption is that the retail sales tax will not rebound but will be flat over the current year's number.

He stated that had the Manager recommended all of the requests that were submitted, there would have had to have been a fund balance appropriation of almost \$18 million or a tax rate increase.

Water and Sewer:

Mr. Nelson briefly reviewed the water and sewer budgets. He stated that the recommended budget contains no rate increases for water and sewer. He said that there is a minimal amount of flow increases included in the recommended budget due principally to additional customers (one to one and one-half percent increase in revenues attributable to flows). He explained that the margins in connection with the water and sewer funds are becoming tighter and tighter. He stated that in 2009 approximately \$5.4 million were transferred to the water and sewer Capital Project Ordinance (capital reserve). He noted that in the current year's budget, the amount is estimated to decrease to three million dollars. He said that in the new year's budget all that will be transferred will be the capacity fees that are expected to be collected.

He explained that the capacity fees relate to capital costs incurred in connection with plants. He said that the capacity fees are not used for operating costs. Mr. Nelson stated that one of the reasons the margins are declining is debt service costs are increasing. He said another reason the margins are declining is because of the increase in the amounts of water being purchased from Anson. He stated that Anson's volumetric charge is approximately \$1.50, and Catawba's volumetric charge is approximately \$.60. He said that the impact on the system is increasing as more water is purchased per month from Anson County. Mr. Nelson said that he thought that some rate adjustments would be expected in 2012.

Solid Waste:

Mr. Nelson stated that there are several issues in connection with the solid waste budget, and these issues are addressed in the Manager's Budget Message. He said that in the current year's budget there were no cost increases budgeted relative to the County's transportation and disposal costs for solid waste. He said that the current year's budget assumed approximately \$29 per ton to transport and dispose of the municipal solid waste, and those costs increased in January. He explained that the increase (approximately \$137,000) was due in part because of a franchise fees imposition by Concord, which is where the County's contract provider currently disposes of the waste. He said that those cost increases were not passed on to the users of the system, and those cost increases are going to be aggravated next year even further with a CPI increase.

Mr. Nelson explained that the other issue in connection with the solid waste budget is that both the municipal solid waste (MSW) and the construction and demolition (C&D) waste streams are lower. He said that the County has certain fixed costs associated with operating the landfill and the C&D. He pointed out that a number of rate adjustments are recommended in the Manager's recommended budget. He stated that if these rate adjustments are not imposed, then the budget would have a deficit of approximately one-half million dollars.

Mr. Nelson said that part of the recommended budget includes a more comprehensive effort to study what kind of service and/or cost adjustments the County can make.

Volunteer Fire Departments:

Mr. Nelson stated that he would provide the Board with the same information as is contained on Page 51 of the Budget Book regarding the volunteer fire departments for the current year. He reviewed the departments' requests and the recommended amounts. He explained that a tax rate increase for Waxhaw Volunteer Fire Department was included in the recommended budget. He said that in the current year's budget, Waxhaw's operations were funded in part with \$110,000, which it had in fund balance. He explained that the reason that Waxhaw had a fund balance of \$110,000 was because it was one of the recent fire districts in terms of imposition of a fire tax, and distribution of sales tax is delayed a year. He said that the year in which the sales tax appeared, it was not budgeted, so on the County's books, Waxhaw developed a large sales tax fund balance. He stated that in the FY 2010 budget, the sales tax was appropriated.

He further noted that the recommended budget contains a recommended increase in Unionville's fire fee from \$43.73 to \$50.00 and Bakers' fire fee from \$40.21 to \$50.00.

Vice Chairwoman Kuehler questioned why Wesley Chapel Volunteer Fire Department's tax rate was recommended at 0.0191 with the County still subsidizing that department for approximately \$100,000. Mr. Greene responded that the recommended budget was trying to minimize increases in fees and tax rates. He said that with Waxhaw, the County was in the position either to have to raise Waxhaw VFD's tax rate or increase general county funding to that department.

Commissioner Mills asked if staff could run a comparison showing the maximum fire fees for all the departments at \$50 and the fire tax rates necessary to bring the County's subsidy to the departments to zero. Mr. Nelson said that he would present a modified spreadsheet to the Board.

Building Inspections:

Mr. Nelson discussed the graphs on Page 53 of the budget book showing the County Building Permits. He said that the single family residential permits have been approximately 50 permits per month since October of 2008. Mr. Greene explained that the blue and yellow lines on the graph represent a range of what staff has developed to be an acceptable range of inspections per hour per inspector, which shows the range to be 1.25 to 2.50 inspections per hour per inspector. He said that ISO's recommended number of inspections per hour per inspector is one. He stated that under any scenario, the County's estimation of what can be accomplished is in excess of ISO recommendations.

Register of Deeds:

Mr. Nelson referred to a chart on Page 54 of the Budget Book showing the number of Transactions/Pages Processed Per Employee Per Day in the Register of Deeds' Office for the period from July 2006 through March 2010. He explained how the number of FTE's (Full-Time Equivalencies) for the Register of Deeds' Office is calculated. He said that the number of transactions processed through the Register of Deeds' Office reached a peak in 2006-2007 and has declined since that time. He said that the graph shows that the workload per employee is declining. He explained that this decline has happened because the total number of transactions for the office is declining and also because the FTE's have increased for that office.

Mr. Nelson stated that the Manager's recommended budget includes 9.0 FTE's, three less than the current 12.0 FTE's.

Commissioner Mills asked what type of work the Register of Deeds' Office is doing more of: deeds or vital records. Crystal Crump, Register of Deeds, explained that due to the economy and the number of Substitute Trustee documents and foreclosures being filed, the indexing standards for that office are more stringent and more detailed. She said that the foreclosure documents require three times longer to index than a regular deed.

Mrs. Crump said that the graph shows only the documents being filed in her office and does not include the number of people coming into the office for assistance or vital records requests. Mr. Nelson said that the logs were recently pulled regarding the number of people coming into the Government Center from 2007 until today. He stated that those logs show that the number of people coming into the building has decreased by 40 to 50 percent.

Vice Chairwoman Kuehler asked about the difference in the amount of time being spent by the Register of Deeds' Office to process a regular deed compared to foreclosure documents and the percentage of increase in one of those transactions over the other. Mrs. Crump estimated the time for indexing a regular deed to be 45 minutes to an hour. She further estimated the time required for processing foreclosure documents to be three to four hours, due to the number of entries required to complete the transactions.

Vice Chairwoman Kuehler asked for an estimate of the increase for foreclosure transactions. Mrs. Crump responded that she did not have those figures but said she could provide them to the Board at a later time.

Schools:

Mr. Nelson referred to the graph on Page 55 of the budget book. He stated that the source for this information is the North Carolina Association of County Commissioners (NCACC). He said that a more extensive version of the survey is available on the NCACC's website. He noted that the counties shown on the graph are Union County's peer group which includes all counties with a population of 100,000 or greater. He stated that the Manager's recommended budget increases the \$61 in capital outlay/ADM for Union County to the average of all the other counties of \$75.29. He said that the recommended budget appropriation for pay go is approximately \$2.9 million. He stated that the schools have requested \$11 million in pay go capital.

Mr. Greene said that Mr. Nelson has raised the questions on numerous occasions about what amount is for operating and what amount is for capital. He said there probably are no standards among the peer groups regarding the standards, but in looking at the combined current expense and capital outlay for the peer group, it indicates a concern that much of what is being called capital in the Union County Schools' budget is treated as operating expenses in the other districts.

Vice Chairwoman Kuehler asked if the information contained on the chart was available for previous years. She pointed out that the chart did not take into account which counties are growing. Mr. Nelson responded that this information for a number of years is available on the NCACC's website.

Mr. Nelson reminded that as part of the mediation that took place with the schools several years ago, there was an agreement that a joint study would be completed on school finances. He said that one of the findings from the study was a list of benchmark counties and the counties that were selected by that firm at that time that were most representative of Union County were Alamance (Burlington), Cabarrus, Davidson, Iredell, Johnson, and Pitt.

He discussed the sales assessment ratio. He said that the average tax base available per student is \$581,401 in Union County. Mr. Nelson stated that Union County ranks third with the adjusted property tax base per student of \$625,368. He pointed out that Union County's actual effort for current expense per student is \$2,068.43, which ranks Union County first among its peer counties. The average current expense per student for the benchmark counties is \$1,645.46.

Mr. Nelson reviewed the School Benchmark Comparisons and the County's ability to pay. He said that based on wealth measures, Union County ranks number three among its peer counties on its ability to pay. He then discussed Union County's relative effort, which is calculated by merging the County's ability to pay with its actual effort. Mr. Nelson said that Union County ranks number two on its relative effort.

Capital Improvement Plan:

Mr. Nelson referred to the Capital Improvement Plan included in the budget book. He stated that a number of the recommendations by the County Manager relate to technology enhancements and Social Services has requested ten additional positions (none of which are recommended by the Manager).

General Fund:

Budgets were reviewed for the following:

1. Board of Commissioners
2. Central Administration
3. County Dues and Memberships
4. Internal Audit
5. Legal
6. Personnel
7. Finance
8. Tax Administration
9. Court Facilities
10. Elections
11. Register of Deeds
12. Information Technology
13. General Services

Mr. Greene pointed out that the bulk of the net increase of \$67,920 in Finance's budget includes \$50,000 for a potential contract for consulting services with Kai Nelson during the year. He explained that there are two primary reasons for this, one of which is that the County is getting close to offering the Finance Director's position to a candidate. He said that the County's financial management function is so complex, that it would be very helpful to the new Chief Financial Officer as well as for the Manager if Mr. Nelson were to stay to work on special projects in Finance, such as the annual audit, the debt management plan, and possibly the County's capital planning process. He further stated that the second reason for including the \$50,000 for a contract with

Mr. Nelson is there is the potential that the Assistant County Manager will be deployed during the year, and if that were to occur, the contract might also allow Mr. Nelson to assist Central Administration to fill in the gaps while the Assistant County Manager is deployed.

Mr. Nelson stated that the budget for Information Technology has decreased by approximately \$45,000, the bulk of which relates to the County’s ability to charge a portion of GIS to E-911. He said that another piece of important legislation now before the legislature is expansion of how the E-911 funds can be used.

Commissioner Baucom asked if the County has communicated its needs for this legislation to its legislators. Mr. Nelson said these requests have not been communicated to the legislators. It was suggested that this communication take place and also to provide contact information to the Commissioners so that they can make contact with the legislators. Mr. Nelson stressed the two significant risk opportunities in the new budget are the E-911 enhanced flexibility legislation and maintaining the lottery with the current promise.

The highlights discussed during the meeting for General Government are recorded below.

Department	General Government Highlights		Increases	Decreases
	Net County Increase			
	Amount	Percent		
Board of Commissioners	\$ (42,000)	-9.0%		\$20K legal services \$14K video programming \$3K food & provisions
Central Administration	\$ (43,079)	-5.6%	\$7K retirement contribution \$1K workers' compensation	\$11K part-time reduction \$5K separation allowance and OPEB \$34K purchase of agenda/minutes software
Co. Dues and Memberships	\$ (5,129)	-5.2%		

Internal Audit	\$ 1,393	1.5%	\$1K retirement contribution \$1K workers compensation	
Legal	\$ 5,072	1.6%	\$3K salary adjustments \$4K retirement contribution	
Personnel	\$ (44,697)	-6.3%	\$6K retirement contribution \$1K workers compensation \$7K retiree health pay go	\$37K one position not funded in FY11 \$12K position reclass; subsequently eliminated \$3K reduction in IDC Property Mgmt charges
Finance	\$ 67,920	8.1%	\$17K CFO overlap and higher compensation \$7K retirement contribution \$1K workers' compensation \$2K health insurance \$50K financial consultant	\$4K overtime reduction \$5K separation allowance and OPEB
Tax Administration	\$ (62,545)	-1.8%	\$7K salaries & wages (certification increases) \$5K increase in Board Member compensation (more mtgs scheduled) \$29K retirement contribution \$8K workers compensation \$15K postage rate increase	\$86K two positions not funded in FY11 \$18K Sep. Allow/Health Ins-OPEB \$3K Health/Dental insurance \$4K Printing & Office Supplies (Assessment) \$3K Maint & Repairs-Equipment (Assessment)

			\$3K revenue	\$6K IDC charges (Assessment) \$15K legal services (PTC)
Court Facilities	\$ 25,309	1.3%	\$83K adult probation rental lease \$4K property and causality insurance	\$30K IDC Charges \$32K Interest Expense
Elections	\$ (36,386)	-4.6%	\$166K municipal revenue loss \$56K State BOE revenue loss (maintenance)	\$166K municipal election costs \$78K May&June election (FY10) vs Nov election (FY11) \$11K reduction in postage \$4K reduction in telephone & communications
Register of Deeds	\$ (134,467)	-266.1%	\$7K retirement contributions \$2K workers compensation \$15K revenue	\$127K three positions not funded in FY11 \$5K office supplies \$19K 1X software enhancement – print controls \$4K IDC charges
Information Technology	\$ (45,949)	-2.6%	\$4K salaries & wages \$7K retirement contribution \$2K Telephone and Communications \$2K Insurance and Bonding	\$4K separation allowance \$9K Professional Services \$48K allocation of GIS to E911

General Services	\$ (91,602)	-58.3%	\$27K occupancy costs (maint., utilities, supplies, contracts)	\$108K in IDC charge outs
			\$7K retirement contribution	\$23K decrease in vacant property occupancy costs
			\$5K workers compensation	
	\$ (406,160)			
	\$ (406,160)			

Commissioner Mills complimented the Manager and Mr. Nelson for a good job in putting together the recommended budget. He said that he thought the County was in better shape financially than he had anticipated.

With there being no further discussion, and the time being approximately 11:55 a.m., Vice Chairwoman Kuehler moved to recess the special meeting until Wednesday, June 16, 2010, at 9:00 a.m. in the Conference Room, first floor, Union County Government Center.

It was noted by Mrs. West that the Board was scheduled to hold its regular work session on Wednesday, June 9, at which time the budget deliberations would continue.

Following the discussion, the motion passed by a vote of three to zero. Vice Chairwoman Kuehler, Commissioner Baucom, and Commissioner Mills voted in favor of the motion. [Chairwoman Rogers and Commissioner Openshaw were not present.]