

JANUARY 28, 2011

MINUTES OF MECKLENBURG BOARD OF COUNTY COMMISSIONERS
NORTH CAROLINA
MECKLENBURG COUNTY

The Board of Commissioners of Mecklenburg County, North Carolina, met in Special Session at the Charlotte Museum of History located at 3500 Shamrock Drive, Charlotte, N.C. at 8:00 a.m. on Friday, January 28, 2011.

ATTENDANCE

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

Absent: Commissioners Dumont Clarke and Bill James

The meeting was called to order by Chairman Roberts, after which the matters below were addressed.

(1) CAPITAL PLANNING TIMEFRAME

Budget/Management Director Hyong Yi addressed the Capital Planning Timeframe. The following was noted:

- Staff will develop an annual capital budget and in addition to that, staff will do five planning years out.
- This will allow the Board to have a view of six years, the current budget year and five years beyond that.
- The capital planning budget will be updated annually.
- This process is consistent with the IBM recommendations and with some of the things staff has said with respect to wanting to develop a master capital plan rather than having several plans for different parts of County construction.
- Having one master plan brings it all together.
- Staff will look at different phases, from submission, to evaluating and ranking projects, to how projects are funded and monitored.
- Staff will also report back to the County Manager and to the Board as to what happens now that it's built and how have we done.

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

Comments

Commissioner Bentley asked had any thought been given to including at some level, the Citizens Capital Budget Advisory Committee. *Director Yi said yes and that staff would be addressing some proposed changes with respect to the Citizens Capital Budget Advisory Committee later in the meeting.*

(2) CAPITAL STANDARDS

Director Yi addressed Capital Standards. The following was noted.

- A lot of departments have capital standards.
- What's being recommended is that capital standards be used consistently and that there be standards across the board.
- Currently these standards aren't being used to develop priorities or projects, but that would be the plan and the intent moving forward.
- These standards are used at the department level, but the plan is to roll that up and use it at the "corporate" level to plan for what the needs are for various capital facilities.
- The standards haven't been determined yet for any particular area.
- Staff would involve citizens in helping to determine what the standards should be.
- The standards would be based on not just what staff thinks is needed or the department, but on third party standards, national, state, and regional benchmarks.
- Staff wants to make sure the standards are consistent with what's going on in the country and with what the best practices are.
- The role of the Citizens Capital Budget Advisory Committee would be to review the standards and let staff know if those standards are adequate for Mecklenburg County, or where we are falling short or where Mecklenburg County is exceeding the standards that we need for this community.

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

Comments - None

(3) CITIZENS CAPITAL BUDGET ADVISORY COMMITTEE

Budget/Management Director Hyong Yi addressed the Citizens Capital Budget Advisory Committee (CCBAC). The following was noted.

- Staff believes there is a role for citizens in the capital budget process.
- The Citizens Capital Budget Advisory Committee has been the mechanism for citizen involvement.
- There has not been anything, however, for the Citizens Capital Budget Advisory Committee to weigh in on for the last several years, since the County stopped building.
- The intent going forward is that as the County starts making changes with respect to how it does its capital planning, the role of the Citizens Capital Budget Advisory Committee would be needed.
- Staff recommends continuing to have a Citizens Capital Budget Advisory Committee.
- Staff recommends revising the Citizens Capital Budget Advisory Committee's charge and how they're constituted.
- The recommended charge is to have them look at the capital standards and weigh in on whether those standards are adequate for the community.
- They would be given the option and ability to seek input from different neighborhoods and communities to see what they need.
- They would be asked to look at the proposed list of projects and advise as to which of the projects would help us meet the standards that have been set for the community and which are not in line with the standards.
- They would be asked to report to the Board on an annual basis on what progress has been made in terms of meeting the standards that have been set for the community.
- The charge outlined is different from their current charge.
- Per previous feedback from the Board, it was suggested that the County Manager appoint members to the Citizens Capital Budget Advisory Board going forward, so this is being recommended.

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- It's being recommended that the size of the committee be reduced from eleven members to seven, so that it would be more manageable.
- The reduction in the size of the Committee would include the elimination of the two appointments by the Board of Education.
- The length of terms would be two years.

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

Comments

Chairman Roberts asked about the size of the committee and whether reducing it posed any concern, if you only had, for example, five members to show up for a meeting. *The response was no.*

Commissioner Cogdell asked for a reminder of why it was suggested the County Manager make the appointments. *The response was to remove the politics out of the appointment process.*

Commissioner Cooksey said he wondered why also.

Commissioner Cogdell said he felt the Board should make the appointments and that the Board should perhaps be more deliberate going forward with respect to looking at skill sets.

Chairman Roberts asked County Manager Jones to comment with respect to the making appointments to the committee.

County Manager Jones said if the Board wanted to continue making the appointments, he had no objection. He said this recommendation was coming forth because staff thought this was a desire expressed by the Board in October.

Commissioner Dunlap said it's possible the County Manager would look at specific skills sets, which Board members may or may not do.

Commissioner Pendergraph spoke in support of the Board continuing to make appointments to the CCBAC.

Commissioner Pendergraph suggested staff provide the Board with a list of specific skills sets needed, so that the Board could be mindful of that when making appointments.

Commissioner Cooksey spoke in support of the Board continuing to make appointments to the CCBAC. Commissioner Cooksey said he felt that would be the public's preference as well.

Chairman Roberts reminded the Board that the reduction in the size of the Committee would eliminate the two members appointed by the Board of Education.

No objection was expressed.

Director Yi said staff was recommending this change because none of the County's other partners were afforded this opportunity.

The consensus of the Board was to continue to have appointments to the Citizens Capital Budget Advisory Board made by the Board and not the County Manager. Secondly, that staff provide the Board with a list of the desired skills sets for serving on the Committee. Thirdly, the Board supports the elimination of two members appointed by the Charlotte-Mecklenburg Board of Education, thus all appointments would be made by the Board of County Commissioners.

(4) PUBLIC ART 1%

Director Yi addressed the 1% for Public Art Policy. The following was noted.

- The history of the policy
- A review of the policy
- Recommended changes

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

Comments

Commissioner Dunlap asked if the County provided other funding to the Arts & Science Council. *The response was yes, but that this was something different.*

Chairman Roberts asked was there flexibility in the current Public Art Ordinance to allow the Board the option of not setting aside 1% for public art for a particular project, if it chose to do so. *The response was no.*

Chairman Roberts said she felt it was important to give the Board the option to opt out depending on the nature of the project.

Chairman Roberts said she was a little uncomfortable with the \$250,000 recommended cap. She noted that there are some projects such as the greenway or other large projects that may require more than one piece of art and you may want to have the flexibility to go higher than \$250,000.

Chairman Roberts said she would prefer having the flexibility to opt out and/or reduce the amount, if that was the desire of the Board and depending on the nature of the project.

Commissioner Cooksey suggested the Board give the County Manager guidance on the types of projects that it felt would not be eligible to receive public art funding and that those types of projects be referenced in the ordinance. He cited jails as an example.

Commissioner Cooksey said he was comfortable with the \$250,000 cap, but would support the Board having flexibility to raise or lower that amount if it chose to do so.

Commissioner Cogdell asked if the artwork had to be placed at the facility that was built or could it be at a different location. *The response was it has to be at the facility that was built.*

Commissioner Cogdell said he would be inclined to lower the cap and amend the current ordinance to permit the Arts & Science Council to use the budget as deemed appropriate, including the discretion to use the funds at a facility that's been built and/or for art classes in schools.

Director Yi said what Commissioner Cogdell was suggesting was not possible, because this was a capital fund; and for the funds to be used for art classes in public schools or somewhere else would be an operating expense.

Director Yi said these funds could only be used for capital expense.

Commissioner Cogdell suggested the Board consider giving more authority to the Arts & Science Council to determine what the priorities are for art needs in the community.

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Commissioner Cogdell asked was there anything legally prohibiting the Board from changing the ordinance to allow funds to be used in other ways, including contributing to Arts & Science Council capital campaigns. *The response was that staff would have to check with the County Attorney.*

Chairman Roberts said she would be uncomfortable with changing the current ordinance to achieve what Commissioner Cogdell referenced.

Commissioner Bentley said with respect to having an opt out provision, she recently spoke with the president of the Arts & Science Council Scott Provancher and that he was okay with the Board having an opt out provision.

Commissioner Bentley noted that Mr. Provancher was speaking for himself and not for the Arts & Science Council as a whole.

Commissioner Bentley said with respect to Commissioner Cogdell's suggestion, that she wasn't sure if it would be appropriate for the County to fund art, other than for County buildings.

Director Yi said if any changes were to occur with the Public Art Ordinance, it would require that a public hearing be held, prior to any changes being made.

Commissioner Dunlap said he was okay with the 1% remaining. He's does not particularly like the cap and would prefer if you say 1%, "let it be 1%." He likes the idea of the Board having the flexibility to opt out.

It was the consensus of the Board to change the Public Art Ordinance to give the Board the flexibility to opt out from including public art for a particular capital project if it desires to do so.

There was no consensus with respect to the \$250,000 Cap. Thus, Director Yi said staff would provide the Board with two options that could be presented at the public hearing with respect to having a cap and/or the ability to increase the amount.

It was noted that the ordinance did not apply to schools. Thus, Commissioner Cooksey suggested that this be clarified since the ordinance states any public building paid for by the County, noting that the County builds schools.

Director Yi said staff would get clarification regarding Charlotte-Mecklenburg Schools and Central Piedmont Community College.

Director Yi said he'd spoken with his City counterpart regarding possible changes to the ordinance.

Commissioner Cogdell said he was okay with the 1% and the cap, but would like more information regarding what flexibility the Board has.

(5) CAPITAL PRIORITY SETTING

Finance Director Dena Diorio addressed Capital Priority setting. The following was noted.

- The current practice is to prioritize a project based on purpose.
- Currently capital is done in silos.
- Projects are not ranked against each other.
- Sometimes the County Manager will reprioritize projects.

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- Staff is recommending a new process, which would rank projects, one by one, taking into consideration that there will no longer be silos.
- The new process would involve adopting a methodology for prioritizing capital projects based on a set of objective criteria.
- The criteria are more data driven.
- Seven criteria were developed: 1) Mandates & Contractual 2) Building Safety 3) Economic Outcome 4) Funding Source 5) Board Priority 6) Impact on the Operating Budget 7) Joint Use Savings.
- In addition, it was decided that 5% of any available capacity should be used to fund land acquisition for open space because it was recognized that land acquisition under this model would probably never rise to the top and probably would not get funded on a consistent basis.

Director Diorio reviewed the criteria.

Director Diorio said what staff was seeking at this point was feedback from the Board.

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

Comments

Commissioner Dunlap said he sort of liked what staff presented.

Commissioner Dunlap asked for clarification on Funding Source, specifically as it related to private and public dollars that may not come from the County. *Director Diorio said staff would not make a judgment as to whether the funding was coming from a private investment or the City of Charlotte; that as long as it's not general fund money, then it would be considered not county funded.*

Director Diorio explained how the test evaluation was done.

Commissioner Dunlap asked if the process precludes you from using Certificates of Participation (COPs) to fund projects that fall below the cut off line. *Director Diorio said staff would not recommend the Board take things out of sequence. Further, that the funding of projects was a separate discussion from the ranking of the criteria.*

Commissioner Cogdell asked for clarification on the Mandates Choice Matrix – No Program Choice/Funding Choice which was addressed.

Commissioner Cogdell questioned the number of points for this category and suggested that this type of category be an exception to the entire chart.

Commissioner Cogdell said it gives 20 points to a project that the County doesn't have control over and would have to do anyway.

Director Yi addressed the Choice Matrix further.

Commissioner Cogdell said one of the reasons he questioned the 20 points for No Program Choice/Funding Choice was because he felt more points should be assigned to Joint Use Savings.

Commissioner Cogdell said he'd rather see the five points for Building Safety be given to Joint Use Savings.

Director Diorio said a project where you're leveraging private dollars would theoretically pick

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up points in the Economic Outcome category and in Joint Use Savings.

Director Diorio said if a project has value, it'll pick up points throughout the matrix and not just in one category.

Commissioner Cooksey asked for clarification on Economic Outcome which was addressed.

Commissioner Cooksey said he was tempted to suggest moving five points from Economic Outcome and adding it to Board Priority.

Director Diorio said the process was not perfect and that until staff uses it and works with it, staff won't be able to determine where it needs to be refined or tweaked. Director Diorio said staff wants the opportunity to work with the process and to come back to the Board if changes are needed.

Commissioner Cooksey said he was okay with what staff presented.

Commissioner Bentley asked for clarification on performance contracting and how it fits in with the matrix. She used HVAC replacement at the Aquatic Center as an example. *Director Yi said that type of project would not be funded out of the capital fund but rather through capital reserves.*

Director Diorio said often those types of performance contracts are done out of operating dollars because you're contracting with a company to make the improvement and the savings generated are used to make payments on that contract. Director Diorio said this is usually not a part of the capital project process.

Chairman Roberts referenced the ranking of schools and asked how the "dry run" matched up with Charlotte-Mecklenburg Schools priorities. She also asked had any thought been given to how the current atmosphere about closing schools, impacts any of the priorities. *Director Diorio said the projects staff used in the exercise were staff generated, she said staff did not ask CMS for their priorities and rank them, so at this point, staff doesn't know if they would match up or not.*

Chairman Roberts asked wasn't it correct that in the past CMS has given the County their list and the County gives them a certain amount and they make the decision as to where the money goes. *The response was yes.*

Commissioner Dunlap asked had there been an assessment of the value of excess land owned by CMS and consideration to asking them to sell the land and use it towards their capital projects. *County Manager Jones said he was not aware of any assessment being done.*

Commissioner Dunlap said it was something to think about, because it could mean, CMS could build a school with some of the value of the excess land and not have to come to the County for it.

Commissioner Cogdell commented on the grid used to evaluate projects. He suggested the language for Joint Use Savings which read, the extent to which project is a collaboration with other governmental entities and/or business partners (County, City, Towns, CMS, CPCC, Library) have added to it, if it doesn't, the private sector. *Director Diorio said it did not but that it could be added.*

Commissioner Cogdell said he'd like to see Joint Use Savings go from 10 points to 20 points, Building Safety 0-15 points; and that the points for Priority Levels 5, 6, & 7 be adjusted.

Commissioner Dunlap said if the points were adjusted as suggested by Commissioner Cogdell,

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potentially what could happen is that if someone who has private dollars knows that those private dollars can influence what project the County builds, that it skews the process.

Commissioner Cooksey said increasing the number of points for Joint Use Savings could serve as an incentive for an investor.

Commissioner Cooksey said if an analysis or inventory of excess CMS land is done, as mentioned by Commissioner Dunlap, that staff should also look at County property, in case there's land the County has that no longer fits in the long term planning of the County and could be sold and those funds then used to fund capital projects.

Chairman Roberts said she would be okay with tweaking the points for Joint Use Savings some, but was not comfortable with giving it 10 additional points. Chairman Roberts said she would prefer the adjustments be made by staff and not the Board.

Chairman Roberts asked was it the will of the Board that the points for Joint Use Savings be adjusted.

Only Commissioners Cogdell, Cooksey, and Roberts felt that it should, so the consensus was to leave it as is.

Commissioner Dunlap noted that just because a project may not rank where one may think it should have, doesn't mean the process doesn't work.

Chairman Roberts said this was a good start.

Director Diorio said what was presented by staff was just an example.

Director Diorio said it should be kept in mind that affordability will be the driving factor about how much any of the projects on the list can be done.

Director Diorio said the way the process will work is that there's a fairly extensive questionnaire that the departments and partners will complete for each project, which would then come back to a central CIP committee of staff to vet out.

Commissioner Cogdell continued to address the points for Joint Use Savings, noting that moving forward with certain joint use projects could actually save taxpayers dollars.

Commissioner Dunlap asked Director Diorio how did staff determine the number of points. *Director Diorio said the points were weighted based on feedback staff received from the Board previously.*

Director Diorio said the scale doesn't have to be 100. She said if the Board wants to add more points to Joint Use Savings, the scale could be 120 points. Director Diorio said it should be kept in mind that no project will get every single point. She said that it'll always be in a range.

Commissioner Bentley asked for clarification on joint use. *Director Diorio said the way joint use was currently framed was that it includes joint use projects between the County and other governmental entities. She said Commissioner Cogdell suggested including the private sector.*

It was the consensus of the Board to move forward with the capital priority setting process as presented by staff and to have further discussion once staff reports back with the results of the process.

This concluded the discussion. The above is not inclusive of every comment but is a summary.

The Board recessed at 10:25 a.m. and reconvened at 10:45 a.m.

(6) DEBT SERVICE FUND

Director Diorio addressed the Debt Service Fund. The following was covered.

- Bond Rating Overview
 - Highly Rated Credit Factors
 - Debt Profiles of AAA's – National
 - Debt Profiles of AAA's – N.C. Counties
 - Mecklenburg County Debt Ratios
 - Rating Surveillance
- Debt Service Fund
 - Objectives for Debt Service Fund
 - Projection of Outstanding Debt – GO Bonds & COPs
 - Projected Current Debt Service Expenditures by Fiscal Year
 - Projected Current Debt Service as % of General Fund Operating Expenditures
 - Property Tax Required for Debt Service
 - Summary of Proposed Fund
 - Dedicated revenues go into the fund
 - No appropriation of fund balance for debt service
 - Funded at 22 cents on the tax rate
 - Annual amount available for capital expenditures is known
 - Debt issuance is managed based on available capacity
 - Capacity is the difference between the debt service budget and 20% of the operating budget
 - Continue to reduce outstanding debt
 - Accumulate fund balance equal to 2 years other revenue
 - Excess fund balance diverts to pay-as-you-go
 - Model Assumptions
 - Proposed Revenue Sources Projected for FY12
 - Calculation of Debt Capacity
 - Proposed Debt Service Fund Capacity
 - Projected Debt Service with New Issues
 - Fund Balance
 - Advantages & Disadvantages
- Qualified School Construction Bonds

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

Comments

Commissioner Cooksey asked about Debt Service as a Percentage of Budget. *Director Diorio explained that the County budgets its variable rate debt at a higher rate than it actually pays.*

Commissioner Pendergraph asked why the County's debt profile was so much higher in comparison to other N. C. counties. *Director Diorio said the County had a lot of growth taking place at one time and a lot of money was spent.*

County Manager Jones noted that Wake County about 12 years ago, did what staff was proposing the County do and that was, Wake County established a debt service fund; and they did not issue debt beyond the capacity that they established in that fund.

Chairman Roberts with respect to the Projected Debt Service chart, asked what was included in

Other Revenues, which was addressed.

Commissioner Bentley with respect to the Projected Debt Service chart asked where was fund balance, which was addressed.

Chairman Roberts with respect to Proposed Fund asked for clarification regarding capacity, which was addressed.

Commissioner Dunlap said if the County didn't issue anymore debt and continued to pay the 20%, how long would it take the County to get out of debt, to a point where the County could just use pay-as-you-go to fund all of its projects. *Director Diorio said it was hard to answer that question because the County has debt service that goes out for twenty more years. She said staff would have to figure that out, but it would take a very long time.*

Commissioner Bentley asked what would be the implications from a rating perspective if the County decided to lower the 20% to 18%. *Director Diorio said from a ratings standpoint it would be seen positively, but as you go through the model, it would "crowd out" your ability to issue any new debt.*

Commissioner Cogdell with respect to Debt Service as percentage of budget, asked how long would it take the County to get where Forsyth County and Guildford County were, if no more debt was issued, which was addressed. *Director Diorio said it was not easy to get that percentage down.*

Commissioner Cogdell asked was it correct that since December 2008 the Board has not issued any debt that wasn't for a project that was underway. *The response was yes.*

Commissioner Dunlap asked for clarification on debt capacity, which was addressed.

Chairman Roberts asked about pay-go and how it fits into the prioritization, which was addressed. *Director Diorio said pay-go was just another funding source.*

Commissioner Cooksey said it would be helpful to him if staff referred to this as debt fund balance to distinguish it from regular fund balance.

Director Diorio noted that when the rating agencies review this, they look at fund balance in total, there's no distinction and that helps from a reserves perspective.

Commissioner Dunlap asked how does staff determine what "pots" of money make up the County's reserves. *Director Diorio said the County has general fund reserves, fund balance in the general fund, in the capital projects funds, and in special revenue funds.*

Commissioner Pendergraph asked had there been any discussions regarding the construction of school facilities such that they would be built by a company and then leased back to the County. *Director Diorio said the County has been approached by companies wanting to do that, but the problem with that is, their "cost of money" would never be as cheap as the County's "cost of money." She said a tax exempt issuer is always going to be able to borrow money for less.*

Director Diorio said the County has never been able to get a deal where it was advantageous to the County from a cost perspective to do it.

Commissioner Dunlap said that's the same reason Charlotte-Mecklenburg Schools has not done that as well.

Commissioner Dunlap asked what the benefit was of spending the Qualified School

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Construction Bonds when CMS was closing schools, which was addressed.

Commissioner Dunlap asked could the Qualified School Construction Bonds be used for Central Piedmont Community College as well. *The response was no.*

Director Diorio said with respect to Qualified School Construction Bonds staff could seek the extension from the state on the first piece if it's the desire of the Board.

Chairman Roberts said she felt the Board wants to see how the ranking turns out first.

The Board recessed at 12:10 p.m. and reconvened at 12:30 p.m.

(7) NON-PROFIT ORGANIZATION FUNDING STRATEGY

Director Yi addressed Non-Profit Organization (Outside Agencies) funding. The following was noted.

- Funding History of Outside Agencies
- Streamlining Funding
- Funding Strategy
- FY12 Process
- Next Steps

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

Comments

Commissioner Dunlap said he was okay with what staff was recommending. He suggested staff also remind and make OSA aware of other funding mechanisms, such as the County Employee Combined Charitable campaigns.

Commissioner Leake asked how the information would be disseminated to the public, which was addressed.

Commissioner Cogdell spoke in support of staff's recommendations.

Director Yi said staff planned to seek input from others in the community experienced in grant management, such as United Way, Foundation of the Carolinas and professors at UNC-Charlotte that teach grants management.

Commissioner Leake asked staff to also check with Johnson C. Smith University. *Director Yi said he would look at Johnson C. Smith as well.*

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

Chairman Roberts asked if staff knew whether CMS or the City of Charlotte were considering doing something similar to what staff presented, since they give monies to some of the same OSA as the County. *Director Yi said there have been conversations with the City of Charlotte to see where there are overlaps in funding and whether changes need to occur. Director Yi said those discussions will continue and that eventually staff will report back to the County Manager and to the Board. He said CMS was also included in those discussions.*

It was the consensus of the Board for staff to move forward with developing what they have proposed and to report back to the Board once finalized.

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This concluded the discussion.

Chairman Roberts thanked staff on behalf of the Board for all of its work.

County Manager Jones made closing remarks and thanked the Board for its participation.

County Manager Jones said he would be recommending in his recommended budget, the establishment of a debt service fund.

Note: None of the above is inclusive of every comment but is a summary.

ADJOURNMENT

Motion was made by Commissioner Dunlap, seconded by Commissioner Pendergraph and carried 6-0 with Commissioners Bentley, Cooksey, Dunlap, Leake, Pendergraph and Roberts voting yes, that there being no further business to come before the Board that the meeting be adjourned at 12:55 p.m.

Janice S. Paige, Clerk

Jennifer Roberts, Chairman