

OCTOBER 13, 2009

MINUTES OF MECKLENBURG COUNTY BOARD OF COMMISSIONERS

NORTH CAROLINA
MECKLENBURG COUNTY

The Board of Commissioners of Mecklenburg County, North Carolina, met in Budget/Public Policy Session in Conference Center Room 267 of the Charlotte-Mecklenburg Government Center located at 600 East Fourth Street at 3:00 p.m. on Tuesday, October 13, 2009.

ATTENDANCE

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

Absent: Commissioners Dumont Clarke and Bill James

Commissioner Dunlap was absent when the meeting was called to order and until noted in the minutes.

The meeting was called to order by Chairman Roberts.

(1) DEBT CAPACITY ALLOCATION MODELS

County Manager Jones introduced the topic of discussion (debt capacity allocation). He informed the Board that the recommendation outlined in the presentation was preliminary.

County Manager Jones said the Board was not being asked to make a decision today. He would like the Board to make a decision regarding the allocation, however, prior to the start of the budget process, which is usually around February. Thus, staff can use the Board's decision as a guidepost in determining the budget.

He then called on Finance Director Dena Diorio to make the presentation.

The following was covered in the presentation:

- Authorized & Unissued Debt
- Pay-As-You-Go Projects

Commissioner Dunlap entered the meeting.

- Projected Capacity
- Projected Debt Ratios
- Requested Cash Flow: Debt
- Requested Cash Flow: Pay-as-you-go
- Requested Cash Flow: Summary
- Allocation Options
 - Allocate based on amount of authorized/unissued debt, net of the jail project.
 - Allocate based on average sale amounts.
 - Allocate based on percent of capital expenditures.

- Allocate based on percent of operating budget.
- It was noted that none of these options work for the following reasons
 - Does not meet cash flow requirement identified by departments and business partners.
 - Each year the allocation would be subject to change based on changing factors.
 - Does not address needs or priorities.
 - Does not address how future authorizations will be allocated.
- Recommendation
 - Accommodate most cash flow requests identified by departments and business partners.
 - Use pay-as-you-go in FY2011 to accommodate cash requirements for the jail.
 - In future years, exhaust pay-as-you-go for the jail project first, before utilizing debt financing.
 - Extend Park & Recreation authorization to ten years and allocate it equally over the remaining years.
 - Allocate future authorizations based on available capacity. Authorizations must meet available capacity, not the other way around.
 - There is no requirement that the county issue all of the available capacity.
- Conclusions
 - Recommendation allows authorized capital projects to proceed.
 - Provides flexibility for limited future authorizations.
 - Provides a methodology whereby debt capacity and available pay-as-you-go drive the decision making when prioritizing capital needs.
- Next Steps
 - Receive and respond to questions from the Board.
 - Prepare additional analysis as requested.
 - Bring recommendation back to the Board in advance of FY2011 budget process for final approval.

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

Comments

Commissioner Cooksey asked about current bonds and the timeframes for issuing them. *The response: There's a seven year authorization, which can be extended to ten years with permission from the State Treasurer's Office and the Local Government Commission.*

Commissioner Cooksey asked about the status of Charlotte/Mecklenburg Schools' (CMS) administrative facility. *The response: It was deferred when the Board approved the Memorandum of Understanding (MOU) with the Board of Education because the project is tied to the First Ward Development Project. Also, one thing that needs to happen in order for that project to move forward is that the developer has to pay the County \$19 million. When all that starts to move forward, that's when the relocation with respect to the CMS administrative facility would begin. It was noted, also, the payment of the \$19 million from the developer is suppose to help offset the cost associated with the relocation.*

Commissioner Cooksey asked about projected debt ratios, particularly in FY12. He said it seems fairly aggressive. *The response: It's the revaluation year and staff feels it's safe to assume that values since the last revaluation to date would have increased by ten percent. It was noted that the original projection for revaluation was 20%, but because of what has happened in the housing market and per discussions with the tax assessor, it was decreased to 10%. It was noted that as the time gets closer, that number could change.*

Commissioner Dunlap asked about debt capacity for FY09 and how much it could increase and the County still remain under the 20% threshold. Commissioner Dunlap said he wants to know if other projects could possibly be done, although he's not advocating this. *The response: If the*

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Board didn't want to exceed the 20% threshold, then it would be a small amount.

Commissioner Dunlap asked for clarification on the statement that was made by staff that the County could accommodate all of the requests. *The response: Staff was referring to all of the projects that are being recommended.*

Commissioner Dunlap asked had the projects listed in the report and recommended for proceeding been approved. *The response was no.*

Commissioner Dunlap asked for more information regarding staff's rationale for recommending the projects that it has for proceeding, as well as, those recommended for deferral, each of which was addressed.

Commissioner Dunlap asked if the park bonds were expanded over ten years, what's the impact of this on other park projects. *The response: Park and Recreation would have to work within the amount given to them. Also, the amount recommended reflects Park and Recreation spending historically. Also, that the projects covered within this timeframe are projects that are a part of the \$250 million park bond referendum.*

Commissioner Dunlap asked was there opportunities for Park and Recreation to have additional projects within the remaining timeframe for the \$250 million. *The response: If the Board decided it wants to do another referendum for park bonds, which would be above and beyond the \$250 million.*

Commissioner Bentley asked was the jail project the only project that decreased for FY11. *The response: It didn't decrease. It's still \$50 million, but it was split between COPs and Pay-as-you-go.*

Commissioner Bentley asked was it correct that the CMS amount has not changed, which means the priority list that was presented to the Board at the joint meeting remains the same. *The response was yes.*

Commissioner Bentley asked about the debt ratios and what was the goal and how long would it take. *The response: Staff would like it to be around the 15% range and that it will take a while to get there.*

Commissioner Bentley asked whether staff felt the Board should discuss setting a soft deadline for achieving that 15% goal. *The response: Staff could do an analysis and let the Board know what it would take to get there.*

Commissioner Cogdell asked about the authorized amount for the Valerie C. Woodard Center. *The response: This was recommended for deferral because it's tied to the sale of the Hal Marshall Building.*

Commissioner Cogdell asked about the Carmel Road Branch Library which was addressed.

Commissioner Cogdell asked was it correct that the remaining amount in Pay-as-you-go for this budget cycle would be \$18 million if the County moves forward with the projects recommended by staff. *The response: There would be \$18 million left in debt capacity.*

Commissioner Cogdell asked about Pay-as-you-go and if other projects come up, not already identified, could Pay-as-you-go address it. *The response was yes.*

County Manager Jones said the idea behind Pay-as-you-go was to put the County in a position of reducing its reliance on borrowing in order to meet some of the capital needs of the community.

Commissioner Leake asked about the Beatties Ford Road Library renovation. *The response: The*

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project is underway and scheduled to be completed next spring.

Commissioner Leake asked where funds came from for the Beatties Ford Road Library project. *The response: From prior COPs and Pay-as-you-go.*

Commissioner Murrey commented on projects recommended for deferral, which he said total around \$120 million. Commissioner Murrey said he knows the County still has \$296 million in total available capacity based on the projects. He asked if staff knew how much of that would get “eaten up” by the \$120 million that’s been presented to the Board and designated. *The response: Staff can’t answer this at this time. Director Diorio said she doesn’t know if and/or when these projects would be done.*

Commissioner Murrey referenced the Valerie C. Woodard Center and its connection with the sale of the Hal Marshall Center. He asked if staff knew how much the Hal Marshall Center is worth. *The response: The low forties.*

Commissioner Murrey asked per the assumption of revaluation going up ten percent, was a sensitivity analysis done to determine how much the pro forma would change if the County got a different percentage, such as seven, eight, eleven or twelve percent. *The response: Staff did not do the pro forma because if you look at that particular ratio debt to assessed valuation that is not a ratio that staff continually has to struggle with. Thus, even if the number comes down to eight percent the County would still be safely within its policy target. Also, the one thing staff is most mindful of is the debt service as a percentage of budget.*

Commissioner Murrey asked was anything being assumed with respect to new revenue, per revaluation. Any assumption for a revenue neutral revaluation. *The response: No assumptions have been made.*

Chairman Roberts requested a list of Park and Recreation projects and CMS projects for each of the years covered in the presentation.

Chairman Roberts said she can appreciate leaving capacity for future years, but is a little curious about leaving capacity in FY11. Chairman Roberts said if the County could issue maybe \$10 million more and still remain within the guidelines. Chairman Roberts said she mentioned this since construction cost is cheaper and land cost because of the economy. Chairman Roberts said there’s a need for land, not only for park and recreation but schools as well.

Chairman Roberts said the County may not need the \$18million in capacity next year and that perhaps there are some other projects that could get done.

County Manager Jones said everyone was funded at the level they requested and by using pay-as-you-go in the manner that staff did, it left the \$18 million. County Manager Jones said it was staff’s way of saying to the Board that staff, along with the Board, have embraced being on a “debt diet.” He said by borrowing less, it may free up some operational budget requests.

Commissioner Murrey asked what the debt service was annually on \$18 million. *The response: About \$1.5 million.*

Commissioner Dunlap asked about land bonds and whether the County only buys for itself or for others as well. *The response: It depends on how the bond referendum is structured. Examples were given.*

Commissioner Cooksey asked about the ideal percentage of the budget with respect to debt service ratio, which was said to be 15%. He asked would it be possible to provide the Board with some projections over a five year period of what it would take to get to that kind of a ratio. *The response: Staff would work on this.*

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Commissioner Dunlap asked about the CMS administrative facility and why not move forward now. He referenced the possibility of CMS locating a possible site somewhere else.

General Manager Bobbie Shields said CMS doesn't want to be perceived as using funds for administration vs. school construction, which is why they tied it to the Memorandum of Understanding and the park project.

This concluded the discussion. No action was taken or required.

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

ADJOURNMENT

Motion was made by Commissioner Dunlap, seconded by Commissioner Cooksey and unanimously carried with Commissioners Bentley, Cogdell, Cooksey, Dunlap, Leake, Murrey, and Roberts voting yes, that there being no further business to come before the Board the meeting be adjourned at 4:15 p.m.

Janice S. Paige, Clerk

Jennifer Roberts, Chairman