Minutes of the Special Meeting
of the
Union County Board of Commissioners
April 28, 2009

The Union County Board of Commissioners met in a special meeting on Tuesday, April 28, 2009, at 10:00 a.m. in the Board of Commissioners' Conference Room, First Floor, Union County Government Center, 500 North Main Street, Monroe, North Carolina. The purposes of the special meeting were: 1) to discuss options related to the hospital, including lease, etc., and the financial implications related thereto; and 2) to discuss Capital Improvement Projects by public and/or private entities that may require, or request county funding. The following were

PRESENT: Chairman Lanny Openshaw, Vice Chair Kim Rogers, Commissioner Allan Baucom, Commissioner Tracy Kuehler, and Commissioner A. Parker Mills, Jr.

ABSENT: None

ALSO PRESENT: Al Greene, County Manager; Matthew Delk, Assistant County Manager; Lynn G. West, Clerk to the Board of Commissioners; Jeff Crook, Senior Staff Attorney; Keith Merritt, County Attorney; Kai D. Nelson, Finance Director; members of the press; and interested citizens

At approximately 10:05 a.m., Chairman Openshaw called the special meeting to order. The Chairman stated that the purpose of the meeting was to discuss alternatives for the hospital, either to pursue a lease or to consider the possibility of a sale. He opened the floor for discussion by the Board.

Vice Chair Rogers questioned if staff would be presenting information today to the Board. Kai Nelson responded that he had been asked about the potential of using proceeds from a possible sale of the hospital to pay off some of the County's debt. Mr. Nelson explained that the County's debt is unlike a residential mortgage. He said that when the

County issues debt, the standard convention in the municipal bond market is to issue 10 year non-callable debt. He explained that in part the reason that municipals do this is because it lowers their interest costs.

Mr. Nelson stated that after 10 years, the bonds are callable, and often are callable at some premium that can be one to two percent. He said that sometimes the premium is structured at par. He stated that the vast majority of the County's debt has been issued since 2001. He reviewed the schedule of debt beginning in 2001:

2001	Not callable until the end of 2011
2003 COPS	Not callable until 2013
2004 Variable Debt Rate	Callable at any time at par

He explained the challenge with the 2004 variable rate debt, as has been discussed with the Board previously, is there are underlying swaps on those two particular transactions (2004A and 2004B). He stated that the swap penalties on these would be approximately $8.5 million. Mr. Nelson said that during the Board's discussion of restructuring the County's debt, it was the staff's recommendation not to restructure the 2004A's and B's until perhaps some time in the future when the premiums for the underlying swaps were closer to zero. He estimated the total of this debt to be $65 million. In response to a question by Commissioner Kuehler regarding the interest rate on the 2004A's and B's, Mr. Nelson said that the interest rate was approximately 3.425 percent.

Mr. Nelson continued his comments by saying that while the 2004 bonds are currently callable at par, there is a huge premium of $8.5 million. He said that the 2005 bonds are variable rates and were recently refunded in a fixed rate environment. He said these bonds could not be called until some time in 2019 (approximately $70 million). Next, Mr. Nelson discussed the 2006 Certificates of Participation (COPS) for the schools, which are not callable until 2016. He stated that the 2007A, B, and C's are currently callable; their outstanding balance is approximately $110 million, with an underlying swap of $15 million. Again, he said staff could not recommend the defeasance of that variable rate debt because the premiums relative to the swaps are so high in the current rate environment. He noted that the total swap premiums for the 2004's and 2007's are approximately $24 million.

Mr. Nelson stated that there is a portion of the variable rate debt that is not hedged which represents a very small amount of the County's outstanding debt which is approximately $20 million. He said the original transaction was structured on the $20 million so the maturities would weigh out in the 2030's in order to prevent the County from paying principle on this debt, only interest. He stated that the rate yesterday was 50 basis points (l/2 of one percent).

He referred to the 2007D bonds for the schools which were issued in the amount of $90 million and are callable in 2017. He said that a new transaction was recently completed for $64.5 million with a call date in 2019. He stated that the reality is that most of the County's debt is unlike a residential mortgage because most of the County's debt is non-callable. He said with the debt that is callable, there are huge premiums. Mr. Nelson said that the debt, which, in terms of premiums, would offer the best opportunity is the $20 million.

Commissioner Kuehler asked if there were capital expenditures on the horizon for the County other than the schools. Mr. Nelson responded that the debt obligation on the radio communication systems being released, is approximately $9.5 million to $10 million. He explained that this would be a very short-termed final maturity of 10 years.

Mr. Nelson explained refundings and stated that the goal would be, at a minimum, to try to achieve a level relative to the investments that are equal to or higher than the interest that is being paid. He said it is most common to structure an irrevocable escrow agreement, which would be a decision on the part of the Board, that legally defeases the debt. He said that in doing so, it ties the hands of this Board and all future Boards relative to the escrow. He said that this is very common and typically new debt is issued to structure the transaction. Mr. Nelson said to the extent it is an irrevocable sinking fund, the yield is restricted on that particular transaction. For example, the debt to be refunded has an average yield of four percent, and in structuring the escrow yield, it cannot be structured in a transaction that is making six percent.

Mr. Nelson said that if the Board wanted to maximize the yield on any proceeds from a possible sale of the hospital assets, then the proceeds would not be placed in an irrevocable escrow agreement.

Commissioner Kuehler asked the amount of the County's current annual debt service. Mr. Nelson replied that next year's amount is $54 to $55 million, which is roughly a quarter of the County's budget.

At approximately 10:30 a.m., the Chairman called for a five-minute recess of the special meeting. The meeting was reconvened at approximately 10:35 a.m.

Chairman Openshaw stated that Vice Chair Rogers had asked about future capital expenses. He said that he had noticed from reading the newspaper, that the schools still have a number of capital expenditures, and said that those expenditures could be paid forward without incurring any debt to the County or any impact to the taxpayers. He said that the County also has infrastructure needs, etc.

Commissioner Kuehler asked if the sale of an asset, such as the hospital, could be used in the enterprise fund. Mr. Nelson responded that he believed this could be done as long as the funds were used for a public purpose. He said that in fact the County does this now, although on a very limited scale, with the self-help program. He said that given the County's needs for capital projects on the taxpayers' side, such as the jail, community college, etc., he would question taking the proceeds of a general government purpose and sending the proceeds of the sale of the hospital asset to the enterprise fund.

Commissioner Mills questioned if the hospital is sold to an entity other than Carolinas-Medical, and the lease is a part of the sale, then what incentive would there be for Carolinas-Medical to continue to invest money in the facility for the remaining 12 years of the lease. He said that would be an issue that needs to be weighed and he thought it would probably be a negative. He stated that what he was hearing from some of the Board members was discussion on selling the hospital and using the proceeds to pay off certain debts.

Mr. Nelson said that he thought there was much greater benefit relative to using the proceeds for future capital projects, and, therefore, avoid the issuance of debt relative to future capital projects as opposed to trying to structure a transaction where existing debt is defeased. He clarified that there is some opportunity with the $20 million debt. He stated that it was simply an economic analysis.

Commissioner Kuehler referred to the comments by Commissioner Mills that if the hospital were sold to an entity other than Carolinas Medical, then Carolinas Medical would have no incentives for investing future monies in the hospital. She said that the County is in an 11-year lease, and it has been said that Carolinas Medical does not want to make any future capital improvements because the lease is so short. She stated that the County has an asset that is currently not generating what it could be, whether through a new lease or the sale of the asset.

Vice Chair Rogers asked about the County's ability to incur additional debt. Mr. Nelson responded that the amount established by the Board pursuant to a recent policy is three percent of the assessed value. Vice Chair Rogers questioned how close the County was to that percentage. Mr. Nelson stated that he thought the current percentage was close to 2.6 or 2.7 percent. He said that what is driving the County's additional debt capacity is growth in the tax base. He stated that he had recently reported to the Board that the net tax base growth would be $400 million in the next year and three percent of $400 million would be $12 million. He said that when the tax base was increasing at one to one and a half billion dollars per year, the percentage for additional debt would be $30 to $50 million each and every year.

Mr. Nelson reviewed the three previous measures adopted by the Board to establish the county's additional debt capacity. He stated that the challenge was how to manage debt issuance when some of the measures indicated that there was additional debt capacity, while other measures indicated there was no additional capacity. He said that in September 2008, staff had presented a more refined debt policy focusing on assessed value. He stated that the other side of the question is "What do the credit rating agencies think?" He said that the credit rating agencies view the County's debt burden as moderate to slightly high, but not high or average.

Vice Chair Rogers noted that in the 2012 revaluation, given the state of the economy, the assessed value could decrease. Mr. Greene said that he thought the County's capital plan will probably look somewhat different than anticipated going forward, because on the expense side, some of the capital needs might have been curtailed a little by the economy but so has the growth in the tax base.

Vice Chair Rogers said that she is hearing from the taxpayers' perspective, there is approximately $500 to $600 million in debt which is the second highest debt per capita in the State of North Carolina. She asked how could this be reduced without a huge tax increase.

Mr. Greene said that he was trying to look at the purposes or goals of considering renegotiations of the lease or sale of the hospital. He offered that the staff would be happy to look at any available options. He stated that staff could look at the pros and cons of this purpose and offered if there are other pros and cons that the Board has in mind, staff could also look at those as well.

Vice Chair Rogers said that she thought the purpose was probably twofold: 1) to reduce the County's debt; and 2) immediate capital needs that are forthcoming. She said that the County is topped out, per the debt policy, on the ability to incur additional debt. She said that she understood what Commissioner Mills was saying about the remaining years on the current lease.

Mr. Nelson said that he thought it was important to note that even with the current outstanding hospital debt, the final maturity of that debt exceeds the expiration of the lease. He said that Carolinas Medical as a stand-alone has a limit, just as the County has a limit, on the amount of debt that it can support. He stated that to the extent that prior to the capital markets fallout, Carolinas Medical had $40 million in debt capacity, and that $40 million in terms of how to structure the repayment, would not have necessarily been limited to repayment in ten years (the remaining life of the lease).

Commissioner Mills questioned who would be responsible for the balance of the hospital debt. Mr. Nelson responded any successor of Carolinas Medical-Union.

Mr. Greene said that what he was hearing from the Board was 1) concern about the County's existing debt and the need to fund future capital items; 2) possibly the reduction of existing debt without adding to it; and 3) potentially using the sale or renegotiated lease with the hospital as a way of accomplishing this goal. He stated that he would include other options perhaps unrelated to the hospital as to how to accomplish those goals. He said that another question that has been mentioned in today's discussions is how to accommodate investment in the hospital given the current expiration of the lease. Further, he said there are other periphery issues if the hospital were sold: 1) what mechanism would be used; 2) what policy issues would need to be answered by the Board to structure a request for proposals or other solicitation; and 3) what are the pros and cons of renegotiating the lease or selling the hospital.

Commissioner Mills said that he thought there was one more aspect to consider if the hospital were sold to another party other than Carolinas-Medical Center, and that is to consider the doctors under contract with Carolinas-Medical. He asked what effect it would have on the medical services provided to the citizens of Union County.

Commissioner Kuehler asked if these issues would be addressed in the proposal process. Commissioner Mills questioned the hospital board's position and if these issues had been discussed by that board. Commissioner Kuehler said that she understood there have been several drafts of negotiations on the current lease and the indication was that Carolinas Medical was done and did not want to move forward. She stated that less than one percent return on the hospital asset is unacceptable stewardship of the taxpayers' dollars for the next 11 years because no one wants to move forward.

Commissioner Baucom asked if the hospital assets are a part of the County's assessed value. Mr. Nelson responded that by and large, they probably are not, because only that portion of those assets that are taxable from the property tax perspective would be included.

Commissioner Kuehler asked staff if there was an opinion on the appraisal that was recently completed of the hospital, and when it was completed, was there consideration of the 11 years remaining of the lease. Mr. Greene responded that there were adjustments made for the remaining term on the lease. He said that he did not know what might have happened to the value of healthcare facilities or operations since the time the appraisal was completed.

Mr. Nelson said that there were a number of valuation methodologies that were conducted in October in regards to the hospital. He stated one of those methodologies was historical sales. He said another methodology that was used was the recent financial performance of the hospital as well as its future projections. He said that looking at those projections into the future, they would be somewhat different today than last fall.

Mr. Greene referred to Commissioner Kuehler's question about whether the numbers on the hospital assets were valid. He said that he thought the numbers were valid as best as could be determined with hospital assets. He stated that he thought with utility systems and healthcare systems. a general idea on the value can be gained, but they are so complex and there are so many issues to consider, the value would probably not be known until a price is agreed upon.

Mr. Nelson said that even when the financial analysis was completed on the hospital last fall, the range was twofold. He stated there was a wide range of potential values.

Vice Chair Rogers said that many counties are saying they do not want to be in the business of owning hospitals. She stated that it is not because the taxpayers do not care but that it is not the counties' areas of expertise. She said as Commissioner Kuehler has pointed out that currently the County is receiving less than one percent return on the asset, and that the taxpayers are saying "Why are we holding onto an asset that the County is receiving less than one percent return when there is six hundred million dollars in debt?"

Mr. Greene said he had added to the list of concerns discussed today that maybe the return on the asset is not what it should be. He stated he thought Mr. Nelson's point was legitimate and the amount of influence or the ability to influence healthcare decisions in Union County going forward might have an effect on the sales price of the hospital as well.

Vice Chair Rogers added other issues that she had heard today to be considered were the buy back on the open market and tender. She said she thought the Board also needed to have additional information on defeasance.

Mr. Greene said that he was unsure of what was being referred to on the buy back on the open market and tender. The Chairman responded that the municipal bonds could be publicly traded.

Commissioner Mills questioned if the value of the hospital today in a down economy is less than the value that was considered last fall and will the value go up when the economy turns around and hospital revenues increase. He said he wondered if this was the right time to try and sell an asset in a down economy.

Chairman Openshaw responded that Commissioner Mills' question was a legitimate one, but stated that the problem is that the county is in historic difficult times and the citizens are feeling that pressure. He said that it is the Board's responsibility to be business wise in evaluating decisions.

Mr. Greene responded that unless there is a negotiated sale with an authority, he would think the tool that is used to solicit proposals would need to reflect the Board's concerns.

Vice Chair Rogers questioned if the lease were renegotiated and there were terms that were not acceptable to the Board, could the County withdraw from the negotiations. She questioned if this would also apply to a sale of the hospital.

Jeff Crook replied that there is a fairly involved process and the Board might want to consider as a preliminary consideration before soliciting for proposals a feasibility study to determine whether or not the valuation is proper on the building based on the evaluation that was done last year of the hospital's assets and whether or not now is a good time to even approach the subject. He stated that the County has a good lease for another 11 years and there is the benefit of time.

Vice Chair Rogers questioned whether it was a good lease with the return that the County is receiving. Mr. Crook said that when the lease was negotiated some years ago, it was remarked on by the Local Government Commission (LGC) that it was a good lease. He reminded the Board of the comments by Mr. Greene and Mr. Nelson that the hospital asset would not necessarily be considered in the same way as other County assets because of the contribution it makes to the community as a healthcare facility.

There was discussion regarding who would conduct a feasibility study. Mr. Crook offered that he thought this would require specialty help. Mr. Greene agreed with Mr. Crook and said that he believed even the drafting of a Request for Proposals (RFP) would require specialty help.

Vice Chair Rogers asked what the benefit would be of having a feasibility study versus a Request for Proposal. She said that it seemed to her to be double paying to have someone do a feasibility study and then paying to draft the Request for Proposal. Mr. Greene responded that it would probably be wise to identify a firm with such expertise to do the feasibility study and to possibly assist with the solicitation and to get input on what needs to be taken into consideration before making that decision. He said that he thought the costs of having initial discussions with such a firm would be much less than a feasibility study or an RFP.

Mr. Crook suggested that it would be money well spent. He said that having worked with the hospital over the years, he knew local government, but he did not have hospital expertise. He said that the Board should make an informed decision when it goes into negotiations about the hospital when deciding whether it is to extend the current lease or to sell the hospital.

Vice Chair Rogers questioned the source for the specialty basis, whether it would be attorneys with expertise from actual sales or someone with a medical background that considers the strategic value. Mr. Nelson said it would be the latter. He suggested that the Board should be prepared with respect to the commissioning costs. He said that in his research, he has found that whether it would be through solicitation with the County ultimately employing the specialized firm with the expertise to negotiate the best lease, or if it is through direct discussions with Charlotte Hospital Authority, most of the firms' fees are based on how good a deal they can get for the County. He stated that they are essentially negotiating on the County's behalf, and most of those transactions are on a fee basis.

Mr. Crook said that he thought it could be done short of having the firm negotiate on behalf of the County. Mr. Merritt commented that one of the problems with a fee structure is that the Board may make a decision that is not necessarily the highest price but may be based on other considerations.

Commissioner Mills asked if the Hospital Trustee Council should be involved. He said that the Board of Commissioners does have a relationship with the hospital board, and he thought they should be involved to some degree.

Vice Chair Rogers offered that if a lease is negotiated, there would be two different concerns: 1) the hospital board wanting to obtain the best deal possible; and 2) the County also should be doing the same. She said that the negotiations should take place at a different level for each of the parties.

Vice Chair Rogers said she thought there was a consensus that the lease cannot remain at its current status. She stated that it was not working for the County and she did not know that it was working for the hospital. Commissioner Baucom stated that he had a little different position on it in that his number one objective is for the citizens of the County to have the best healthcare, and secondary to that is the fiscal responsibility that the Board has to the County's citizens.

Vice Chair Rogers said for her, healthcare is important, but no matter who has the hospital, they will do the job, and there will be professionalism and a standard level of healthcare. She stated that with $600 million in debt, the County's capital needs, and the County receiving less than one percent return on the hospital asset, the overall question is "At what point does the County and taxpayers not want to be in the business of owning a property with a hospital on it?" She stated that she thought this was the question that needs to be addressed.

Mr. Greene said that he thought the staff had a good understanding of the issues, but it has not had a chance to discuss them. He suggested that in light of today's discussions, that the Board direct the staff to review the information discussed this morning and bring its ideas of an approach to the Board at a future meeting. He said that he thought they were on track with some initial discussions about experts for a feasibility study and request for proposals, but he thought it would be good for staff to discuss this information and bring its recommendations to the Board at a future meeting. He stated not to disparage the healthcare industry in any way whatsoever, the County enjoys a good relationship with a good organization. He said that there are a number of private corporate healthcare providers who are not as responsible and to simply sell the asset and walk away could put the community in a position where there is not a conscientious healthcare provider such as Charlotte Hospital Authority.

Vice Chair Rogers responded that she understood what Mr. Greene was saying but she was not looking at it as Charlotte Hospital Authority or Carolinas-Medical Center. She said that they are good hospitals that do a good job, but that she was looking at it from the standpoint that the County has an asset; the County has a huge debt burden; there are capital needs; it is an economy where taxes cannot be raised; and an 11-year lease that needs movement forward. She stated that she understood the staff's need to talk but, for her, she would like to see a little more movement whether it be through a feasibility study or other means.

Commissioner Kuehler stated that she thought staff had said that the hospital issue was out of its realm of expertise. She said that she understood that outside help was needed.

Mr. Greene said that he thought staff was capable of developing a strategy but that implementing the strategy itself would be different. Commissioner Kuehler said that she understood what the manager was saying, but what she did not understand is how to implement what is not known.

Mr. Greene said that this is the staff's first discussion of this very complex issue. Commissioner Mills said that if the purpose of selling the hospital is to reduce debt, then there are large fees associated with paying off some of the County's indebtedness. He stated that if the hospital were sold, then the County would still have the debt, because much of the debt cannot be reduced, and the County would then no longer have the hospital asset. He said that if the lease can be restructured, he would be much more in favor of restructuring a lease than selling the asset, especially in this down economy. Commissioner Mills stated that even if the lease can be restructured, he thought a big public relations problem would be the doctors that are associated with one hospital versus another hospital. He stressed that he thought this was an issue that really needs to be addressed. He said that this could have direct impact on healthcare in the County.

Commissioner Baucom said that there was a public relations component with not only the doctors' aspect, but also with the history of healthcare in the County. He stated that the hospital is a facility that has been owned by the County since its construction. He said that there are a number of citizens in the County who will be concerned with the hospital being sold.

Chairman Openshaw acknowledged that these concerns were legitimate; however, he said that the taxpayers would also be concerned with tax increases. He asked Mr. Nelson the total of the County's Capital Improvement Program. Mr. Nelson said that the schools have historically been the largest portion of the County's capital improvement program. The Chairman said that there would be some school debt, the jail, the radio towers, and a number of other projects in the capital improvement program. He stated that there are significant capital needs and spending this money in the future is as important as paying down debt to the past, because it will reflect in tax increases down the line.

Commissioner Mills said that he understood what the Chairman was saying but it would not preclude future Boards of Commissioners from deciding to spend the monies. He said that he would be much more receptive to renegotiations of a lease and still retain the asset. He stated that hopefully in the future, the County could work on repaying some of its debt. The Chairman responded that the problem is that there is currently a lease that is generating a modest return for the County.

Commissioner Kuehler said that it is not known what the hospital is worth. She stated that the County is not in a good situation and the hospital is not in a good situation with the current lease. She said that if the lease is renegotiated and the Board decides to sell the hospital when the economy turns around, then there is a 20 or 40 year lease. She said that there are a lot of unanswered questions.

Commissioner Baucom asked the Manager the amount of time that would be involved for the staff to analyze the criteria discussed today and to present its recommendations to the Board. Mr. Greene estimated that staff would need until late June to complete its work. He suggested that if staff could have until the first meeting in July, he thought it could bring to the Board some very credible information and possibly some additional questions that would need answers from the Board to guide staff in its next steps.

Commissioner Kuehler said that the beginning of July would be two months. The Manager corrected that it would be the beginning of June.

Commissioner Baucom moved to direct staff to go forth and bring back its thoughts and comments by the first meeting in June.

Mr. Greene clarified that the information that staff would present in June would be fairly broad with no analysis. Commissioner Kuehler questioned the rationale of not going ahead and talking with someone during that timeframe regarding a feasibility study. Mr. Greene said that staff probably would have conference calls with others regarding this issue. Commissioner Kuehler said she wanted some substantial movement and questioned when the information comes back from staff, would there be decisions to be made by the Board or more questions and answers.

Mr. Crook suggested that the Board identify its objectives before any decisions can be made. He said he thought there needed to be a consensus of the Board on its objectives before engaging someone to provide a feasibility study. He stated that he thought staff could try and identify all the issues for the Board to consider. Mr. Greene said that this would take place before any feasibility study is undertaken, and certainly a feasibility study would not be completed by early June.

Mr. Merritt stated that this would give staff an opportunity to identify the costs and to be able to define the parameters for the Board. He said also during this time period staff could formulate questions and talk with firms that could undertake this for the county and come back to the Board with this information.

Commissioner Mills asked if the hospital property would go through an upset bid process. Mr. Merritt responded that there is a statutory process that the County would have to follow in order to sell the hospital assets. He stated that is a fairly long and involved process. He explained that the County would need to try and solicit at least five bids for a sale of the hospital.

Vice Chair Rogers said her preference would be to go directly to the specialty firm and feasibility study. She stated that there is not in-house expertise, and that she thought if the Board went directly to the specialty firms, it would be a more efficient use of the time.

Mr. Greene stated that he thought the next month could be used to define the scope of the feasibility study. He said that he did not know if the feasibility study could be undertaken without more definition than is currently available.

Chairman Openshaw shared that one of his questions would be the valuation. He said that he thought the first step would be to go back to the appraiser that conducted the valuation last time and deal with it as moving forward. He said that he agreed with Vice Chair Rogers if discussions take place with the specialty firms during the next month, they could provide ideas about what the feasibility study is going to entail.

Mr. Greene commented that the feasibility study itself might require an RFP. Chairman Openshaw said that he thought to interview some firms now would be a great way to start. He said that it would be presumptuous of the Board to assume that it has all of the questions on the table now, and the specialty firms might add value to the interview process. Mr. Greene said that he could not offer a time frame for bringing in the specialty firms, because it would require time to identify the firms and to arrange meetings with them.

Vice Chair Rogers asked if John Crill, the attorney who had spoken with the Board at an earlier meeting, could take the lead in identifying the firms. Mr. Greene responded that identifying the firms was not that difficult but the difficulty would come in contacting the firms, arranging meetings, and obtaining letters of engagement to cover their expenses.

Commissioner Baucom repeated his motion to request staff to evaluate what has been presented today and to come back to the Board with additional questions or recommendations. Chairman Openshaw asked if the motion included approval for staff to meet with feasibility firms.

Commissioner Kuehler offered as a friendly amendment to the motion to including directing staff to begin that process as well.

Mr. Merritt said that staff and attorneys could contact some firms in the next month to provide more definition to some of the questions that might need to be considered. He said that this was part of what he anticipated doing. Mr. Greene said that he believed that was part of his suggestion, but what he thought he was hearing is the Board wanted staff to go ahead and pursue the feasibility study.

Vice Chair Rogers stated that she wanted to have representatives from the specialty firm speak with the Board so that the Board could get a good feel for the different options and the variables. Mr. Greene questioned whether this would be in an advisory capacity or would the Board also contemplate utilizing that firm for the feasibility study. He said if it is contemplated that the specialty firm would conduct the feasibility study, then it was critical that the Board understand the firm’s qualifications and is comfortable with those firms before bringing in firms with the notion that they may get additional work. He explained that the only way to evaluate the qualifications of a firm would be through a Request for Qualifications or a similar process.

Vice Chair Rogers said for her it is a lot of little different areas. She stated that one area is for the staff to have its conversations parallel to calling John Crill or someone else to talk about the feasibility study. She said that they could help the Board define the questions to ask.

Mr. Merritt said that he anticipated in the next month having informal conversations with some of the firms, not bringing them in and sitting down with them and getting into in-depth discussions with them. He said it was more or less identifying the firms and talking with them informally about the big picture, so a firm can be identified. He stated that he did not think it would involve formal discussions with a firm about representing the County in a feasibility study. He said that what he thought the Manager was anticipating was coming back to the Board during the first meeting in June and informing the Board of the staff's findings and the parameters of what apply and providing a recommended course of action. He explained the Board could then vote with a more informed direction from the staff.

Vice Chair Rogers questioned if the end goal of the staff's discussions with a specialty firm would be to identify a firm that would go with whatever option is decided by the Board. Mr. Merritt said that he thought it might have to be a formal RFQ process that is followed before the Board officially hires someone to undertake a feasibility study.

There was discussion about whether this could be done through the sole source exception. Mr. Crook responded that statutorily this was correct, but the Board's procurement policy requires that RFP's be done for the engagement of consultants for services.

Mr. Greene said his guess of the amount of work involved in a feasibility study would be considerable and good business practices might require an RFP or an RFQ in order that the Board could look at qualifications. Chairman Openshaw asked Commissioner Baucom if his motion included a Request for Proposals or Request for Qualifications.

Commissioner Baucom said that the motion included the discretion of the staff to determine what is needed and for staff to pursue its needs in discussions with whomever. He said it would be the Board's direction for staff to evaluate and determine what is needed and bring its recommendations to the Board. He clarified that the motion included staff's discretion to have discussions with whomever on whatever is needed.

Vice Chair Rogers said that she would like more specifics in the motion, as it was very broad. Commissioner Baucom said that the motion was intentionally broad because it provides the staff latitude to move in different directions and to come back to the Board with information. He said that he thought latitude is needed in this situation, because there has been a lot of information brought forth today.

Vice Chair Rogers said that she could not support the current motion because it is too broad. She said that she thought it is necessary for staff, so that it can move forward, to have a little bit more specifics so it does not spend time and then come back to the Board and then the Board say the information is not what it wanted.

Mr. Greene said that he thought staff understood what the Board was asking, and he thought if the Board would allow staff the latitude to go back and regroup, it could bring back specific recommendations on how to proceed. Vice Chair Rogers said that when the information comes to the Board in May or June, she wants there to have been specific contacts with specialty firms who understand the lease and sale aspects and understand more in depth the Board's variables.

The Chairman said that one of his concerns is that staff is spending a month being brought up to speed on the issues, but the Board is not being brought up to speed. He asked Vice Chair Rogers if she wanted to have someone come in and address the Board on some of the issues and give a general overview during this time. Vice Chair Rogers responded that she thought that would be a good parallel. She said that she thought the Board needed to be able to have the answers at the same time the staff receives answers. The Chairman asked if Commissioner Baucom's motion did not include this, would that be the next step. He questioned what would be the alternative to Commissioner Baucom's proposal.

Vice Chairman Rogers responded that the alternative would be to let staff talk among itself, allow Mr. Merritt to make some contacts and get ideas from some specialty firms, and at the same time have someone who has expertise come in and talk with the Board about some of the pros and cons and then the Board could make a better decision. She said that currently she did not have enough information to make a good decision.

Mr. Crook said that what he thought the Vice Chair was saying is there is some preliminary work to be done before bringing that person to the Board, and it will take some time to do so. He said that he knew the Board was concerned with losing time and about government taking a lot of time, but he urged that the Board take enough time to do the process correctly. Vice Chair Rogers said that the statutes lay out the process. Mr. Greene said that those are the requirements and stressed that the process is much more detailed and requires more thought and planning.

Chairman Openshaw said that he would like to have someone come in and give the Board an overview on the process. He said that he is not looking for a feasibility study but for someone to explain the parameters so the Board can start to think about the issues in conjunction with the staff. He said that he would like for the Board to receive updates on the staff's findings.

Mr. Merritt suggested that the matter could be resolved if the Board would accept a friendly amendment to the motion to invite John Crill to address the Board as far as an overview of dealing with the sale of the hospital assets. He said that since Mr. Crill has been involved with this matter before, he might be able to provide the input that some of the Board members feel is needed.

Commissioner Baucom responded that he understood what Mr. Merritt was saying and the only thought that he would have contrary to that is that lots of information has been presented. He said that he really thought if staff delves into this matter to some degree, there will be more questions to come back to the Board before going to the level suggested by Mr. Merritt.

Mr. Merritt said that if Mr. Crill comes to speak with the Board before June, possibly at one of the May meetings, that staff could also talk with Mr. Crill as well during that time period. He stated that it might be an opportunity to have Mr. Crill available where more information is shared and some of the questions are answered.

Commissioner Baucom amended his motion to include that Mr. Crill be available to come and address the Board. Chairman Openshaw suggested that Mr. Crill either address the Board at the first or second meeting in May or sometime in between. Commissioner Baucom reminded the Board that it does have a budget to deal with and he did not want anything to deter working through the budget process. He said that quite honestly he would rather have the hospital issues set for the first meeting in July and have the additional month for staff to work through the issues because of the budget process. He stated that he thought he was hearing from the Board, that the hospital issue is seemingly time sensitive, and he did not understand the time sensitivity because of the process that has been spoken to. He amended his motion to change the time for staff to come back to the Board to the first meeting in July, if agreeable. He offered that this would allow staff more time to work with John Crill and to schedule Mr. Crill to come back to the Board.

Commissioner Kuehler said that she was more amenable to the shorter updates as suggested by the Chairman as opposed to the longer period of time with more information. She stated that she would prefer to have the information as it becomes available.

Mr. Greene said that if the Board could give staff until July, it would allow Mr. Nelson to be much more involved in the planning process, which he thought would be important. He offered that staff would be more than happy to keep the Board updated on its discussions.

Commissioner Kuehler said that she would rather get the update in June.

Vice Chair Rogers asked the number of amendments that had been offered to the motion. The Clerk stated that she thought there had been three amendments offered to the motion.

Commissioner Mills questioned whether it was necessary to have the information about the hospital prior to adoption of the budget. He questioned if there were no urgency to have it before the budget, why not wait until after the budget.

Chairman Openshaw said that his take would be that there is an issue and the Board needs to start to address it. He stated that he was not a big fan of delaying, and he understood the importance of the budget, but he thought the Board could move forward with the hospital issue by having the interaction with either Mr. Crill or someone else. He said that he would also prefer to have some kind of thumbnail sketch on the appraisals of the hospital assets. He stated that there might be a point where the Board may decide not to proceed, but he thought it was time to move forward.

It was requested that Mrs. West repeat the motion and the amendments thereto. She stated that the original motion by Commissioner Baucom was to give direction to staff to determine the needs, to evaluate the data, and to bring the information back to the Board. She stated that Commissioner Baucom had agreed to amend the motion to include Mr. Crill’s involvement. She said that there was an amendment to have staff come back to the Board in June and then a further amendment for the information to come back to the Board in July.

Vice Chair Rogers added there was discussion about the aspect of having an appraisal and the Board's receiving periodic reports by staff. She suggested that there be weekly summaries of what staff is doing on the issue. She asked for clarification purposes if the amendments included having Mr. Crill to come back and address the Board at a future meeting.

Chairman Openshaw asked from a legal standpoint the status of the motion given the number of amendments that had been made. Mr. Crook responded that Commissioner Baucom made the original motion and has modified his motion. He said that he thought the motion is on the table with an amendment to add the periodic reports and the appraisal updates. He questioned whether Commissioner Baucom accepted the amendments to the motion. Chairman Openshaw said that the other amendment was for staff to come back to the Board, either in June or July. Commissioner Baucom said that was his amendment, and he accepted it being in July.

Vice Chair Rogers said that she thought she had heard that the time for staff to report to the Board on its findings would be flexible depending on staff's findings. Commissioner Baucom said that he would accept the amendment to include requests for periodic updates to the Board.

Commissioner Kuehler said that she thought the timeline was a little loose. Chairman Openshaw said that Commissioner Baucom's timeline was July. Commissioner Baucom clarified it would be after the budget.

The motion as amended failed by a vote of two to three. Commissioners Baucom and Mills voted in favor of the motion as amended. Chairman Openshaw, Vice Chair Rogers, and Commissioner Kuehler voted against the motion as amended.

Chairman Openshaw said that he was fine with all of the other components of the previous motion and amendments except he would like to have a June timeline implemented.

Commissioner Kuehler moved to direct staff to consider the information that has been given by the Board today and the directives as far as looking at the County's ability to sell the hospital assets and the Board's concern about debt, and for staff to have discussions and, as part of the process, to bring in John Crill to address the Board, and to answer any questions that the Board might have. The motion further included that staff work with Mr. Crill in answering any questions that staff might have and that a preliminary report from staff come back to the Board by June. Chairman Openshaw questioned whether Commissioner Kuehler's motion included the weekly summaries and the appraisal aspect.

Commissioner Kuehler said that if the timeline is for June, she did not need weekly updates. Vice Chair Rogers said that basically this motion differed from the original motion by Commissioner Baucom by the timeframe being June instead of July. Commissioner Kuehler said that the Board would be able to talk with Mr. Crill by June. Chairman Openshaw asked if the motion included the extension of the timeline if necessary. Commissioner Kuehler accepted the Chairman's suggestion.

The Chairman noted that the only change to this motion from Commissioner Baucom's motion was the change in the timeline from July to June. With there being no further discussion, the motion passed by a vote of three to two. Chairman Openshaw, Vice Chair Rogers, and Commissioner Kuehler voted in favor of the motion. Commissioners Baucom and Mills voted against the motion.

Discussion Regarding Capital Expenditures:

Chairman Openshaw stated there was one other issue for discussion.

Commissioner Kuehler provided the Board with a copy of a proposed resolution entitled Resolution of the Union County Board of Commissioners and moved that the Board adopt the resolution as presented, which is recorded below:

RESOLUTION OF THE UNION COUNTY BOARD OF COUNTY COMMISSIONERS

RESOLUTION NO: __________

Resolution to clarify the Union County Policy on Funding Third Party Capital Improvement Projects

Whereas, pursuant to N.C.G.S., Chapter **§ 153A-101,** the Union County Board of Commissioners has and shall exercise the responsibility of developing and directing the fiscal policy of the county government; and

Whereas, the citizens and taxpayers expect a full accounting of all funds expended by the county government to provide needed goods and services, including those services provided by contract with third party incorporated organizations; and

Whereas, the Board of Commissioners recognizes the valuable services provided to citizens of Union County by third party incorporated organizations; and

Whereas, the Board of Commissioners further recognizes the periodic need for capital improvements and additions to infrastructure by third party incorporated organizations in order to maintain or improve the level of service they provide; and

Whereas, the aforementioned third party incorporated organizations' primary source of revenue is derived from Union County taxpayers as administered by the Union County Board of Commissioners;

NOW, THEREFORE, BE IT RESOLVED by the Union County Board of Commissioners as follows:

1. The Board wishes to reaffirm their appreciation and commitment to contracted third party incorporated organizations, which provide important and necessary services.
2. As required by statue, the Board must perform its fiduciary duty and oversight of the budgetary process and expenditure of taxpayer funds.
3. The Board, in order to accomplish its responsibility, shall require all capital improvement projects or capital expenditures exceeding $10,000 be submitted for approval by the Board of County Commissioners prior to any funds being committed to said project or expenditure.
4. Furthermore, should a third party incorporated organization contractually commit itself to the acquiring of property or incurring of debt, which cost would typically add to the organizations budgetary support from the County, without the express act by the Board of County Commissioners prior to the acquisition of property or incurring of debt, Union County will not be obligated to fund said property or debt.
5. This resolution restates Union County policy.

Commissioner Baucom questioned whether the Manager and staff had reviewed the resolution prior to the meeting. Mr. Greene stated that he had not reviewed the resolution. Commissioner Baucom moved that the resolution be referred to staff for review and to bring its recommendation to the Board at a future meeting.

Commissioner Kuehler stated that she had a motion on the floor.

Chairman Openshaw stated that he would like to have time to read the resolution as presented.

Commissioner Kuehler explained that the basis for the proposed resolution was to assure that an outside entity or agency would know it would not receive any funding unless they talked with the County before committing to the expenditure.

Mr. Greene addressed several points of the proposed resolution. He said that third party incorporated organizations as referred to in the proposed resolution probably needs some defining. He explained that if the fire departments are included, there are probably two to three dozen organizations to which the County provides funding. He addressed Item Three in the proposed resolution. He suggested that it might be wise to separate capital projects or purchases from the issue of incurring debt. He said that these were two separate issues. He stated that often the County provides funding and the outside entity or agency also receives funding from other sources. He stated that if it is a one-time purchase, it is not known what monies are used. He said that he thought Commissioner Kuehler's concern was primarily issuing debt and the County in some way being obligated to repay the debt.

Commissioner Kuehler said that it is specifically stated in the statues that before some of the third party independent organizations that the County does business with can commit to spending the dollars, they have to obtain approval from the County. However, she said that language is not included in the statute for others such as auditoriums, coliseums, convention centers, emergency medical services.

Commissioner Kuehler added that some organizations could incur debt and then could request funding from the County after the fact. She said the County could always say no, but she preferred to have the policy ahead of time.

Vice Chair Rogers questioned whether schools were included in the third party organizations. She said that she supported the idea of not spending taxpayers' monies without the approval of the County Manager or the Board of Commissioners.

Commissioner Baucom questioned if the resolution was time sensitive. Mr. Greene said that all of these organizations could spend money without coming to the County once it is appropriated.

Commissioner Kuehler said that the proposed resolution is not directed specifically to any organization, but it is a policy that the County holds that she wants to make sure is reiterated. Commissioner Mills noted that there are two fire departments that have taxing authority that was voted on by the citizens. He asked how the resolution would affect the two fire departments that have taxing authority.

Mr. Crook said that he thought it was the same, whether it was a service tax district or a rural fire protection district; the County determines the levy.

Chairman Openshaw noted that Paragraph 5 says that the resolution restates Union County policy. He questioned the basis for that statement. Commissioner Kuehler said that the policy is for approval prior to spending taxpayer dollars.

Mr. Greene stated that he thought it would be wise for the Finance Officer, the Staff Attorney, and the Manager to spend time reviewing the proposed resolution. He said he was unsure of what the definition of third party incorporated organizations are, and whether it is referring to organizations that have contracts with the County or simply receive appropriations from the County. He said that he thought there needed to be a distinction made between expenditures and incurring debt.

Commissioner Kuehler said that if an expenditure is enough money that it would result in asking the County for additional funding, then the expenditure should be discussed with the County prior to the expenditure being made. Mr. Greene said that he believed Mr. Crook would agree that no third party could obligate the County in any way as referred to in Item 4 of the resolution.

Commissioner Kuehler said that she understood Mr. Greene's comments, but the history has been to say that the County will do the right thing and fix it after the fact. She said that she did not want to be put in that position any more. Mr. Greene said that he thought he understood what is trying to be accomplished through the resolution; however, he was not sure that the resolution, as drafted, is best. He stated that he thought the goal of the resolution would be capital planning for those organizations for which the County provides significant funding, so that the County is not placed in a position where the organization might incur debt in reliance on future appropriations from the County without first discussing the expenditure with the County and without a capital plan or some other plan in place. He said that the resolution, as drafted, would not require capital planning, but would require that the organizations come to the Board before incurring debt if they think they might need funding from the County to help pay the debt. He reiterated the request to allow him, the Finance Officer, and Staff Attorney to try and establish a better approach.

Commissioner Kuehler said that her concern is that she wanted it to be a known policy. Mr. Greene stated his concern if capital planning is required of all third party agencies, that the approval of those plans be by the Board of Commissioners and not another commission created by this Board such as the Fire Commission. He said that he believed that approval was the responsibility of the Board of Commissioners, and for good relationships and sound management practices, he thought the Board of Commissioners should retain that authority as opposed to delegating it to a citizens advisory board.

Commissioner Kuehler questioned the Manager's suggestion whether it applied to recommendations. She said if there is a recommendation process, hopefully there would be a better product by the time it reaches the Board of Commissioners for approval. Chairman Openshaw agreed with the Manager that any final approval should rest with the Board of Commissioners.

Commissioner Mills questioned whether the proposed resolution had been discussed with the Fire Commission. Commissioner Kuehler said that she had discussed the policy with the County Attorney. She said that she had discussed with Mr. Merritt about what to do if one of the organizations that the County provides tax dollars to goes into debt and then comes and asks the Board to increase its budget. She stated that Mr. Merritt's response to her had been to tell them the Board is not going to give them the money. She said that this is not what has been done in the past, and she is concerned that a level of expectation has been created. She stated that she wanted to make sure there is a stated policy.

Mr. Greene said that in reviewing the five items under the resolve provisions of the resolution, the two that really have an effect are Items 3 and 5. He said that he thought it was safe to assume that all organizations that the County provides funding to would not be able to spend $10,000 without approval of the Board. Commissioner Kuehler said that she thought it was that the organizations receive the majority of their operating income from the County.

Mr. Greene said as Item 3 of the resolve provisions is currently worded, it is questionable whether it would have any impact on Item 3. He referred to Item 5 which says that the resolution restates Union County policy. He said that he believed it would be prudent to review the County's financial policies that are being restated to make sure that there is nothing being restated through the resolution unintentionally that would cause concern.

After further discussion of the proposed resolution, Commissioner Kuehler withdrew her motion. Chairman Openshaw called for a vote on the motion by Commissioner Baucom. The motion passed unanimously.

With there being no further discussion, at approximately 12:25 p.m., Commissioner Baucom moved to adjourn the special meeting. The motion was passed unanimously.