



mecklenburg county

NORTH CAROLINA

FISCAL YEAR 2013 Adopted Budget

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For the Fiscal Year Beginning

July 1, 2011

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The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to Mecklenburg County for its annual budget for the fiscal year beginning July 1, 2011.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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Mecklenburg County Executive Leadership Team

introduction

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FY 2013



MECKLENBURG COUNTY

County Manager's Office

Fiscal Year 2013 Adopted Budget Transmittal Letter

Mecklenburg Board of County Commissioners Residents of Mecklenburg County

I am pleased to provide the Board and Mecklenburg County residents with the Adopted Budget for Fiscal Year 2012-2013 that totals \$1.43 billion. This amount is 3.4 percent more than the previous year's adopted budget, and an increase of \$47.7 million. In addition, I am pleased to report that this adopted budget will result in a property tax rate decrease of 2.44 cents.

Last year, I talked about how Mecklenburg County government was emerging from the howling winds of change, and beginning to find solid footing on more stable ground. During the current fiscal year, your County government is experiencing more stability; reclaiming vigor and strength and moving forward on a new normal course of **sustainability and affordability**. Although our healthier condition is influenced by the improved economy, it also is due, in large part, to the strong **fiscal discipline** exhibited by the Board.

Examples of **fiscal discipline** include:

- Adopting conservative projections on the assessed valuation and revenue projections;
- Continuing to invest in pay-as-you-go;
- Creating the debt service fund;
- Investing in the stewardship of our internal infrastructure to maintain County facilities and vital technology systems; and
- Targeting resources to the Board's critical success factors.

Because of this fiscal discipline, the adopted budget will enable us to sustain current services and implement necessary structural changes. It also enhances the **affordability** of County services by returning money to Mecklenburg taxpayers. In fact, the property tax rate of 79.22 cents per \$100 valuation is the lowest County tax rate in eight years.

One expectation of this combination of **fiscal discipline** and economic recovery is the accumulation of fund balance beyond projections. As a result, the FY2013 Adopted Budget appropriates \$14 million in excess fund balance to pay for one-time expenses in our reserve funds for facility maintenance and technology infrastructure. Consistent with this appropriation, the Board codified this use of fund balance as policy. The fund balance policy stipulates that excess fund balance will be appropriated only when it exceeds a defined target and only for the business imperative reserves, namely the Capital, Technology, and Fleet reserves.

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The adopted policy will also:

- Align the County's policy with new requirements of the General Accounting Standards Board;
- Set a target level for minimum fund balance;
- Designate how excess fund balance may be used;
- Define a time period for replenishing fund balance if the minimum is not maintained; and
- Strengthen the County's credit position.

It is important to note that we are not returning to the days of using fund balance for ongoing operations or to balance the budget. However, if we generate fund balance in excess of targets, our policy should dictate the course of action. Again, **fiscal discipline** is important in good times as well as during a bad economy.

For the most part, the FY2013 Adopted Budget funds County departments and other agencies to **sustain current operations** and current service levels. Therefore, with some notable changes, funding increases reflect annualized expenses, contractual obligations, and merit increases for County employees.

Funding for County departments increased by 3.01 percent, while operations funding for education services increased by 2.92 percent. Outside agency grant funding remained flat from FY2012.

The FY2013 Adopted Budget provides \$367.2 million for education funding – not including debt service. This includes \$340.1 million for Charlotte-Mecklenburg Schools operations, and \$27.1 million for Central Piedmont Community College operations. Of the \$340.1 million, \$18.6 million was placed in a restricted contingency fund that is contingent on all CMS employees receiving a 3 percent salary increase. CMS funding is a \$9.1 million increase from FY2012 to sustain current operations and to pay for the growth in student population. CPCC funding increased by \$1.2 million for its operations and the transition costs for WTVI public television station.

Public health services will transition from Carolinas HealthCare System to County operations on July 1, 2013. Our goal is to continue providing public health services at the same or higher level of quality without disruption of services to patients and the community. We also will seek a seamless transition as we build the staff of the County public health operations, which will include a clear and fair process in recruiting and hiring.

Although the full transition will occur at the beginning of the 2014 fiscal year, this timing requires us to fund and implement the start-up of the transition in FY2013. The transition start-up will cost \$2 million, including 17 additional Health Department positions that will be filled during FY2013, with the remainder of the positions being recruited for a start date of July 1, 2013. The start-up also will require new technology – hardware and software systems – to ensure a smooth transition.

In addition to the transition of public health services, the FY2013 Adopted Budget reflects changes in budgeting for behavioral health services. This budget does not provide deficit funding for Carolinas Medical Center-Randolph, a provider of psychiatric and behavioral health services. The adopted budget will use \$11.4 million in County and state funds for community-based mental health services in FY2013. This move will shift FY2013 fiscal year

funding to provide a continuum of safety-net services for children and adults. In collaboration with The Larry King Center, the County will use a community-driven process to identify the most critical behavioral health needs and propose to the Board how County funding should be used to achieve the best results. The first six months will be focused on developing services for children and teens, followed by similar steps to prioritize services targeted for adults.

This adopted budget also includes transition funds for the implementation of the Medicaid waiver service. We will carry forward \$10 million in unspent mental health funds to establish this function. These funds will be used to create and fill approximately 202 full-time positions and to build and operate the extensive technology infrastructure needed to carry out this state mandate. We anticipate these costs will be reimbursed from Medicaid funds.

The Board's authorization of the Fire Protection Service District Tax changes how we are budgeting for volunteer fire services in FY2013. This authorization creates five Fire Service Districts with separate tax rates to generate revenue to pay for volunteer fire services. This shift in revenue source eliminates the \$2.5 million subsidy of the volunteer fire departments from the general fund. This reduction accounts for 0.2 cents of the countywide 2.44 cents property tax rate decrease.

In the Law Enforcement Service District, a tax rate of 19.37 cents – an increase of 0.71 cents – is necessary to cover the cost of service. When combined with the Fire Service District tax rate, property owners in the unincorporated area will experience an increase of 5.71 cents to pay for police and fire services. When applied against the 2.44 cent countywide property tax decrease, the result is a net increase of 3.27 cents in the unincorporated area. This rate will vary in the Mint Hill extraterritorial jurisdiction, or ETJ, because the Fire Service District Tax is 2 cents more than the rates in the other Fire Service Districts. The total property tax rate throughout the unincorporated area is still lower than the combined County and municipal tax rates for residents in the City of Charlotte and the six towns.

The FY2013 Adopted Budget includes a few notable increases in funding to enhance services. First, the Board approved an additional \$811,000 to restore Sunday operations of regional libraries throughout Mecklenburg County. Second, the FY2013 Adopted budget includes \$997,000 in additional funding for the County's Park and Recreation Department to develop and operate two new parks opening in FY2013, expand the youth employment program from 30 to 45 youths, replace park maintenance equipment, and pay for rising utility rates.

Third, there is an additional investment in County employees. The FY2013 Adopted budget includes a 2 percent increase to payroll for performance-based pay raises, as well as fully restores the balance of the County's 5 percent match of employee contributions to their deferred compensation accounts.

County employees who are sworn law enforcement officers, by law, retained their 5 percent match while all other County and library employees experienced a cut in this compensation over the past three years. The increase from 3 percent match in FY2012 to 5 percent match in FY2013 ensures equity among all County and library employees.

Finally, additional funding is provided in the adopted budget in preparation for the next revaluation. Consistent with the presentation provided to the Board at its strategic planning conference, the FY2013 Adopted Budget appropriates \$500,000 to begin building a revaluation reserve. The Tax Assessor's Office received \$350,000 in additional funds for

more temporary labor and other resources to manage revaluation appeals in FY2013. In addition, \$2.5 million in the technology reserve is dedicated to upgrades and improvements in tax assessment software systems.

As we consider the stable ground upon which the FY2013 Adopted budget has been developed, the Board should be congratulated on the results of decisions made over the past year that were based on sustainable values. Decisions were focused on long-term goals rather than expedient, situational choices. These decisions have put us in the position of **sustaining our services** as well as reducing the tax rate needed to pay for these services.

Let us remain focused on what I refer to as the "catch basin syndrome." A catch basin is defined as a reservoir for collecting surface drainage and runoff. Mecklenburg County is viewed by some as the catch basin, collecting the drainage or runoff made by other government organizations. For example, CMS requested funding to offset funding cuts being proposed by the City of Charlotte for student resource officers. The Children's Theater also requested funding to offset cuts in City funding. In addition, CMS requested the County fund teacher pay increases, which is the State's responsibility, not the County's.

As the agent of State government, Mecklenburg County is already a "catch basin" for the State, whereby the North Carolina General Assembly can, and does, drain off its unwanted responsibilities to counties. A prime example is the State's mandate two years ago that counties assume responsibility for child support enforcement services. Another is the pending requirement that local area mental health authorities manage the Medicaid waiver function. In addition, Mecklenburg County has a history of voluntarily subsidizing unfunded or underfunded agencies of the State, with CMS and the court system being the two most notable examples.

Therefore, we should keep a vigilant and watchful eye on potential future drain-off items from the State because of the impact it places on County taxpayers. We also should be wary of voluntarily accepting this role as the catch basin for services that are drained from the State, City or anyone else because it is a role that affects the **sustainability and affordability** of County services.

The FY2013 Adopted budget does not attempt to restore all of what was cut over recent years, nor does it accommodate all funding requests. Instead, this budget reflects the Board's fiscal priorities and critical success factors, with an emphasis on continued **fiscal discipline** and the **sustainability and affordability** of County services.

I want to thank the Board for its leadership and thoughtful consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Harry L. Jones, Sr.", written in a cursive style.

Harry L. Jones, Sr.
County Manager

FY2013 Adopted Budget

Executive Summary—Operating Budget

The County Manager's FY2013 Adopted Budget totals \$1.43 billion; a \$47.7 million (or 3.4 percent) increase from the FY2012 Adopted Budget. The FY2013 Adopted Budget supports 5,268 full-time equivalent (FTE) staff. Of the total adopted budget, County dollars total \$1.06 billion; a \$39.1 million (or 3.8 percent) increase from the FY2012 Adopted Budget. The adopted tax rate is 79.22 cents per \$100 of valuation, a 2.44 cents (or 3 percent) decrease from the FY12 countywide property tax rate of 81.66 cents.

Mecklenburg County Tax Base

The ad valorem property tax is Mecklenburg County's largest source of revenue. The assessed/market value of personal property is subject to the property tax rate levied by the Mecklenburg Board of County Commissioners, per \$100 of value. The estimated assessed valuation for FY2013 is \$116.2 billion, a \$5.62 billion (or 5.1 percent) increase over FY2012.

A revaluation of real property occurred in FY2011. County officials anticipated increased revenue due to the revaluation, but were cautious in their estimate for two reasons. First, the Great Recession had just ended, although its effect lingered on the local economy. Second, because eight years had passed since the last revaluation, officials decided on a very conservative increase based on an estimated appeals loss rate of 40 percent.

However, thus far appeals value loss has been approximately 10 percent, resulting in the tax base being \$3 billion larger than initially projected. For FY2013, the County has revised its projected appeals loss rate to 20 percent to reflect actual experience with appeals losses and to better estimate the tax base and resulting tax revenue.

Assessed Valuation			
(In Millions)	FY11 Budgeted	FY12 Budgeted*	FY13 Projected
Real Property	\$82,704.40	\$93,496.80	\$97,406.60
Personal Property	8,443.40	8,026.70	8,426.50
Vehicles	6,233.30	5,807.70	7,333.40
State Certifications	3,135.70	3,535.00	3,321.10
Less: Elderly Exemptions	(206.80)	(289.20)	(287.60)
TOTAL	\$100,310.00	\$110,577.00	\$116,200.00
Percent Change	0.11%	10.24%	5.08%
Net Yield of One Cent	\$9,779,250	\$10,781,258	\$11,329,500
Tax Rate	83.87¢	81.66¢	79.22¢
Collection Rate**	97.50%	97.50%	97.50%

*Denotes revaluation year.

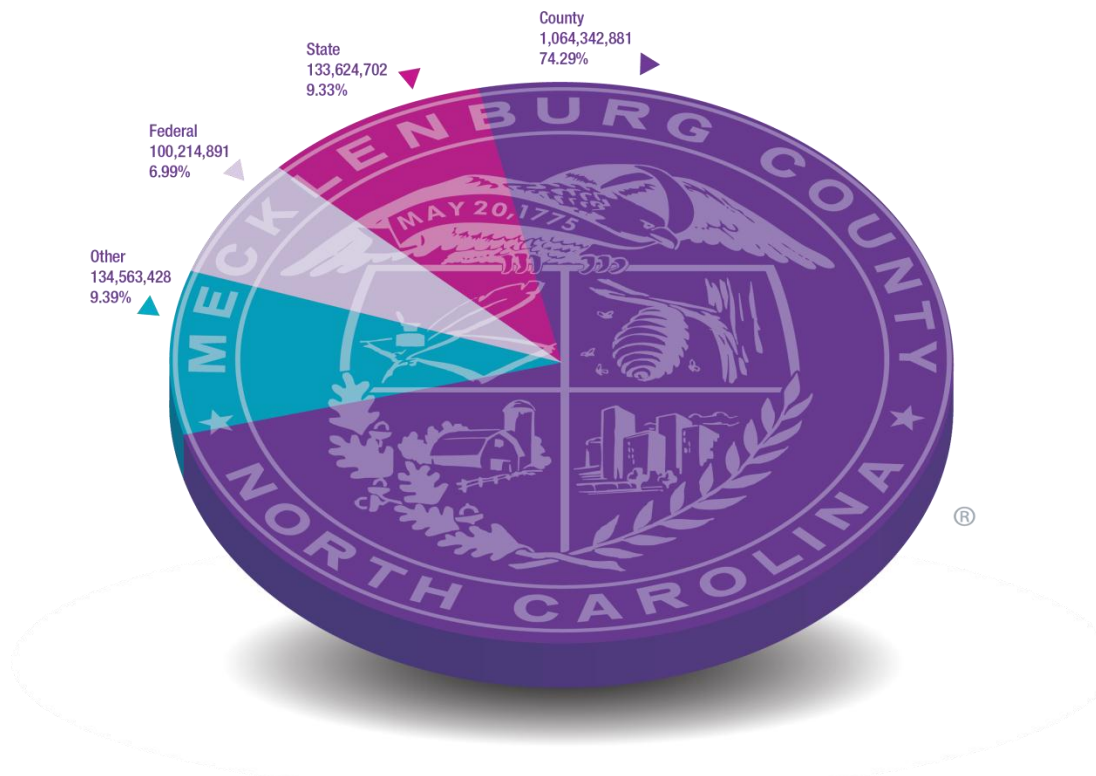
**Collection rate is based on prior year collection rate per statutory requirement.

Revenue—Where the Money Comes From

The budget is composed of revenues and expenditures. Mecklenburg County defines total revenue as County revenue, plus Federal, State and other revenue. The Board of County Commissioners has discretionary control over County revenue. Other revenue is not under the control of the Board, and can only be used for specific purposes.

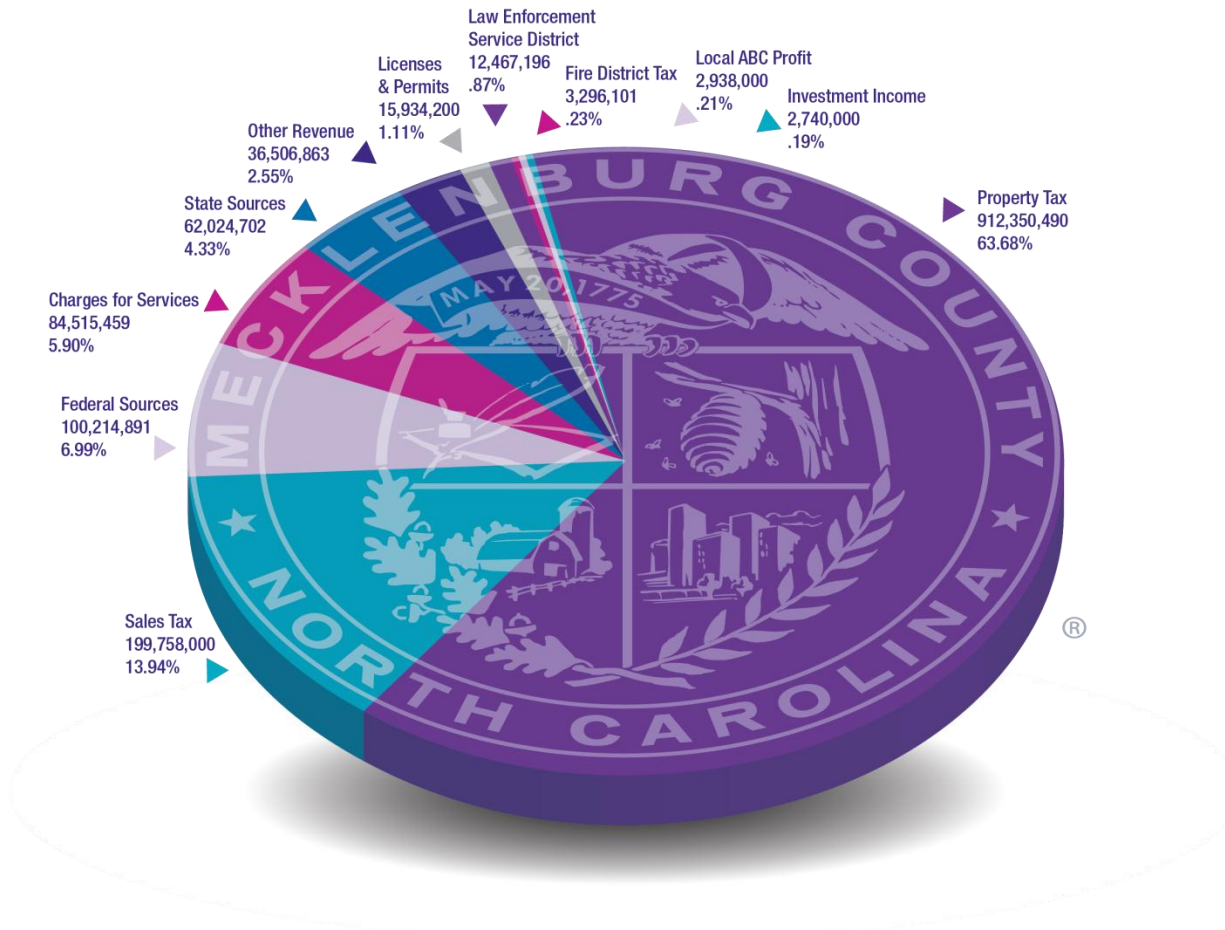
County revenue makes up 74.3 percent of all revenue, at \$1.06 billion. Federal revenue amounts to 7 percent of revenue, with \$100.2 million. State revenue is greater, at 9.3 percent of total revenue, or \$133.6 million. In addition, other revenue equals \$134.6 million and makes up 9.4 percent of revenue in the Mecklenburg County budget.

Chart 1: Mecklenburg County Revenue by Source



Property tax makes up the largest portion (63.7 percent) of total revenue at a projected \$912.4 million. Sales tax is the second largest source of revenue (13.9 percent) with \$199.8 million. Additional County revenue comes from the Law Enforcement Service District tax, charges for services, licenses and permits, and interest earned on investments.

Chart 2: Mecklenburg County Revenue by Type

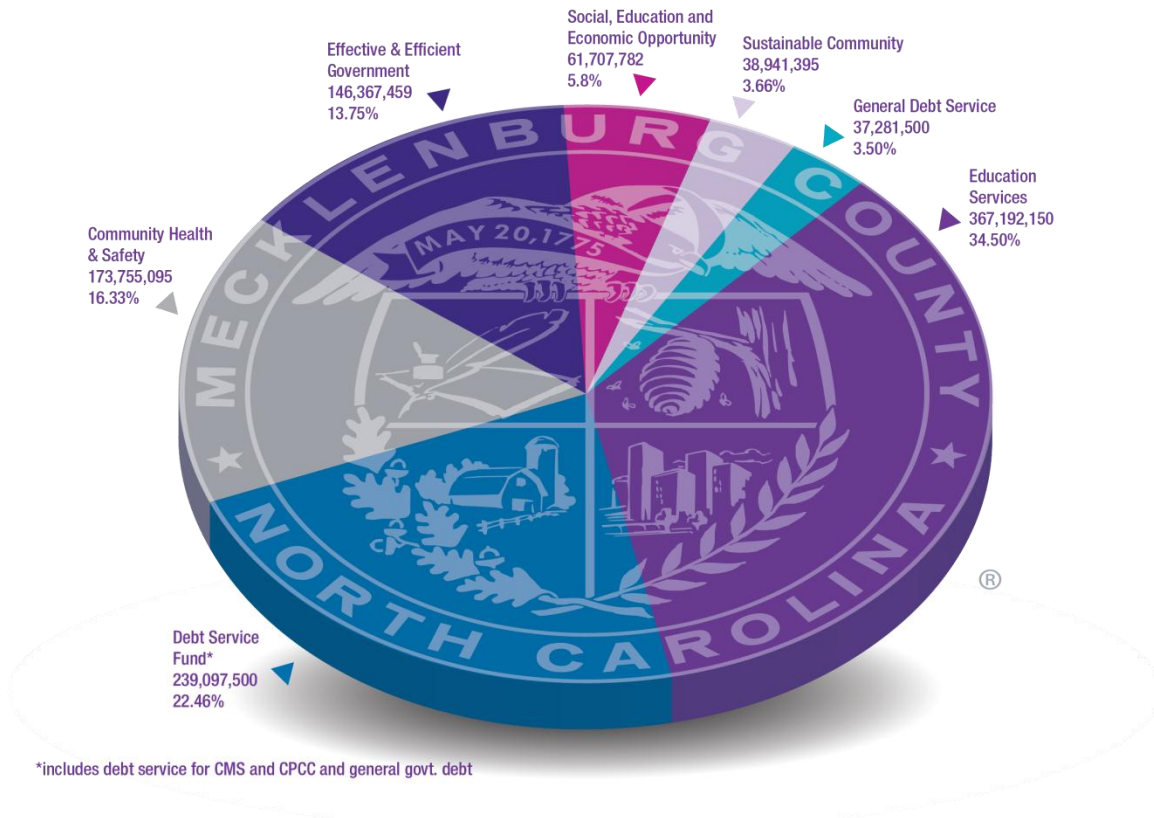


Expenditures—Where the Money Goes

Mecklenburg County categorizes expenditures as Debt Service, Education Services, or County Services. Each of these categories is described in detail in the sections that follow. Total expenditures amount to \$1.43 billion in the FY2013 Adopted Budget, of which \$1.06 billion is County cost.

The County services are categorized into four Focus Areas. Community Health and Safety, with \$173.7 million in funding, makes up 16.3 percent of County expenditures. Effective and Efficient Government, at \$146.4 million, comprises 13.8 percent of County funding. Social, Education and Economic Opportunity receives \$61.7 million, and amounts to 5.8 percent of County services. Finally, the Sustainable Community Focus Area, at \$38.9 million, makes up 3.7 percent of the County's expenses.

Chart 3: Mecklenburg County Expenses by Type



Expenditures by Priority

In addition to the Focus Areas, Priority Levels provide a way of categorizing funding in terms of the priority the Board has placed on each individual County service. The table below provides a view of the Manager’s FY2013 Adopted Budget by Priority Level.

FY13 Adopted Expenditures by Priority Level				
Priority level	County Funding	% of County	Total Funding	% of Total
Priority Level 1	\$650,119,398	61.08%	\$704,002,730	49.14%
Priority Level 2	195,164,559	18.34%	322,452,525	22.51%
Priority Level 3	158,733,097	14.91%	232,863,478	16.25%
Priority Level 4	47,227,697	4.44%	72,678,911	5.07%
Priority Level 5	7,656,391	0.72%	53,272,953	3.72%
Priority Level 6	4,577,791	0.43%	46,611,357	3.25%
Priority Level 7	863,948	0.08%	863,948	0.06%
Total	\$1,064,342,881	100%	\$1,432,745,902	100%

Debt Service Fund

Debt service is the annual budget appropriation for repayment of the County's outstanding debts for capital building projects such as government buildings, schools, parks and libraries. In FY2012 the County adopted a new strategy to provide for capital projects using the Debt Service Fund. The new model removes debt service from competing with other funding needs in the General Fund and provides a mechanism to determine debt capacity and generate fund balance.

The Debt Service Fund is used to provide a dedicated funding source for the County's principal and interest payments on debt, including debt service for Charlotte-Mecklenburg Schools (CMS) and Central Piedmont Community College (CPCC). The Debt Service Fund will help ensure compliance with adopted debt policies and will make debt service more intentional and less likely to be a potential strain on the annual operating budget. A more standard, structured method based on available funding capacity will be used to manage debt issuance for capital projects. The Fund includes County revenues dedicated for debt service - lottery funds, a portion of the sales tax, and ABC and investment revenues. Property taxes equivalent to 21 cents on the tax rate provide the majority of the revenue for the Debt Service Fund. The appropriations for the Debt Service Fund follow in the table below.

General debt service for FY2013 is \$77.5 million, a decrease of \$8.5 million. Debt service for CMS is projected to be \$154.3 million, a decrease of \$9.7 million (5.9 percent). CPCC debt service is projected to be \$16.5 million, a decrease of \$2.3 million. Debt service expenditures are decreasing due to the 2011 refunding bond issue which resulted in lower interest rates on fixed rate debt, as well as a reduction in overall debt issuance. Consistent with the funding model, the budget for the Debt Service Fund includes a budgeted surplus of \$41.5 million.

Debt Service Fund			
	Dedicated Debt Service Revenue	County Funding	Total Funding
CMS Debt Service	\$49,517,990	\$104,813,417	\$154,331,407
CPCC Debt Service	1,261,000	15,217,118	16,478,118
General Debt Service		77,554,305	77,554,305
Fund Balance		41,512,660	41,512,660
Total Debt Service Fund	\$50,778,990	\$239,097,500	\$289,876,490

Other Debt

The Debt Service Fund is used for the County’s bond and installment financing principal and interest payments. Other debt related expenditures, including fees and payment to the City of Charlotte for Park and Recreation bonds, are budgeted in the General Fund. In FY2013 this amount is \$3.3 million of County’s funding.

PAY-AS-YOU-GO CAPITAL FUNDING

In compliance with the Debt policy, the Board of County Commissioners adopted a Pay-As-You-Go (PAYGO) strategy to budget 3 cents of the tax rate for capital projects funding. Pay-as-you-go funding will reduce the impact of the capital program on future operating budgets by reducing the need for borrowing.

For FY2013, the Adopted Budget includes \$33.99 million for PAYGO, a 5.09 percent increase from FY2012, due to the increase in the value of a penny.

Pay-As-You-Go Capital Funding				
	FY 2013 Adopted	FY 2012 Adopted	\$ Change	Percent Change
Pay-As-You-Go Capital Funding	\$33,988,500	\$32,343,773	\$1,644,727	5.09%

Education Services

The County provides funding to both Charlotte-Mecklenburg Schools and Central Piedmont Community College for their operating needs as well as debt service costs associated with capital projects.

Education Services (County Funds)				
	FY13 Adopted	FY12 Adopted	Change	% Change
CMS Operating	\$316,577,051	\$326,039,101	-\$9,462,050	-2.90%
CMS Employee Salary Increase	18,555,613	0	18,555,613	100.00%
CMS Debt Service	104,813,417	120,557,000	-15,743,583	-13.06%
CMS Capital Replacement	4,960,000	4,960,000	0	0.00%
CMS Subtotal	444,906,081	451,556,101	-6,650,020	-1.47%
CPCC Operating	26,899,486	25,900,000	999,486	3.86%
CPCC-WTVI Merger	200,000	0	0	100.00%
CPCC Debt Service	15,217,118	17,567,000	-2,349,882	-13.38%
CPCC Subtotal	42,316,604	43,467,000	-1,150,396	-2.65%
Total Education Services	\$487,222,685	\$495,023,101	-\$7,800,416	-1.58%

Charlotte-Mecklenburg Schools

The Adopted Budget includes CMS funding of \$340.1 million, which is an increase of \$9.1 million or 2.8 percent, and does not include debt service costs associated with CMS. This increase funds items requested by CMS that are consistent with what the County defines as sustaining operations and student growth.

Central Piedmont Community College

The Adopted Budget includes CPCC funding of \$27.1 million, which is an increase of \$1.2 million (or 4.4 percent). Of this increase, \$200,000 is for costs related to transitioning the WTVI public television station under CPCC. Consistent with CMS funding methodology, the Manager is only funding items consistent with sustaining operations at CPCC. In addition, CPCC also received funding for their facilities needs through the County's capital reserve fund.

County Services

County dollars total \$1.06 billion in the FY2013 Adopted Budget. After removing Debt Service and Education Services from County dollars, what remains is the funding for the County's core service delivery functions. The FY2013 Adopted Budget proposes \$420.8 million in funding for County services, a \$12.3 million (or 3 percent) increase over the FY2012 level.

Organizational and Service Delivery Changes for Fiscal Year 2013

Health Department

On July 12, 2011, the Board voted unanimously to authorize the County Manager to end the County's contract with Carolinas HealthCare System (CHS) by June 30, 2013. As a result, public health services will transition from CHS to County operation on July 1, 2013. The County's goal is to continue to provide public health services at the same or greater level of quality without disruption of services to patients and the community.

Currently CHS provides approximately 75 percent of Health Department services. By assuming operations, the County will directly provide critical services to many of the most vulnerable members of our community, including school children, the disabled and low-income women and children. The County will be better positioned to know the true benefits and costs associated with these services and to identify opportunities to coordinate public health services with the County's other human services. Consistent with the Manager's FY2012 Strategic Management Plan, these changes will help the County move toward operating as a true Consolidated Human Services Agency.

Over the past year, the County and CHS began a collaborative process of information exchange and planning for the future provision of public health services. The FY2013 Adopted Budget contains funding and new positions to help the Health Department and the County's Business Support Services Agency prepare for a full transition in FY2014. As the transition moves forward this coming year, the County will manage a fair hiring process for new staff and provide further updates to employees, the public and the Board.

Medicaid Waiver

The State of North Carolina passed legislation in 2011 that requires counties to become part of a 1915(b)(c) Medicaid Waiver Managed Care Organization (MCO) by July 1, 2013. In compliance with this law, Mecklenburg County's Area Mental Health (AMH) Local Management Entity (LME) will become a Medicaid Waiver entity during FY2013, on January 1, 2013. This means that the County, rather than the State, will manage Medicaid payments to providers of mental health, substance abuse and developmental disability services. Mecklenburg County will have greater control over service delivery in a manner consistent with the needs of this community. The LME will operate under a managed care business model.

A special revenue fund, separate from Mecklenburg County's General Fund, was established by the Board of County Commissioners for the purpose of holding and accounting for funds from Medicaid and the North Carolina Department of Mental Health. During FY2012, the Board appropriated \$1.7 million from the fund balance for start-up costs of the Medicaid Waiver entity, anticipating this money will be repaid to the County with funds received from operating the new entity. An additional \$6.7 million is allocated for start-up expenses for the LME in the FY2013 budget. These funds will be used to create and fill approximately 202

full-time positions and to build and operate the extensive technology infrastructure needed to carry out this state mandate.

Business Support Services Agency

The Business Support Services Agency (BSSA) is a new County agency, created by merging four separate departments—Human Resources (HR), Information Services and Technology (IS&T), Public Service and Information (PS&I), and Real Estate Services (RES). Implementation of the BSSA began with the start of FY2012 and was expected to take approximately 12-18 months to complete all the changes. The purpose of the merger was to streamline the provision of services related to the internal business of the County, enhancing efficiency and effectiveness through resource sharing. The envisioned BSSA is a flexible and agile operation supporting other departments in providing services to customers and the community.

The BSSA is designed to be managed by a leadership team supervised by a shared services agency director. The members of the BSSA leadership team have shared accountability for the overall agency goals and performance, as well as individual responsibility for designated functions of the agency. BSSA key service units include: Business and Financial Management (BFM) which provides support for the agency units; Asset and Facility Management (AFM - formerly RES); Human Resources; Information Technology (formerly IST); and Public Information (formerly PS&I).

The total funding for the four individual departments equaled \$38.8 million in FY2012. The FY2013 Adopted Budget funding for the newly formed BSSA is \$42 million, a \$3.3 million (or 8.5 percent) increase.

BSSA Funding		
	FY12	FY13
Human Resources	\$3,929,530	
Information Technology	17,618,690	
Public Information	1,715,003	
Asset and Facility Management	15,502,516	
Business Support Services		\$42,067,077
Total	\$38,765,739	\$42,067,077

Charlotte Mecklenburg Library

The FY2013 Adopted Budget provides \$25.7 million in funding for the Charlotte Mecklenburg Library, an increase of \$1.4 million (or 5.9 percent), of which \$811,393 is for regional library operations. When Library funding was reduced in FY2010 and FY2011, Library hours of operation were scaled back as a cost-saving measure. During FY2012, many Library branches remained closed on Sundays, Mondays, and/or Thursdays. The enhanced funding is intended to allow Library facilities throughout Mecklenburg County to reopen on Sundays,

in order to better serve the public and the Library’s mission of enriching the community as part of the Social, Education and Economic Opportunity Focus Area.

Park and Recreation

The FY2013 Adopted Budget provides \$27.8 million in funding for Park and Recreation. Funding for Park and Recreation declined by 39.8 percent between FY2009 and FY2011. The FY2013 funding represents a \$2.2 million (or 8.4 percent) increase over FY2012 funding. The purpose of this additional funding is to develop and operate two new parks in FY2013, expand the youth employment program, and replace park maintenance equipment. This level of funding is 27.6 percent below the Adopted FY2009 funding level.

Investing in Employees

The FY2013 Adopted Budget continues the reinvestment in County employees that began when the FY2012 budget reinstated funding for merit increases and the 401k/457b deferred compensation match. The FY2013 Adopted Budget increases the deferred compensation match from 3 percent to 5 percent, consistent with the percentage prior to April 2010 when a mid-year budget adjustment eliminated funding for the deferred compensation match. In addition, this budget includes \$4.3 million to help limit healthcare premium increases for employees and/or plan design changes as much as possible. Finally, it budgets merit increases based on performance at 2 percent of payroll.

Employee Compensation (in millions)	
Item	FY13
401k/457b County Match (Deferred Compensation)	\$2.1
Health & Dental Claims Increase	4.3
Employee Pay Increase (Pay-for-Performance)	4.4
Annualized Merit	1.3
Total	\$12.1

Reserves

Fiscal discipline on the part of the County, combined with general economic recovery, has led to a greater than projected Fund Balance. The FY2013 Adopted Budget will use \$14 million of Fund Balance for Technology Reserve and Capital Reserve. The purpose of this funding is for one-time expenses related to facility maintenance and technology infrastructure.

An additional \$1.1 million will be allocated from the General Fund for replacing and updating County vehicles through the Fleet Reserve.

Reserves		
Reserve	Fund Balance	General Fund
Technology Reserve	\$6,500,000	
Capital Reserve	7,500,000	
Fleet Reserve		\$1,100,000
Total	\$14,000,000	\$1,100,000

Law Enforcement Service District & Fire Protection Service District

Mecklenburg County uses the Law Enforcement Service District (LESD) to finance and provide law enforcement services to the unincorporated areas of the County. An interlocal agreement between the City of Charlotte and Mecklenburg County determines the County responsibility toward the total Charlotte-Mecklenburg Police Department (CMPD) budget, based on the percentage of population in unincorporated areas relative to the total population of CMPD's service area.

Law Enforcement Service District Assessed Value and Tax Levy			
	FY11 Adopted	FY12 Adopted	FY13 Adopted
Assessed Valuation	\$6,310,000,000	\$6,396,162,008	\$6,568,942,548
Total Net Tax Levy	12,495,927	11,467,170	12,467,196
General Fund	0	0	680,000
Total	12,495,927	11,467,170	13,147,196
Tax Rate	20.46¢	18.66¢	19.37¢

For FY2013, the tax rate will be 19.37 cents, which is a 0.71 cent increase from FY2012. Lake Norman, Lake Wylie and Mountain Island Lake are community wide assets used by all residents of Mecklenburg County. The Board concluded that it is more equitable to share the cost of law enforcement lake patrols across all residents rather than only the property owners who reside in unincorporated Mecklenburg County. The cost of patrolling the lakes, calculated at \$680,000, will be paid from the County's General Fund.

Fire Districts

The Board's authorization of the Fire Protection Service District Tax changes how the County will budget for fire protection services in FY2013. This authorization creates five Fire Service Districts with separate tax rates to generate revenue to pay for volunteer fire services. This shift in revenue source will eliminate from the general fund the \$2.5 million subsidy of the volunteer fire departments. This reduction accounts for 0.2 cents of the county-wide 2.44 cents property tax rate decrease.

When combined with the LESD tax rate increase, property owners in the unincorporated area will experience an increase of approximately 5.71 cents to pay for police and fire

services. When applied against the 2.44-cents county-wide property tax decrease, the result is a net increase of 3.27 cents in the unincorporated area. At 98.59 cents, the total property tax rate in the unincorporated area is still lower than the combined County and municipal tax rates for residents in the City of Charlotte and the six towns.

Community Service Grants

For FY2013, the Board of County Commissioners endorsed a competitive grants process that aligns Mecklenburg County's Community Service Grant Funding with the County's Critical Success Factors. On February 1, 2012, the County issued a request for proposals (RFP) for nonprofit services that contribute to the following target areas:

- Improve the high school graduation rate
- Train and place unemployed workers
- Prevent health risks and diseases
- Promote financial self-sufficiency

FY2013 support for Community Service Grant recipients is consistent with FY2012 levels, provides for no funding for new recipients or enhancements to currently funded programs.

FY13 Adopted Community Service Grants by Target Area	
Community Service Grantee	FY13 Adopted Budget
Improve the High School Graduation Rate	
100 Black Men of Greater Charlotte, Inc. – Mentoring	\$15,500
Arts and Science Council - National Center for Arts and Technology	350,000
Communities in Schools of Charlotte-Mecklenburg, Inc.	813,000
Y-Readers	148,000
Target Area Subtotal	1,326,500
Train and Place Unemployed Workers	
Center for Community Transitions - LifeWorks!	50,000
Charlotte-Mecklenburg Senior Centers, Inc. - Job Training	15,616
Latin American Coalition	50,000
Urban League of Central Carolinas	50,000
Target Area Subtotal	165,616
Prevent Health Risks and Diseases	
C.W. Williams Community Health Center, Inc.	390,000
Care Ring - Physicians Reach Out	250,000
Charlotte Community Health Clinic	200,000
Charlotte-Mecklenburg Senior Centers, Inc. – Health	244,000
Council on Aging	30,000
MedAssist of Mecklenburg	400,000
Shelter Health Services, Inc.	60,000
Target Area Subtotal	1,574,000
Community Service Grant Funding Total:	\$3,066,116

How to Use This Document

The annual budget document is designed to serve several purposes. First, it serves as a policy document, financial plan and operating guide for County programs. Second, the budget document is intended to provide information in such a manner that the lay reader can understand the operations of Mecklenburg County.

Recognizing that not everyone will want to read the entire budget book, the following descriptions of each section are presented to guide the reader to particular areas of interest.

Introduction

In this section, the County Manager, who serves as the chief administrative officer of the County, articulates his vision for the County in the Transmittal Letter. The Executive Summary summarizes the Adopted Budget, highlighting the outlook for revenues and taxes, expenditures and priority programs for Fiscal Year 2013.

County Government

This section provides general information about the County, including the County Seal, the members of the Mecklenburg Board of County Commissioners (BOCC), a brief County history, executive leadership and the organizational structure. This section also includes a description of the Strategic Planning Process and the FY2013 Strategic Planning Budget Calendar.

Performance Results

The Performance Results section includes the goals and measures established by the BOCC in the four focus areas (Community Health and Safety, Effective and Efficient Government, Sustainable Community and Social, Education and Economic Opportunity) and the progress that is being made toward the 2020 Strategic Vision for the County. Results are presented for the last four fiscal years.

Budget Overview

In this section, the FY2013 Adopted Budget is summarized and illustrated in various formats, giving the reader highlights of the budget. In addition, this section includes combined summaries of revenue, expenditures and inter-fund transfers for all funds.

Budget Summaries

This section summarizes and illustrates the adopted budget from various perspectives and levels of detail. The following summaries are included in this section:

- **Expenditure Summary by Choice Matrix** – a presentation of the expenditures by the choices available to the BOCC in funding services. All services funded by the County are categorized into one of four designations: **NO CHOICE (RED); NO PROGRAM CHOICE/FUNDING CHOICE (BLUE); PROGRAM CHOICE/NO FUNDING CHOICE (PURPLE); PROGRAM CHOICE/FUNDING CHOICE (GREEN)**. Some services appear in multiple designations because portions of the service are subject to different levels of funding.
- **Adopted Budget by Priority** – the FY2013 service budgets in order of the seven priority levels assigned by the BOCC; within each priority level, the budget is broken out by program category.
- **Education Summaries** – a five-year comparison of funding for Charlotte-Mecklenburg Schools and Central Piedmont Community College.
- **Community Service Grant Recipients** – a multi-year comparison of County funding for non profit agencies, grouped according to BOCC priority level.
- **Position Summaries** – a comparative summary of the County’s authorized positions from FY2010 to FY2013 and a summary by agency of the changes in positions from FY2012 to FY2013.

Financial Sources and Uses

These sections summarize revenues by major categories and expenditures by fund and agency, department/division and focus area/program category/service. The summaries included in this section are as follows:

- **Revenue Overview:** This section uses various tables to provide an analysis of revenue trends and projections. It summarizes General Fund revenues by each source, subtotaled by category, for the prior, current and the upcoming fiscal years. This section also details revenues from the State and Federal governments for the prior, current and upcoming fiscal years.
- **Expenditure Overview:** This section provides details and explanations of the key expenditures in the Adopted Budget. It includes all the County government expenditures by fund type. This section also provides a breakdown of all operating expenditures by major expenditure category for the prior, current and upcoming fiscal years.

Departmental Service Pages

In this section, the Adopted Budget for FY2013 is represented for each department. The pages include the department's mission and responsibilities, linkage to focus areas, position summaries and budget overview by expense categories and a list of all the department services. This section also includes services that are not specifically tied to a department.

Capital Improvement Program

This section contains an overview of the capital planning and budgeting for FY2013 and provides a quick snapshot of FY2012. In FY2013, the County continues to fund previously approved projects from FY2009.

Appendices

This section contains the FY2013 Adopted Budget Ordinance and provides the reader with the financial policies and procedures that guide the organization. This section also includes a glossary of terms, historical tax data and statistical data on Mecklenburg County.

