

OCTOBER 2, 2010

MINUTES OF MECKLENBURG COUNTY BOARD OF COMMISSIONERS  
NORTH CAROLINA  
MECKLENBURG COUNTY

The Board of Commissioners of Mecklenburg County, North Carolina, met in Special Session at the CPCC-Harris Conference Center, 3216 Harris Campus Drive, Charlotte, NC. on Saturday, October 2, 2010.

**ATTENDANCE**

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

**Absent:** Commissioner Karen Bentley

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***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.***

***The purpose of the meeting was to hold the Board's Strategic Planning Conference/2011 Capital Budget Retreat.***

County Manager Jones gave opening remarks and then turned the meeting over to Budget/Management Director Hyong Yi.

It was noted that the purpose of the meeting would be to focus on the County's capital budget process and policy issues that impact it.

County Manager Jones said the Board would:

- Receive an overview of both the operating and capital budgeting processes,
- Receive an overview of the County's capital finance trends,
- Receive a briefing on current capital policies and recommended changes, and
- Provide direction on the policy recommendations.

Director Yi gave an overview of the process to be followed for today's session.

***Commissioner Dunlap entered the meeting.***

**OPERATING AND CAPITAL BUDGET OVERVIEW**

Budget Manager Michael Bryant addressed Managing 4 Results (M4R) and the operating budget process.

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

Comments

Commissioner Clarke asked was the sales tax number adjusted for the Medicaid swap. *The response was yes.*

Commissioner Clarke asked Finance Director Dena Diorio to address the Medicaid swap, which she did.

Commissioner Murrey asked for clarification regarding the tax rate equivalent, which was addressed.

Commissioner James asked about the allocation of sales tax to schools, which was addressed.

Commissioner Dunlap asked was the Law Enforcement Service District an enterprise fund, since it was listed under Sources of Revenue. *The response was yes.*

Commissioner Dunlap asked about Public Art funding, which was addressed.

Chairman Roberts asked for clarification regarding the tax rate equivalent, specifically, the Public Library example addressed in the presentation, which was addressed.



Director Yi addressed the Capital Budget Process.

**Capital Budget Policy Recommendations**

**(1) Capital Budget and Plan - Current County Practice**

- Capital is done in silos- each department handles their own needs
- Project and funding approvals are handled in these silos

Recommendation

- Formalize a planning policy of 5-1
- 5 year Capital Improvement Plan
- 1 year Capital Budget
- Develop a unified County-wide master plan to guide the capital planning
- IBM Project

**(2) Capital Priority Setting – Current County Practice**

- Projects are prioritized by department in their order of preference
- Manager reprioritizes those projects (as needed)
- Projects are not prioritized across silos

Recommendation

- Adopt a priority setting methodology based on nine (9) evaluation criteria
- Transparent and documented methodology for identifying infrastructure priorities
- Proposed Evaluation Criteria
 

Mandates/Contractual	Operating Budget Impact
Safety	Service Impact
Board Priority	Economic Impact
Standards/Quality of Life	Financing Source
Joint Use	

**(3) Community Capital Standards – Current County Practice**

- The County has standards in several areas (Example: Park and Recreation, Public Library)
- We do not use these standards to determine priorities or projects
- Used at departmental level to determine need
- What role should standards play in determining capital needs?

Recommendation

- Update and adopt capital standards across all functional areas as a basis for determining need
- Standards should be based on national, state, community or best practice standards
- Set by functional experts and reviewed by the Citizens Capital Budget Advisory Committee
- Update standards regularly consistent with the 5-1 planning process

**(4) Community Involvement – Current County Practice**

- Citizen's Capita Budget Advisory Committee (CCBAC)
- 11 members serving 2 year terms with a maximum of 3 consecutive terms
- Has not met since County's been on a debt diet
- Does the Board want citizen involvement and what form(s) should it take?

Recommendation

- Continue involving citizens in the capital budget process through the CCBAC
- Charge
  - Provide input into capital standards
  - Determine whether project(s) meet standards
  - Report to the Board of County Commissioners on progress in meeting standards
  - Get input from the residents on standards

**(5) Funding Limit Capacity (Funding Source Policy) - Current County Practice**

- Available funds allocated among all requests
- Financing method based on expected capacity

Recommendation

- Fund projects with voter approved bonds up to 80% of projected capacity
- Pay-As-You-Go funding in accordance with debt policy
- Use non-voted debt (two-thirds bonds, lease purchase or COPs) for government facilities
- Minimize use of COPs

**(6) \$970M in Outstanding Authorization – Current County Practice**

- No distinction in competing project priorities
- Available funds allocated among all requests
- Issue until authorization is exhausted

Recommendation

- Evaluate remaining projects based on the priority setting criteria
- Generate a project list by priority
- Adopt capital plan as allowed by capacity, including Pay-As-You-Go
- Consider de-authorizing amounts tied to low priority projects

**(7) 1% for Art – Current County Practice**

- 1% of all capital ordinance funds determined eligible are spent on public art
- There is no limit to the amount
- Eligible project is defined as any capital project paid for, in whole or in part, by the County
- Eligible project costs means the total amount appropriated for design and construction of an eligible project.

Recommendation

- Reconsider Public Art Ordinance such that:
  - 1% or \$250,000 whichever is less, is provided for public art funding, and/or
- Provide option for BOCC to determine project exclusions, based on Manager's recommendation

Director Yi said the process used in the past, will not work going forward, in light of the current economy. He said with respect to planning, departments were basically working in silos and that planning was happening at the operational level within the department and rises to the top often times at a point where the Board had very little ability to influence the outcome of that plan.

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

Comments

Commissioner Cooksey asked about Master Planning and the IBM project, which was addressed.

Commissioner Cooksey asked about departmental capital request and whether it was linked to the department's goals. He also asked if departments have to justify their request and was there a formal process. *General Manager John McGillicuddy said it varies and requests are developed and vetted at the department level.*

Commissioner Cooksey said the Board needs to see more information with respect to justifying a request and how it links to departmental goals.

Commissioner Clarke addressed the Citizen's Capital Budget Advisory Committee process.

Commissioner James addressed Charlotte-Mecklenburg Schools' (CMS) Master Plan and Park and Recreation's Master Plan. Commissioner James said the County could not afford to do everything in the respective plans. Commissioner James said the County doesn't provide input with respect to affordability when plans are being developed, but that it should.

Commissioner Murrey asked how would the opportunity for private capital mixing with public capital, fit into this process. *The response was that non-county investment partnerships was something that the Board would be discussing.*

Commissioner Dunlap said the Board had control with respect to master planning because the Board controls the funding. Commissioner Dunlap said the Board doesn't have the right to interject into the planning process.

Commissioner Cogdell reiterated Commissioner Murrey's comments regarding private sector involvement in the planning process and being able to take advantage of opportunities for private sector partnerships to leverage County dollars.

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Chairman Roberts said it was incumbent upon the Board in setting some of these policies to allow flexibility when there are forces out there beyond the County's control or opportunities for private partnerships.

Chairman Roberts said it needs to be explained to the public, that just because it's a plan, doesn't mean the County has to stick to everything in the plan as it's written, because the County can't control all the factors that might be feeding into that plan.

Commissioner Clarke said there is considerable joint use planning by departments that takes place from the bottom up. Commissioner Clarke said it's a mistake to give the impression that's not occurring because there's great collaboration amongst departments.

Staff acknowledged that Commissioner Clarke was correct.

General Manager McGillicuddy said the point staff was trying to make was that although there is considerable joint use planning, it's primarily project based and what's not really done is joint master planning.

Commissioner Cooksey said the Board can't tell CMS what their number one priority should be, but that the Board should communicate to its stakeholders, what the Board feels it can afford from a capital perspective over the next five – ten years and that their master planning needs to fit within that framework.

### **Capital Finance Overview**

Finance Director Dena Diorio gave a capital finance overview. The following was covered:

- Total Outstanding Debt by Fiscal Year
- History of Outstanding Debt – General Obligation Bonds and Certificates of Participation (COPs)
- Projection of Outstanding Debt - General Obligation Bonds and (COPs)
- History of COPs and Bonds Issued by Fiscal Year
- Cumulative COPs and Bonds Issued
- History of Pay as You Go Appropriations
- Cumulative Pay as You Go Funds Appropriated
- Capital Expenditures by Fiscal Year and Purpose
- Cumulative Capital Expenditures
- Actual Debt Service Expenditures by Fiscal Year
- Projected Debt Service Expenditures by Fiscal Year
- History of Debt Service Revenues by Source
- Projected Debt Service Revenue by Source
- History of Property Tax Required for Debt Service
- Projection of Property Tax Required for Debt Service
- Appropriated Fund Balance
- History of General Debt Service as % Operational Budget
- Projected General Debt Service as % Operational Budget

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

Comments

Commissioner Cogdell asked with respect to Projection of Outstanding Debt - General Obligation Bonds and (COPs), what assumptions were made with regard to the issuance of debt 2011 – 2015 to get to the number shown. *The response was none that this is what will happen if the County does nothing else.*

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Chairman Roberts asked with respect to Projected General Debt Service as % Operational Budget, what were the assumptions for revenue with regard to this. *The response was that staff left the budget flat because it's not known what the budget would look like in 2012 and you can't predict on the out years, if the budget will go up or not.*

Chairman Roberts asked was it flat for property tax and sales tax and the response was yes.

Director Yi said if the economy picks up and more revenue comes in then the ratios would get better, but the budget is continuing to be cut because the economy is not coming around, which impacts the County's ability to issue debt.

Director Diorio said the only way to build debt capacity is a growing budget because the debt service isn't going to change. Thus, the only way to build capacity is to increase the operating budget.

Commissioner Clarke asked for clarification on Appropriated Fund Balance and was it to pay debt service. *The response was yes.*

Commissioner Murrey asked if it was known how transient the County's population was. *The response was no.* Commissioner Murrey said knowing this would help him get a sense of the fairness of shifting more money to pay-go or saving, as opposed to taking out debt.

***The Board recessed at 10:30 a.m. and reconvened at 10:45 a.m.***

Libby Cable with the Lee Institute facilitated the Board's review of staff's recommendations. Director Yi and Finance Director Diorio addressed the recommendations. See below.

## **Capital Budget Policy Recommendations**

### **(1) Capital Budget and Plan**

#### Recommendation

- Formalize a planning policy of 5-1
  - 5 year Capital Improvement Plan
  - 1 year Capital Budget
- Develop a unified County-wide master plan to guide the capital planning
  - IBM Project

#### Comments

Commissioner Murrey said this capital improvement plan process would create an opportunity within those four years before the Board would get to that one year capital improvement budget for private capital to weigh in and offer opportunities to collaborate. He said it would also allow the County to pursue state or federal money to do some of the projects.

Commissioner Murrey said if the County states what its priorities are, it allows other entities to see if it matches their priorities, so there would be four years to create collaboration before the County would actually spend the money.

Board Action: It was the consensus of the Board to direct staff to move forward with recommendation #1 taking into consideration Board comments.

Note: Staff will report back at a future meeting with a formal policy for the Board to vote on.

(2) Capital Priority Setting

Recommendation

- Adopt a priority setting methodology based on nine (9) evaluation criteria
- Transparent and documented methodology for identifying infrastructure priorities
- Proposed Evaluation Criteria
 

Mandates/Contractual	Operating Budget Impact
Safety	Service Impact
Board Priority	Economic Impact
Standards/Quality of Life	Financing Source
Joint Use	

Comments

Commissioner Dunlap asked how do you deal with a situation where something may be ranked high but there may be something else ranked lower, but it has a higher board priority. He asked will the process provide for a tweaking of the rankings.

Director Yi asked if the Board was okay with having a set of criteria. *The consensus was yes.*

Chairman Roberts said there needs to be some flexibility, however, in light of unexpected changes or opportunities.

Chairman Roberts questioned safety as a criteria, but it was clarified that in this instance staff was talking about building safety and not public safety.

Chairman Roberts said criteria dealing with money should receive more points in this economy.

Commissioner James asked how would the criteria be applied to outside agencies and specifically would it be shared with Charlotte-Mecklenburg Schools in hopes that in preparing their evaluation of their projects these things would be taken into consideration. *Director Diorio said the expectation is that anyone requesting capital funds from the County would go through this process.*

Commissioner Cooksey said he felt staff was on the right track with this. He offered the following suggestions with respect to the criteria: 1) Budget Impact and Economic Impact should be rated higher. 2) Standards/Quality of Life could perhaps be combined with Service Impact to say for example, what is this project doing to improve the delivery of service to our customer base. He said Standards/Quality of Life and Service Impact may be trying to get at the same thing. 3) Joint Use-Just because it's a joint use with another agency, is not a benefit in itself. It's only a benefit when that collaboration brings down the total cost for all of the users. Commissioner Cooksey said the collaboration has to provide some efficiencies.

Commissioner Clarke said he supports having consistent criteria, but the downside of it is trying to make one size fit all, which may create problems.

Commissioner Clarke said Service Impact was probably ranked too low. He also suggested the word impact not be used. He said he thinks staff was trying to say was, to what extent a project was needed to deliver services to customers, which he feels is a much clearer statement of what that criteria is.

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Commissioner Clarke said what the Board was doing was sort of what the Citizen's Capital Budget Advisory Committee does, which is coming up with a process for assessing projects. He asked was this something that's being envisioned for the County Commission to take over instead. *Director Yi said what this process does is change the nature of the discussion whether it's the Board, County staff or the CCBAC because now there will be one discussion of all the projects rather than in silos. He said this would also give the Board an objective basis for having that discussion.*

Commissioner Cogdell echoed Chairman Roberts', Commissioner Cooksey's and Clarke's comments. Commissioner Cogdell suggested that since Standards/Quality of Life seems so subjective, that 10 points, should be placed on Economic Impact and Financing Source, five points each.

Commissioner Cogdell questioned having five as a mandatory minimum because a project should perhaps be assigned less.

Commissioner Murrey questioned the five minimum as well. Commissioner Murrey said to start with anything other than zero for any category is meaningless. He suggested having a continuum. Commissioner Murrey said the priority levels should not be lumped together. He said Level One should be 15, Level Two 13, Level Three 11.

Board Action: It was the consensus of the Board to direct staff to move forward with recommendation #2 taking into consideration Board comments.

Note: Staff will report back at a future meeting with a formal policy for the Board to officially vote on.

(3) Community Capital Standards

Recommendation

- Update and adopt capital standards across all functional areas as a basis for determining need
- Standards should be based on national, state, community or best practice standards
- Set by functional experts and reviewed by the Citizens Capital Budget Advisory Committee
- Update standards regularly consistent with the 5-1 planning process

Comments

Commissioner James said the standards should be developed in conjunction with what the County can afford.

Commissioner Cooksey said he would like to know what the standard is based on, a national source, etc. and how does what's being proposed compare to the County's current status. He said the question will be, what will it take to close that gap.

Commissioner Cogdell said he would like to know how the County compares to other jurisdictions.

Commissioner Dunlap said he concurred with Commissioner Cooksey's comments.

Commissioner James said he doesn't have a problem with having an aspirational standard with a realistic target.

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Board Action: It was the consensus of the Board to direct staff to move forward with recommendation #3 taking into consideration Board comments.

Note: Staff will report back at a future meeting with a formal policy for the Board to officially vote on.

***The recessed at 12:05 p.m. and reconvened at 12:20 p.m.***

(4) Community Involvement

Recommendation

- Continue involving citizens in the capital budget process through the CCBAC
- Charge
  - Provide input into capital standards
  - Determine whether project(s) meet standards
  - Report to the Board of County Commissioners on progress in meeting standards
  - Get input from the residents on standards

Comments

Commissioner Cooksey said he would like the CCBAC to be involved in reviewing the criteria and weighing, and that their input be obtained before the matter comes back to the Board.

Commissioner Clarke said the criteria should be set by the Board. He said getting the CCBAC input was okay but the ultimate decision would be that of the Board.

Commissioner Cooksey said he concurred with Commissioner Clarke.

Commissioner Clarke said in the material provided Wake County has a similar group like the CCBAC, but it's appointed by the county manager. Commissioner Clarke said this was something the Board may want to consider doing. Also, that the group should perhaps be a little larger and that the Superintendent be allowed to recommend two people for appointment. Commissioner Clarke said this would de-politicize that process.

Commissioner Leake asked was there a specific time for the CCBAC to report back. *The response was generally it's in April.*

Commissioner Leake asked that a timeframe be specified in the charge.

Commissioner Dunlap said he concurred with Commissioner Clarke with respect to perhaps having the members appointed by the County Manager.

Commissioner Dunlap said it should be made clear in the charge of any committee appointed by the Board, that they are "simply a recommending body" and do not make the final decision. He said often committees don't understand this and they expect their recommendations to get approved.

Board Action: It was the consensus of the Board to direct staff to move forward with recommendation #4 taking into consideration Board comments.

(5) Funding Limit Capacity (Funding Source Policy) - Recommendation

- Fund projects with voter approved bonds up to 80% of projected capacity
- Pay-As-You-Go funding in accordance with debt policy
- Use non-voted debt (two-thirds bonds, lease purchase or COPs) for government facilities

- Minimize use of COPs

Comments

***Commissioner Dunlap left the meeting and was absent for the remainder of the meeting.***

Commissioner Clarke said three cents was an adequate amount for pay-go. He said to go above that puts too much pressure on the operating budget. Commissioner Clarke said if it was amended to say that any increment would be added on to the existing tax rate, he might be okay with it.

Commissioner Clarke said he thinks what staff is trying to do is, take money out of the operating budget for pay-go. He said to continue to do that in an amount greater than three cents, isn't the right thing to do.

Chairman Roberts concurred with Commissioner Clarke. She said three cents should be the floor and the ceiling.

Commissioner Murrey said it would be helpful for him if staff could report back on how long it would take to pay off a project, if it's three cents or four cents. Commissioner Murrey said he wants to know how much of the debt is being placed on current taxpayers versus future taxpayers.

Commissioner Clarke asked was it correct the only way 80% excess fund balance is going to increase is if more revenue is received in a given fiscal year than budgeted. *Director Diorio said yes and also if less was spent.*

Commissioner Clarke said this is a variable with respect to pay-go that should be determined by that set of circumstances.

Commissioner Murrey said he would like more information in order to determine if 80% is the right number. He said he's concerned about going back to the public and saying we're holding back 20% of capacity for our own discretion without their input. He said that may be a lot of discretion that the County would have available.

Commissioner Murrey said it needs to be kept in mind that the policy being developed isn't just for the bad times, but the good times as well, and that if you get too strict on keeping it at a low number you may not be able to adequately fund infrastructure to maintain the County's bond rating.

Commissioner Clarke suggested staff inform the Board what the projected capacity would be if you reduce the tax rate by 5% or 10% and what it would be if it remains flat, so that it's understood, the interplay between adopting the operating budget and the capacity available for capital.

Commissioner Murrey said perhaps the policy should say 70-90%, 70% when times are good and 90% when times are lean.

Commissioner Cooksey said he would be okay with saying, use of COPs only for extraordinary circumstances.

Commissioner Murrey said there needed to be a definition of extraordinary.

Commissioner Clarke said not mentioned with respect to sources for pay-go was the appropriation of proceeds from all county land sales for capital projects. He suggested this be something staff looks at. Staff said it could prepare of list of surplus county property.

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Board Action: It was the consensus of the Board to direct staff to move forward with recommendation #5 taking into consideration Board's comments.

(6) \$970M in Outstanding Authorization

Recommendation

- Evaluate remaining projects based on the priority setting criteria
- Generate a project list by priority
- Adopt capital plan as allowed by capacity, including Pay-As-You-Go
- Consider de-authorizing amounts tied to low priority projects

Comments

Commissioner Cogdell said a plan needs to be developed for de-authorizing amounts tied to low priority projects.

Commissioner Clarke said he has concerns about de-authorizing projects that were approved by the voters.

Chairman Roberts said she was okay with de-authorizing COPs, but concurs with Commissioner Clarke when it comes to General Obligation bonds because there's a link to public trust and transparency. Chairman Roberts said she would like to have that come up for discussion or a process of saying it just expired.

Commissioner Murrey said voters who voted for something previously may feel differently now. He said to simply let it expire, which is the alternative if the funds aren't available to authorize it, is not having that public process. He said that's not exposing it to the public. He said doing what has been suggested is more of a public process rather than not doing anything.

County Manager Jones said the issue of de-authorizing amounts tied to low priority projects is something the Board should seek citizen input on.

Chairman Roberts said this could also be something for the CCBAC to provide input on as well.

Commissioner Cooksey said the Board has a responsibility to look out for the public's best interest and should explain to the public why the decision was being made to de-authorize. He said having some of those projects out there could impact the County's bond rating.

Commissioner Clarke asked Director Diorio was Commissioner Cooksey correct in his statement about this impacting the County's bond rating.

Director Diorio said the county was trying to do a lot of things to maintain its AAA bond rating. She said she could not say that if this authorization is left out there that it would impact the bond rating. However, if the County could take steps to try to strengthen its AAA bond rating, it should do so, and doing this would be one step that could be taken to do that. She said it would be considered a credit positive but it doesn't jeopardize it just by being on there.

Board Action: It was the consensus of the Board to direct staff to move forward with recommendation #6 taking into consideration Board comments.

(7) 1% for Art - Recommendation

- Reconsider Public Art Ordinance such that:
  - 1% or \$250,000 whichever is less, is provided for public art funding, and/or

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- Provide option for BOCC to determine project exclusions, based on Manager's recommendation

#### Comments

Commissioner Cooksey said with respect to project exclusions, he would specifically say that public art is not needed at criminal detention facilities, parking facilities or any County office facility not routinely visited by the public, such as the Medical Examiners Office.

Commissioner Cooksey said he would also like to see in this policy leveraging with private sector sources for funding art projects.

Commissioner Clarke said this was a topic that probably deserves public input. He said a process needs to be put in place to receive public input.

Commissioner Murrey said he concurred with Commissioner Clarke's comment regarding public input and Commissioner Cooksey's regarding excluding public art from some facilities that aren't routinely visited by the public. Commissioner Murrey said he's okay with 1% but feels the placement of the artwork should not be restricted to the facility being built.

Commissioner Murrey said there is a danger in underfunding public art. He said standards should apply to public art and that it should be looked at in terms of where the County stands in terms of standards with others in the country and benchmarks. Commissioner Murrey said when businesses consider the region and when tourists come, art is something they look for. Commissioner Murrey said there needs to be a sense of what private art is out there and how does the County compare in total to others.

***Commissioner Murrey left the meeting and was absent for the remainder of the meeting.***

Commissioner Leake said her concern is the amount appropriated for public art in light of the current economy.

Commissioner Cogdell said there needs to be discussion concerning why the art has to be tied to a particular project. He feels that should be changed.

Chairman Roberts said flexibility needed to be built in with respect to the amount and where the art should be located. She also supports seeking public input.

Chairman Roberts said local content needs to be defined and discussed. She would also like to see more local and/or artist from N.C. selected.

Board Action: It was the consensus of the Board to direct staff to move forward with recommendation #7 taking into consideration Board comments.

Director Yi and County Manager Jones made closing remarks. It was noted that the Board's next Strategic Planning Conference has been scheduled for January 26-28, 2011, location to be determined.

*Note: The above is not inclusive of every comment. Staff will report back to the Board on all of these recommendations.*

#### **ADJOURNMENT**

Motion was made by Commissioner Cooksey, seconded by Commissioner Clarke and carried 6-0 with Commissioners Clarke, Cogdell, Cooksey, James, Leake, and Roberts voting yes, that there being no further business to come before the Board the meeting be adjourned at 1:55 p.m.

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Janice S. Paige, Clerk

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Chairman Jennifer Roberts