

MARCH 24, 2009

MINUTES OF MECKLENBURG COUNTY BOARD OF COMMISSIONERS

NORTH CAROLINA
MECKLENBURG COUNTY

The Board of Commissioners of Mecklenburg County, North Carolina, met in Special Budget/Public Policy Session in Conference Center Room 267 of the Charlotte-Mecklenburg Government Center located at 600 East Fourth Street at 2:00 p.m. on Tuesday, March 24, 2009.

ATTENDANCE

Present: Chairman Jennifer Roberts and Commissioners
Dumont Clarke, Harold Cogdell, Jr.
Neil Cooksey, George Dunlap, Bill James
Wilma Leake and Daniel Murrey
County Manager Harry L. Jones, Sr.
County Attorney Marvin A. Bethune
Clerk to the Board Janice S. Paige

Absent: Commissioner Karen Bentley

Commissioners Dunlap and Murrey were absent when the meeting was called to order and until noted in the minutes.

The meeting was called to order by Chairman Roberts. The Board met in joint session with the Charlotte/Mecklenburg Board of Education.

Chairman Roberts noted the topics scheduled for discussion, 1) CMS Capital Construction Update and 2) County Capital Assessment and Capacity, 3) Discussion on Next Steps of Capital and Debt Planning, 4) Opportunities for Partnership and Collaboration, & 5) Future Agenda Topics.

Board of Education Chairman Molly Griffin noted that the goal of the meeting was not to make decisions but to share information and discuss information shared.

Vi Alexander with the Lee Institute facilitated the meeting. Ms. Alexander began by outlining the process for proceeding, after which the matters below were addressed.

(1) CMS CAPITAL CONSTRUCTION UPDATE

Commissioner Dunlap entered the meeting during this time.

Guy Chamberlain with Charlotte/Mecklenburg Schools (CMS) addressed CMS' Capital Construction. The following was covered in the presentation.

- 2006 COPs
- 2007 COPs
- 2007 Bond
- 2008 COPs
- Summary
- Construction Cost Comparison
- Impact of Bond Sale Delay

A copy of the presentation is on file with the Clerk to the Board.

Comments

Commissioner Dunlap, with respect to mobile classrooms, asked were they to remain in service, what would it take to meet growth needs; and what would be the capital cost for growth. *The response was that mobiles will not be taken completely out of service and will be used when needed. Further, that there are about 15 mobiles that are 39 – 47 years old that will be demolished.*

Chairman Roberts asked about the dollar amounts associated with projects that are under construction, design, and pending as noted in the presentation. *The response was that information is available and will be provided.*

Commissioner Cooksey asked what were the factors that made CMS move from the public/private partnership and has the recent economic situation called for reconsideration of this concept. *The response was that the delivery method became very complicated. Also, there were weaknesses in the legislation. Staff has had conversations with developers and has had a few offers.*

Commissioner Cogdell asked for clarification with respect to the information shared on construction cost per seat, CMS cost and NC cost, which was addressed.

Commissioner Leake asked about growth and expected seats, which was addressed by Mike Raible CMS Director of Planning.

Commissioner Leake asked about the status of a new gymnasium for Independence High School. *The response was it's been designed and waiting on funding.*

Commissioner Leake asked could stimulus funds be used for a new gymnasium at Independence. *The response was that staff doesn't see any stimulus funding being available at this time for that purpose.*

Commissioner Leake asked about renovations at Davidson IB Middle School, which was addressed.

This concluded the discussion of this topic.

Note: The above is not inclusive of every comment but is a summary.

(2) COUNTY CAPITAL ASSESSMENT AND CAPACITY

Dena Diorio, County Finance Director addressed the County's Capital Assessment and Capacity. The following was covered in the presentation.

Background

At the Strategic Planning Conference:

- Received an update on the County's capital/debt related issues
- Delayed action on \$253 million bond sale
- Requested that the projects included in the County's authorized/unissued debt be reviewed.

At the Board Meeting on February 17th, Finance committed to provide:

- Projected debt capacity for the next five years.
- Projects presented in three categories:
 - Under construction
 - In design/design completed
 - All others
- Prioritized lists of projects by purpose.

Projected Debt Capacity

FY2009 Cash Flow Requirements

FY2010 Cash Flow Requirements

FY2011 and beyond

FY2011 and Beyond

Authorized and Unissued Debt

Authorized and Unissued Debt - COPs

Option for Using Available Debt Capacity

- Allocate capacity by purpose and borrow consistent amounts each year.

Approved Strategy

- The Board will review the project lists as prioritized by the Departments.
- Determine whether any projects should be eliminated.
- The Board will allocate capacity by purpose as appropriate, based on a consistent amount of borrowing each year

A copy of the presentation is on file with the Clerk to the Board.

Comments

Commissioner James asked about CMS Savings Redirected to Unallocated in the amount of \$14 million and whether the County can use it to offset the \$18 million gap, that's if it's been sold. *The response was that debt is not sold by project, but rather, it's sold in a lump sum amount. CMS then spends that money based on what projects are going forward. Further that any savings that CMS generates is budgetary. Thus, the expectation would be that at the end, instead of selling what was authorized, you'd sell something less. It was noted that the \$14 million in savings is not "cash."*

Board of Education Member Kaye McGarry asked with respect to the \$14 million savings, if it could be used on other projects in that bond issuance, if it goes over. *The response was that it would depend upon the BOCC making the determination that they were going to issue that debt for projects that were not a part of the \$516 million bond referendum. It was noted that there's a predetermined list of projects and if there are savings at the end, the BOCC would decide if it wants to issue that savings for other projects.*

Commissioner Dunlap with respect to spending in 2012, asked if it was decided not to spend that money until 2013, could you spend monies from 2012 and that scheduled for 2013. *The response was that it would depend on the size of the operating budget and what that would do to the debt service. It was noted that it might "stack" the debt service too much, such that the County could not issue all of that in one year because the next year the debt service would be very large.*

Commissioner Clarke asked about projects that have been taken out, such as the county facilities, school administrative facilities and library facilities. *The response was that they don't appear in the information provided because the County plans to use pay-go for those projects if they were to go forward.*

Commissioner Leake asked for clarification with respect to the \$18 million gap. *The response was that the \$18 million shortfall is going to be funded using cash that's on hand from projects that were completed under budget or will be deferred at the present time.*

Commissioner Murrey entered the meeting.

Board of Education Member Trent Merchant asked about Park and Recreation capital spending which was addressed.

Commissioner Cogdell asked with respect to the \$14 million savings by CMS, at what point would that savings be realized by CMS and what happens to those funds. *The response was that County staff would work with CMS to make sure the projects that are in the \$516 million get completed and the amount spent would be the only amount issued. It would then be the decision of the Board of County Commissioners as to whether it wants to issue the remaining amount for other projects.*

Commissioner Cogdell asked about the timeframe associated with these projects. *The response was it's probably three-four years out, since no new projects are being started until 2011 and there is still \$324 million of the \$516 million that's still out there that have not been started or completed.*

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Commissioner Cooksey asked how is it that when the County has savings from a project it can be moved to another project to offset the \$18 million shortfall, but that's not the case when CMS has a savings. *The response was because the projects that the County has are pay as you go projects and that money has already been appropriated by the Board. It's cash and not issued debt.*

Board of Education member Larry Gauvreau addressed debt capacity and the need for reprioritizing on the part of CMS.

This concluded the discussion of this topic.

Note: The above is not inclusive of every comment but is a summary.

(3) DISCUSSION ON NEXT STEPS OF CAPITAL AND DEBT PLANNING

County Manager Jones noted that any comments he would have made under this heading was addressed by Finance Director Diorio. Superintendent Peter Gorman concurred.

Board of Education Chairman Griffin noted for the record that the primary focus of the Board of Education, Dr. Gorman and his staff, is increasing student achievement across the board and closing the achievement gap. Further, that CMS' operating budget is the primary tool for achieving this goal of increasing student achievement. It was noted that the Board of Education will be working over the next several weeks finalizing its operating budget.

Chairman Griffin said after May 12, when the Board of Education approves its budget for submission to the Board, they would welcome the opportunity to meet again and to give the Board an update on student achievement and how their operating budget is designed to help with that. Further, that at this time, it's too early to discuss this goal because the Board of Education has not approved its budget yet.

Commissioner James, prior to getting into the discussion of Opportunities for Partnership, said what he wants to know with respect to CMS' \$2.5 Billion 10-Year Capital Plan, which is about \$250 million per year, how do you change a \$250 million plan per year to a \$80 million or \$120 million plan. Commissioner James said the County Commission needs guidance from CMS or some type of information with respect to how this would impact CMS. He said otherwise the County Commissioners would be selecting an amount in a vacuum.

Commissioner James said he wants to understand the process the County Manager and Superintendent are going to use to determine what's the best plan for moving forward, in light of a reduced allocation amount for the 10 Year Capital Plan. He wants to know if CMS will go back and reprioritize projects.

Chairman Griffin said it's clear that they're going to have to change their 10 Year Capital Plan because CMS will not be getting the \$2.5 billion, but they're not ready to discuss that at this time.

Superintendent Gorman said the question raised by Commissioner James involves policy decisions that the BOE will have to make. Further, discussions regarding reprioritizing would be between him and the BOE and not the County Manager.

Commissioner Leake asked would the County Commission get an opportunity to discuss the BOE operating budget.

Chairman Griffin said that discussion, along with student achievement, would come after the BOE has approved its budget on May 12, 2009.

Commissioner Clarke said he believes what Commissioner James was asking of CMS is tell us how you plan to adjust your Ten Year Plan, but he feels what needs to happen first, is that the County Commission has to decide how its going to allocate the capacity the Board thinks it has over the next five years.

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Commissioner Clarke said it's probably not fair to ask the BOE to give the County a number when it doesn't know what it's "shooting at" or what the County will make available to CMS based on the County's capacity.

Commissioner Clarke said the County Commission needs to make it a high priority to decide how the Board thinks it should allocate its debt capacity during this timeframe.

Board of Education member McGarry asked Dr. Gorman to refresh her memory with respect to whether the BOE approved the Ten Year Capital Plan. *The response was yes.*

Board of Education member McGarry said she doesn't think it's too early for CMS to look at reprioritization, even though it doesn't have a number from the County.

(4) OPPORTUNITIES FOR PARTNERSHIP AND COLLABORATION FUNCTIONAL CONSOLIDATION OPPORTUNITIES FOR COST SAVINGS

Board of Education member McGarry noted the following areas for possible opportunities for partnership and collaboration: CMS- TV, food purchases, athletic fields (using Memorial Stadium rather than continuing to build stadiums), and using County land or schools that aren't full to capacity for Learning Communities rather than continuing to lease space. Board member McGarry said it also may be a good idea to revisit the recommendations of the Blue Ribbon Committee some years ago that addressed cost savings.

Board of Education member Tom Tate said with respect to reprioritization, he's assuming that the BOE is not talking about reprioritizing what's been approved by the voters, but, it's everything else.

Board member Tate asked was it correct that projects that have started will be completed. *The response was yes.*

Further, he agrees with Commissioner Clarke's comment that the BOE needs a number from the County Commission, but the County Commission also needs to know what CMS' needs are, regardless of how much money is out there to do them. He said this is true with respect to the operating and the capital budget.

Commissioner Dunlap referenced CMS' 10 Year Capital Plan and the model it's based on. Commissioner Dunlap said the Plan would need to change, in light of a decrease in growth, which means less needed seats. Commissioner Dunlap said hopes the BOE will accept a percentage of mobile classrooms as being "okay"; less growth equals less capital cost.

Commissioner Dunlap commented on the need and cost for land. Commissioner Dunlap said "we should never put ourselves in a situation where we lose that land from Crescent." He referenced land at Kings Grant, noting that it should not be lost and that rather than the County having to pick up the cost of that debt, the BOE should contact the County Commission before they lose that land because that would be additional debt that the County would be expected to pay if that were to happen.

Commissioner Cogdell noted the following areas for possible opportunities for partnership and collaboration: athletic fields, human resources, and transportation. Commissioner Cogdell said he'd like for County and CMS staff to discuss these possibilities.

Commissioner Cogdell said he's looking forward to a future discussion on student achievement and wants to know how CMS, based on the budget it'll be submitting, plans to address student achievement.

Commissioner Cogdell said he's hopes the County Commission takes a long term look at the County's entire financing model of how the County goes about building and financing capital projects.

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Commissioner Cogdell said the County Commission needs to understand from “administration to the classroom” the impact of how adjusting the County’s capital budget and adjusting what the County appropriates for operations impacts the classroom.

Commissioner Cooksey said he wants an understanding of how CMS is going to reprioritize its construction projects going forward and come up with a capital plan that’s based on the assumption that it can borrow \$250 million. Commissioner Cooksey said he would like to see the outline of a plan if you borrow less. He’s also interested in the thought process behind it. What becomes more important. What becomes less important.

Board of Education member Trent Merchant said CMS’ 10 Year Capital Plan is a “rolling needs” list. He said the BOE really has no input in that list and he prefers it that way. He prefers relying on the input of the professionals because they’re the experts.

Board member Merchant said they have projects that “zoom” up the list and zoom down the list in part because of the opening of new schools, which affects the overcrowding at certain schools.

Further, with respect to the use of mobiles, he supports it because no mobiles means Mecklenburg County is not growing, which will mean a much bigger problem than what “we have now.”

Board member Merchant said “the best way to complete a bond package efficiently is to get it done as soon as possible.” He noted that CMS is getting the best bids that it has seen in years and that it’s frustrating to have to “walk away from some of those bids.”

Further, he feels the space needs of CMS are greater than that of Park and Recreation.

He also echoed Board member Tate’s comments with respect to voter approved projects.

Commissioner Murrey commented on the continued need for more dialogue between the two boards. He also addressed the importance of relying on both staffs to provide information to the elected officials.

Commissioner Murrey said it needs to be kept in mind that it’s the “same pot of money” being spent.

Commissioner Murrey said what everyone needs to do is figure out the best way to allocate those funds and to use it in the most efficient way possible.

Board of Education member Joe White said the process of reprioritizing is one that will occur automatically. However, for him, the part that can’t be reprioritized is what the voters have approved. Further, that a lot of what gets reprioritized will depend upon on how long it will take the two boards, jointly, to fund what has already been approved.

Board member White said, with respect to school construction, that it needs to continue because many of the facilities are old and it would cost more to renovate than to build a new facility. Also, that even with new construction, mobiles will not go away, and he supports having mobiles. He also supports continued dialogue between the two boards.

Board Education member James Ross, with respect to Park and Recreation facilities, School facilities, and Law Enforcement facilities and said “what we do with the first two will determine the size of the last one.”

Commissioner Leake encouraged the use of stimulus funds.

Chairman Roberts mentioned Real Estate Services with respect to possible partnerships or consolidation.

This concluded the discussion of this topic.

Note: The above is not inclusive of every comment but is a summary.

(6) CLOSING AND NEXT STEPS

Ms. Alexander summarized the meeting as follows:

Develop a Shared Process for the Development of the Capital Needs and Budget

The goals are:

- Have clear understanding of the assumptions used to develop recommendations
- An explanation of the process used in the development of the recommendations
- Know the consequences of recommended actions
- Respect the roles of each Board in the process

Address the following in the process:

- The 10 Year CMS capital needs
- Completion of the voter approved bond projects
- CMS building obsolesce
- Stimulus funding for capital projects
- Percentage use of mobile classrooms

A Joint Staff Report on Opportunities for Functional Consolidation

The following is the list of opportunities generated during the joint meeting:

- Communications including CMS TV
- Facilities Management including athletic fields and Memorial Stadium
- Transportation
- Human Resources
- Real Estate Services
- Food Purchasing

The staff was asked to assess potential cost savings and benefits. The staff was also asked to protect the donation of land for schools by Crescent and in Kings Grant.

Future Joint Meetings

The Boards agreed to continue the dialogue; the next topic suggested was the CMS operating budget. Again, the Boards asked for clear understanding of assumptions and impact. There is specific interest in understanding the plan for student achievement within the budget. Also suggested was a meeting on the capital budget as the process is underway on debt management; this was seen has a joint accountability for debt projection and allocation.

This concluded the discussion.

Note: The above is not inclusive of every comment but is a summary.

Commissioner Clarke left the meeting and was absent for the remainder of the meeting.

ADJOURNMENT

There being no further business to come before the Board, Chairman Roberts declared the meeting adjourned at 4:10 p.m.

Janice S. Paige, Clerk

Jennifer Roberts, Chairman