

**MINUTES  
CHATHAM COUNTY BOARD OF COMMISSIONERS  
RETREAT  
JANUARY 31, 2011**

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The Board of Commissioners (“the Board”) of the County of Chatham, North Carolina, met in the Camp Royall, 250 Bill Ash Road, Moncure, NC 27559, located in Pittsboro, North Carolina, at 9:00 AM on January 31, 2011.

Present: Chairman Brian Bock, Vice-Chair Walter Petty, Commissioner Pam Stewart, Commissioner Mike Cross, and Commissioner Sally Kost.

Staff Members Present: County Manager, Charlie Horne; Assistant County Manager, Renee Paschal; Finance Officer, Vicki McConnell; Moderator, Debra Henzey; Community Relations Director, Lisa West; and Deputy Clerk to the Board, Elizabeth Plata.

***AGENDA ~ DAY ONE***

1. **Ground Rules** (Debra Henzey, Moderator)
2. **Discussion of Commissioner Priorities** (Chairman Bock)
3. **Overview of budget process and policies** (Renee Paschal)
4. **Expected conditions affecting next year’s budget**, including trends and preliminary revenue and expenditure projections (Renee Paschal)
5. **Performance Team recommendations** (Sybil Tate)
6. **Presentation of budget reduction strategies** (Renee Paschal)

The Chair called the meeting to order at 9:03 AM.

**GROUND RULES**

Debra Henzey, moderator for the Retreat, provided a review of the Ground Rules for the Retreat, including staying on schedule and staying on task, and when stating an opinion to provide information to support that opinion using specific examples.

**COMMISSIONER PRIORITIES**

Chairman Bock stated that there was much on the agenda, but anything not finished would be carried over to future work sessions. The goal was to have a good understanding of the budget process and what their priorities and goals were, and if they achieved that then it would be a success. For the next couple of hours, they would talk about priorities and goals using the Commissioners’ 2010-2011 Goals adopted on June 21, 2010 as a starting point. Many of the goals would remain the same and some would require more discussion than others, and obviously some may be removed, particularly those that had been completed, and new ones may be added. The overall goals could remain relatively simple in that they should not need much discussion.

Commissioner Kost stated that they had asked the Manager for quarterly updates and that what the category of status was. She did not believe they needed to spend much time on status since it was now out of date.

Chairman Bock stated that the Goals Document contained a background statement of the overall goal, and then strategies that accompanied each goal. He suggested discussing the overall goals first and then delve more deeply into the strategies. There was no objection from the Board. Chairman Bock stated that one of the primary things they would have to do was prioritize and reduce spending.

Commissioner Petty stated they would need to concentrate on being open and providing information to citizens so that they understood the Board's decision-making process, and transparency would be important to that.

Chairman Bock stated one thing he had said repeatedly was that the Board should focus on making it easier to do business in Chatham County.

Commissioner Kost stated her number one priority was to ensure that the Board made the commitment that public education was their top priority. The only goal she believed was missing that they needed to focus on was the issue of land use planning. There should also be a category about alternatives for the landfill, but she was not sure where that would fit in.

Chairman Bock asked was the goal land use planning or was there a goal that land use planning would get them to.

Commissioner Kost stated that land use planning was a category of which the goal was what needed to be discussed.

Ms. Henzey stated she believed the desired outcome would be the goal.

Charlie Horne, County Manager, stated that land use planning in general provided a certain methodology to help manage what went where in the County, and there were many ways to get that information and it was a matter of how you did that.

Chairman Bock stated for instance, one goal was to increase economic development, and underneath that goal might be proper land use planning. And, if public education was a goal then proper land use planning could fall under that as well.

Commissioner Kost stated that preserving the form and function of rural character was a goal and was something that the community had said they wanted, so that was a goal.

Chairman Bock stated then that would be the goal.

Commissioner Kost asked then what the goal was for public education, noting she believed it was that they provide the best education possible for students.

Ms. Henzey stated that at present they had concepts for goals.

Chairman Bock stated he would like to see as a goal a proper balance between protecting the rural character and economic development.

Commissioner Kost stated she believed that providing for the public infrastructure in the County would fall under that, noting that the issue of the landfill would as well because that was infrastructure. She asked where environmental protections would come in.

Chairman Bock stated that would be under land use planning.

Commissioner Kost stated that was where she believed it should be as well. The next goal as stated was public safety, with the overall goal to "Create a state of readiness to respond to community disasters/situations, provide efficient criminal justice system, supporting the court system, and operate a secure jail. That was one of their key service areas.

Chairman Bock suggested comparing what was discussed with the goals in the Goals document, and then putting them in priority order. On page 1 the overall goal was to “Increase constructive citizen engagement and promote greater citizen understanding of County government’s decision-making and operations.” He believed that fell under the open government and access goal. On page 4 it said that the overall goal was to “Maintain a high bond rating by ensuring the County’s credit-worthiness by managing the use of debt and using best practices...” That sounded like a goal they would want to continue. On page 6 the goal was “Land use decisions are to be made consistent with the Land Conservation and Development Plan,” and that might need a more in-depth discussion.

Commissioner Kost stated she liked it the way it was stated now, noting that was a goal she had heard stated by members of the community. The Land Conservation and Development Plan was a very community-intensive process, and one of the reasons they had wanted to update the Land Use Plan was because they had wanted to involve the community, but the problem was that it stopped short of adopting a map. One of the things that came out of that Plan was the preservation and form of rural character.

Chairman Bock stated conceptually he had no problem with that, but he did have a problem with the actual definition of what that meant; that is, preservation and form of rural character. For example, many said that they wanted to do that but yesterday he had attended the Margaret Pollard School dedication where several people had come up to him to say that it had ruined the rural character of their neighborhood because it had added too many lights and too much traffic. So, the definition of maintaining rural character would be different for everyone. When you built anything, someone would say that they had not protected the rural character of their piece of the County. Conceptually he understood that, but that could also be defined as having very high density and mass transit on the east side of the lake with people on the west side saying they were preserving rural character.

Commissioner Kost stated that in regards to rural character, what was meant was that they should be making the investment and pushing the high density residential development to economic centers, which were the existing towns. So, to protect rural character you would encourage growth in Pittsboro, Siler City, and Goldston, or, identify nodes where they would try to center that density so that they did not have strip mall shopping areas between Pittsboro and Siler City on US 64 which would destroy the rural character.

Chairman Bock stated the other side of that was that the people in Bennett might not agree, in that they might want to have such shopping a little closer.

Commissioner Kost stated that Siler City would be closer for them. The idea was that they would not want to allow things that would pull away from their towns because they wanted those areas to prosper, and if you built a Walmart between Siler City and Pittsboro then you have injured Siler City.

Commissioner Petty asked how you would accomplish that without taking the decision-making away from those who wanted to build a business where they believed it was best for their business to thrive.

Commissioner Kost stated she and Commissioner Petty differed on the property rights issue, in that she believed in community rights. A good example was used at a previous meeting where Commissioner Cross had said what if he had 200 acres and wanted to use it for a landfill, but you had to ask what about the community. Someone might want to place a really large business out in Silk Hope, but then someone may come and condemn property belonging to others to build a road because that business had generated so much traffic that it was warranted. But, the question then became what about that person’s property rights whose property was condemned. Her point was that you had to define where you wanted to focus those businesses, and you could not allow them to be placed helter skelter all over the County because the County would then have to provide services to those business. And if you did that, then you would have driven up the cost for everyone else.

Mr. Horne stated they had talked about focusing the growth in the areas that already had infrastructure, and believed that was Siler City and Pittsboro because they had water and wastewater to a degree. If they ended up with a strategy of some sort they may want to make sure that the municipalities were on the same page as the County with that process. For instance,

if they wanted to help Pittsboro expand the water or wastewater system in some way, they would want to make sure that Pittsboro's land use planning or zoning allowed higher density in places where they could handle that growth. If they were not all on the same page then it would be very hard to get that done.

Commissioner Petty stated that businesses would locate primarily where the infrastructure existed, but there might be a business that did not need that infrastructure and wanted to go elsewhere. They would want to be careful not to restrict that business's potential because the regulations would not allow a business in a particular area.

Commissioner Kost stated that the business would need some kind of infrastructure even if it was only roads. But, she understood property rights and that had to be balanced with community rights. At present, Andrews Store Road was in terrible shape leading to the schools and hopefully relief was on the way, but that would cost taxpayers money. If a business drove up costs because their business was in a location where the road infrastructure was not present, then that would cost everyone and the question was why allow that.

Commissioner Stewart stated they were talking about protecting the rural integrity of the County, and she thought of it as an interior and an exterior. You had the roadways and major highways, and most people would want to build where there was easy access which would really mean that the right place for a business was along those major corridors.

Commissioner Kost stated they could build along the corridors if it was done properly and that traffic was taken into consideration along with screening. What the Land Use Plan had talked about was that by keeping the corridors scenic and attractive was actually good for economic development, not bad, because businesses wanted to come to a community that was attractive. So, the purpose was to prevent the corridors from looking like 421 South in Lee County, as an example. There were a lot of business there, but they were piled one after another.

Chairman Bock stated that was an economic development discussion, and would agree that they wanted pleasant looking thoroughfares. But the argument that businesses were attracted to a good looking community was not one he believed they could make. They lost businesses regularly to India, to China, and to Mexico, and they were not moving there because it was attractive with lots of parks; they were moving for other reasons.

Commissioner Kost stated she believed if they talked to the citizens who had spoken out about the landfill and told them that the Board wanted to have commercial zoning between Pittsboro and Siler City, she would question that that was something that the citizens really wanted.

Chairman Bock agreed, but believed that the economic development side of the argument was a different conversation.

Commissioner Kost stated she believed they needed to keep their competitive edge, because they were competing with Lee County and other places and Chatham County had to stand out as someplace special.

Chairman Bock stated he would say they had lost their competitive edge because of what they had tried to do in the past in many cases by over-regulating or over-planning to the point that no one was interested in Chatham County.

Commissioner Kost stated she did not agree with that, asking how he could say that when they had invested \$12 million in a business park in Siler City.

Chairman Bock stated he would give a specific example, and there were dozens he could use. Speaking to top level executives in Raleigh last month, they were looking to expand and have a manufacturing plant somewhere in about an hour of Raleigh in a community that was okay with some kind of manufacturing. Siler City jumped to his mind, but the executives had said they had never considered Chatham County. When asked why, the reply was that it was too difficult to talk to anyone or to do business there, and they were not even going to consider it.

Commissioner Kost asked was that based on direct conversations with someone or based on what they believed the County's reputation was.

Chairman Bock stated they knew the County's regulations and how difficult it would be, and they knew that they could go to other nearby communities who would roll out the red carpet for them.

Commissioner Kost stated but that would be due to Siler City's regulations, not the County's. If that company had been considering the business park then that was not something that the County regulated.

Commissioner Stewart stated that perception sometimes became reality. Obviously at some point the County had obtained a reputation as being difficult, and whether true or not that was the perception. There was a reason for that and they had to do things that would dispel that perception. She had spoken to the same gentleman that the Chair had talked with and he had said that he had never for one moment even pondered the idea of coming to Chatham County.

Chairman Bock stated they could get into more specifics about that later when the EDC talked with the Board. Jeffrey Starkweather asked when the EDC would be before the Board. Chairman Bock stated was scheduled for the third day of the Retreat, which was on February 8.

Ms. Henzey stated she agreed that that discussion needed to be held until February 8<sup>th</sup> so that they could get back on track now.

Chairman Bock stated that the first part of the overall goal of land use planning was preserving both form and function of rural character.

Commissioner Kost reiterated that that was the foundation of the Land Conservation and Development Plan that was out of date, but was what she continuously heard from citizens in the County.

Commissioner Petty stated he liked the rural character of the County, but asked how did you balance the rural character without over-regulating, adding they just could not regulate everything.

Chairman Bock suggested rewording the actual goal to say that rather than "Land use decisions are to be made consistent with the Land Conservation and Development Plan," that it read that "Land use decisions are to be made consistent with balancing the needs of economic development and preserving the rural character of the County.

Commissioner Petty stated that would provide some leeway.

Commissioner Kost stated she would agree to that as long as a caveat was added somewhere that said that they wanted to encourage the growth in the municipalities, because that provided the most benefit to the most people.

Commissioner Stewart wondered if 25 years from now that would mean that everything around Pittsboro and Siler City would have had to grow outward.

Commissioner Kost stated that was an issue, but noted both municipalities had very huge ETJ's.

Chairman Bock stated then they could use the suggested wording and add a sentence that they encouraged and supported the growth within the municipalities. There was no objection from the Board.

Mr. Starkweather stated that the previous Board and the EDC had talked about area planning where each area of the County had a plan that met its particular needs and vision of the community so that they were not all the same all over the County.

Chairman Bock stated then he was basically suggesting that there be more of a strategy for each area. Mr. Starkweather replied yes.

Commissioner Petty stated as an example, they would not want the pallet plant on 421 to be in a town, noting they had huge saws that made noise throughout the day. They would also not want to have lumber yards in a town.

Commissioner Kost stated there was a lumber yard in Siler City.

Commissioner Petty replied if they had their druthers they would have it at the edge of town instead of where it was located. His point was that businesses had their place based on their needs, and he wanted to be careful that they did not try to make those decisions for those businesses because they were the professionals in what they did and that was the reason they were in business, and the County could not tell them what they did or did not need. The County needed to be cognizant of that and accommodate it. The goal needed to be how they would accommodate those needs without tying those business' hands and saying that they must go here or must go there.

Commissioner Kost stated she understood that businesses knew their needs but businesses were also looking at the bottom line and doing things in the most cost-efficient way possible. What she was worried about was that if they allowed businesses to go anywhere in the County they wanted to that they would drive up the cost for the rest of the citizens. They could get in a position that wells were no longer sufficient and the County would have to spend money to run water pipes to them. Her point was that they had to balance that and anticipate it because it was not fair to taxpayers to have to pay for infrastructure for someone to put a business in the middle of nowhere.

Commissioner Petty stated that perhaps poor planning on her part would not constitute an emergency on his part, and the solution would be that the business would have to pay the expense to get the water to their business or they would have to relocate.

Chairman Bock stated there were two sides to that equation. They were having an impact on the community, but on the other end of that they were creating revenue and creating jobs and adding to the tax base. So, it was not all one-sided in that the business was costing taxpayers, but they were creating a business with jobs and increasing the tax base.

Commissioner Kost stated she agreed and that was why she wanted to include that statement about promoting economic development in the towns, because the cost of providing that infrastructure went way down when it was condensed into the towns.

Commissioner Petty stated that "encouraging" and "promoting" were good terms and left some leeway.

Chairman Bock asked if they could agree that that would be the land use goal and discuss more specifics once they got to the strategies, that is, did that capture what they would like to see, which was to balance the needs of economic development, preserving rural character, and encouraging growth within the towns. There was no objection from the Board.

Chairman Bock stated that on page 9 was Conservation/Sustainability. The word "sustainability" bothered him, in that everything the Board did should be sustainable by the real definition. That term as used in the common vernacular nowadays had a political connotation and a separate agenda connotation.

Commissioner Kost suggested just calling it Conservation. The Board agreed by consensus.

Chairman Bock stated that the goal under Conservation now read that the Board was committed to sustainable practices that reduce greenhouse emissions, conserve energy and protect the County's environment. He suggested that it be changed to read "Chatham County is committed to protecting the County's environment."

Commissioner Kost suggested adding energy conservation, so that it read "Chatham County is committed to energy conservation and protecting the County's environment. What she believed they had not done well as a county in the past was really look at comprehensive conservation and that was where they got into the areas of transportation, energy, affordable housing, water and sewer, and all of those infrastructure needs. As long as that did not get lost, then she was okay with it.

By consensus, the Board agreed to that suggested wording.

Chairman Bock stated the next goal was Public Safety, which was to “Create a state of readiness to community disasters/situations, provide efficient criminal justice system, supporting the court system, and operate a secure jail.

By consensus, the Board agreed that the goal as stated was appropriate.

Chairman Bock stated that next was Personnel/Hiring/Staffing, which was to “Promote a high-quality, well-trained workforce that performs in a citizen-friendly environment, promote respect and appreciation for cultural and ethnic diversity, provide market-driven competitive pay, ensure diversity within County employment, and ensure adequate staff development and training. He stated that he agreed that providing market-driven competitive pay was a great goal, but did not know if in reality they could change anyone’s pay next year.

Commissioner Kost stated she believed they needed to discuss that, noting they had had a pay equity study conducted and Chatham County was falling further and further behind. If they were not competitive they were not going to have high-quality employees. She would like to maintain it as a goal; maybe they could not reach it but it should remain a goal.

Chairman Bock agreed.

Commissioner Petty asked if the competitive pay statement should be tied to a region rather than considering all municipalities. Mr. Horne stated that the pay equity study revealed that Chatham County was about one-third pay wise behind the competitive range in the region. He suggested that rather than saying “provide market-driven competitive pay” that they say “strive for market-driven competitive pay.” The Board agreed by consensus.

Chairman Bock stated they did not have a goal stated for Economic Development but they could develop one. Mr. Starkweather suggested the Board could take the goals directly from the EDC’s five-year plan and place them in the goals document.

Ms. Henzey suggested they hold that until the EDC’s presentation on February 8<sup>th</sup>. There was no objection from the Board.

Chairman Bock stated for Schools, there was no goal stated but believed that the goal for Schools was to make the educational system as successful as it could be.

Commissioner Stewart stated that the goal was education, to state it simply.

Commissioner Kost suggested perhaps the community college should be included in that as well.

Chairman Bock stated he would like to say it broadly enough to say “make our educational system the most successful it could be.” If they were to include the community college which he thought they should, then they should be talking about public education which would include charter schools. They needed to look at all ways to improve education, and in some cases that would include different school choices.

Commissioner Kost asked why include charter schools.

Chairman Bock stated because it was public education.

Commissioner Kost agreed, but there was no elected accountability for it. She did not believe that charter schools should be included in the goal, and asked why would they?

Chairman Bock responded because if the County was publicly open to supporting a community that wanted to begin a charter school that the County would help in any way possible whether it be land use planning or zoning or whatever. If they were public about that then they could attract charter schools.

Commissioner Kost stated she would not agree to that goal. She had a different view of charter schools and believed they were fortunate that the County had two successful charter schools. But, the data was overwhelming that charter schools did fail. She had worked in Orange County in 1997 when charter schools first came into being, and she saw that the tax rate

had to go up to compensate for the loss in per pupil funding because the funding followed the student. There was an economy of scale in the school system, and they had had to backfill a certain number of positions because of that loss of revenue. She believed the wording of the goal should remain generic for schools and that they did not have to outline specifically that it pertained to charter schools.

Commissioner Petty asked had he understood that the charter schools had failed financially.

Commissioner Kost stated that the data was available on national charter school issues that could be researched.

Commissioner Petty asked what she meant by failed; did they fail to educate the kids or did they fail financially.

Commissioner Kost responded the schools had closed.

Chairman Bock stated you could say that about any public school, noting that many schools were failing their children.

Commissioner Kost stated these charter schools had closed.

Chairman Bock stated that not many traditional public schools were closed whether they should be closed or not. He stated he, too, had looked at the data for charter schools and did not believe it was overwhelming that charter schools were any worse than any other public school. It depended on the same things that traditional public schools faced, and he believed that if they were looking to increase their educational experience and improve that educational experience in the County, then charter schools could be a piece of that and save the County a lot of money in the process if the community wanted to do that.

Commissioner Kost stated that the goal could stand without specifically including charter schools, which she could support. If charter schools remained as a part of the goal, then she would have to vote against all of the goals because she could not support that.

Chairman Bock stated then the goal could just stipulate education.

Commissioner Kost stated that her issue was accountability, in that charter schools used tax dollars and there was no accountability to an elected board as to how those dollars were spent.

Chairman Bock stated his issue was making sure they educated students. There were two very successful charter schools in the County and if there were ten very successful charter schools that would be an improvement.

Commissioner Kost stated they should hear from the School Board before they made those kinds of statements.

Chairman Bock stated that the School Board had nothing to do with charter schools.

Commissioner Kost stated they had everything to do with educating their children.

Chairman Bock stated there was a built-in friction between charter schools and public schools. To summarize, he believed they had changed the goal to be generic.

Commissioner Kost suggested that the goal should be that it be the best educational system in the State, whether they ever achieved that or not.

Ms. Henzey suggested they look over the information provided on pages 28 and 29.

Chairman Bock stated that "easier to do business" was an actual goal, but that should be held until the EDC discussion. They could make it a goal now because they were not talking about the strategies to accomplish that goal. The whole purpose was to make businesses want to locate in Chatham County or remain in the County.



Commissioner Kost stated one of the things they needed to do was look at redistricting the Board of Commissioners, noting they had talked about looking at some sort of combination of district representation or a combination thereof. She asked where that would fall under their goals, noting they could begin the study process but they would need to talk about how to do that. She suggested they could have a goals category called "other" that things like that could be placed under.

Ms. Henzey asked then should "redistricting" be included as a goal.

Chairman Bock stated he did not think it was a goal; it was just something they needed to do. Ms. Henzey suggested creating an "action list" that would accompany the goals and would be a list of things the Board wanted to make sure happened. She asked if that was acceptable. Chairman Bock stated he believed it would be.

Mr. Horne stated that on the idea of redistricting, the Board of Commissioners and the Board of Education had agreed in prior discussions to work jointly and try to make the district lines synonymous; that is, that the Board of Education would have a candidate in the same district as the Board of Commissioners. Now, he said, there were two Board of Education districts in the west side of the County whereas the Board of Commissioners had one. That might be a consideration as they went forward.

Chairman Bock asked if the Board of Commissioners drew the lines or did the Board of Education draw the lines and present them to the Board of Commissioners.

Commissioner Kost stated that the State had to approve whatever was drawn. Mr. Horne stated that was correct, and they could enter into discussion if the Board wanted to pursue those discussions with the Board of Education.

Commissioner Kost stated they had the authority to draw redistricting lines for the Board of Commissioners, but the State approved the lines for the Board of Education. One of their legislative goals should be to change that because the State should not have to approve their Board of Education lines; the Board of Commissioners should be able to do that.

Commissioner Petty asked was it true that Chatham County could redistrict more often than the census.

Chairman Bock stated they could redraw the lines for the Board of Commissioners at any time they chose.

Commissioner Bock stated that was true, but it had to be supported by sound data.

Commissioner Kost stated they should have a joint meeting with the Board of Education since it had not been done in a while, noting she had spoken to the School Superintendent about getting a better picture of what they were looking at for the upcoming budget. There were several mutual issues, from capital projects to redistricting, that they should be discussing in the near future.

Mr. Starkweather stated that the reason why so many people were in favor of drawing the Board of Commissioner districts to match the Board of Education districts was because so many people in the Country were confused as to who they could vote for. He said it made sense to begin working on those issues, including what was the fairest way to represent people, through set districts as opposed to some mixed system. These were things that there had been a lot of public discussion on and there should be some process put in place. If they went to district voting, they would be changing their whole legal process because you would get to one person, one vote, which meant you had to be within certain percentages. You did not have to be within a certain percentages with Board of Commissioner districts. If you redistrict, they had to be more equal than they were prior to the redistricting.

Chairman Bock stated he believed that completed the major goals and the priorities they wanted to focus on for the next year or so.

Commissioner Stewart stated she had noticed the lack of technology in County government and the needs there. For example, they had talked about communications and the

ability to capture the meetings, and they had talked about the internet and improving the sound system. At some point that needed to be looked at and they should be aiming towards increasing their standards in the area of technology and communications.

Mr. Horne stated that technology had generally been covered under Open Government.

Commissioner Stewart stated that was fine; she had just wanted to make sure there was a place for it. Mr. Horne stated the biggest ongoing issue at present was the broadband issue, noting that was also an economic development issue.

Commissioner Kost stated that the whole broadband issue across the County was a higher priority to her than bringing the County itself up to date. She said her fear was that they would continue to communicate on the internet when not everyone in the County had access.

Commissioner Stewart stated that broadband was all a part of that and was an issue of economic development. She said that the internal infrastructure was something that needed to be addressed, noting that data storage was one of the priorities.

Commissioner Kost stated they had addressed some of the data storage issues but it all came down to money. The County had run a very tight ship and had had to establish priorities, and whether it came under technology or providing direct service to citizens, the County had made it a priority to provide the direct service.

Commissioner Stewart stated they needed to make sure they were doing the things to facilitate improvements to technology, noting it made the County more efficient to be able to rapidly communicate internally and then in turn to send information out.

Chairman Bock stated that they should pick the top four or five strategies to discuss after they took a short break. There was no objection from the Board.

### **BREAK**

Chairman Bock called for a short break.

### **REVIEW LIST OF GOALS**

Ms. Henzey reviewed the list of goals the Board had just discussed and agreed on.

Ms. Paschal recommended holding off on the strategies for fiscal management until they went through the presentation on the budget and budget reduction strategies.

Chairman Bock stated the first goal was Open Government.

Commissioner Kost stated that she believed the first strategy they all agreed on was making their meetings more transparent and citizen friendly, and getting an improved sound system was a part of that. She stated she knew they had been discussing videotaping the meetings, but suggested that they determine the cost before making a decision. Getting the audio back-up would be a huge improvement, but more so there was a time when they were using the Granicus system to prepare the minutes for the meeting, and that provided an index to the audio. When they had abandoned the Granicus contract they lost those audios which were an integral part of the minutes. If you now went back to do any sort of search of the minutes for that period when they used Granicus, they were not very good because the two had to be together. She had asked the Clerk's Office to work on that issue, but she would like to make it a higher priority because anyone going back and researching the minutes during the Granicus era would not get much out of it. At the least, if they could get the audio back even if they were not indexed, into an MP3 file or some other form that would be helpful. If not, then they should go back and prepare more comprehensive minutes from the Granicus era so that they were not lost.

Commissioner Stewart asked why the Granicus contract was abandoned. Mr. Horne responded because the system did not work very well. It was a canned system which they had found after some experience with it that it was not as adaptable as it was promoted to be. They could never connect the index with what was to be accessed through the Web for the audience

with the minutes. They would like to have such a system, noting it would make research of the minutes much more efficient and the public would be better served as well.

Commissioner Kost stated that the minutes standing on their own did not stand very strong, noting that the minutes had to have the audio to go with them. She believed they needed to go back and somehow fix that.

Chairman Bock asked what she meant by saying they needed to go back and somehow fix the minutes.

Commissioner Kost said the minutes were not comprehensive from that time. What had happened was that the Clerk had come to the Board and said that Granicus would index so that you could hear all of a discussion, and that had worked well. So, the minutes were abbreviated and not comprehensive, and if you went back now and read the minutes without that audio file you could not research what had actually been discussed during a meeting. That audio should be available for all citizens because she was sure she was not the only one who wanted to go back and know more clearly why the Board had done what they had done.

Commissioner Petty asked how far back she was talking about. Elizabeth Plata stated 2009.

Chairman Bock stated that was important, and if could set up some system going forward then they could worry about the past at another time.

Commissioner Kost stated all she was asking was that they create an MP3 file for each of those Board meetings. The minutes from the Granicus era just were not complete. If they were having a problem with that small of an audio, then what would video do to them.

Ms. Henzey stated that there were all kinds of options that could be used that could keep videos and audios together with the minutes.

Commissioner Kost stated whatever system they ended up with she would still like to have minutes produced, because if they used a system and for whatever reason abandoned it she would not want to be in this same position. The type of minutes she was referring to were minutes that actually outlined discussions and clearly indicated why the Board had taken some action. The minutes that were taken now were complete, but the minutes taken during the Granicus era were abbreviated and did not contain that discussion.

Ms. Henzey stated that the Clerk was working on determining what type of equipment might be used, but storage was an issue. They did not have the storage capacity for that kind of additional data with all the data now having to be stored to comply with the Public Records law. If they were to go to a system where they archived the audio and video of meetings they would have to have sufficient technology to support it. They would otherwise have to either lease or purchase that service from a vendor and they would need to make sure that any information captured would come back to the County.

Commissioner Kost stated before she would support video she would want to know exactly how much it would cost including what staff would be required such as a camera operator.

Ms. Henzey stated there were all kinds of options available that could be considered.

Chairman Bock stated they would not necessarily need additional staff, in that a camera could be placed on a tripod which would not require an operator.

Commissioner Kost stated the audio would be the most important, and if the video was done right it would be helpful as well. She stated that a fixed camera would look fairly primitive to the viewer.

Chairman Bock disagreed, and used several examples of broadcasts that were done with fixed cameras. If they were to get a fixed location where the Board met regularly then it would be easy to accomplish. But, he did not believe they had to wait until the time was perfect to do that.

Commissioner Kost stated that the audio should be simple to accomplish, so why not do that as a first priority and then work out the rest. She understood that they were challenged for meeting space, but again this week she had heard someone say they could not get into the meeting that was held on the 3<sup>rd</sup>. If nothing else they could get a speaker system so that people in the hall could hear what was taking place during a meeting. It was not open government to have a meeting where people could not come in and hear the discussion.

Commissioner Petty stated that had not been the intention, and it was not possible to know what kind of crowd to expect or what would be needed to accommodate those people.

Ms. Henzey stated it sounded like audio for meetings was a top priority.

Ms. Paschal asked if they were considering continuing to hold meetings in the Library meeting room, noting that the sound from the hallway was at times very disruptive to the meeting.

Chairman Bock stated that the Library may not allow them to put a sound system in that meeting room. Ms. Paschal stated she was confident they would not allow that. Chairman Bock stated they had talked about moving the location of the meetings but it seemed they always came back to the Library. There just were not many choices. Ms. Paschal stated she would recommend the Ag Auditorium, and although it was configured differently it was as big as the Library meeting room. Chairman Bock stated they had talked about the Ag Auditorium at a recent meeting but Commissioner Kost had indicated that the Ag Auditorium would not be as good as the Library meeting room. He wanted to hold the meetings where the most people could attend and it would be the most convenient for everyone, and, where everyone could hear.

Loyse Hurley stated they would still need to improve the microphones.

Chairman Bock stated that everyone agreed that a sound system was the number one priority. There was no objection from the Board. Chairman Bock stated he did not want to remove video off the table for discussion. Mr. Henzey stated they would investigate that.

Chairman Bock suggested they talk about the Ag Auditorium, and asked if the Board preferred the Ag Auditorium over the Library meeting room.

Commissioner Kost stated if it would fit as many people then she would prefer it.

Chairman Bock asked was there a County building where the County Commissioners' meeting would get top priority. Ms. Paschal stated at present the answer was no, mainly due to the fire that destroyed the old Courthouse. They had prior to the fire been able to use the Superior Courtroom whenever they needed to, and had used District Court until they had moved into the Ag Building. If the Board wanted to say that the Ag Building was the preferred site then they would do their best to make that the primary site for Board of Commissioner meetings. Mr. Horne stated he believed they could work out a schedule for use and make the sound system in the Ag Auditorium somewhat more permanent than the transitory system they were using now.

Commissioner Stewart asked was it possible to have a fixed location for meetings in the old Courthouse once the renovations were completed. Mr. Horne stated one of the things being discussed was where the Superior Court met today they believed was a perfect design for a permanent meeting spot for the Board of Commissioners for 90% of their meetings. It would hold 70 to 80 citizens, and up to 80% of the time that would be sufficient seating. When there was more interest they could move the meeting to the Superior Court as they had done in the past. But, that would be 18 months to two years off.

Chairman Bock stated they knew many times when a larger crowd was expected, but he was not in favor of moving a meeting once it had been announced.

Commissioner Stewart stated if they could have a fixed location then they could look for solutions for audio and video long term.

Chairman Bock stated that the Performance building was also an option for a permanent solution. Mr. Horne encouraged the Board to visit the old library and view the room used as a courtroom. He believed that room would serve the Board well. Chairman Bock stated that for

now, it appeared the Board was in agreement that they were going to consider the Ag Building as a permanent location. He asked if parking was an issue.

Ms. Paschal replied no worse than anywhere else. Parking was an issue at the old library but they were moving forward with the site improvements to the Law Enforcement Center and that parking lot was within walking distance of the old library.

Commissioner Kost asked had the County approached SunTrust to see if they could rent those spaces. Ms. Paschal replied they had an easement with the bank and they were providing half of those spaces. They have ordered signs to mark them and SunTrust had marked the others.

Commissioner Cross stated that there was a lot near the Retirement Home across the street from the old library that would hold perhaps 50 cars, and asked had that been considered. Ms. Paschal replied they were renting the Justice lot on the corner of Fayetteville Street and Business 64. Commissioner Cross asked about the lot directly in front of the old library. Ms. Paschal responded they were already renting that lot for use by the courts, noting they had 23 parking spaces there with 15 in two other locations.

Chairman Bock stated it appeared they had some options. He asked was there any other comments regarding the Open Government goal.

Mr. Starkweather stated that for people like him who liked to print off agenda materials prior to meetings, sometimes there was too much colored ink used for backgrounds or charts. It would be helpful if such items were done in black and white rather than using color for ease of printing, adding that just one meeting could use a lot of color ink. He would encourage them to produce items that did not use as much color ink.

Commissioner Kost agreed that was something they needed to be aware of.

Commissioner Kost suggested that they try to rent some video equipment for a pilot study to see how well it worked, and then survey the community to see if they were using it. Ms. Henzey stated they had done one small pilot program in the past on cable television. Commissioner Kost stated the concern then was just how many people had access to cable or satellite. Ms. Henzey stated that about 5,100 had Time Warner Cable and there was now a link between Pittsboro and Siler City that had not existed before. Commissioner Kost asked how many households were in the County. Ms. Henzey responded about 28,000. Commissioner Kost said then less than 25% had access to cable.

Chairman Bock stated that if 80 people attended a meeting and another 80 watched the video, then they had doubled the number.

Commissioner Kost stated she was trying to be fiscally conservative and before they invested a lot of money she wanted to pilot the equipment before any purchase was made.

Commissioner Petty asked how much money they were talking about. Ms. Henzey stated a total of about \$5,000, and they had about \$20,000 in fees accumulated that had been paid by the cable entities which could be used to purchase or rent that kind of equipment. The issue was staff to oversee such equipment and to film the meetings.

Commissioner Kost stated that was exactly her issue.

Commissioner Stewart stated they needed to continue to look into upgrading their technology until they found something that would be the least amount of work for the greatest return.

Commissioner Kost agreed.

Chairman Bock agreed, noting it could then be used for particular Planning Board meetings or public input meetings or whatever and there was definitely a benefit to that. Ms. Henzey stated staff would continue to look into that.

Commissioner Kost stated that the Margaret Pollard School had video production equipment in the school, so perhaps staff should talk with them.

Chairman Bock stated there were a few more things that they could consider putting online.

Commissioner Kost asked would their software allow them to do that now. Vicki McConnell, Finance Officer, replied it would be possible to put the line items on-line.

Chairman Bock stated that might be the next step, in that contracts once approved could be shared in that manner.

Commissioner Kost stated that if they did that she would ask that the Finance Office maintain a log of the amount of time staff spent answering questions or pulling background information such as invoices to respond to inquiries. Ms. McConnell stated she was sure there was some accounts payable listing where they could list every check, but not every invoice.

Chairman Bock stated perhaps the postings should carry a certain threshold in terms of dollar amount. Mr. Horne stated that would be helpful, because posting all checks for very small amounts would be labor intensive.

Commissioner Stewart stated they needed to do whatever it took to be more open, and there may be other procedures they could put in place at the front end that would accomplish that. Ms. McConnell stated they were actually considering now new software that would allow them to scan an invoice and attach it to the check, but that was a couple of years down the road.

Commissioner Kost stated that usually the purchase order would provide more information than the invoice.

Chairman Bock stated those were good targets to aim for, but believed they could place more budget items on-line particularly contracts once those contracts were executed. Ms. McConnell stated it would be better to set a threshold because they had so many contracts.

Commissioner Kost suggested that staff could make a recommendation at a latter time regarding a threshold for contracts that should be made available to the public. She would like to see under Open Government an item that laid out the Board's rules and procedures, such as when they met and how much time would be spent on particular items. She would be willing to do the research on that and bring it back for consideration, adding she believed it would be a helpful tool to the Board and to citizens. An example would be that for every agenda issue that required a decision that an agenda abstract accompany that item. That was the type of thing that needed to be stated in writing so that the rules and procedures were clear.

Chairman Bock stated he did not believe there would be any objection to that.

Commissioner Stewart stated that having consistency between the Board and all of its advisory boards and commissions should be a part of that as well.

Commissioner Kost stated that the Planning Board had adopted procedures but she did not believe all of the advisory boards had.

Commissioner Stewart stated there needed to be more consistency in performance and measurements.

Chairman Bock suggested they now move the discussion to the remaining issues.

Commissioner Kost stated at the February 8<sup>th</sup> meeting she had 30 minutes to talk about the fire departments, but she wanted to briefly mention that she would be discussing a big issue which dealt with insurance ratings. She believed that the Board had to come to a solution and that it should be one of their goals. Ms. Henzey asked could that be discussed on February 8<sup>th</sup>. Commissioner Kost replied yes, but she wanted to have it as a goal and she could expand on it on February 8<sup>th</sup>.

Mr. Horne stated that one of the items under Public Safety was the courts, and one of the things that needed to be considered soon legislatively was that the courts had been required to cut back court personnel, and in Chatham County two of those were magistrates. The judge now had emergency provisions where he could use Orange County magistrates to help cover that;

however that was not likely to last. What that meant was that it became much more difficult to process warrants and the like. One of the things they wanted the Board to consider was how legislatively to keep those magistrates available.

Commissioner Kost stated that they needed to have an overall goal of how they would address all those things that the State would push down on them. With a \$4 billion shortfall, the tendency had been historically that responsibility was push down to local government. The State took revenues without reimbursement, and she believed they would need an overall goal to push back at the State when they tried to push their responsibilities back on the County.

Chairman Bock stated he believed that had been one of the top five Commissioner goals.

Commissioner Kost stated the issue she would talk about on February 8<sup>th</sup> was about insurance ratings in the fire departments, but believed they also had some real problems in Bennett and Bonlee with their inability to have paid staff and to recruit volunteers. They did not have the tax base for paid personnel, particularly in Bennett, and in talking with the Chief in Bonlee it was a problem there as well. She did not know what the solution might be, but it had to be addressed.

Commissioner Petty stated the last time he had talked with them they had full rosters.

Commissioner Kost stated yes, but they had no paid staff, and there had been some talk of pulling volunteers from Silk Hope to fill out rosters in other areas.

Mr. Horne stated that volunteering, particularly in the daytime, was very difficult for those with jobs and that was why a lot of the departments were trying to find some way to take on paid firefighters. That would become more difficult as they went forward.

Commissioner Petty stated it used to be, particularly in rural areas, that the volunteers were farmers who could respond during the daytime. But, that was becoming more and more an issue. It was his understanding that when paid staff was brought it that it was taking a paid staff person just to keep up with the paperwork required.

Commissioner Kost stated she wanted to clarify that that was not the County's paperwork.

Commissioner Petty stated he understood that, but having to have someone keep up with that paperwork was the reality when paid staff was brought on. As they lost their ability to make an income in the rural setting, they would lose their volunteers.

Commissioner Kost agreed, but stated they had to find some solution because they had a responsibility to provide fire protection to the entire County.

Mr. Starkweather stated to go back to the issue of redistricting they needed to determine what the deadline was for a local bill, since a local bill would be needed to change the procedures.

Chairman Bock stated they would not need a local bill for the Board of Education to redistrict. Mr. Starkweather stated it depended on what they did, and in any case the County Attorney should look at all the options.

Commissioner Kost stated she believed the deadline for local bills was March 13<sup>th</sup>. Before they closed out this part of the discussion, she wondered what the plan might be since they had not been able to complete their discussion on strategies.

Chairman Bock stated if time allowed at the end of the meeting they would come back to it, and if not it would be put on the agenda for a work session. Ms. Henzey stated that there was an hour and a half scheduled at the end of the February 8<sup>th</sup> meeting to finalize the Commissioner goals.

Commissioner Kost stated that was acceptable, adding that some of the goals had budget implications so they needed to be discussed. She asked once the goals were finalized would a public hearing be scheduled.

Chairman Bock replied no, and asked why they would schedule a public hearing on the Commissioners' goals.

Commissioner Kost responded to make sure that the goals contained everything that the citizens wanted them to have and to make sure they were in touch with the citizens.

Chairman Bock stated it was his inclination that they would not have a public hearing on the Commissioners' goals.

Ms. Henzey asked what had been the process with the previous Board.

Commissioner Kost responded that the previous Board had not had adopted goals.

Commissioner Petty suggested they take the goals they had and move towards implementing those, then see how broad they got and what they covered. Then, they could fill in any gaps and perhaps accept comments from the public at one of the Board's meetings.

Commissioner Stewart stated she would rather just provide an opportunity for input such as sending in comments rather than conducting a public hearing.

Commissioner Kost stated she had envisioned that in the process they would take feedback from all their advisory committees and department heads and then the Board would develop their goals from that feedback, which was a bottoms up approach. What they had now was a talk down approach.

Chairman Bock stated he did not believe they wanted to get their goals from advisory boards. The Board sets its goals and the advisory boards advised the Board about things pertaining to those goals.

Commissioner Kost stated that the advisory boards might have some ideas that the Board had not thought about, and that feedback was what she was looking for.

### **BREAK**

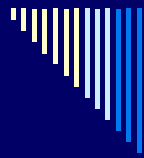
Chairman Bock called for a short break.

### **FINANCIAL AND BUDGETARY POLICIES**

Ms. Paschal provided the following PowerPoint presentation detailing financial and budgetary policies, which she stated were the foundational policies from which they built the budget that had been in place for a number of years. The presentation would go into some detail because staff would be suggesting some changes. The PowerPoint was as follows:

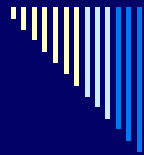






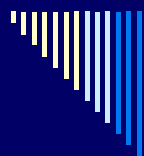
## Why?

- Maintain and enhance the county's financial position
- Clear guidelines
- Viewed favorably by bond rating agencies



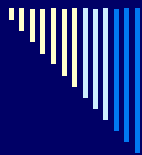
## Where did this come from?

- GFOA
- Local Government Commission
- Numerous policies from other jurisdictions
- Staff experience
- Board of Commissioners originally adopted December 2003; amended January 2008; amended June 2010



## Sections

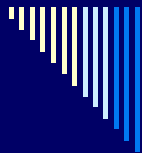
Budget  
Debt  
Fees & User Charges  
Capital Improvements Program  
Fund Balance  
Capital Reserves  
Cash Management  
Accounting & Financial Reporting



## Budget Policies

**Objective:** The County will manage its annual budget to meet its legal and debt obligations, ensure adequate funding of current service levels, meet the priorities of the Board of Commissioners, maintain the County's financial condition, and keep property tax increases to a minimum.

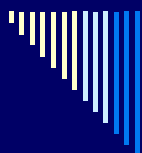
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## New or Increased Services

The County should ensure adequate funding of critical services before funding new or enhanced services.

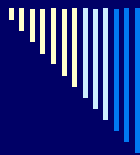
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## Mid-year appropriations

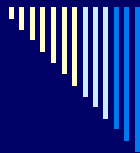
All agencies supported by the county must function within the resources made available to them through the annual budget. The county will consider requests for new or expanded programs during the course of the regular budget process. Only in extreme circumstances will such requests be considered outside of the budget process.

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## Use of one-time revenues

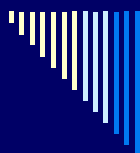
One-time revenues should not support ongoing personnel and operating costs. Use of one-time revenues is appropriate for capital outlay, debt retirement, contribution to capital reserve, and other non-recurring expenses. Proceeds from the sale of surplus capital items will go into the County's general capital reserve, unless proceeds are otherwise restricted.



## Funding of Nonprofit Agencies

### **Current: Funding-of Nonprofit**

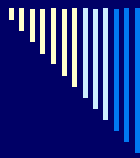
**Agencies:** The County will follow a fair process for funding nonprofits. All requests will be made through the county's annual nonprofit allocation process. The County will utilize volunteers to review requests and make a recommendation to County Commissioners. Total funding available for allocation will be **indexed annually to the growth in the property tax base.**



## Funding of Nonprofit Agencies

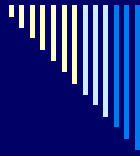
### **Proposed: Funding-of Nonprofit**

**Agencies:** The County will follow a fair process for funding nonprofits. All requests will be made through the county's annual nonprofit allocation process. The County will utilize volunteers to review requests and make a recommendation to County Commissioners. Total funding available for allocation will be **determined annually by the Board of Commissioners.**



## Grants

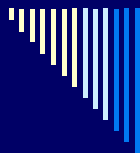
The County will pursue federal, state, and private grants to enhance services to County residents. However, the County will strictly limit its financial support of grant-funded programs to avoid commitments which continue beyond funding availability. The County will not continue programs after grants have expired except as expressly approved by the Board of Commissioners as part of the annual budget process.



## New Positions

**Current:** New positions for existing programs and services should be added when there is no other viable option. New positions should not be added without consideration of alternatives, such as contracting, technology, and reassignment of duties should be fully explored and documented before new positions are funded.

**Proposed:** New positions for existing programs and services should be added when there is no other viable option. Alternatives, such as contracting, technology, and reassignment of duties should be fully explored and documented before new positions are funded.



## Level of Budgeting

In order to tie costs to specific services, departments shall submit budgets for each of their divisions or program areas. Department heads are authorized to transfer operating funds between their divisions without prior approval. Transfers for personnel and capital outlay must be approved by the Budget Officer. The County shall adopt budgets at the program level. Commissioners reserve the right to review and/or adopt budgets at a greater level of detail.



## Justification for funding

Departments and agencies requesting funding from the county should justify their requests in terms of maintaining or increasing service levels. Departments should measure their performance in key service areas and periodically compare their performance to other jurisdictions to discover efficiencies and develop best management practices.

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## Contingency funds:

Departments shall not include contingency funds in their respective budgets. The county shall include a general contingency fund in its annual budget. The amount of the contingency fund shall not exceed one percent of the annual budget.

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## Budget Officer

The County Manager serves as the budget officer. He is authorized to perform the following functions or delegate them:

- Transfer funds within a department without limitation.
  - Transfer amounts of up to \$5,000 between departments of the same fund with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners.
-



## Budget Officer (cont.)

- Transfer amounts of up to \$25,000 from contingency to any department with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners. Greater amounts can be made available upon agreement of chair and vice-chair and notification of other board members.
- Transfer, terminate, or create positions, and transfer associated funds, without limitation, provided that actual personnel costs do not exceed budgeted personnel costs and position counts are not increased.
- Employ temporary help from time to time to meet circumstances.



## Budget Officer (cont.)

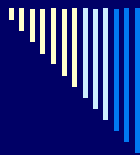
- Execute contracts provided that funds for the contract have been approved as part of the annual budget and the contract does not exceed the funds appropriated, the contract's term does not exceed one year, all applicable state laws and county policies regarding purchasing are followed, and the contract does not exceed \$100,000.
- Execute change orders provided that the change order is for a project approved as part of the annual budget or by a project ordinance approved by the Board of Commissioners, the change order does not exceed the funds appropriated, and the change order does not exceed \$100,000.



## Debt policies

**Objective:** The County will manage its debt obligations to meet demands for capital facilities while striving to maintain or improve the County's current bond rating.

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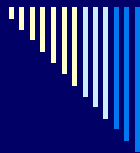


## Types of debt

**Current:** The types of debt available to North Carolina county governments include general obligation bonds, certificates of participation (COPs), other leases, revenue bonds, and proceeds from the refunding of general obligation bonds. In general, the county will select the appropriate type of debt given financial circumstances and feasibility.

**Proposed:** Add installment purchase to the above

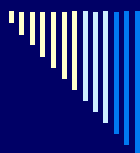
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## When debt is appropriate

Debt is an important tool for financing capital facilities. Over-reliance on debt, however, is negatively perceived by bond rating agencies. The county should exhaust all possible resources, such as grants and pay-as-you-go funding, before borrowing funds. Debt should only be used for the construction of capital facilities and the purchase of capital assets. In general, the assets should not be recurring capital replacements, such as vehicles. If terms are favorable, however, the county may elect to use debt in this manner. Debt should never be issued to meet recurring operating expenses.

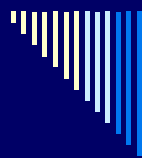
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## Terms

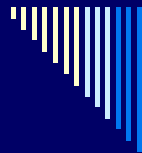
The term of the debt service payments shall not exceed the useful life of the asset purchased through debt

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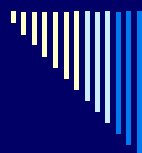
## Debt limitation

Debt issuance guidelines and formulas established by the Local Government and rating agencies will be closely monitored and appropriately applied.



## Relationship to operating and capital budgets:

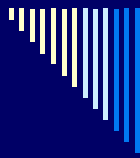
Debt for items meeting the requirements of a capital project shall be requested through the capital improvements program (CIP) process. Other debt requests shall be made through the annual budget process. The annual budget will include sufficient funding to meet the County's debt service obligations.



## Fees and user charges policies

**Objective:** The County will set its fees and user charges to recover the costs of services at a predetermined recovery threshold and thereby reduce reliance on property taxes.

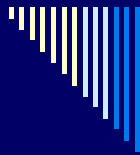




## Enterprise funds

The operating budgets of enterprise funds shall not be subsidized by the general fund and shall be supported wholly by fees generated by the enterprise. To the extent possible, the capital costs of enterprise funds should not be subsidized by the general fund, unless Commissioners identify a compelling need to provide a subsidy.

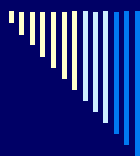
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## Other fees and charges

The County should charge other fees when it is allowable, when a limited and specific group of beneficiaries can be identified, when it is feasible to charge beneficiaries for the services rendered, and when there is no reason to subsidize the service wholly or in part. To the extent possible, fees levels should be set to recover the full costs of the services provided, unless it is deemed necessary or desirable to subsidize the service.

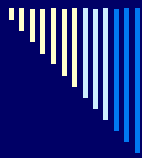
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## Subsidy

Factors to consider in deciding whether a subsidy is appropriate include the burden on property tax payers, the degree to which the service benefits a particular segment of the population, whether beneficiaries can pay the fee, and whether the service provides a broader benefit to the community.

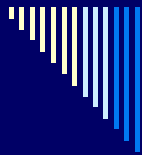
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## **New and increased services**

Part of the decision-making process in establishing new services or increasing service levels should include an analysis of fees and user charges and a desired cost-recovery threshold.

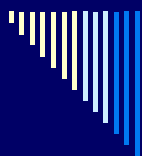
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## **Review and approval of fees and charges:**

As part of the budget process, the County shall annually review the fees and user charges. All changes to the schedule of fees and charges must be approved by the Board of Commissioners.

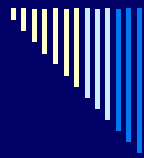
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## **Capital Improvements Program (CIP) policies**

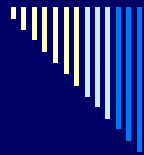
**Objective:** The County will plan for its capital needs at least five years into the future in order to address needs and to earmark revenues.

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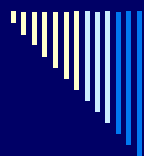
## Process

A five-year capital improvements plan shall be prepared and updated each year. Departments and agencies shall request items meeting the definition of a capital asset through the County's annual CIP process. Only in extreme circumstances will the County consider items outside the CIP process. Generally, agencies should plan five years ahead for capital improvements and project additions to the CIP should occur in Year 5 of the CIP.



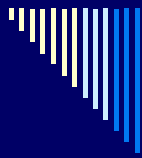
## Relationship to annual budget

The operating impact of each project shall be identified and incorporated into the annual operating budget.



## Capital project ordinances

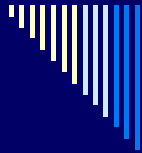
A separate capital project ordinance shall be submitted to the Board of Commissioners for approval for all capital improvements which span more than one fiscal year and cost \$100,000 or more.



## Fund balance

**Objective:** The County shall maintain an undesignated fund balance in its general fund of 20 percent of the previous annual operating budget in order to meet emergency obligations, avoid interruptions in cash flow, generate interest income, and maintain an investment grade bond rating.

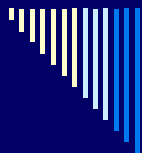
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## Allowable uses

Fund balance may be used as appropriate under sound management practices.

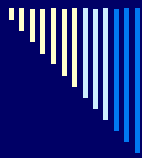
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## Capital Reserves

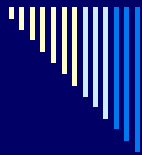
**Objective:** The County will strive to fund capital improvements on a pay-as-you-go basis in order to enhance its financial condition and bond rating.

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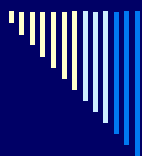
## Annual Contribution

The County shall annually contribute a minimum of one percent of its operating budget to a capital reserve.



## Cash Management

Objective: The County shall effectively manage its cash resources in order to maximize interest earnings and minimize loss of revenue.



## Cash Disbursements

The County's objective is to retain moneys for investments for the longest period of time possible. Disbursements will be made on the contractually agreed date unless earlier payments provide a greater economic benefit to the County. For County checks, one signature will be required. Facsimile signatures will be safely stored and used when appropriated.



## Investment Policy

County funds will be invested in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order. The County will conform to all state and local statutes governing the investment of public funds.



## Accounting and Financial Reporting

**Objective:** The County will establish and maintain its accounting system in accordance with the NC Local Budget and Fiscal Control Act. All records and reporting will be in accordance with Generally Accepted Accounting Principles. The County will maintain an accounting system which provides internal budgetary and accounting controls designed to provide reasonable assurance regarding both the safeguarding of assets against the loss from unauthorized use or disposition and the reliability of financial information used in the preparation of financial statements and reports.

Ms. Paschal noted that in regards to grants, one position in the Sheriff's office would be added to the budget this year because the grant funding that position was ending.

Commissioner Kost stated in regards to slide #17, a change was made by the Board last year to the budget officer functions in regards to transfers of contingency funds, and she would like to suggest that it read "Greater amounts up to \$50,000 can be made available upon agreement of the Chair and Vice Chair and notification of other Board members." She stated that \$50,000 was the threshold discussed when the change was made last year, but it had been an oversight on the Board's part not to add "up to" to the wording.

Mr. Horne stated that using that policy would be a really rare circumstance and would not be used often.

Commissioner Kost stated what the Board had been responding to last year was staff's request that the threshold be raised from \$25,000 to \$50,000, but they should have said "greater amounts up to \$50,000."

Commissioner Kost stated that at present the Manager could authorize bringing on a new employee at the mid-point of the salary range. She suggested that they not place any limitation on what salary the Manager could hire someone at. Her reason was that when they had brought on the Solid Waste Director last year it had been held up because it had to have Board approval since it was slightly above that mid-point. She believed the Manager should have that discretion.

Ms. Paschal stated that to make that change an amendment would need to be made to the Personnel Policies.

Commissioner Kost asked if the ceiling of \$100,000 mentioned in slide number #18 regarding the execution of contracts approved as a part of the annual budget was enough, and if it had worked well in the past. Ms. McConnell stated that the Board had given the Manager the authority to execute all change orders once the project ordinance had been adopted, and that allowed the Manager to act quickly to keep the project moving. The ceiling of \$100,000 had proven to be adequate in the past and they were not suggesting that it be raised.

Chairman Bock asked if all fees and charges had to come through the budget process, referring to slide #30. Ms. Paschal stated that had been the practice over the last year or so. Chairman Bock stated he believed the Board had increased a new fee at its last meeting for the water availability fee. Ms. Paschal stated that was correct. Chairman Bock stated he believed they would want to keep that flexibility.

Commissioner Kost suggested that the word “must” be changed to “should” so that it read “All changes to the schedule of fees and charges should be approved by the Board...” rather than saying “must be approved...”. Ms. Paschal replied she believed the Board would want to approve all the changes, but not necessarily do that through the budget process. Commissioner Kost agreed and withdrew her suggestion.

Commissioner Kost stated in regards to the CIP, slide #31, she asked did they encourage the Schools to plan for its capital needs at least five years into the future, just as they did their departments, so that the Board could access the needs and earmark revenues. When looking at the schools it appeared there were more needs than what was contained in the CIP. Ms. Paschal stated the only unmet needs she was aware of were the new elementary school. Commissioner Kost stated she continued to hear that updates in technology were needed but she had not seen anything in writing. Her point was she was not so sure that the Schools had laid out all their capital needs when they submitted the CIP. Ms. Paschal stated the Schools requested a fair amount of capital through their operating budgets, noting the County generally provided around \$1.6 million to \$1.7 million in capital outlay through their operating budgets which was not a part of the CIP. Commissioner Kost asked what the financial cap was on that if it was in the operating budget. Ms. Paschal stated she would have to ask.

Ms. Paschal stated in regards to slide #38, it said that the County shall annually contribute a minimum of one percent of its operating budget to a capital reserve, but this would be the second year that they would not do that. When the economy had turned, that was the first thing that had been cut from the budget.

Commissioner Kost stated but, she believed that the Capital Reserve Fund Balance was fairly healthy when that decision was made. Ms. McConnell stated it was now \$2.4 million.

Ms. McConnell stated that in regards to cash management, they were making absolutely no interest earnings on cash reserves, noting she believed their current interest rate was .01%. They had budgeted interest earnings at \$375,000 and would likely receive only \$75,000.

Ms. Paschal reviewed all of the changes suggested in the PowerPoint with the Board, as well as the suggestion to amend the Personnel Policies to allow the Manager to hire at above the mid-point of a salary range.

Commissioner Cross moved, seconded by Commissioner Petty, to adopt the Financial and Budgetary policies as amended with the changes outlined in the PowerPoint presentation provided by Ms. Paschal as well as to amend the Personnel Policies to allow the Manager to hire above the mid-point of a salary range. Motion carried five (5) to zero (0).

## **BUDGET PROCESS**

## The Budget Process

## The Role of the Budget

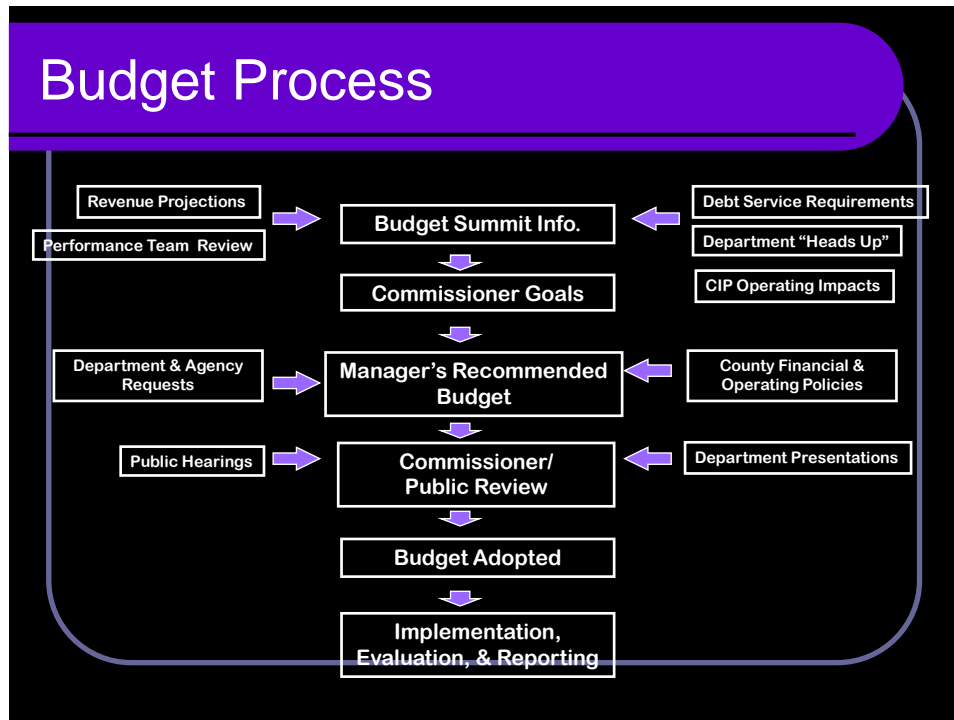


**Service**

## The Role of the Budget

- The budget decides:
- Will we continue current services?
- Will we increase current services?
- Will we reduce current services?
- In other words, who gets what, when, and how



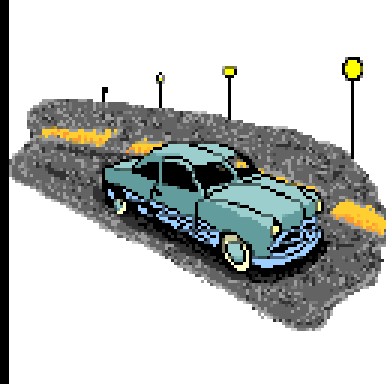


- ## Past Goals of the Process
- Commissioner leadership
  - Input from all agencies and departments receiving funding
  - Team approach to budget development
  - Community input
  - Full information, including performance data

- ## Commissioner Leadership
- Happens early, generally during the January Retreat
  - What are your expenditure priorities for the upcoming year?
  - What are the revenue constraints (property taxes, fees, etc.)? Staff presents estimates of fund balance and revenue
  - What long-term goals for the county (such as debt loads and fund balance) do you want staff to follow?

## Financial Policy

- Based on the commissioners' long-term goals
- Covers areas such as capital reserves, fund balance, debt levels, bond ratings, enterprise funds, etc.



## Input from Agencies and Departments

- Occurs in October or November
- "Heads Up" document
- Lets you know what the problems and issues are
- Gives you information for setting expenditure priorities



## Team Approach

- The Manager develops a recommended budget based on:
  - Commissioner direction
  - Revenue projections
  - Department and agency requests

## Expansion v. Continuation

- The budget is broken into continuation and expansion
- Continuation means the funding necessary to provide the same services as the previous year
- Expansion means additional funding to provide better, more, different (etc.) services

## Criteria for Ranking

- Commissioners' priorities
- Safety
- Mandate
- Timing/linkages
- Economic impact
- Efficiencies
- Maintain service levels
- Improve access
- Improve service quality
- Add services
- Operating budget impact
- Community support/impact
- Financing

## Special Review Processes

- Coordination of non-profit requests with United Way (joint application and process)
  - Commissioners will select volunteer panelists to review and make recommendations on non-profit requests
- Review of Fire Department budgets by the Fire Marshal

## Special Budgets

- Enterprise funds (water and waste management) – fees generated from operating these systems (plus other revenues) should pay the costs
- Special revenue funds – contain revenue which has been earmarked by law or policy for a special purpose

## Community Input

- Budget published well before the legal deadline of June 1
- Recommended budget is available on the web and in the county's libraries
- Public hearings held in Pittsboro and Siler City

## Full Information

- Budget document includes performance data and a summary of all recommended expansion items
- Performance information included to help you make decisions about service levels
- Staff is working to improve the budget document to be a better communications tool

## Expected Retreat Outcomes

- Adopt Financial and Budgetary Policies with proposed changes
- Adopt Capital Improvements Plan (CIP), as revised
- Adopt amended budget calendar
- Give staff direction on Performance Team recommendations
- Adopt Commissioner goals for preparation of the FY 2012 budget, including expenditure priorities and revenue constraints

Chairman Bock stated in regards to the slide about the continuation of services, would the figure provided to continue a service be equal to the amount of the current spending. Ms. Paschal stated there would be increases in continuing a service; for instance, if fuel costs continued to rise then the operating budget may go up to cover the increased fuel cost. In other words, in order to provide that same service in exactly the same manner next year the cost might go up. That might also include salary increases, because that would be a continuation.

Chairman Bock stated if, for example, they had budgeted \$10 to fund a service but only spent \$8, would the continuation number show up as \$10 or show up as \$8 in the next budget year. Ms. Paschal stated the Board would see both numbers in the budget document.

Mr. Horne stated the budget contained a column of approved expenditures, and then a column with actual expenditures.

Chairman Bock stated he wanted to prevent spending that \$2 saved for something else if possible. Ms. Paschal stated the Board would have an estimated cost of a service provided in the budget.

Commissioner Kost asked when the purchase order cut off date was last year. Ms. McConnell replied April. Commissioner Kost stated with a purchase cut off date of April then there would be no opportunity to spend any savings without approval. Commissioner Kost stated she had not seen any tendency towards a “spend it or lose it mentality” among the departments.

Ms. Paschal stated they went through each department’s budget with them line by line to see what they had spent and why, and the departments had to be able to respond satisfactorily to those questions. So, that level of review was conducted when reviewing departmental budgets.

Ms. McConnell stated that the departments had actually become comfortable with that level of review, because if they could justify the expense then the Finance Office usually approved the expenditure. That was why they did not have that “got to spend it” outlook.

Ms. Paschal stated that the expected outcomes of the Retreat meetings, as noted in the last slide, was to adopt Financial and Budgetary Policies with changes, which the Board had just done, to adopt the CIP as reviewed, to adopt Commissioner goals for preparation of the FY 2012 budget, and to identify service areas to be evaluated next year for presentation in January 2012.

Commissioner Kost stated she had raised the issue in an email that this would be the first time that they as a Board had discussed the CIP, and she would like for it to be adopted during a regular meeting where more citizens could be present. Based on the discussion, there may be questions about the CIP so she would like to leave open whether they could adopt it. Ms. Paschal stated it only mattered in terms of they were already offering the budget process. In the

past they had waited too late to adopt the CIP and that was no different this year. Commissioner Kost asked if they adopted the CIP in February, would that provide enough time.

Chairman Bock stated that the CIP had been available and they could talk about it here, so he did not know why they wouldn't adopt it. If something major came up they could always amend it.

Commissioner Kost stated she was only asking that they leave it flexible based on the discussion, because she did not know what might come up.

Chairman Bock stated he believed the CIP was in good shape.

Commissioner Kost stated she was only asking for a little flexibility based on the Board's discussion but the Board had not yet discussed the CIP.

Ms. Paschal asked that the Board adopt the budget calendar provided in the packet, noting that they were asking that some of the deadlines be extended. The State budget would have such a serious impact on the County's budget that they would like to wait as late as they could so that as much information as possible could be obtained. Instead of presenting the budget to the Board at the first meeting in May, they were asking to present it at the second meeting in May.

Commissioner Kost stated she saw no issue with that, in that State law allowed it to be adopted anytime prior to June 30<sup>th</sup>. This year more than any prior year they needed to wait until they knew what the State would do.

Ms. Paschal stated she wanted to point out that the public hearings were also one week later than usual, and although that would not leave as much time for public review as in the past they were attempting to schedule everything so that the budget could be adopted by June 30.

Commissioner Kost asked what if the public hearings were delayed until early June. Ms. Paschal stated they had reserved the first weeks of June to prepare the final draft of the budget for the work sessions. Commissioner Kost stated the more time they could give the public for review, the better. Ms. Paschal stated that because May 30<sup>th</sup> was a holiday, they were likely looking at the week of June 6, and June 6 was a regular Commissioner's meeting. Commissioner Kost stated that the Chair had the option of making the agenda light for that meeting and holding the public hearing that night. They could hold a public hearing on June 6 in Pittsboro and on June 7 in Siler City, but they would then have to schedule some fairly quick work sessions. Ms. Paschal stated that was an issue.

Chairman Bock asked if the Board wanted to leave the public hearings for May 23<sup>rd</sup> and 24<sup>th</sup>, or move them to June 6<sup>th</sup> and 7<sup>th</sup>. If the recommended budget was submitted on May 16<sup>th</sup>, was May 23<sup>rd</sup> too soon for a public hearing.

Commissioner Kost asked could they delay the public hearings to May 25<sup>th</sup> and 26<sup>th</sup>, which would give them two additional days.

Commissioner Cross stated he had a COG meeting on May 25<sup>th</sup>.

Commissioner Cross stated he would prefer to leave the public hearings on May 23<sup>rd</sup> and 24<sup>th</sup>.

Commissioner Kost suggested they try to schedule the work sessions, noting the Board had a regularly scheduled meeting on June 6<sup>th</sup>.

Chairman Bock asked how many work sessions needed to be scheduled. Mr. Horne noted they usually scheduled four and tried to do it in three. In this case they may want to hold the first work session on June 6, then the next two on the 7<sup>th</sup> and 8<sup>th</sup>, and then if necessary hold the last on the 9<sup>th</sup> or perhaps the 10<sup>th</sup>.

Commissioner Kost stated she believed that spending three consecutive days in a budget work session was too much too close together and a lot to ask. She suggested scheduling two in a row with a break between the second and third.

Ms Paschal asked could a work session be held perhaps on June 1<sup>st</sup> or 2<sup>nd</sup>.

Commissioner Petty stated that would work for him.

Chairman Bock stated they could do June 1<sup>st</sup> and 2<sup>nd</sup>, with a work session on June 6<sup>th</sup>. Ms. Paschal stated they could then hold the 8<sup>th</sup> or the 9<sup>th</sup> as contingency. Chairman Bock stated they could do June 1<sup>st</sup> and 2<sup>nd</sup>, and June 6<sup>th</sup> and 7<sup>th</sup>. There was no objection from the Board.

Commissioner Kost moved, seconded by Commissioner Cross, to adopt the budget process calendar for 2011-2012 with the changes in dates for the budget work sessions to June 1<sup>st</sup> and 2<sup>nd</sup>, and June 6<sup>th</sup> and 7<sup>th</sup>. The motion carried five (5) to zero (0).

**BREAK**

Chairman Bock called for a 30-minute lunch break.

**FINANCIAL INDICATORS**

Ms. Paschal provided a brief introduction to the Financial Indicators and provided some brief information regarding the benchmark counties that were used as indicators. Ms. McConnell then reviewed the Financial Indicators, as follows:

**Financial Indicators**

**Introduction:**

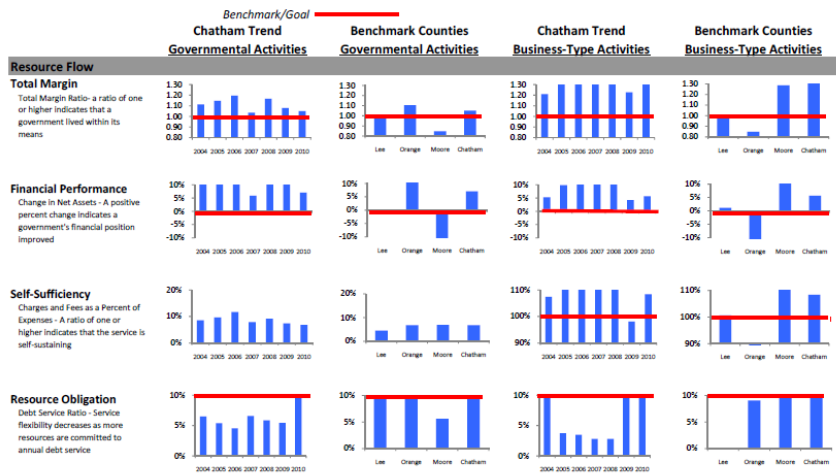
- Based on a model produced by School of Government budget and finance faculty
- Provides for a measure of financial health that can be easily compared with other counties
- The model is designed to help us answer questions, such as:
  - Can we meet our obligations?
  - Can we continue to provide services?
  - Can we meet unexpected problems?
  - Do we have financial flexibility?

**About the Benchmark Counties:**

Chosen because of proximity and similarity to Chatham. Figures below are for FY 2010-2011, unless otherwise noted.

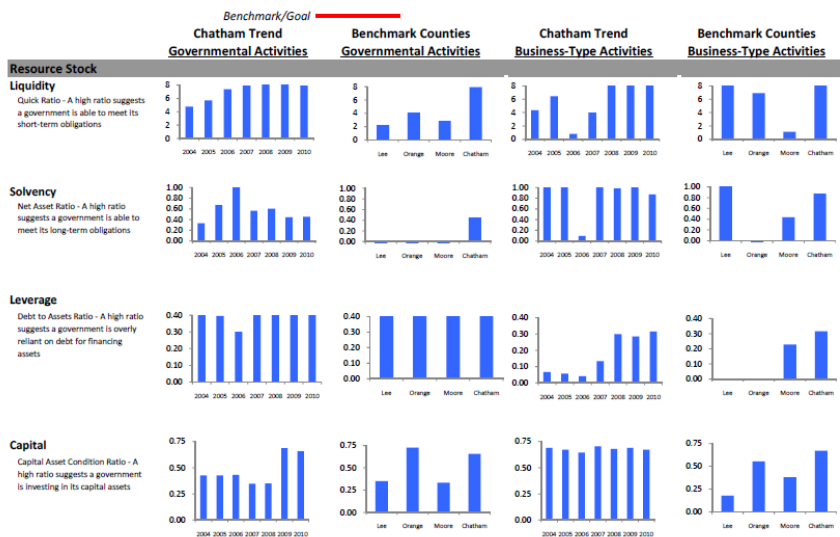
	Chatham	Lee	Moore	Orange
Budgeted Expenditures	\$84,401,967	\$61,922,285	\$85,012,422	\$175,313,920
State Rank	33	45	31	12
Nonschool Expenditures	\$52,603,776	\$39,366,570	\$53,016,350	\$92,169,129
State Rank	36	50	35	16
Effective Tax Rate	\$0.6226	\$0.7183	\$0.4488	\$0.8464
State Rank	49	21	78	2
2009 Population	62,492	58,574	86,958	132,306
State Rank	41	44	32	21
Valuation/capita	\$138,529	\$79,472	\$134,502	\$117,417
State Rank	19	56	20	30
2008 Per Capita Income	\$43,894	\$30,983	\$38,919	\$47,063
State Rank	3	44	8	1
Total Funding Per Student	\$4,089	\$2,346	\$2,570	\$5,427
State Rank	5	33	25	2

Financial Condition Assessment at Government-Wide Level



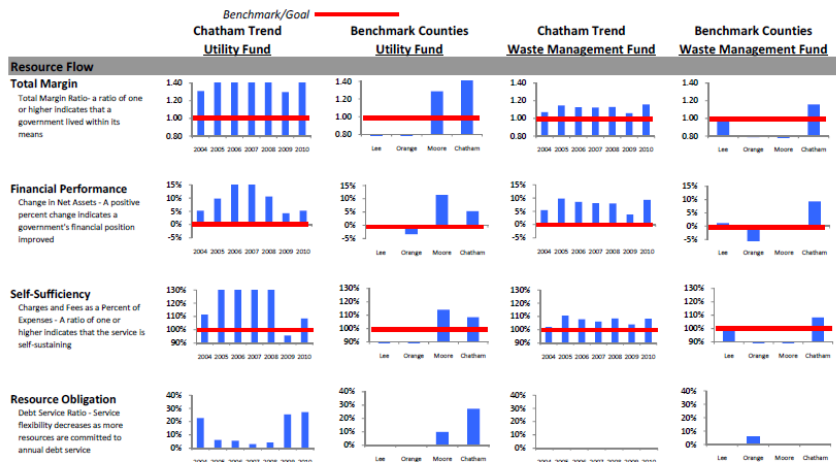
Chatham County Financial Indicators—FY 2010 Actual

Financial Condition Assessment at Government-Wide Level



Chatham County Financial Indicators—FY 2010 Actual

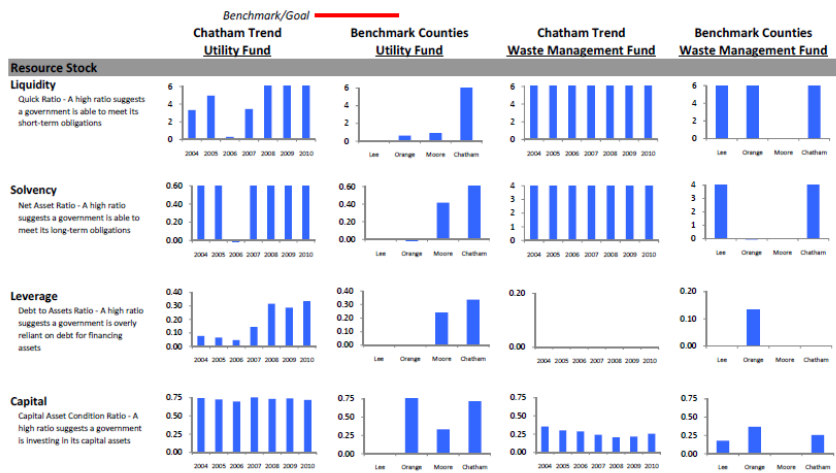
Financial Condition Assessment for Enterprise Funds



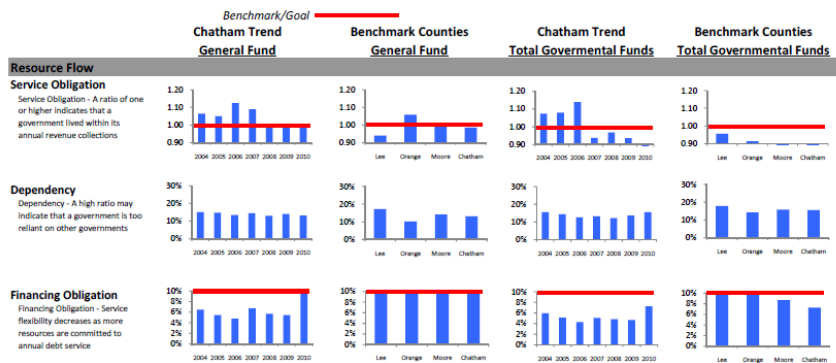
Chatham County Financial Indicators—FY 2010 Actual



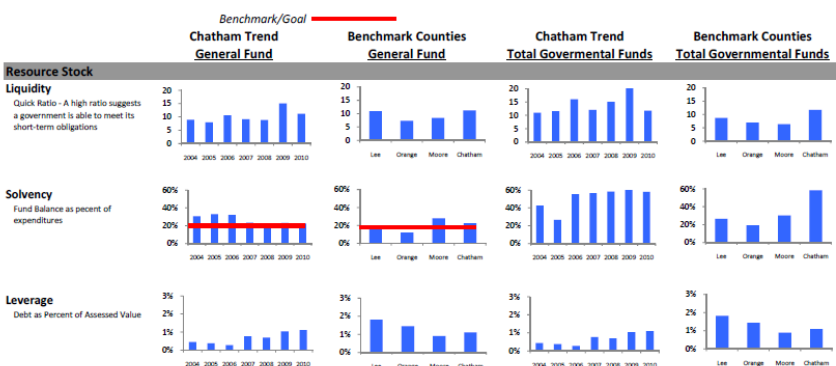
Financial Condition Assessment for Enterprise Funds



Financial Condition Assessment for Governmental Funds



Financial Condition Assessment for Governmental Funds



Chairman Bock stated it appeared from the presentation that they lived within their means and he assumed that meant that they could pay for whatever they were obligated to pay

but their debt increased significantly. Ms. McConnell stated that was correct. Chairman Bock stated he would not necessarily say that they were living within their means if they had to borrow a lot of money. Ms. McConnell stated that the financial plan was to borrow the money.

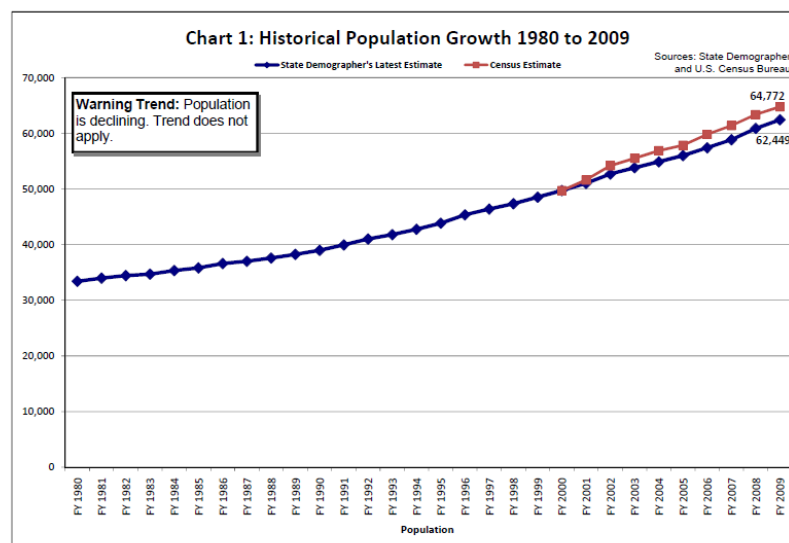
Commissioner Kost stated they were still well within their margin for debt, and that was the indicator that measured the debt level. Mr. Horne stated that most counties were not able to do capital projects without debt financing.

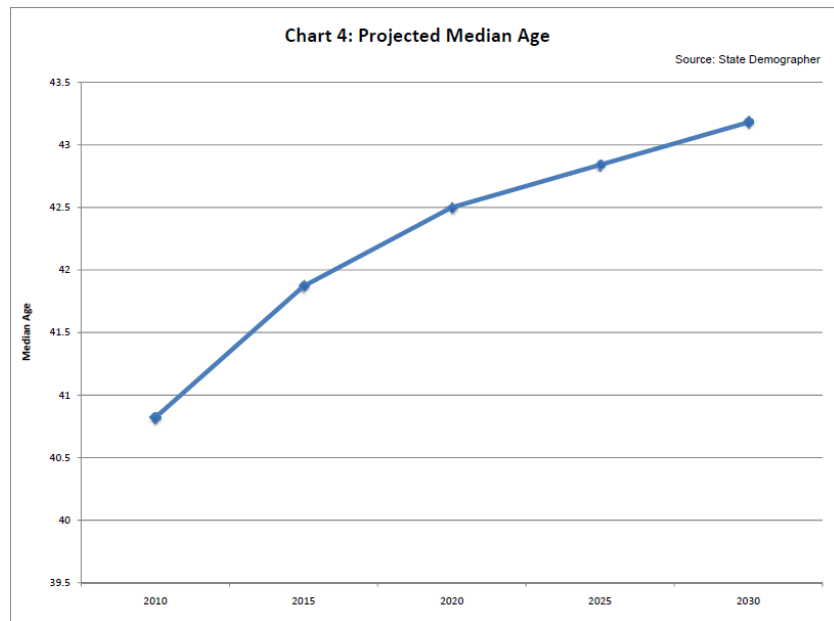
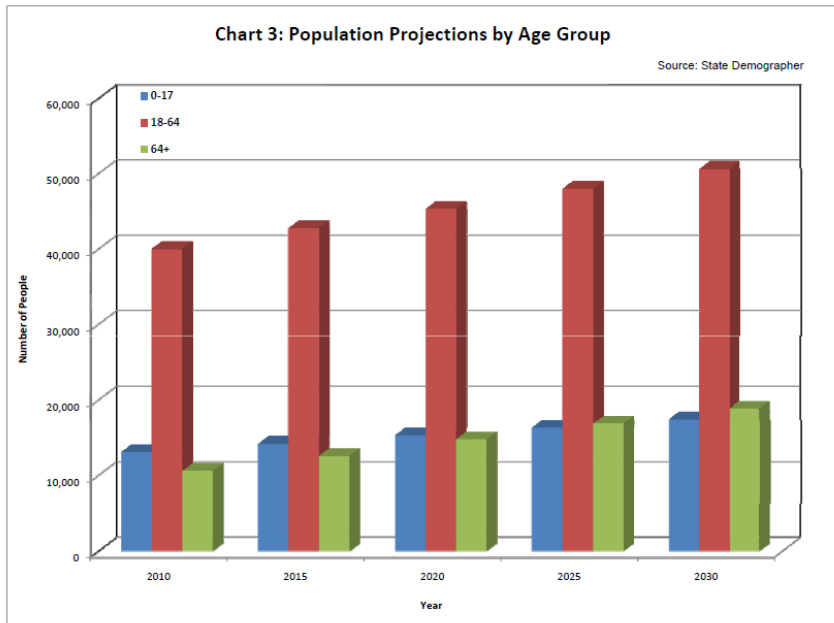
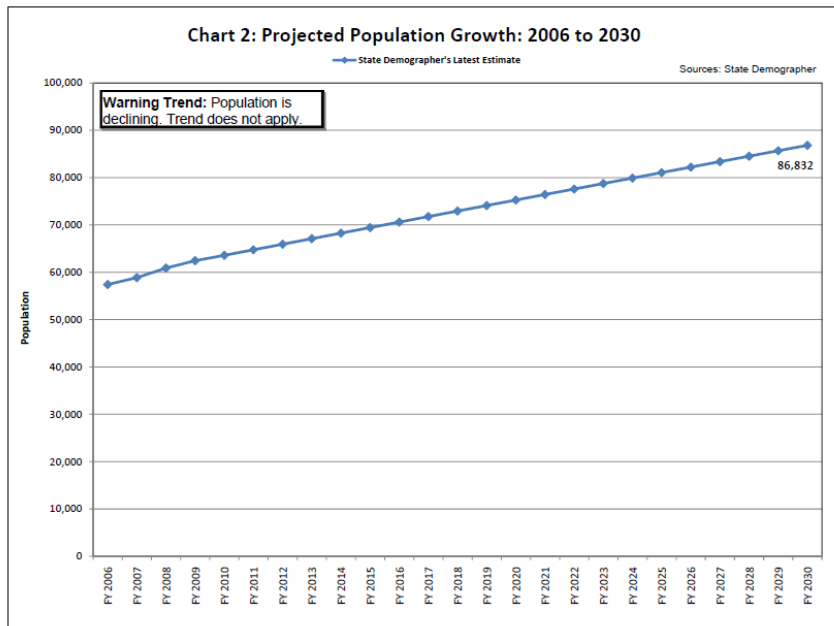
Ms. McConnell stated the debt noted in the column for 2009-2010 was where they had borrowed the money for the Western Transmission Line and that was the largest debt they had. The high ratio in liquidity suggested that they were able to meet short-term obligations, and that ratio was the cash and investments divided by current liability. She had been surprised that their indicators were still as high as they were, because she had expected them to drop. She did not expect them to be as high next year.

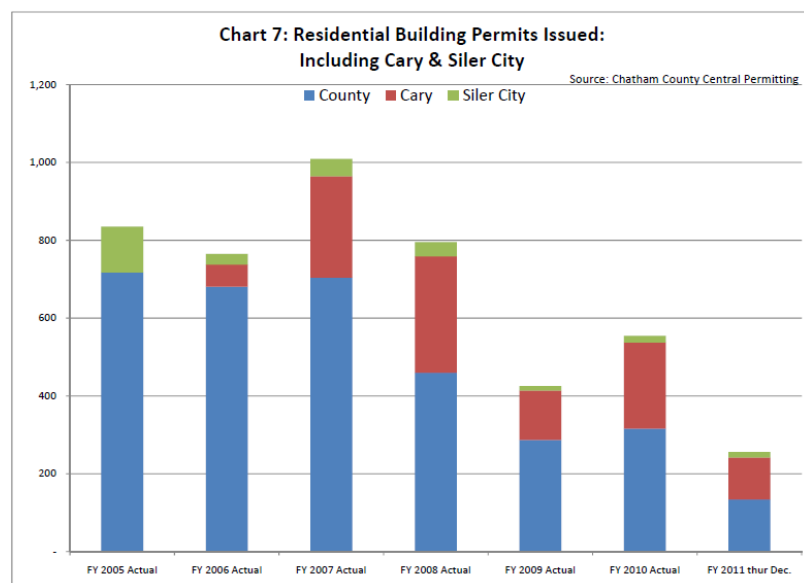
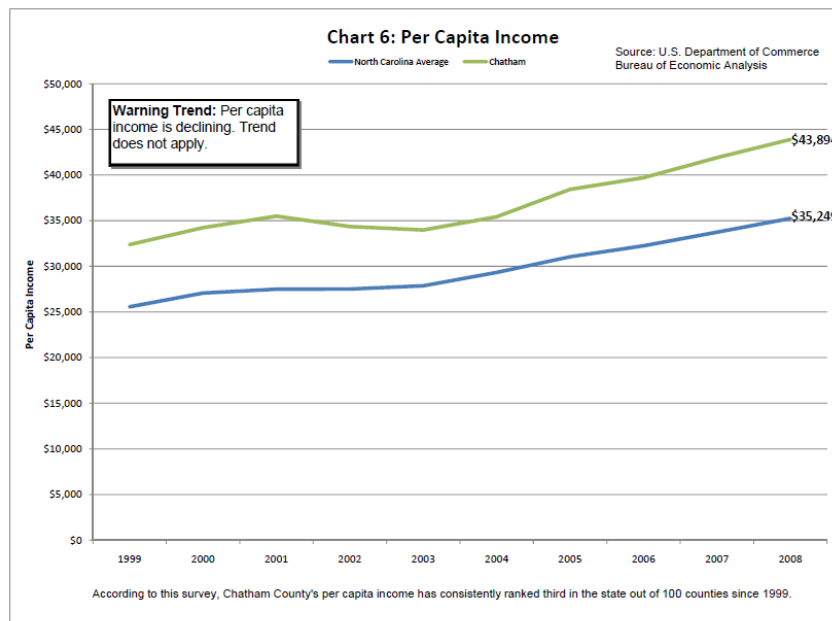
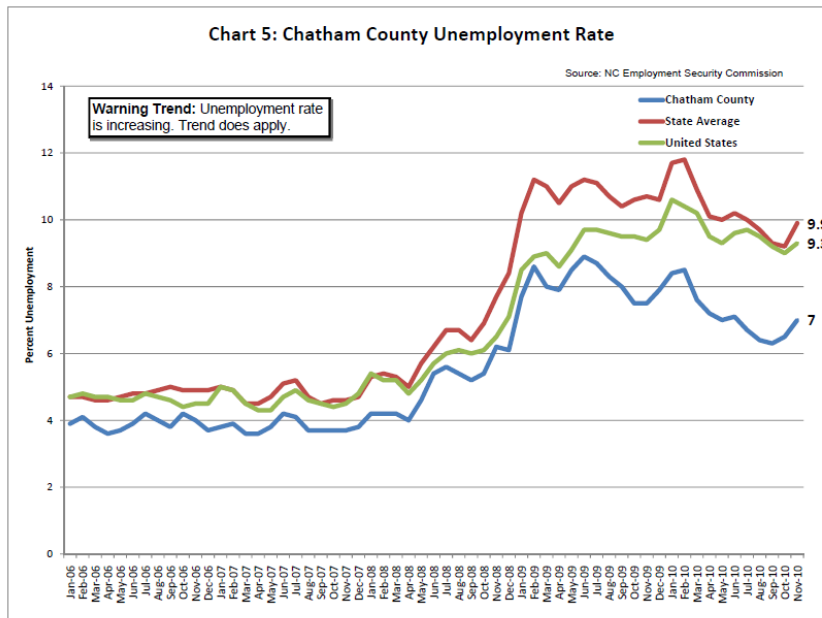
Chairman Bock stated was she saying she did not expect the County to look this good next year. Ms. McConnell stated that was correct, because she did not believe the revenue would be there. Depending on what the State did, intergovernmental revenues such as sales tax would be reduced.

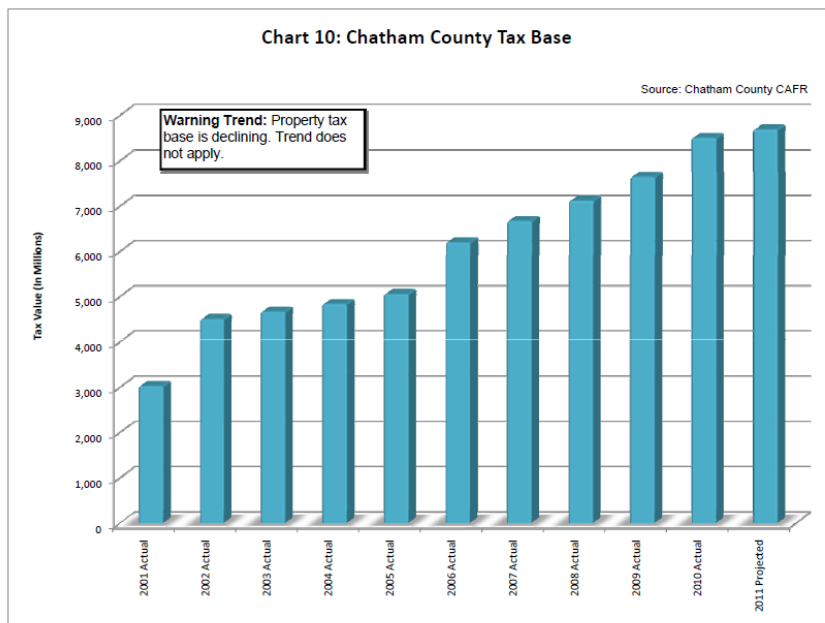
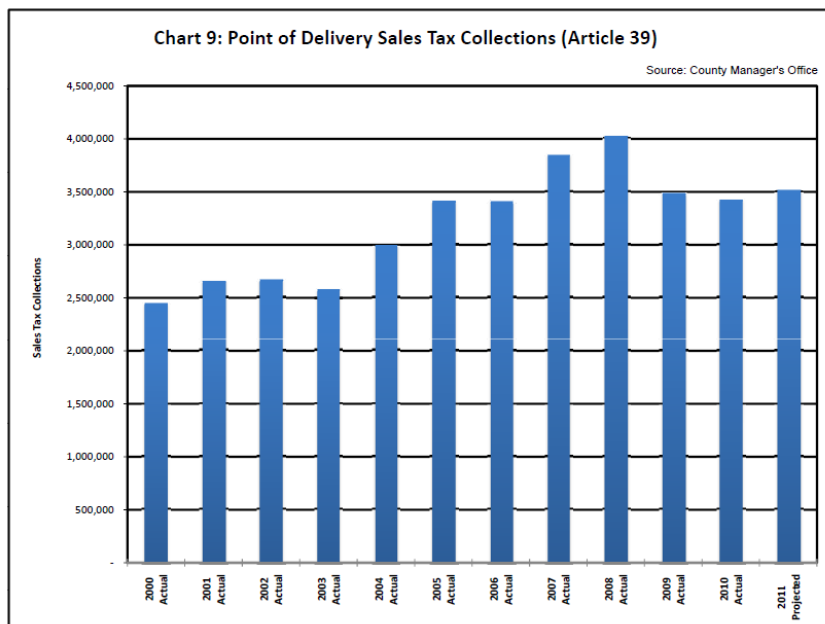
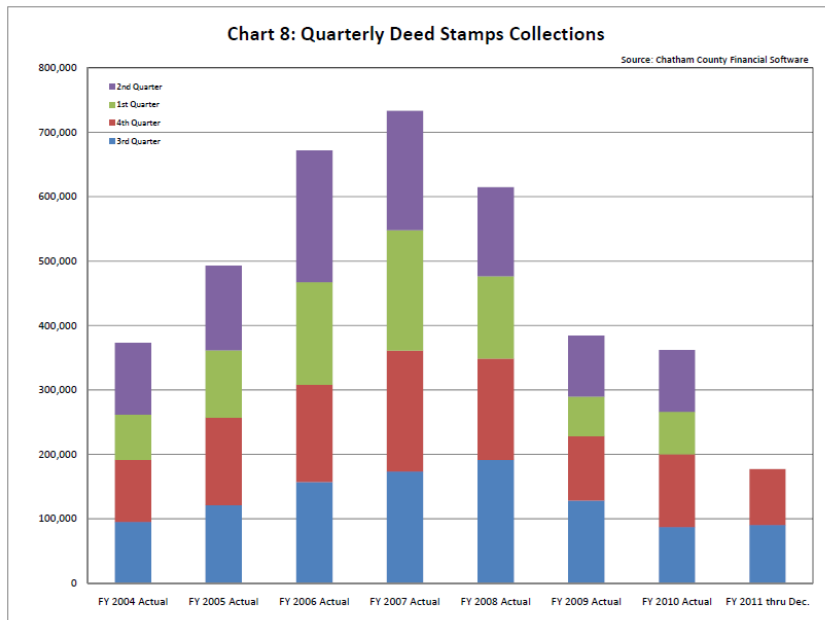
Commissioner Kost asked was she referring to the current year or to the next fiscal year. Ms. McConnell stated she was referring to the next fiscal year, 2011-2012, but also expected to see a slight decrease in the current fiscal year.

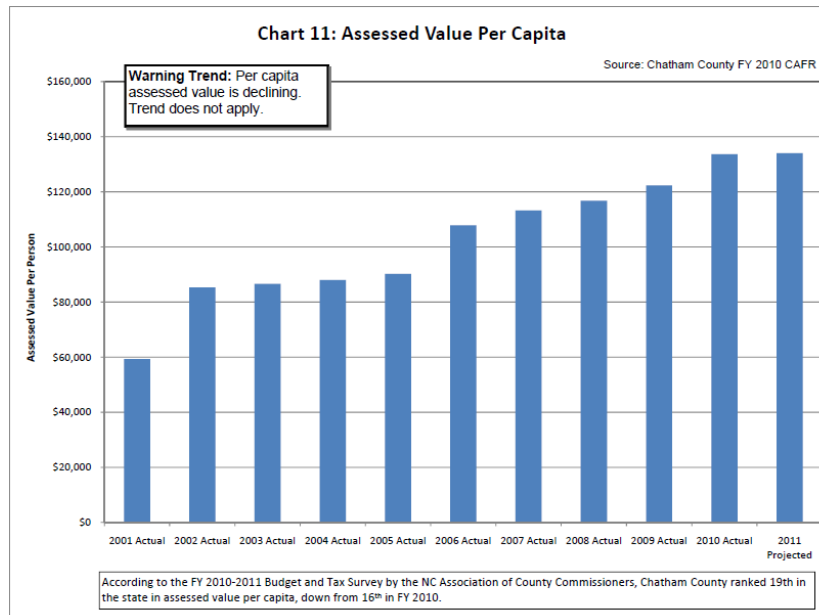
Ms. Paschal then provided a PowerPoint presentation on Budget Trends, as follows:











**Tax Rate Information for FY 2010-2011**

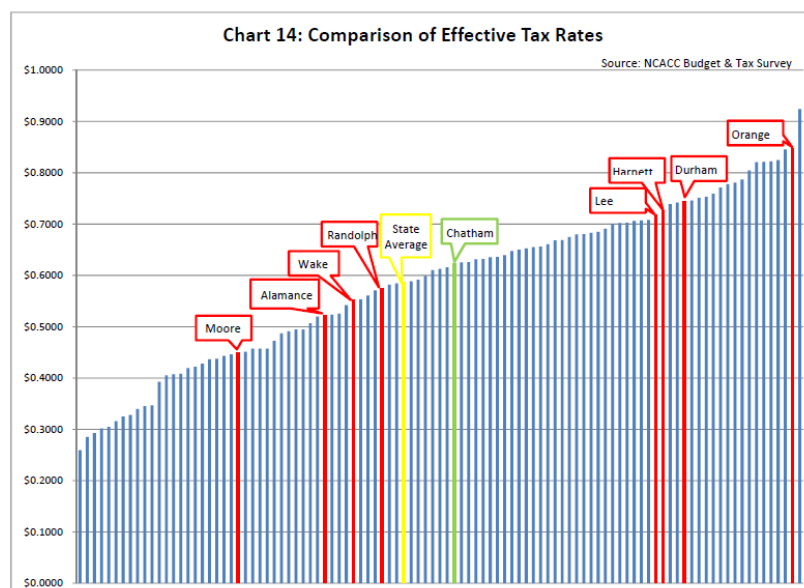
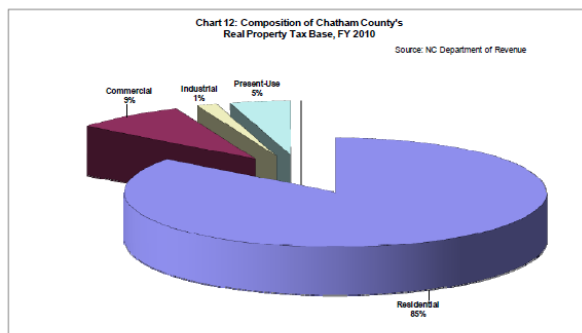
- 62.19 cents/\$100 in property value
- Unadjusted rate ranks 53<sup>rd</sup> in the state (the statewide average rate is 61.41 cents)
- The effective tax rate of 62.26 (which takes into account market value of property) ranks 49<sup>th</sup> in the state (the statewide average is 58.67).

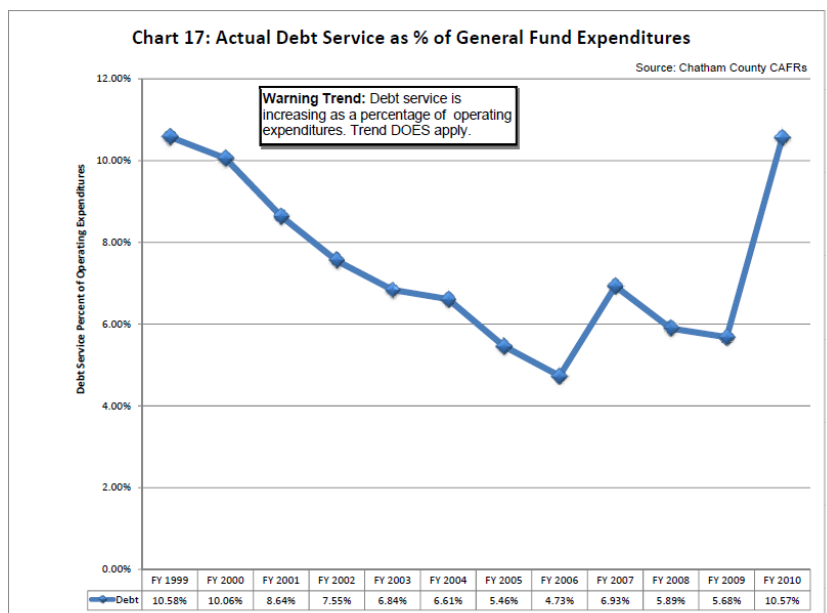
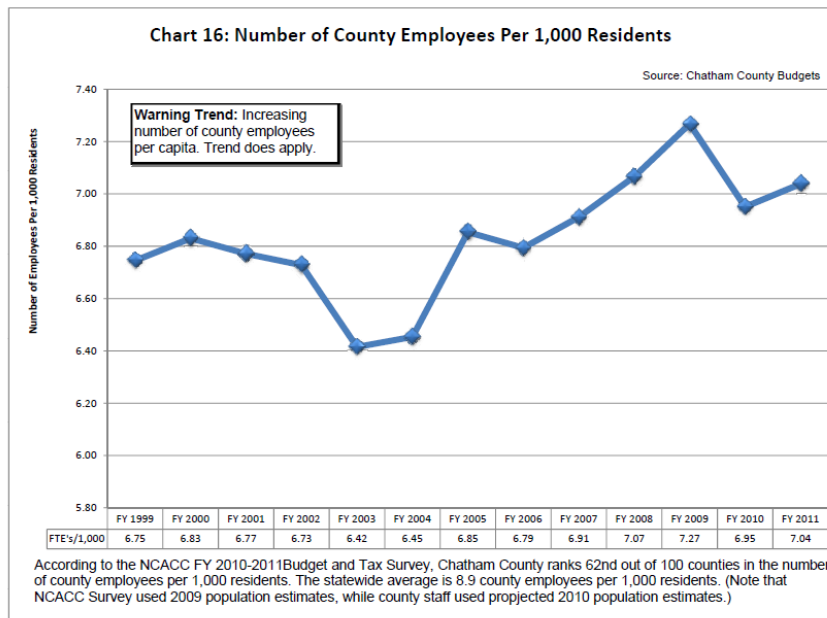
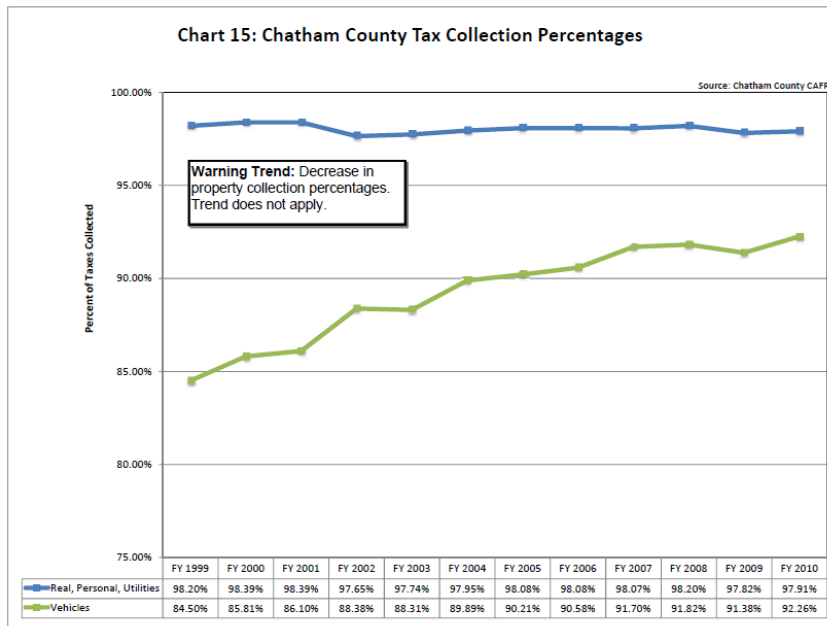
Source: North Carolina Association of County Commissioners Tax Rate Survey.

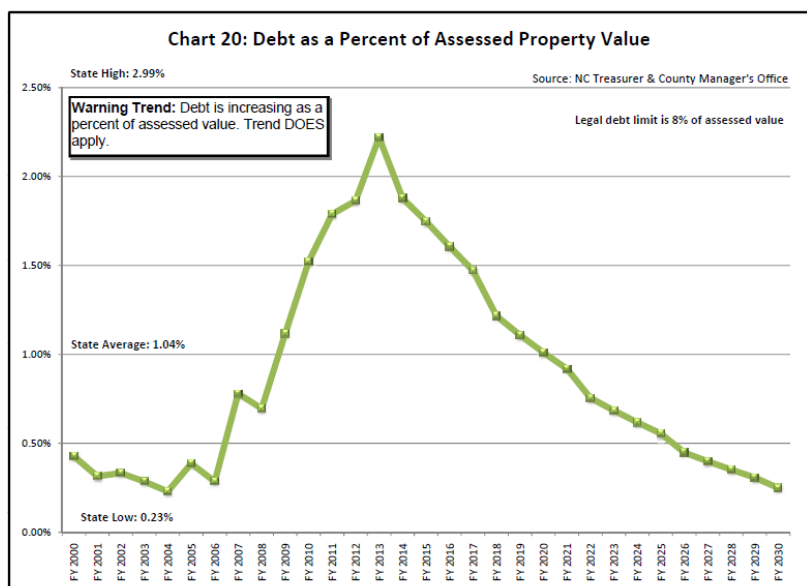
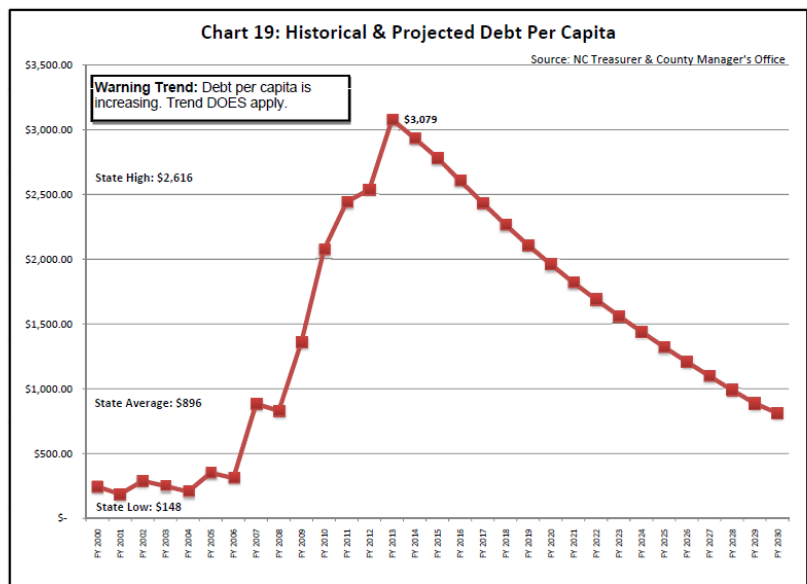
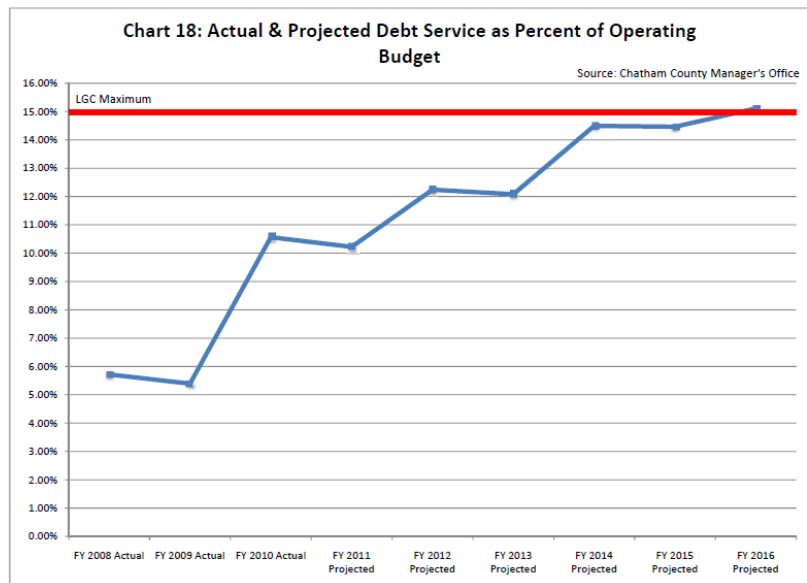
**Tax Base Information for FY 2009-10**

- 85% of Chatham County's tax base is residential; 9% is commercial; 2% is industrial; and 5% is present use.
- In comparison of counties reporting statewide, 79% of the tax base is residential; 16% is commercial; 2% is industrial; and 1% is present use.

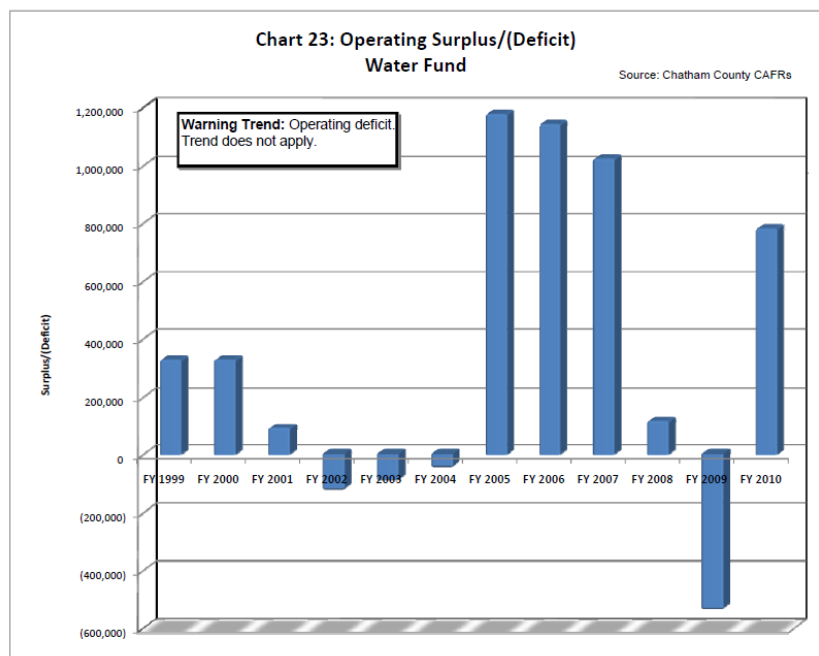
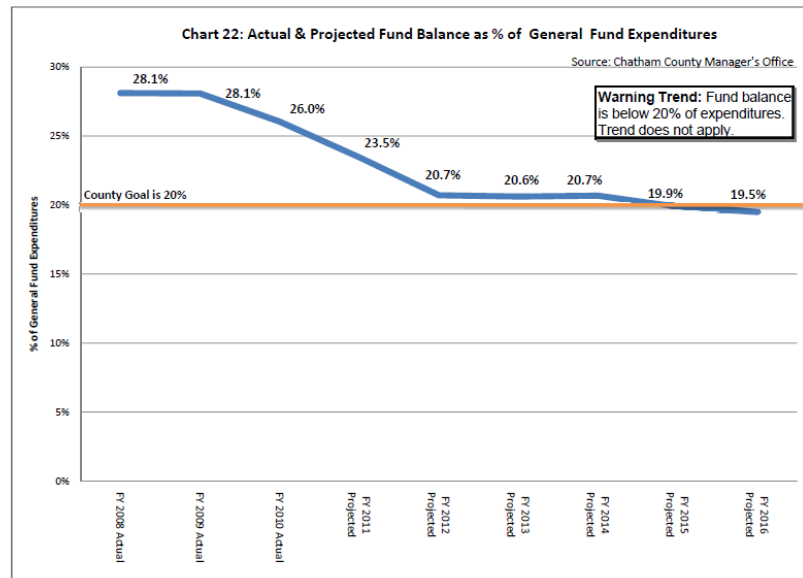
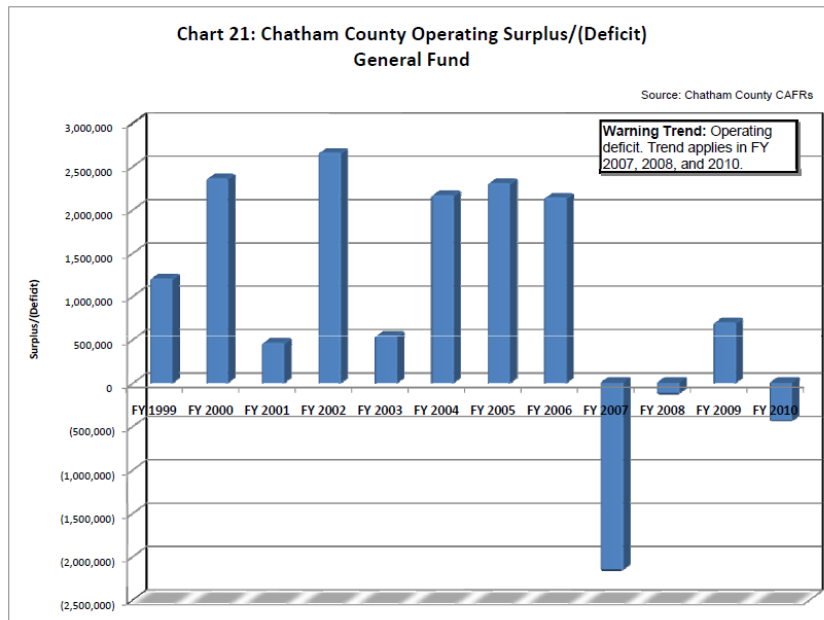
Source: NC Department of Revenue, Tax Research Division

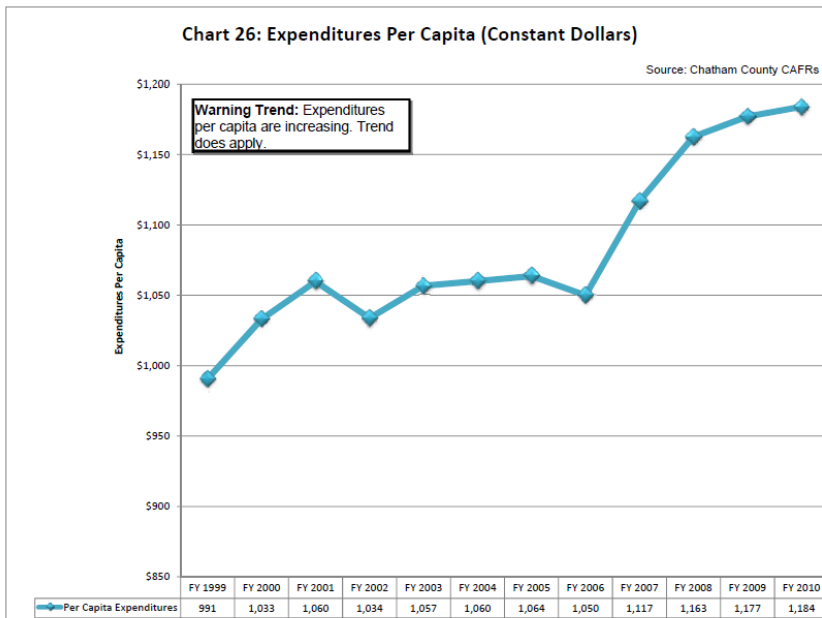
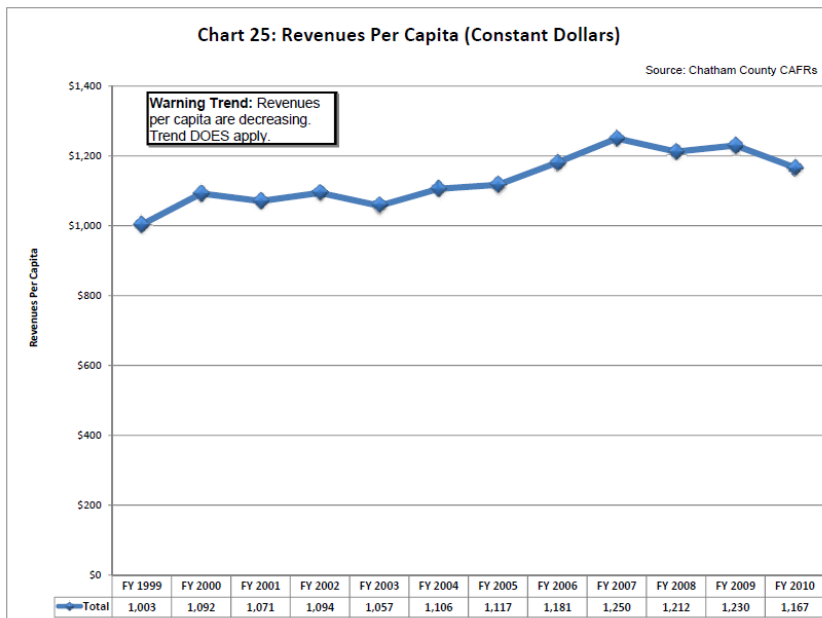
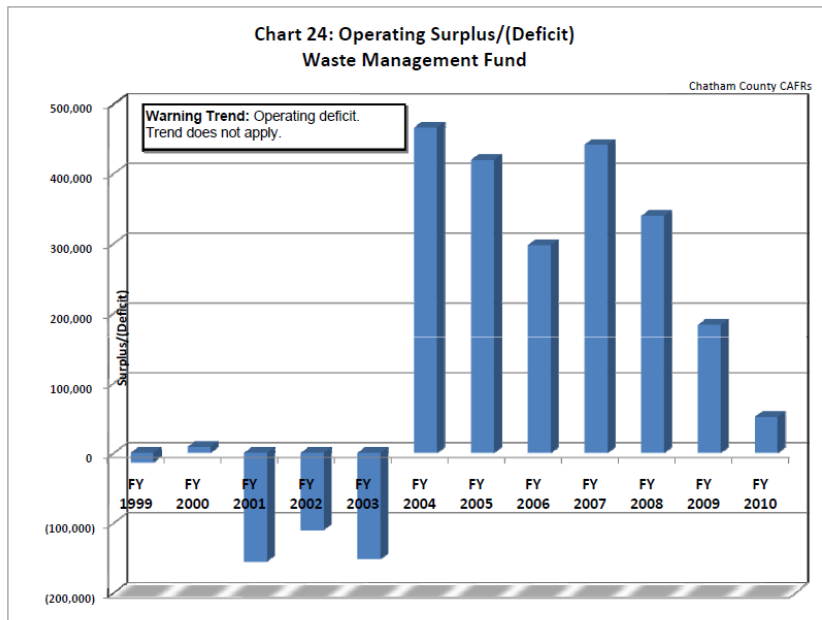


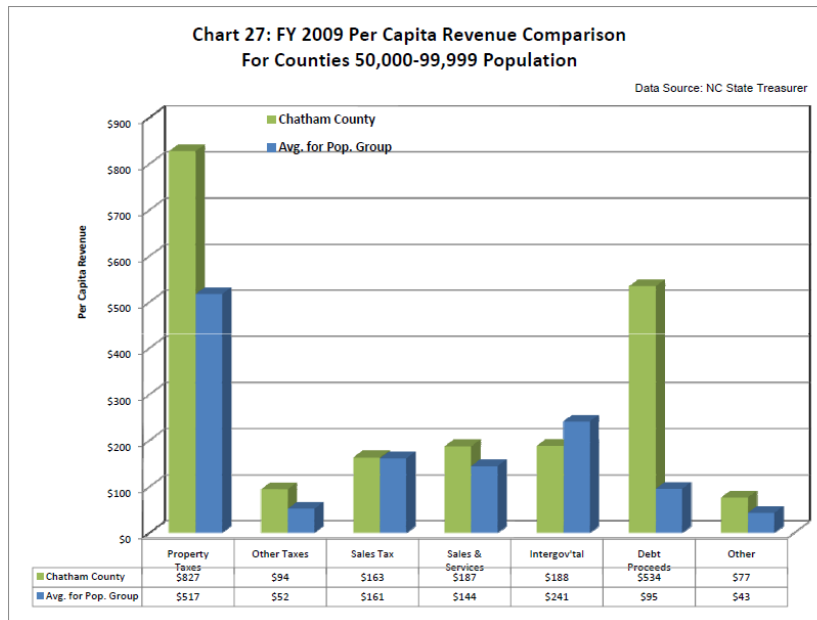












**Explanation of Per Capita Revenues (from State Treasurer)**

**Property Tax** - collections of current year and prior year unit-wide tax levies; interest on delinquent taxes; late listing penalties; and other costs of collecting delinquent taxes.

**Other Tax** - collections of taxes from special tax districts; animal taxes; deed stamp excise taxes; real property transfer taxes; scrap tire disposal taxes; local occupancy taxes; prepared food taxes; 911 charges; white goods disposal tax; and privilege and other license taxes.

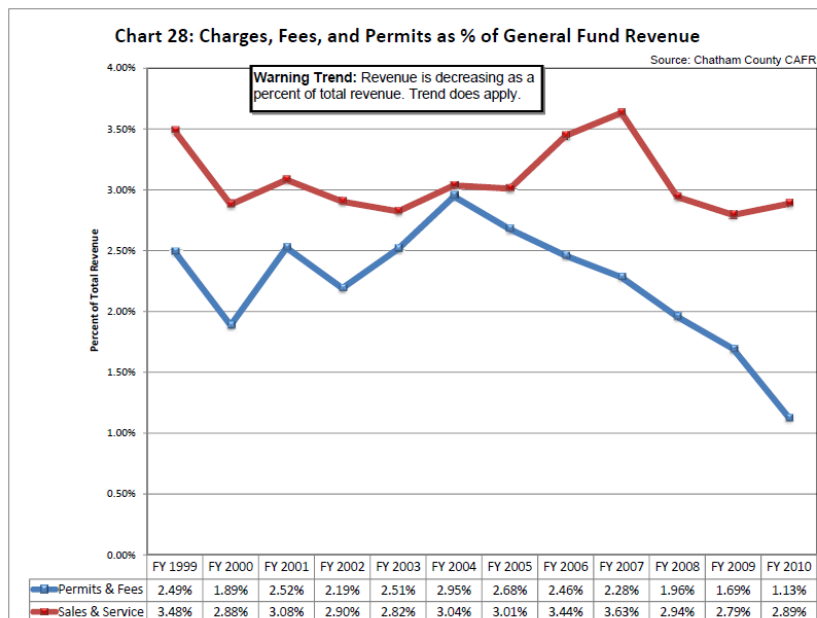
**Sales Tax** - collections of the one percent local option sales tax and both of the one-half of one percent local option sales taxes (Article 40 and 42).

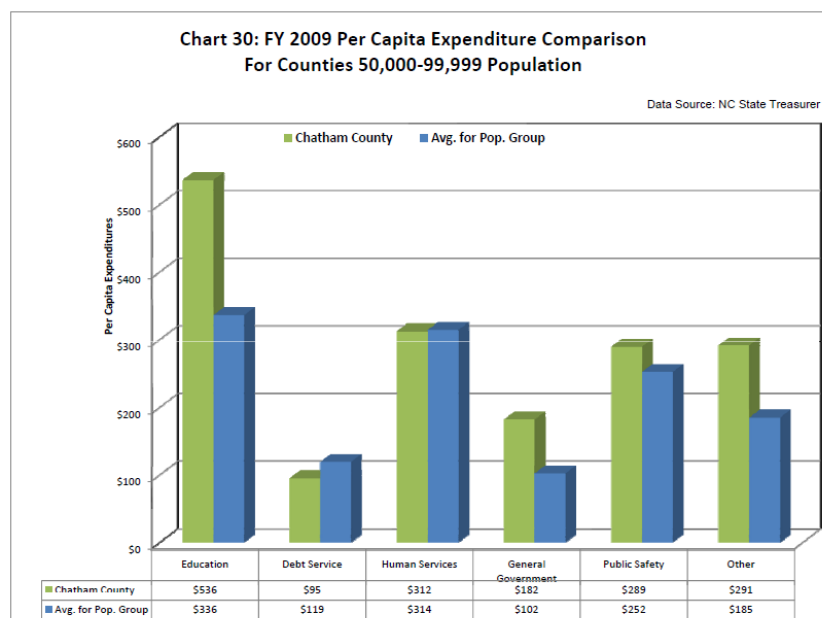
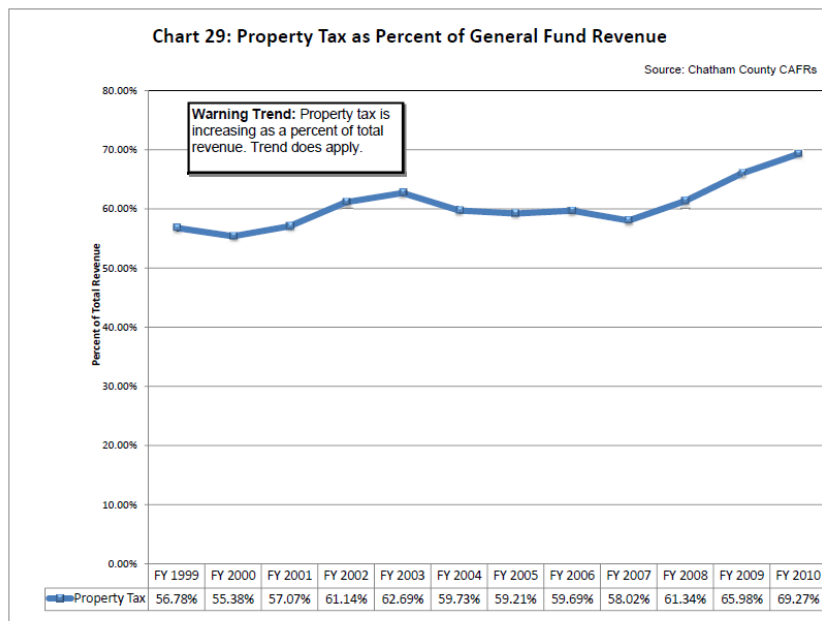
**Sales and Services** - parking revenues; rents and royalties; airport revenues; fire protection charges; solid waste charges; ambulance and rescue squad charges; cemetery revenues; recreational service revenues; library service revenues; other cultural and recreational service revenues; client and third party payments for health, mental health, social services, and nursing home services; mass transit revenues; and water/sewer charges

**Intergovernmental** - federal, State, and local financial assistance including payments in lieu of taxes; equitable sharing of federally forfeited property; categorical grants; controlled substance taxes; intangibles tax and intangibles reimbursement received from the State; distributions of beer and wine taxes; payments of court costs; Public School Building Capital Outlay Fund revenues; Public School Building Bond Fund revenues; food stamp purchases tax reimbursements; manufacturers' and retailers' and wholesalers' inventory tax reimbursements; and the senior citizens exemption reimbursements.

**Debt Proceeds** - proceeds of the sale of bonds and notes; proceeds of lease-purchase agreements.

**Other Miscellaneous** - building permits; Register of Deeds' fees; building inspection fees; other permits; investment earnings; special assessments; private contributions and donations; sales of materials, fixed assets, and real property; ABC Board bottle taxes; ABC Board profit distributions; and other miscellaneous revenues.





**Explanation of Per Capita Expenditures (from State Treasurer)**

**Education** - appropriations to school administrative units and to community college systems for current operations and capital outlays.

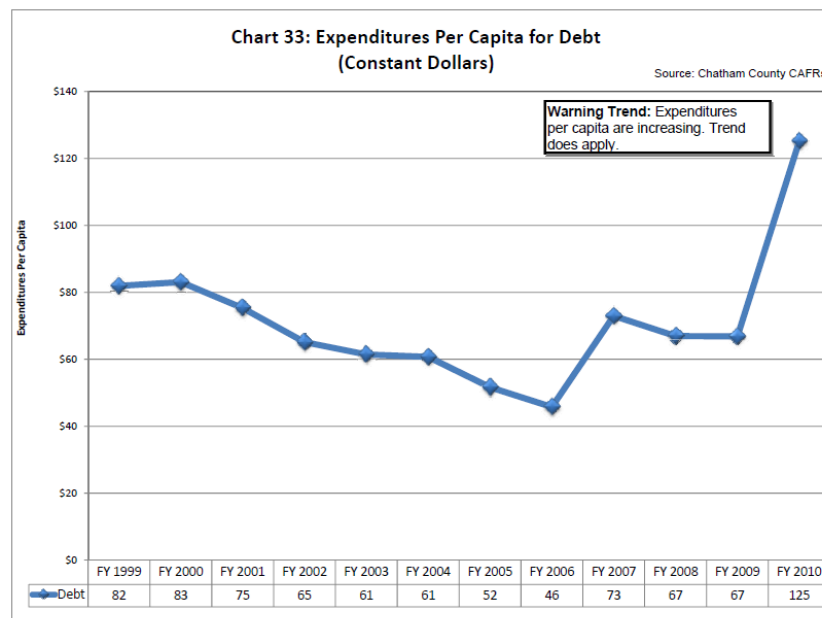
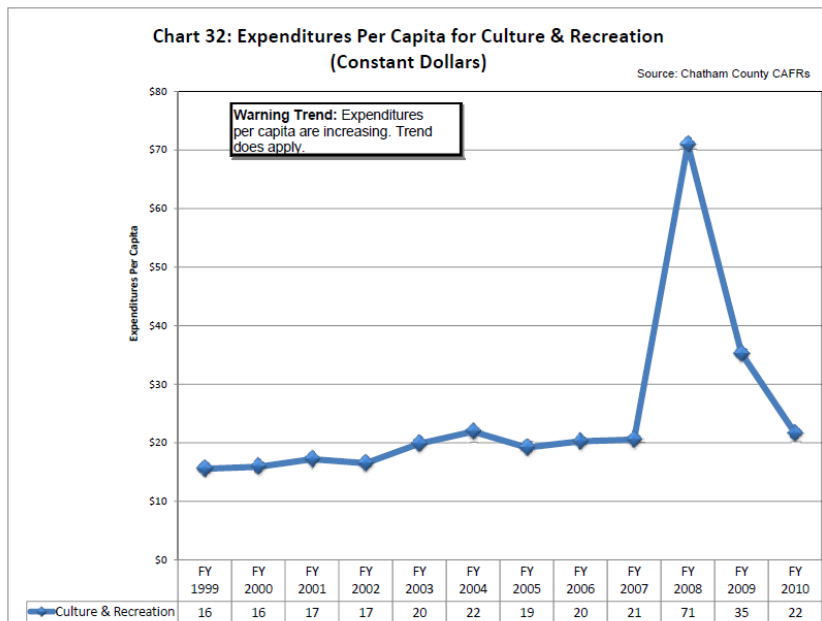
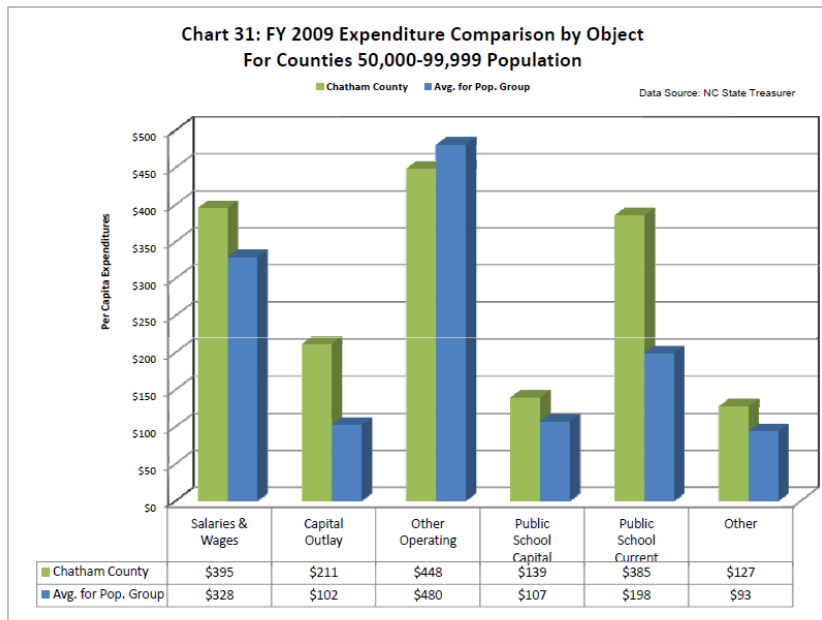
**Debt Service** - principal, interest, and fees paid or accrued on debt.

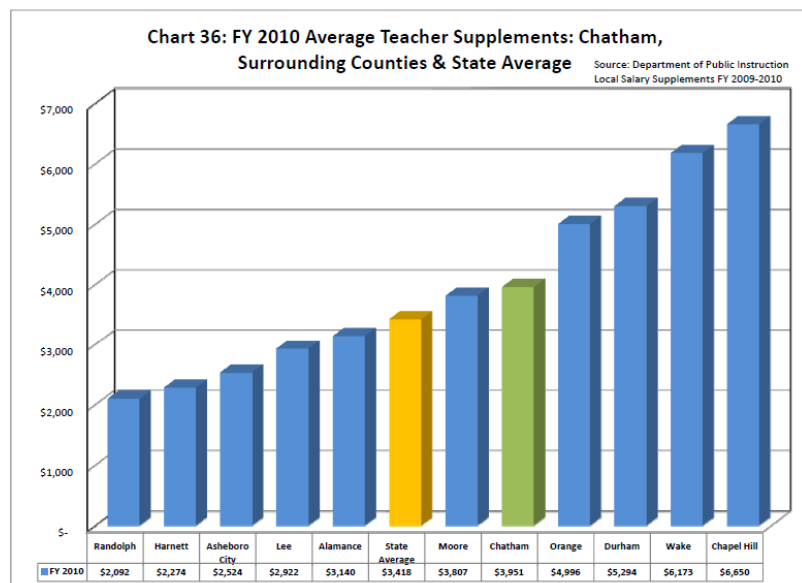
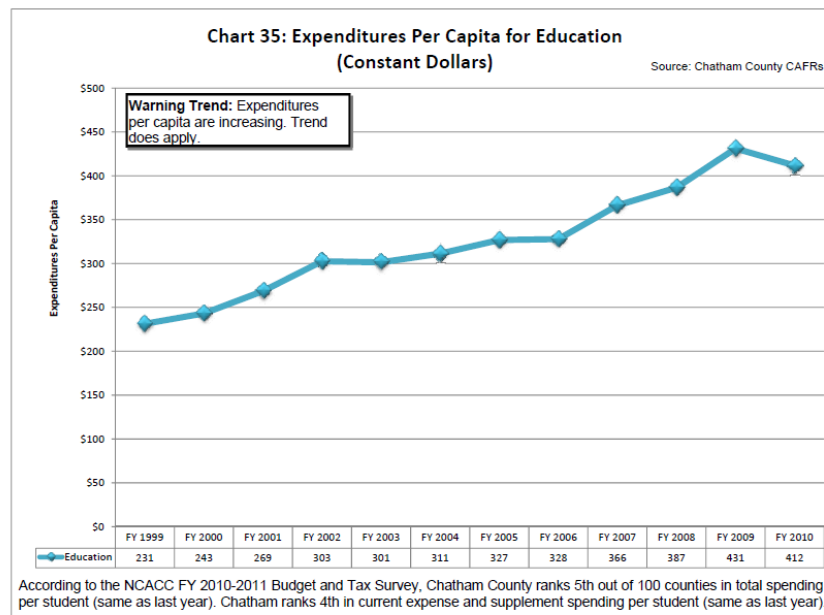
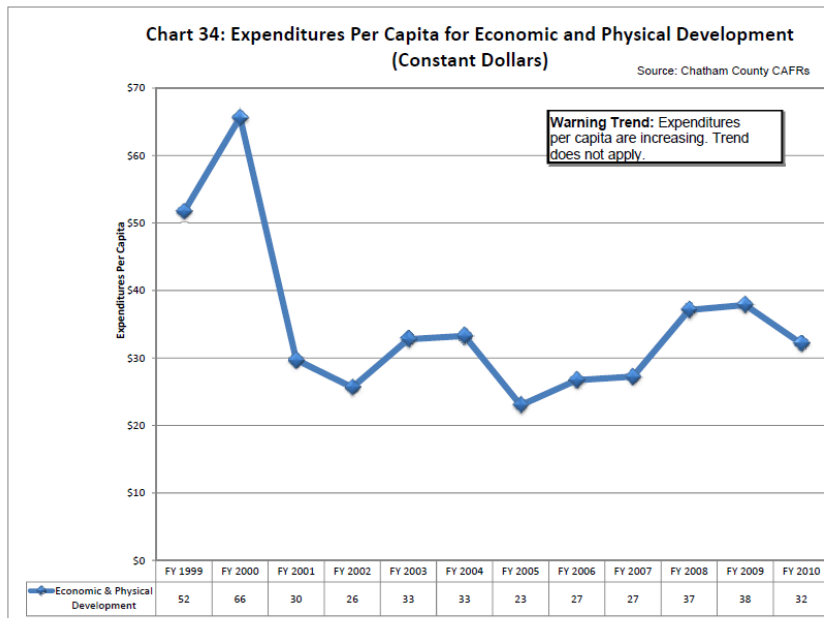
**Human Services** - expenditures for the public health, mental health, and social services programs; veterans' service officers; legal aid; appropriations to hospitals; county's share of Medicaid payments, AFDC payments, and Special Assistance to Adults; county's share paid to multi-county health district and an area mental health authority.

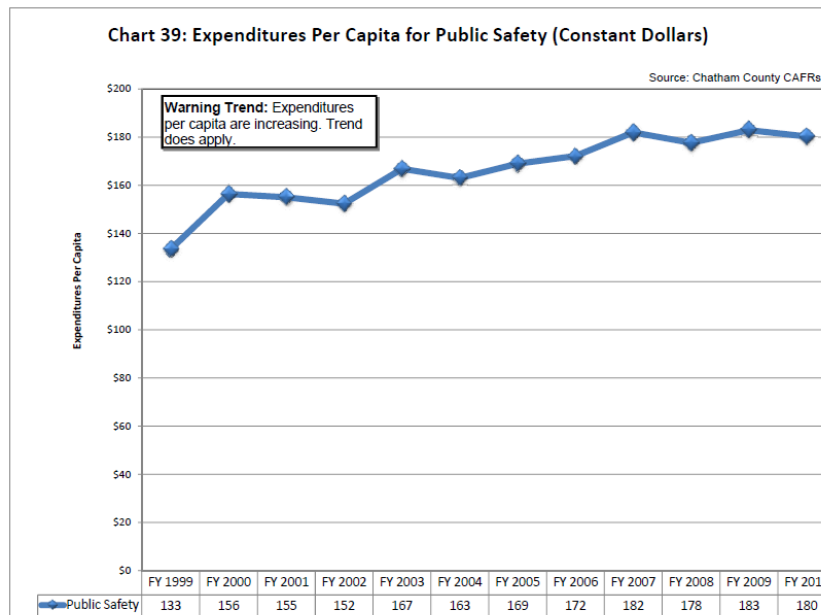
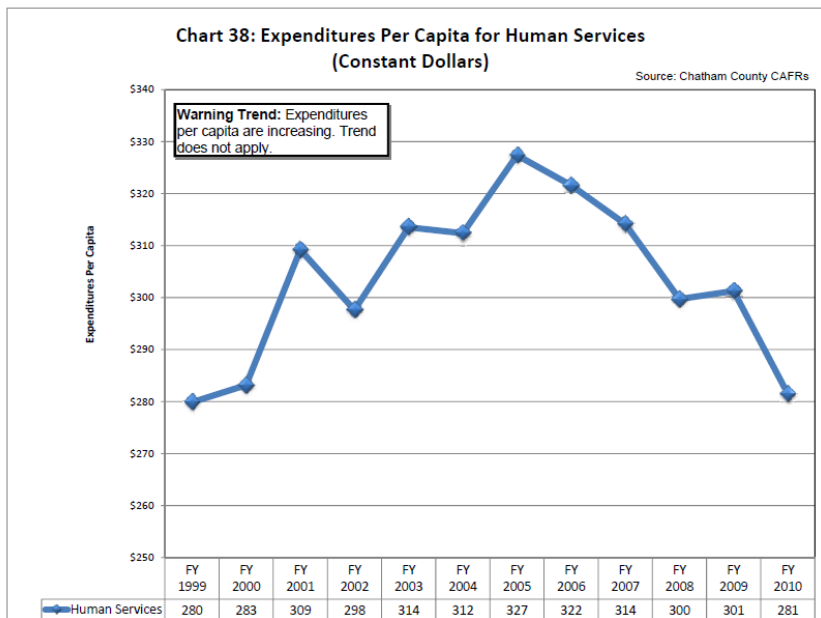
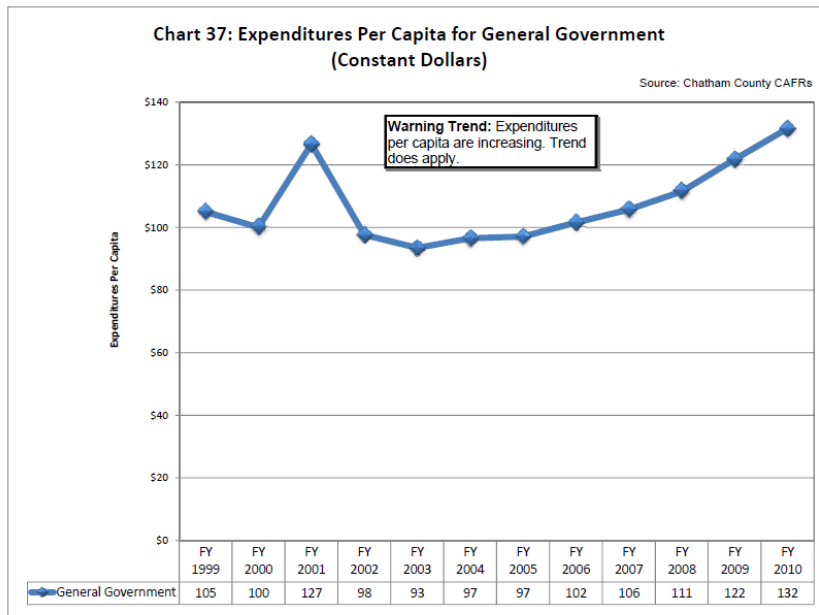
**General Government** - expenditures for the governing body, administration, elections, finance, revaluations, legal services, Register of Deeds, construction and maintenance of public buildings not related to other functions, court facilities, and central services.

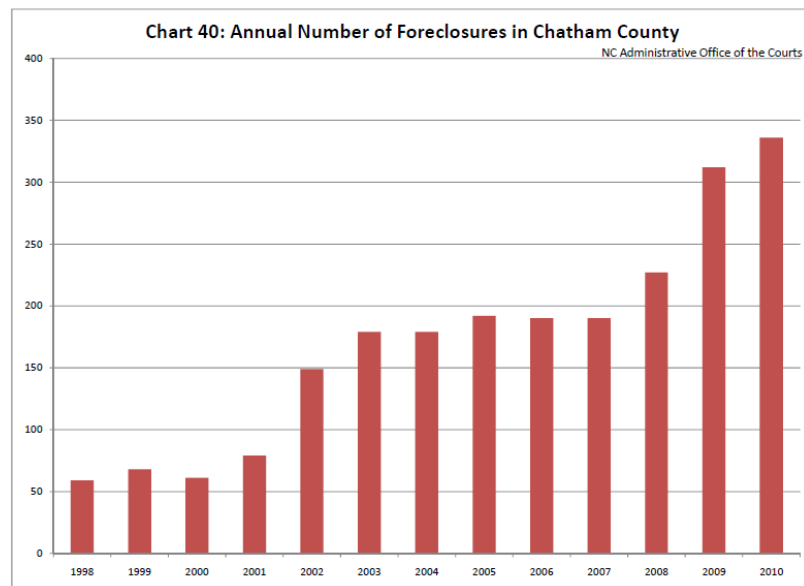
**Public Safety** - expenditures for the sheriff's department, jails, emergency communications, emergency management activities, fire protection, building inspections, rescue and ambulance services, animal control, and medical examiners or coroners.

**Other** - expenditures for transportation, solid waste, drainage and watershed, cemeteries, planning and zoning, economic and community development, agriculture extension programs, special employment programs, culture and recreation, water and sewer, unallocated fringe benefits, and Miscellaneous expenditures.









Chairman Bock stated he was trying to determine the relevance of the unemployment rate chart. If they were to look at the unemployment rate in Raleigh or Chapel Hill, did that mesh. Ms. Paschal stated that Orange County had the lowest unemployment rate, with Wake County just a little higher.

Chairman Bock stated he believed the chart was a little misleading. Ms. Paschal stated that as they all knew many of their residents were employed outside of the County, and there had been significant job losses within the County.

Commissioner Petty asked was there a way to report on that. Ms. Paschal stated they could report on job losses, noting that the Employment Security Commission kept that data.

Commissioner Kost asked about the personal property per capita, noting she believed that was going down. For instance, people were keeping their motor vehicles longer. Ms. Paschal stated that motor vehicles were a problem but she had not done a graph on that. They had been losing motor vehicle values month after month as the economy worsened, but the last two months they had actually seen an increase. She was hopeful that would continue to be a trend.

Ms. Paschal stated that the County's historic sales assessment ratio was now over one at 1.01, which was a problem because they were suppose to remain below one. That meant that their assessed values were just over one percent above their market values.

Chairman Bock stated that it appeared they were in good shape now as far as Fund Balance and General Fund expenditures, but they were projecting that the numbers would not be as good in the next few years.

Commissioner Kost stated to remember that their goal for Fund Balance was 20% which they were achieving, and the State only required them to maintain a Fund Balance of 8%. Even with the projections they had a very healthy Fund Balance. Ms. Paschal stated their philosophy had been that they would spend Fund Balance on capital items to the 20% level, because if they were not spending it then they were holding too much Fund Balance. They were trying to hug that line as much as possible and fulfill their capital needs without going into debt.

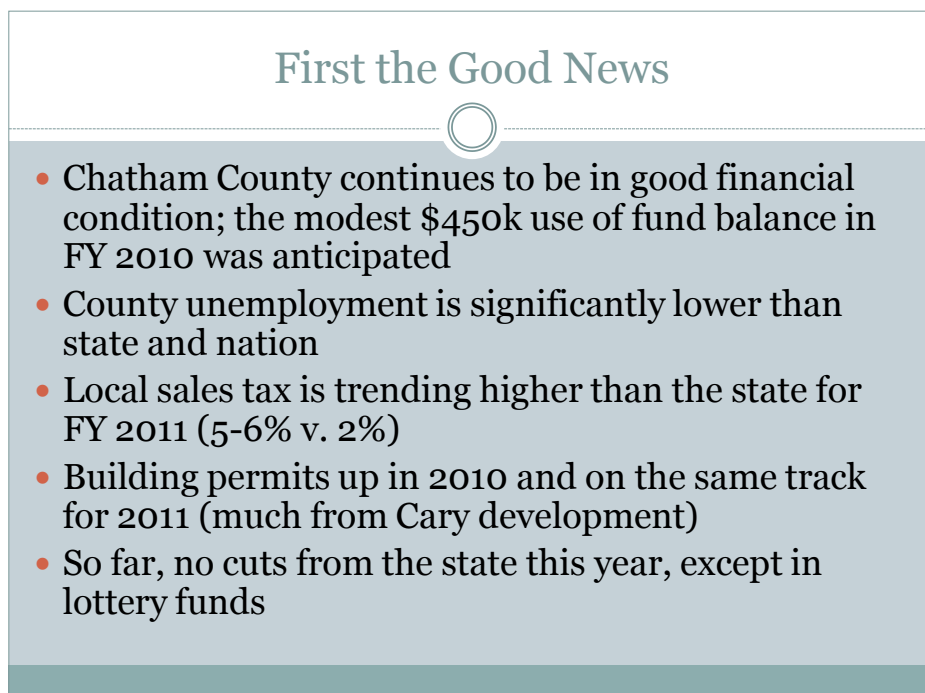
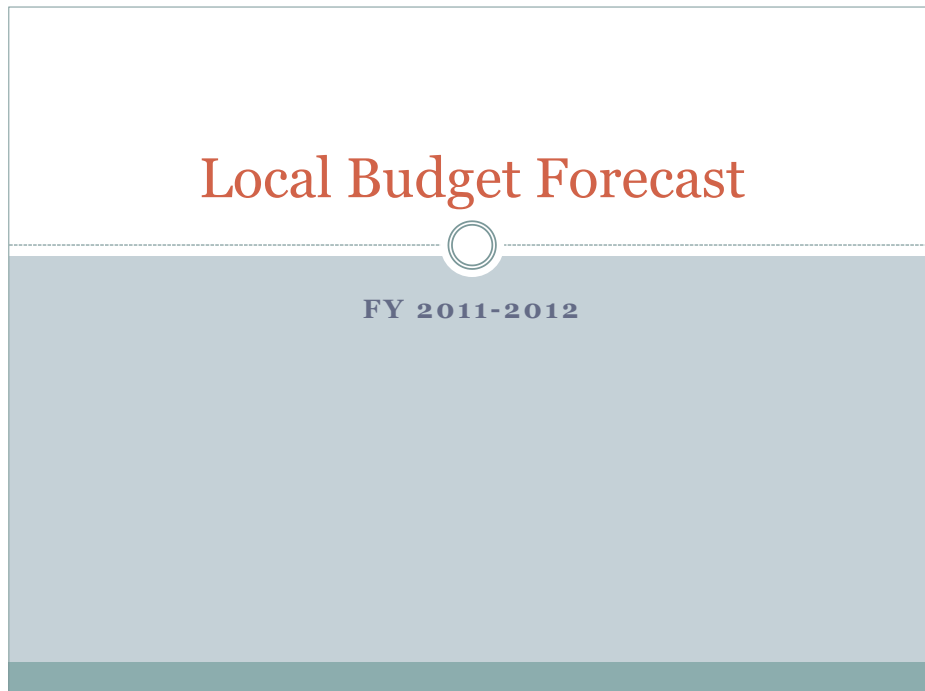
Chairman Bock stated then she would like to see that figure at 20% rather than 23%. Ms. Paschal stated yes, or perhaps just over 20%.

Commissioner Kost stated that as far as the chart on revenues per capita, that unless they adjusted that for Medicaid she wondered if that was really a meaningful chart, because expense had gone away along with the revenue. She agreed that would be a trend to worry about if they saw it continuing, but there was a one-time hit that they would have to adjust for. That should be a caveat to this chart.

## **LOCAL BUDGET FORECAST**



Ms. Paschal provided a PowerPoint presentation on the Local Budget Forecast, as follows:



## Now the Bad News

- The state is in BAD shape (\$3.7 billion deficit) and will almost undoubtedly will pass some of that to counties
- New general assembly leaders have pledged to balance the budget without raising taxes
- Temporary sales and income taxes set to expire—leaders have pledged not to continue
- Could take 2 to 3 years for state employment levels to return to pre-recessionary levels
- Foreclosures continue to increase in the county and state

## Possible Impacts

- \$2.6 million in general fund revenue is “on the table”
- Eliminating our exemption from sales tax would cost \$750K
- Eliminating or reducing \$500K in lottery proceeds to fund debt (affects debt model)
- Increased responsibility for funding mental health, aging, and housing misdemeanor offenders now sent to state prison
- Court services have already been cut; other cuts on the table include mental health, SmartStart, reducing hours of state parks (Jordan Lake), increased class sizes, etc.
- Chatham County Schools is facing a \$4.5 million cut from state
- \$100K in Waste Management revenue is “on the table”

## Projections for County Budget

- Assuming no state funding cuts or increased responsibilities:
  - FY 2011: \$850K deficit
  - FY 2012: \$1.7 M deficit (this assumed NO revenue growth)
- A 25% reduction in state revenue would increase the deficit by \$650K

## Next Steps

- State leaders have pledged to adopt a budget by June 30—NOT LIKELY
- 3 versions of the state budget: governor (in minority party), house and senate
- We will pick a version, but need to have contingency plans for additional cuts

Ms. Paschal stated that the State had a \$3.2 billion shortfall and the legislators had vowed not to have a tax increase. That could only mean that the State would either withhold funds or pass off responsibilities for some services to the local governments. After speaking with the League of Municipalities the conclusion was that the State would withhold funds that should come to the municipalities, but they did not yet know how much that might be. The State had pledged not to balance the budget on the backs of the local governments but that remained to be seen. It would also be likely that the State would pass on responsibilities to the local governments that were currently overseen by the State. The problem was that they may not know when they adopted the budget exactly what the impacts might be.

Ms. Paschal stated that she was projecting about an \$850,000 deficit in the current year in the General Fund.

Commissioner Kost asked how that was determined. Ms. Paschal stated that was assuming no State cuts or increased responsibilities mid-year. If that stood, then that deficit was estimated to be \$850,000 based on current spending.

Commissioner Kost stated they were a little ahead on sales taxes, and asked how they were doing on property taxes. Ms. Paschal stated they were a little ahead. Commissioner Kost asked then what the \$850,000 was a result of. Ms. Paschal stated they planned to spend Fund Balance for capital projects this year. Commissioner Kost stated she had wanted to make sure that the major revenue sources were not the issue. Ms. Paschal stated it may look bad but it was a planned deficit. Commissioner Kost asked what they had appropriated in Fund Balance. Ms. Paschal responded they had appropriated \$3.956 million, as well as about \$1 million in the Water Fund.

Commissioner Petty stated that the good news was that they had not been caught by surprise. Ms. Paschal agreed. For next year if they did everything in the CIP, she estimated that they would have about a \$1.7 million deficit and that assumed no increases in revenues. She believed that sales tax would have a slight increase of \$300,000 over what was budgeted this year, and that property taxes would be up about 2%. Those were preliminary numbers that had been provided by the Tax Office. That was assuming that the State did not take any of their money, but if they had a 25% reduction in State revenues it would increase the deficit by \$650,000. They may very well not know what the State was going to do by the time the Board adopted the County budget, so they would need to build in some contingencies to respond to whatever the State might do. They would have some recommendations about that when the recommended budget was presented.

Commissioner Petty asked what the worst case scenario was. Ms. Paschal stated the worst case scenario would be if the State grabbed \$2.6 million and took away the sales tax exemption which was \$750,000. Commissioner Petty stated he would prefer to plan for the worst case scenario and be pleasantly surprised. Ms. Paschal stated she believed they would be able to look at the State budget versions and tease out what they might do.

Commissioner Cross suggested that they assume the State would take everything it could take. Mr. Horne stated the other piece of that was what the State had had responsibility for up to this point that they would now push off onto the local governments without providing any funding. That was a dollar amount that would be difficult to determine.

Commissioner Kost stated adding that to the \$4.5 million for the schools, they may be facing a hole that was \$8 million deep.

### **BREAK**

Chairman Bock called for a short break.

### **HEADS UP DOCUMENT**

Lisa West, Community Relations Director, provided a PowerPoint presentation on the Department Head-Up document, noting this was an opportunity for the department heads to identify important issues they would be facing in the coming year. She presented the PowerPoint as follows:

**HEADS UP BRIEFING  
FY2012**

**Heads Up about the Heads Up**

- Opportunity for departments to communicate with Commissioners about their major issues for FY2012.
- The Heads Up document focuses on the issues, not the solutions.
- We've made changes to the document in response to commissioner feedback
- This is a summary of some of the issues discussed in greater detail in the document.

**COMMUNITY RELATIONS**

- Establish a clear and consistent social media policy and ensure that all social media communications comply with the state's Public Records Laws and First Amendment rights.

**COOPERATIVE EXTENSION**

- Insufficient staff to offer new initiatives being introduced by the state 4-H department

**COUNCIL on AGING**

- Availability of service delivery to the most vulnerable and highest-need older adults is lagging population increase, and there is a lack of core services to adults with disabilities

**HEALTH – PREVENTATIVE HEALTH & FAMILY OUTREACH**

- Expected decreases in state funding, including Medicaid reimbursement for pregnant women and pregnant women and children with developmental delays will impact revenue and the ability to provide services.

**HEALTH – PREVENTATIVE HEALTH SERVICES**

- No state funding for childhood immunizations

**HUMAN RESOURCES**

- New initiatives that could help to develop and maintain a quality work force must be put on hold due to lack of staffing.

**SCHOOLS**

- American Recovery and Reinvestment Act funding and some state discretionary funding will end, resulting in a continuation budget deficit.

**SOCIAL SERVICES - FAMILY SERVICES**

- Significant increases in the number of people seeking emergency financial assistance, and different eligibility criteria among these programs have led to inefficiencies.
- In both adult and children's services, DSS is often left to address needs unmet by the current mental health system, which impacts customer service and staff workload

**SOCIAL SERVICES - ECONOMIC SERVICES**

- Significantly higher demand for Medicaid among the aged/disabled negatively impact the ability to meet state and federal mandates while providing quality service
- The contract for the administration of childcare subsidy funding must be revised to reflect only the amount allocated by the state.

#### ENVIRONMENTAL RESOURCES

- North Carolina's new Jordan Lake rules require new or increased programs in multiple areas.

#### TRANSPORTATION

- Chatham's Comprehensive Transportation Plan addresses only highways and doesn't include the transit, bicycle, and pedestrian elements required by the NC DOT to be considered for funding opportunities.

#### TAX – LISTINGS AND COLLECTIONS

- A new procedure will be implemented in 2011 to streamline the processing of listing forms.

#### TAX – REVALUATION AND APPRAISAL

- The 2013 revaluation process will begin mid-2011, and the department is understaffed to meet the current workload.

#### TOURISM

- A growing number of lodgings, restaurants, meeting sites and events do not obtain proper permits.

Chairman Bock asked how they knew that restaurants or places of lodging were not obtaining the required permits. Ms. West stated that it was usually determined through such devices as noticing an advertisement such as for an event with food when no permits had been applied for. Either those people did not want to get the permits or did not know they needed to obtain the permits.

Mr. Horne stated there was a cadre of those kinds of common issues; that is, who had permits and who did not. The County got into liability problems if they were promoting a group that did not have the proper permits under State law.

#### **PERFORMANCE TEAM RECOMMENDATIONS**

Ms. Paschal provided a PowerPoint presentation on Performance Team Recommendations, noting that every year the Commissioners identified items they saw in the budget that they wanted staff to further research. Those items were the bookmobile, the mowing contract, substance abuse, and a staff attorney. They had conducted a comprehensive review of those issues which were detailed in the PowerPoint, as follows:

## FY2011 Evaluations

BOOKMOBILE  
MOWING CONTRACT  
SUBSTANCE ABUSE  
STAFF ATTORNEY

JAN. 31, 2011  
SYBIL TATE

### Bookmobile

**Should we continue to provide bookmobile services once the new Pittsboro Library is open?**

Staff Recommended Options

- **Option A:** Consolidate N. Chatham stops and add stops in low-income, rural areas during the two days that were used to deliver to N. Chatham and the daycares. Introduce new bookmobile stops in areas near Liberty, Staley, Snow Camp, Haw River (near Lee County), Bear Creek, or Gulf (past Goldston) for a **one-time cost of \$1,000** (fuel costs may increase, depending on the location of new stops) for marketing campaign. Discontinue service when the vehicle expires.
- **Option B:** Discontinue the bookmobile- saving \$5,363.00 in operating and \$22,391 in temp salaries for a **total annual savings of \$27,754.**

### Mowing Contract

**Should the mowing contract be brought in-house or continue to be contracted? Should we improve landscaping around county buildings?**

Staff Recommendations:

- Continue to contract
- Bid out each site's mowing needs individually, as a whole or geographically
- Review mowing contract with stakeholders and provide them with a means of communicating with the contractor
- Do not add staff to improve landscaping

## Substance Abuse

### **How can we improve substance abuse providers' accountability and quality of service?**

#### Staff Recommendations:

- Using data from the court personnel survey, meet with court stakeholders to clarify provider roles and improve communication. Discuss how to increase short-term and long-term accountability of providers. Work with DA and judges to enforce referral process in the courtroom.
- Use the evaluation data as a baseline for annual reporting to ensure progress.
- Unfortunately, recent cuts to providers and uncertainty due to potential State budget cuts make it difficult to offer budget-related recommendations at this time.

## Staff Attorney

### **Should we hire a staff attorney to the reduce costs of the contract attorney?**

#### Staff Recommendations:

- Analysis in progress, results will be presented during budget review process

Ms. Paschal noted they believed that the Board could always leave things as they were now, or they could discuss the options provided and determine how they wanted to proceed.

Commissioner Kost stated in regards to the bookmobile, she did not understand the personnel costs. They had talked about taking the position and reassigning it to the library which she had thought was a permanent position, but it was shown in the material as a temporary salary savings. Ms. Paschal stated that the permanent position would be used to provide coverage which was now being provided by temporary employees. That position would be reassigned to work in Siler City and Goldston and they could then reduce their temporary budget, which was where they would achieve the personnel savings.

Commissioner Kost stated the cost for personnel was \$40,863 and the savings would be \$22,391, and she did not understand the discrepancy. Ms. Paschal stated the difference was reassigning that staff person to other duties. Commissioner Kost stated then you would have savings in the Library in temporary salaries. She was questioning that if you were to discontinue the bookmobile which she did not support, it seemed to her you would be better off leaving the temporary employees in Goldston and Siler City and saving the \$40,863.

Linda Clarke, the Library Director, stated that it had never been an option as far as she was aware that they were going to eliminate that permanent position, which was the \$40,863. The savings came from not having to use temporary staff or not having to use as much.



Commissioner Kost stated then to save the position it would cost the County a little less than \$20,000. Ms. Paschal stated that was correct, but they were trying to identify a way not to eliminate the position.

Ms. Paschal stated that on page 3 of the handout, 66% of bookmobile users used Cole Park, and 86% of bookmobile users cited distance as the reason they used the bookmobile rather than a branch library. On page 4, it noted that 59% of those visited the Pittsboro library in the last year, and only 53% of the users had responded to the annual income question but of those responding 30% made \$80,000 plus and 16% made \$50,000 plus.

Ms. Clarke stated that the bookmobile did not provide anything typically that the libraries provided. Last year when the controversy first began about the bookmobile and the chat list was well used she was able to contact almost everyone to ask them what they were upset about. Many of the people who lived in the northern quadrant of the County stated that it was a service that they liked, but it was mainly a convenience. From her point of view, they had just opened up a multi-million dollar library in September, so why would they be driving the books out if they wanted those people to come into the library. That library offered them the opportunity to provide many more services that they could not do before because they were so limited in space. The bookmobile, although it was a nice service, was something where you only got books and it provided no programs. She believed it was her job to advocate for the new library and get people to visit.

Ms. Clarke stated when the bookmobile had been discussed last year the new library had not been built so it was not something that people knew would become a reality. Now, the library was there and the community had had a very positive response. At the time what had motivated her to think about the bookmobile was that the greatest unknown was always the new library because they had not known what the demands would be on it or what the staffing level would be. In having the bookmobile not on the road, it provided a pool of temporary workers so that if other staff was needed it would provide her the greatest flexibility.

Commissioner Kost stated that the fact of the matter remained that where she lives most of the people paid to go to Chapel Hill or to Cary because it was 25 miles to Pittsboro, and that was just too far away for a library. Cole Park was a little closer, but many of the people they had heard from were elderly and getting to Pittsboro was not easy. They all wanted the Pittsboro library to be successful, but until they had a branch library to serve the northeast the bookmobile served that need.

Chairman Bock asked if they knew where most of the complaints were coming from.

Commissioner Petty stated he believed it would parallel the usage. Ms. Clarke stated mostly from Cole Park and Carolina Meadows.

Commissioner Kost stated those people paid taxes to use the County library.

Commissioner Petty stated they were not using the County library if they were getting books from the bookmobile.

Commissioner Kost stated they were using County services because the bookmobile was considered a County branch library.

Chairman Bock stated that the bookmobile was generally used to reach areas that were lower income levels than what they were seeing here. It almost appeared that it was a service for those making the most income.

Commissioner Kost stated that salary had nothing to do with it because everyone paid taxes.

Chairman Bock stated it almost seemed as if they were catering to those that lived in north Chatham. Ms. Clarke stated it was not an intentional catering. Historically the bookmobile had served those more remote areas and at that time they had wanted greater numbers of people using it and to do that they had gone to where the people were.

Chairman Bock stated that all of the places noted, Liberty, Staley, Snow Camp, Haw River, Bear Creek, and Gulf, were currently not being served. Ms. Clarke stated that was correct.

Commissioner Kost asked if they knew the distance from those locations to the nearest library, adding that Gulf was just past Goldston who had a library, so it was only about five miles. Ms. Clarke stated from Liberty the closest would be Siler City which was about 14 miles

Chairman Bock stated that if they were going to keep the bookmobile, it almost seemed that they should be serving Carolina Preserve rather than Carolina Meadows since it was much farther away. Ms. Clarke stated her hope was that if people visited the Pittsboro even once they would fall in love with it and make the effort to visit, perhaps carpooling with neighbors.

Chairman Bock stated he believed that places like Carolina Meadows had vans or small buses that took the residents places.

Commissioner Kost stated that was true, but most people did not want to spend an hour or more making a round trip to a library. The bulk of the population was in northeast Chatham, and reiterated that northeast Chatham paid 54% of the General Fund property taxes. Not providing that service to that area of the County did not seem fair.

Chairman Bock asked would she agree, then, that since those people had paid those taxes that they had contributed to building the new library in Pittsboro. If they had contributed to the library then he was not sure it was fair to say that they were not getting the service; they were getting the service because the library was there.

Commissioner Kost said true, but it was a very long ways to travel particularly for the elderly. That was what they had heard during the budget meeting.

Ms. Clarke stated that many of the people in Chatham County had Chapel Hill mailing addresses, so if they wanted to use the library in Chapel Hill that was geographically closer it would cost them \$60 a year.

Commissioner Kost stated that because there was no nearby library the residents of Carolina Preserve were using the Wake County library and that the Town of Cary was paying the fee for those residents. You might say that was great but she did not think so because Chatham County needed to provide that service to those residents, not the Town of Cary.

Chairman Bock stated they were in Chatham County but in the Cary limits, so they were paying Cary taxes as well. The fact of the matter was that they had just heard what a shortfall they were facing and some cuts would have to be made.

Commissioner Kost stated the bookmobile was considered a branch library, so the question was not whether they would be delivering books to people but rather whether or not they would eliminate a branch library.

Commissioner Cross stated he had not thought they would spend time today arguing the point but to only receive some brief information.

Chairman Bock stated that was a good point, and asked if some decision needed to be made today. Ms. Paschal stated staff would need some direction from the Board at some point in order to prepare the recommended budget.

Commissioner Petty stated it was not an easy question, but they also could not provide everything that everyone wanted.

Commissioner Kost stated then they should consider eliminating all of the branch libraries and have just the library in Pittsboro. If they were not going to be sensitive to the location issue, then since Pittsboro was in the center of the County they should eliminate the Siler City and Goldston libraries if they were going to eliminate the bookmobile.

Commissioner Cross stated that the people in and around Goldston and Siler City used those facilities and he would not want to consider closing them.

Commissioner Kost stated she did not want to close them either, but her point was that the branch libraries were for the convenience of the citizens and they should not penalize them by eliminating the service.

Commissioner Cross stated that the plan all along was that Briar Chapel would provide a branch library there when it was needed, but they did not have the money to do that. And, they could not consider a branch library in the northeast until they had the money to do that. Every department in the County would have to take some budget cuts, and he did not know where else they could see a savings in the Library except by eliminating the bookmobile.

Commissioner Kost stated from all the emails she had received from senior citizens in the County she knew that it was an issue for them to drive to Pittsboro.

Commissioner Cross stated that driving anywhere was an issue for elderly people living in Pittsboro as well as any other area of the County.

Commissioner Stewart stated that one of the reasons they had built the library in Pittsboro was to bring people into the main branch and that was why that money was spent. The whole idea was to serve a wider area, and although it would be great to keep all services intact the reality was that they could not continue to do that.

Commissioner Petty stated two hours ago the Board had talked about trying to locate businesses within the city limits to draw people in, and now they were taking the library out to people instead of encouraging them to come to town.

Commissioner Kost stated she did not believe that was a fair comparison because they were talking about the senior citizens in this community who would not be commuting to work in Pittsboro.

Commissioner Petty stated that technology now would allow anyone to go online and download a book in just a couple of minutes.

Chairman Bock stated that perhaps they should consider leaving it to the Library Director to do what she thought was best. Ms. Clarke stated that the direction they had focused on was what could be cut back, and sometimes she believed it was better to cut one thing rather than make across-the-board cuts. They were talking about whether or not to eliminate the bookmobile, but if they did not, then the question became what would have to be cut elsewhere. The library's budget was not a complicated thing, in that it was staff, books, and other. If they had to make cuts then they were forced to look at staff, hours of operation, or the purchasing of books. They did not want to cut books because that was the whole reason for having a library. The library in Pittsboro was a joint effort with the community college, and it was important to focus on their role in that. Even though some people thought of the library as recreation, it was actually a tool for economic development as well.

Commissioner Kost stated that she would not vote in favor of eliminating the bookmobile, but wanted to go back to the issue of temporary or permanent staff. They did not want to lay anyone off, but they would have a vacancy come up between now and when this was done so why not move this employee into a vacancy and continue using the temporary salaries so that they could save the full \$40,863 versus the \$22,391. Commissioner Kost asked if there were any current vacancies. Ms. Clarke responded no, and she did not expect any.

Chairman Bock stated they knew they were going to have to make cuts, and if the department head would rather make a cut in a program rather than across the board, then the Board needed to give that due consideration.

Commissioner Kost stated her point was that they could cut more than what was proposed under Option B in the materials, which was \$22,391. She believed they could cut \$40,863 using her suggestion.

Chairman Bock said if it became necessary they would consider that, but for now Ms. Clarke was stating that this was a start and would provide her with some flexibility. Ms. Clarke responded that was correct.

Commissioner Stewart asked if she knew how many individual users they had of the bookmobile service. Ms. Clark replied she believed it was located in one of the charts in the materials, but did not know the number offhand.

Chairman Bock stated he believed they had been on this topic long enough for the Board to make a decision.

Commissioner Petty moved, seconded by Commissioner Cross, to discontinue the bookmobile effective June 30, 2011 with a saving of \$5,363.00 in operating expenses and \$22,391 in temporary salaries for a total annual savings of \$27,754. The motion carried four (4) to one (1), Commissioner Kost opposed.

Mr. Starkweather stated that the one time that many families had to bring their children to the library was on Saturday, yet the library was open for only one-half day on Saturdays. He suggested that the Board might want to address that at some point.

Commissioner Petty stated in regards to the mowing, he asked if that was a regularly scheduled maintenance or on an as-needed basis. Ms. Paschal stated that some places were as needed but others were on a regular schedule.

Ms. McConnell stated in times of drought, it was on an as-needed basis.

Commissioner Petty asked how they contracted for something that was as-needed. Ms. Paschal stated it was per cutting.

Commissioner Kost asked when they had done the analysis had they taken into consideration all the new fields that would be coming on-line. Ms. Paschal stated that had been taken into consideration.

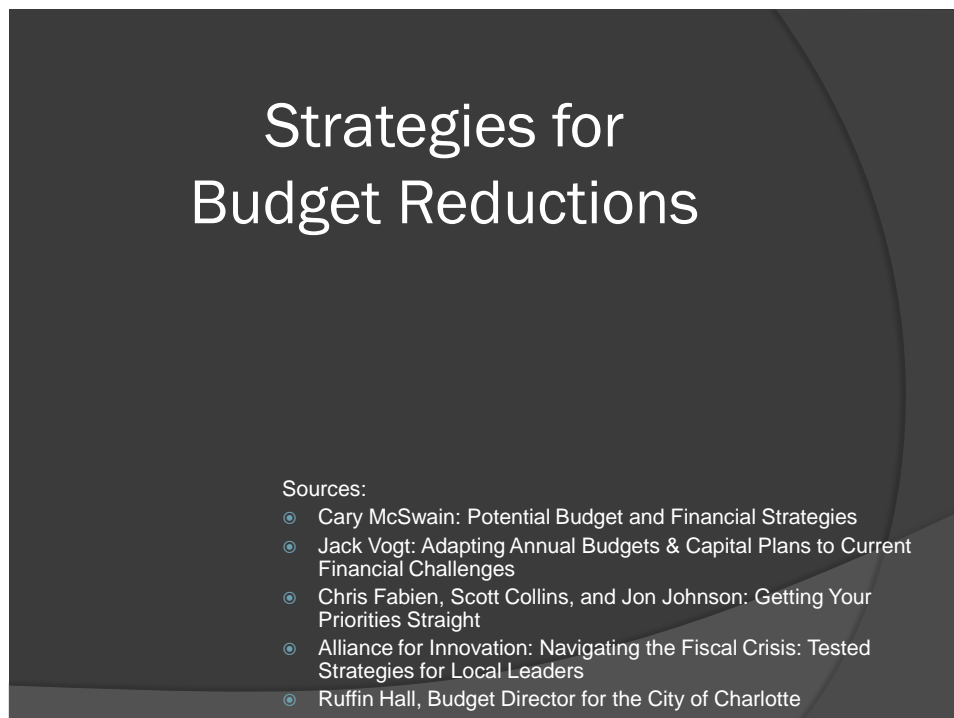
## **BREAK**

Chairman Bock called for a short break.

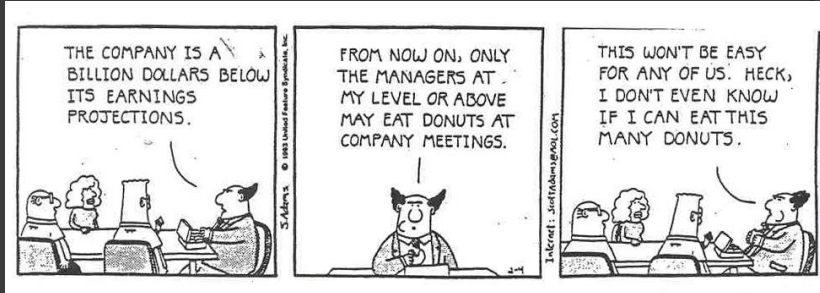
## **STRATEGIES FOR BUDGET REDUCTION**

Chairman Bock stated that what staff was expecting from the Board during this presentation was that they would present strategies for budget reductions but the Board would not be expected to accept any of those at this time. Ms. Paschal stated that was correct, noting they could discuss them at tomorrow's meeting. She stated once she completed the presentation the Board could ask questions, but the bulk of the discussion should be held until tomorrow.

Ms. Paschal provided a PowerPoint presentation on strategies for budget reductions, as follows:



## Budget Cuts: Departments' Perspective



## Budget Cuts: "Budget Office's" Perspective



## Budget Reductions Can Be an Opportunity

- Realign resources to priority services
- Eliminate redundant or ineffective programs
- Promote greater productivity and innovation

## 7 Deadly Sins

1. Rob Peter to pay Paul
2. Use accounting tricks
3. Borrow
4. Sell assets
5. Make something up
6. Nickel and dime employees
7. Delay asset maintenance or replacement

*David Osborne and Peter Hutchinson, The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*

## Long-term Financial Health

- Maintain flexibility
  - Avoid excessive debt
  - Avoid unfunded postemployment liabilities
- Diversify revenue sources
- Rely on stable funding sources (such as property tax)
- Long-term financial planning
- Maintain adequate reserves
- Educate stakeholders about the financial situation and the need for fiscal planning and restraint

## Three major categories of cuts:

1. Temporary
2. Long term
3. Comprehensive

## Temporary

- ⦿ Freeze vacant positions\*
- ⦿ Freeze employee pay and benefits\*
- ⦿ Increase employee share of health insurance
- ⦿ Reduce employee hours and pay
- ⦿ Reduce pay and benefits
- ⦿ Offer early retirement
- ⦿ Furlough employees
- ⦿ Layoff employees

## Temporary

- ⦿ Delay capital projects\*
- ⦿ Delay capital purchases
- ⦿ Defer capital projects that drive increases in the operating budget
- ⦿ Postpone transfers to capital reserves\*
- ⦿ Use capital reserves for one-time, critical capital projects that should not be deferred

## Temporary

- ⦿ Restrict travel\*
- ⦿ Reduce energy costs by changing thermostats\*
- ⦿ Reduce overtime expenses (consider adding more part time employees if less costly than overtime)
- ⦿ Shut down some facilities for a half or full day and reduce salaries and expenses
- ⦿ Delay new programs and services
- ⦿ Reduce contributions to community agencies

## Temporary

- ⦿ Require reversions from the current budget\*
- ⦿ Allow no budget transfers from personnel-related accounts (we already do this)
- ⦿ Require contingency plans for cuts; implement if necessary\*
- ⦿ Hold part of department's allocation in reserve until half or three-quarters through the fiscal year
- ⦿ Use fund balance and/or reserves to maintain or increase funding levels

## Long Term

- ⦿ Consolidate similar or duplicative services
- ⦿ Reward employees and departments for cost-saving ideas\*
- ⦿ Review all fees to determine portion of costs being covered; set fees to recover higher proportion of costs
- ⦿ Research all available fees not currently used and consider implementation
- ⦿ Recover more revenues from enterprise funds:
  - Lease equipment
  - Share personnel

## Long Term

- ⦿ Bid and privatize services\*
- ⦿ Consolidate services with municipalities and share costs (we already do this, but could do more)\*
- ⦿ Establish incentives for good health to reduce insurance costs
- ⦿ Reduce overhead:
  - Bid insurance coverages\*
  - Consolidate purchasing of supplies, etc.
  - Review "take-home" policies of vehicles, etc.



## Long Term (with upfront costs)

- ◉ Promote economic development\*
- ◉ Invest in grants writing\*
- ◉ Invest in automation of services and e-government to reduce staffing needs
- ◉ Develop in-house capacity for training\*
- ◉ Re-engineer services and organization to produce the same service at a lower cost
- ◉ Conduct energy assessment and implement energy savings plan\*

## Comprehensive

- ◉ Across-the-board cuts
- ◉ Across-the-board cuts, excepting high-priority services and mandates
  - Board has discussed high-priority services
  - Let's also review mandates (pages 236-237 in FY 2010-2011 budget)

## Comprehensive

- ◉ Zero-based budgeting: (ZBB)
  - Pure ZBB—Require departments to justify all expenses from \$0; the entire annual budget is broken down into “decision packages” that explain the activity, goals and objectives, measurement of performance, costs, benefits, and alternatives for performing a function with different amounts of money

## Comprehensive

- ZBB Challenges:
  - The county's budget currently is not organized in this way. Budgeting is done at the department or division level—not at the program or service level
  - This means that departments would have to produce many more budgets
  - The county does not have the budget software to allow for alternative funding levels
  - The county's account code structure would have to be changed—no time for this
  - The county does not have the staff, either in the manager's office or departments, to do this; staff would have to be trained
  - Little “bang for the buck” for some county services, such as social services, jail, elections, register of deeds, etc.
  - Budget staff already reviews all line items in every department and we look at one-time expenses!

## Comprehensive

- Other variations of ZBB
  - Modified ZBB—Establish thresholds (e.g., set expenditures at 95% of last year's resources, departments justify spending above that level)
  - Rotating ZBB—Look at a few services each year

## Comprehensive

- Targeted cuts:
  - Amount of cut based on available revenue
  - May impose spending limits for certain items (e.g., travel)
  - A target is set for each department/service, approaches:
    - Based on discretionary versus core (or mandated) services
    - Based on priorities (by department or by purpose – education, public safety, environmental protection, etc.)
    - Based on effectiveness of services (performance review)
    - Ask departments to develop “cut lists” based on varying levels of cuts\*

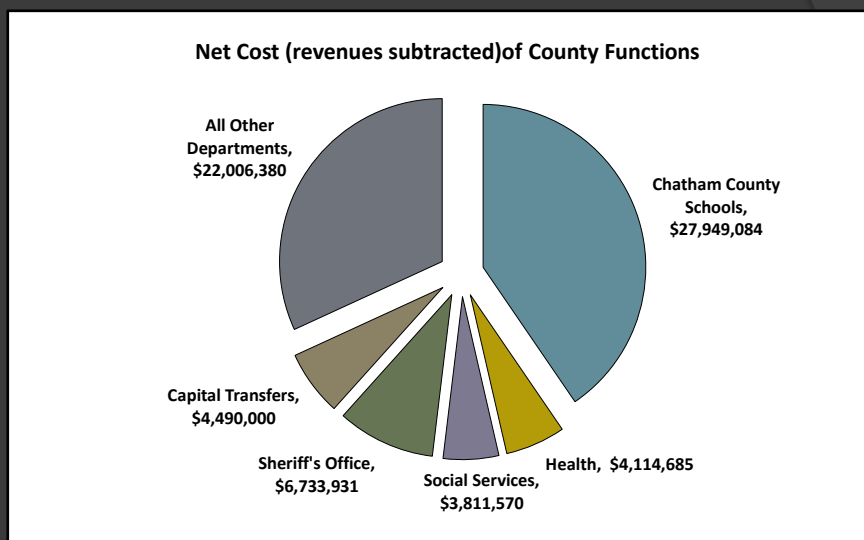
## Setting a Target for Reduction

- Can be a % reduction
- Can be a \$ reduction
- Both can be based on available revenue
- Can be based on spending in a previous year:
  - FY 2008--\$81.8 M (final budget)
  - FY 2009--\$86.9 M (final budget)
  - FY 2010--\$86.4 M (final budget)
  - FY 2011--\$84.4 M (original budget)

## Setting a Target for Reduction

- For discussion sake, assume a 5% reduction in the total budget or \$4.3 million
- Assume this means expenditures without offsetting revenue (or net cost)

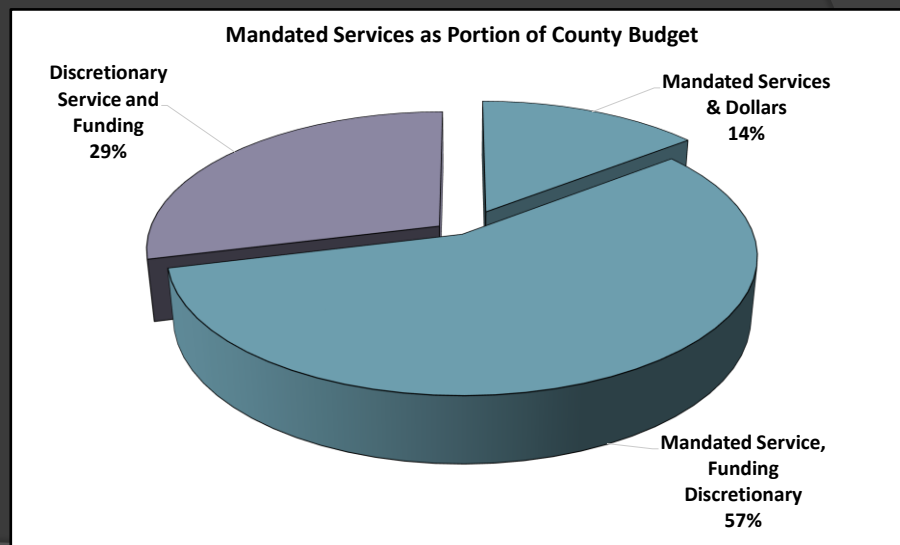
## Setting a Target for Reduction



## Setting a Target for Reduction

- Assuming no cuts to education or public safety (priority services), no cuts to social services (mandated), and no cuts to transfer to capital reserve (already committed)
- Assuming credit for cuts already made (\$600,000)
- All other departments must be cut by 14.2%

## Mandated Services



## Mandated Services

- See pages 236-237 of FY 2011 budget
- 14.49% of the budget is mandated funding and cannot be changed (\$12,227,730)
- 56.65% of the budget is funding for mandated services; you can change the level of funding (\$47,810,452)—reductions are possible in some areas
- 28.87% of the budget is not mandated, but includes items such as teachers supplements, in-home and nutrition programs for seniors, 911, animal control, and ALL support services—reductions are possible in most areas, but be careful of support services

## Mandated Services

- ◉ Mandated funding (\$12 million):
  - Social services—Aid to the Blind, Child Day Care, Child Foster Care and Adoptions, Medicaid Transportation, Special Assistance for Adults
  - Debt service
  - Other—Separation allowance for law enforcement and unemployment compensation

## Mandated Services

- ◉ Mandated Service/Discretionary Funding (\$48 million):
  - Board of commissioners, elections, fire inspections, building inspections, CCCC, health department, courts facilities, Chatham County Schools current expense and capital outlay, emergency management, emergency medical services, finance, jail, attorney, medical examiner, mental health, register of deeds, sheriff, social services, tax
  - Some of these departments carry out non-mandated services (see list)

## Mandated Services

- ◉ Discretionary services/discretionary funding (\$24 million)
  - Services for seniors, animal control, permitting, affordable housing/green building, transportation, cooperative extension, county manager's office, court support services, teachers supplement, economic development, 911 dispatch, environmental resources, facilities cleaning and maintenance, fleet, forestry service, health—family outreach services, MIS, libraries, recreation, nonprofit funding, planning, sedimentation and erosion control, health—CAP program, tourism
  - Support services represent \$10.3 million of total (42%)
  - Some of these departments carry out mandated services that would have to be reassigned (see list)

## Mandated Services

- If mandated services are not cut, discretionary services would have to be cut 15.2%

## Other Complicating Factor

- Extent of state cuts is unknown, so we will likely have to make cuts regardless of commissioner action
- 42% of nonschool costs are personnel

## What Is Your Bottom Line?

- Reduction in overall spending
- Reduction in net cost
- Reduction in property taxes
- Other

## Recommended Approach

1. Board establishes priority services
2. Board identifies non-mandated, non-priority services to be looked at for elimination
3. Board sets reduction goal—prefer percent reduction in services to be cut, not a total % to reduce the total budget, sample goal:
  - Priority services will remain at existing funding
  - Reduce mandated, non priority services by 2%
  - Reduce other services by 3%
  - Reduce by a greater percentage or eliminate non-mandated, non-priority services **that are determined not to be essential**

## Recommended Approach

4. All departments will develop a prioritized cut list, including those not required to cut
5. Cut lists should exceed % target by at least 2% to offer flexibility to manager and commissioners about what is cut
6. Departments providing non-mandated, noncore services will also list those service and prioritize them for cutting

## Recommended Approach

(Based on example)	Goal to Reduce	Cut List Reduction
Priority Services	0%	2%
Mandated, non priority services	2%	4%
Other services	3%	5%
Noncore, non-mandated services	>5%	>5%

Ms. Paschal stated they had instituted last year an employee efficiency program where employees contributed ideas to improve efficiency and how to save at least \$1,000. They would be bringing that idea back at a later work session.

Commissioner Petty asked how successful that program had been. Ms. Paschal stated not much, noting the reward to the employee was only \$100. She stated if they were really going to have such a program then the reward needed to be more significant. And, it was difficult to figure out if something would really save money or not.

Commissioner Kost stated it was even tougher to determine if it was a part of their job, noting that every County employee should be looking for savings all the time which was a part of their job.

Commissioner Kost asked for certain positions such as David Hughes they were not charging it to the Enterprise Fund but it was all to the General Fund. Ms. Paschal replied no, it was all charged to the Enterprise Fund. Commissioner Kost stated then all of Mr. Hughes' salary was charged to the Enterprise Fund. Ms. Paschal stated that Ms. McConnell had stated that next year it would all have to be charged to the General Fund. Commissioner Kost stated she was not sure they could justify that.

Commissioner Petty asked had they been able to measure the success of the energy assessment. Ms. Paschal replied they did not yet have any data on that. Commissioner Petty stated he would like to get that data once it was available.

Commissioner Petty asked if they took the recommended approach to make cuts, what would be the net dollars. Ms. Paschal stated she did not yet know what their priority services would be. She could come up with a number and bring that back to tomorrow's meeting, but that would be difficult since she did not yet know what the priority services were and did not know what was off the table. Commissioner Petty stated he believed the net gain was what they were after and that was what they needed to focus on for any cuts made. By net gain he was referring to the actual total dollars saved. Ms. Paschal stated if the total dollar amount was \$500,000 then that was not an issue, but if it was \$5 million then most of that would have to come from support services and/or those non-mandated or non-priority services.

Commissioner Petty stated but in some of those areas, you would not be getting an actual gain with that amount of reduction. Mr. Horne stated what happened was if you took one of those routes and support services were cut and the Board was agreeable with the attendant service reduction to the public, then that was something they could do. But, he believed it was a tandem process where if they cut the budget there was a consequent reduction in service to the public which might mean that it took five days rather than three to get something done, or whatever the consequence might be.

Ms. Paschal stated if the Board could identify its priority services then she could provide a dollar amount.

Chairman Bock stated he believed that would be a good approach as a starting point. Mr. Horne stated that the critical piece at this point was to say that schools and law enforcement or whatever were the things they did not want to cut. Then they would say to that agency to provide the Board with a 2% reduction just in case it became necessary. Chairman Bock stated that was a good approach.

Commissioner Petty asked if the Board set that goal who would have to come up with those cuts. Ms. Paschal responded the individual departments. Mr. Horne stated that the departments knew what was necessary and either they did it or the Board would do it.

Chairman Bock stated it appeared that the Commissioners needed to identify what was a priority service and what was not. Ms. Paschal stated the real work would come tomorrow when the Board would need to identify those priority services, although they could provide that now if they did not need to think about it more.

Chairman Bock suggested they spend a short time on those priority services now. He stated his suggestions would be education and schools as the top priority. Mr. Horne stated to clarify, would that include everything in every category. Chairman Bock stated no, that what he



was thinking about was just the Schools budget. The School Board came to the Commissioners with a budget, and whatever that dollar amount was last year it would be preferable if they could bring back that same dollar amount. They would have to come up with a lot of cuts before it got to the point of cuts from the County, so if the Board did not have to pile on to what the State was forcing the Schools to do, that would be a good target. Mr. Horne stated that teacher supplements were a part of that. Chairman Bock stated it would be up the School Board to determine whether that number had to change.

Commissioner Kost agreed with that, but the only caveat was whether they had the projected enrollment and what the "per pupil" amount would be. They would in fact be cutting their budget unless they accommodated any additional new student. They would need to increase the school budget by at least what their growth was projected to be.

Chairman Bock stated he understood the argument and they could make that a target. But the reality was that they may only be able to provide the same dollar amount as last year.

Commissioner Kost stated then the Board would be cutting the Schools budget if there was a growth in enrollment.

Chairman Bock stated there was no doubt there was a growth in enrollment.

Commissioner Kost stated then the County needed to fund that.

Commissioner Petty stated they could start with that as a target but they would need to have some flexibility because they did not yet know where they would end up.

Chairman Bock stated if they said that, then what they were saying was that the non-priority items would have to suffer a larger cut than what they had originally said.

Commissioner Kost stated but if education was their top priority, then that was how it should be. Ms. Paschal stated then it would be on a per pupil basis.

Chairman Bock stated that would be their target, but with flexibility. He noted that public safety had to be a priority service as well. Ms. Paschal stated she considered public safety to include court-related programs such as Project Turnaround and the Visitation Center which was grant funded, as well as a couple of positions that provided support to the courts.

Commissioner Kost stated she did not consider that public safety.

Chairman Bock stated he did not know that he agreed with that either. He stated he thought of public safety as the Sheriff's Department, EMS, Fire, and 911. Ms. Paschal asked if animal control would be included under public safety.

Commissioner Kost stated she would consider that to be under public safety

Chairman Bock stated he considered it public safety but did not know if he would necessarily agree that they should not be on the table for cuts.

Commissioner Cross stated they were in a situation now where there were real problems with animals at such places like Moncure and the Jordan Lake dam particularly during the spring and fall. At his home he frequently had dogs coming onto his property and he had be forced to erect a pen to keep them in until the Dog Warden could pick them up.

Chairman Bock asked then was there a consensus to keep animal control under public safety.

Commissioner Kost stated she would agree.

Ms. Paschal asked if the Fire Marshal should be included under public safety. There was no objection from the Board. Mr. Horne suggested that jails needed to be included as well as emergency operations.

Chairman Bock stated to be clear that they would still ask those departments to provide that 2% cut. Ms. Paschal replied yes, that they would generate a list of cuts unless the Board decided to exempt them. Chairman Bock stated he would go so far as to say that the Schools would not need to do that, because they would go through their entire school budget and by the time it came to the Commissioners it should have been reworked. He did not want to mandate that the Schools came to the Board with a 2% cut.

Commissioner Kost asked if the School Resource Officers were in the Sheriff's budget or the School's budget. Ms. Paschal stated that they pay for one of them. Commissioner Kost stated then it was paid for by both, and asked if the SRO's were considered under public safety. Ms. Paschal stated they were under the Sheriff's Office, so they were on the priority list.

Chairman Bock stated that economic development would also be a top priority, but he expected there could be some improvement in efficiency. He added that they could also raise some outside funds. Mr. Starkweather commented that the EDC had been raising funds.

Commissioner Kost stated she would not like to adopt the model now since this was on the agenda for tomorrow's meeting and she would like to have some time to think about it. She was not prepared to make that decision now.

Chairman Bock stated he believed it could wait until tomorrow.

### **ADJOURNMENT**

Commissioner Petty moved, seconded by Commissioner Stewart, to adjourn the meeting. The motion carried five (5) to zero (0) and the meeting adjourned at 3:29 PM. Retreat Day 2 is scheduled for Tuesday, February 1, 2011, 9:00 AM at Camp Royall, 250 Bill Ash Road, located in Moncure, North Carolina.

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Brian Bock, Chairman

ATTEST:

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Sandra B. Sublett, CMC, NCCCC, Clerk to the Board  
Chatham County Board of Commissioners