

**MINUTES
CHATHAM COUNTY BOARD OF COMMISSIONERS
RETREAT
JANUARY 20, 2010**

The Board of Commissioners (“the Board”) of the County of Chatham, North Carolina, met in the Camp Royall, 250 Bill Ash Road, Moncure, NC, located in Pittsboro, North Carolina, at 8:30 AM on January 20, 2010.

Present: Chair Sally Kost; Vice-Chair George Lucier;
Commissioner Carl Thompson;
Commissioner Mike Cross; and
Commissioner Tom Vanderbeck

Staff Members Present: County Manager, Charlie Horne; Assistant
County Manager, Renee Paschal; Finance
Officer, Vicki Mc Connell; Deputy Clerk to
the Board, Elizabeth Plata; and Management
Analyst, Sybil Tate

~AGENDA~

Day One

1. Overview of budget process and policies
2. Expected conditions affecting next year’s budget, including trends and preliminary revenue and expenditure projections
3. Nonprofit allocations process
 - a. Recommended process for arts organizations
 - b. Priorities for FY 2011
4. Budget follow-up items
 - a. Options for employee pay
 - b. Options for water availability fee
 - c. Fireworks
 - d. Performance Team Recommendations

The Chair called the meeting to order at 8:32 AM.

BUDGET PROCESS

Renee Paschal, Assistant County Manager, reviewed "The Budget Process" PowerPoint presentation as follows:

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 summit
- 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 goal
- 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
- Ranking of "expansion" requests by Budget Steering Team

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 off 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 Summit Outcomes

- Adopt Financial and Budgetary Policies with proposed changes
- Approve nonprofit allocations process for arts organizations
- Adopt nonprofit priorities for FY 2011
- Adopt Capital Improvements Plan (CIP), as revised
- Adopt Commissioner goals for preparation of the FY 2011 budget, including expenditure priorities and revenue constraints

Ms. Paschal asked the Board of Commissioners to review the Fiscal Year 2010-2011 Budget Process Calendar as follows:

FY 2010-2011 Budget Process Calendar

Deadline	Action
15 September 2009	Capital Improvements Program (CIP) forms distributed to agencies
15 October 2009	Forms due from agencies and departments for new/change CIP projects
2 November 2009	Open budget survey
27 November 2009	Manager submits recommended CIP to the Board of Commissioners
1 December 2009	*Close budget survey *"Heads Up" document due from departments and agencies (documents which gives Commissioners a preview of likely requests, upcoming problems or concerns, etc.)
14 December 2009	Hold public hearing on the proposed CIP
21 December 2009	Budget summit materials (survey results, financial trends, and departmental "Heads Up" document) submitted to the Board of Commissioners
Early January 2010	*Budget Summit: Board of Commissioners sets goals and guidelines for FY 2010 budget; Commissioners adopt CIP *Work plan and new position forms distributed to departments
18 January 2010	Remaining budget forms distributed to departments/agencies
1 February 2010	Requests for new positions and work plans (with goals, objectives, and performance targets) due from departments
8 March 2010	Budgets due from departments and agencies (budgets must include organizational charts and list of major responsibilities)
3 May 2010	Budget submitted to Board of Commissioners and public
17 May 2010	Official public hearing held
Late May and June 2010	Board of Commissioners holds budget work sessions
By 30 June 2010	Board of Commissioners adopts budget (legal deadline)

Chair Kost asked to have dates set in May for the work session and the second public hearing.

FINANCIAL AND BUDGETARY POLICIES

Ms. Paschal reviewed the "Financial and Budgetary Policies" power point 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

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.

New or Increased Services

Current: The County should ensure its current service levels are adequately funded before funding new or enhanced services.

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

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.

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 (new section 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 indexed annually to the growth in the property tax base.

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 should be added as a last resort. Other 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. Other alternatives... (no change)

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.

Add: 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.

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.

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.
- Transfer amounts of up to \$20,000 from contingency to any department with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners.
- 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.
- 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

Current Objective: The County will manage its debt obligations to meet demands for capital facilities while striving to maintain or improve the County's AA-/A+ bond rating.

Proposed 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.

Types of debt

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.

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.

Terms

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

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.

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.

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.

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.

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.

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.

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.

Allowable uses

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

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.

Annual Contribution

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

Proposed: 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.

During the presentation of the Financial and Budgetary Policies, the following questions or comments were discussed:

- Commissioner Thompson asked that it is clear to non-profit organizations that mid-year appropriations will only be granted in a situation of dire emergency.
- Commissioner Lucier asked that the wording under the "New Positions" section be changed to read "New Positions should be added only after all other alternatives have been considered." Ms. Paschal mentioned that a new positions request process has been implemented with an earlier deadline than that of the budget. Departments will be asked to submit their new position requests to Sybil Tate, Management Analyst, for review.
- Ms. Paschal mentioned that the powers of the Budget Officer have changed. She states that the new \$20,000 limit for contingency funds is in effect because it has been changed in the budget ordinance. She also mentioned that the Financial Policy needs to be changed to be consistent with the budget ordinance. Ms. Paschal asked the Board if they would consider increasing the limit of the amount of money that can be transferred from contingency to \$50,000. After some discussion, the Board agreed to increase the amount to \$25,000.

- Chair Kost asked about how often departments create or request new positions. Ms. Paschal stated that it does not happen very often; most of the time, the need for a new position arises out of a substantial change in a department's workload. Chair Kost asked that the Board be provided with a periodic report (to be included in the contingency report) about creation of new positions or transfers of employees to other departments.
- Chair Kost asked when the County would have to go back to the rating agencies to be rated again. Vicki Mc Connell, Finance Officer, responded that it is only necessary to be rate again when applying for general obligation bonds that are sold in secondary markets or for COPS funds.
- Chair Kost asked for clarification in the policies about the two cents that are contributed from the general fund to the enterprise fund for water.

BREAK

The Chair called for a short break.

FINANCIAL INDICATORS

Ms. Paschal reviewed the financial indicators. This information is based on a new model developed by the School of Government. She explained that the model is designed to allow Chatham County to benchmark its financial health against other counties. The benchmark counties that were chosen included Lee and Moore because they are adjacent to Chatham, Lee is similar in population and Moore is similar in wealth.

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:
 - o Can we meet our obligations?
 - o Can we continue to provide services?
 - o Can we meet unexpected problems?
 - o Do we have financial flexibility?

About the Benchmark Counties:

Chosen because of proximity and similarity Chatham. We would also like to compare with Orange, but were not able to obtain an audit for FY 2009.

	Chatham	Lee	Moore
Budgeted Expenditures	\$80,495,239	\$59,864,318	\$87,749,812
Effective Tax Rate	\$0.6014	\$0.7163	\$0.4360
2008 Population	60,881	57,500	85,280
Valuation/capita	\$138,592	\$81,600	\$136,492
Valuation/capita Rank	16	53	18
Per Capita Income	\$41,901	\$30,052	\$37,800
Per Capita Income Rank	3	35	6
Total Funding Per Student	\$4,102	\$2,324	\$2,676
School Funding Rank	5	32	24

- Vice-Chair Lucier asked if the total funding per student included the payment on debt, to which Ms. Paschal responded that it is included in this figure.
- Chair Kost noted that the tax rate for Chatham is \$0.6022 and the effective tax rate (which is what the Department of Revenue calculates) is \$0.6014; that this shows

how precise the Board and staff were when calculating the post-revaluation tax rate for Chatham during revaluation.

Vicki McConnell, Finance Officer, reviewed the Financial Condition Assessment at Government-Wide Level, Financial Condition Assessment for Enterprise Funds and the Financial Condition Assessment for Government Funds for the benchmark counties (Chatham, Lee and Moore).

Government-Wide Level:

Total Margin: Chatham was above the ratio of one; this year was slightly lower than last year which was expected, but still doing better than Lee and Moore counties.

Financial Performance: Enterprise fund decreased due to the debt service payment, towards the 14 million dollars borrowed for the western transmission line that started this year.

Resource Obligation: Vice-Chair Lucier asked how the debt service ratio was calculated to which Ms. Paschal responded that it is a percent of the operating budget.

Liquidity: In 2006, the ratio was very low because Chatham was not borrowing much money.

Solvency: Ratios may be dropping more in 2010 since the economy has not improved as expected.

Capital: The ratio here is very high because of the new schools.

Enterprise Funds:

Waste Management Fund: This fund has decreased partly due to the decrease in depreciation costs and the significant reduction in interest rates.

Governmental Funds:

Service Obligation: Chatham County dropped below the 1% benchmark.

Liquidity: The ratio in 2009 looks better because funds were not spent in the construction of the school and also due to the reversion of the 911 funds.

- Vice-Chair Lucier suggested that in the future, there be an explanation on this spreadsheet of how the ratios are derived.
- Chair Kost asked staff about any concerns they may have after reviewing the trends for Chatham. Ms. McConnell stated that she was surprised Chatham did as well as they did, but things may change. Vice-Chair Lucier suggested that Chair Kost use some of the ratios as part of the State of the County Address.

BUDGET TRENDS

Historical Population Growth 1980 to 2008:

- Data for the benchmark counties will be added in this report for next year.
- Vice-Chair Lucier asked how the State Demographer's number is estimated. Ms. Paschal stated that they historically underestimate the population in Chatham.
- Ms. Paschal reviewed the population by age group to show that there will be an increased need for services for seniors and education in Chatham given the growth of these two groups.
- Chair Kost stated that Chatham County's unemployment rate is second lowest in the state; second to Orange County.
- Chair Kost asked what percent of the county employees are not Chatham County residents.

- Commissioner Thompson asked to see the specific unemployment rates for the different regions in Chatham County.
- Building/construction in Chatham County has decreased except for the area of the county located in Cary.
- Deed stamp collections increased in the last quarter of 2009, but are projected to be lower in 2010.
- The tax base in Chatham has continued to grow due in part to the revaluation.
- Based on the number of county employees per 1,000 residents indicates that Chatham would need to hire an additional 120+ employees to meet this need.
- Revenues per capita have been increasing slightly.
- On per capita property tax, Chatham County is well above the state average.
- Commissioner Lucier was surprised that sales tax revenues are slightly higher in Chatham than in other benchmark counties.
- Expenditures per capita-we are higher than the state average in education.
- Ms. Paschal stated that she was surprised that Chatham was higher than the state average in human services.
- Expenditures per capita for education-Chatham ranked 5th in the state with current expenses last year and now ranks 4th.
- In 2009, Chatham was significantly higher than the state average and above Moore County with teacher supplements. Vice-Chair Lucier asked to see how Chatham compares to other counties.
- Expenditures per capita for general government have been increasing.
- Expenditures per capita for human services from 2008-2009 jumped quite a bit even after the Medicaid percentage paid decreased.

BREAK

The Chair called for a short break.

REVIEW OF THE HEADS UP DOCUMENT

Robert Logan, Superintendent, presented discussed his portion of the "Heads Up Document" concerning the schools in Chatham. He made the following comments:

- He is still very surprised at the overall funding for the Chatham County schools because Chatham is one of the highest averages in the State; that the district has allocated a good amount of money in the programs and the staff. He stated that this approach has started to yield benefits. He will give a report to the Board of Education during the work session on February 8th about the status of the end of course test results from the three high schools. He mentioned that in almost every subject course, the students had a higher proficiency rating than the previous years.
- Fiscal Year 2010-2011 Budget - At the request of the Board of Education, they have started a new process to include a Budget Advisory Committee in order to get more information out and have more people involved in the education budget process. He has asked Ms. Paschal to be involved as a member of this committee. The committee consists of 15-20 people including parents, educators and government officials who will meet to prioritize the necessary reductions in the budget process.
- Dr. Logan provided the following soft figures of things that could possibly affect the school budget:
 - For fiscal year 2009-2010 the discretionary funding cut from the state for last year was for \$1,181,000, which resulted in a cut of \$153.60 per child. There may possibly be an additional four hundred million dollar cut to the public education budget. If this additional cut is factored in the state education budget, this may result in an additional discretionary cut of \$150 per child in the state.
 - A court ruled last fall, in 2009, that charter schools in Moore County should receive a percentage of the fund balance, funds obtained through grants and this will be retroactive for three years. If this were to affect all

schools in that state, Chatham would have to pay the charter schools \$925,000.

- No salary increases have been factored in for next year for staff. There are no funds in utilities to include the new Margaret B. Pollard Middle School.
- If the above scenarios were to happen, Chatham County would have to cut about 59 teachers to balance the budget.
- Vice-Chair Lucier stated that these shortfalls need to be worked through and priorities need to be identified.
- Dr. Logan mentioned that within the school budget there is about 1.1 million dollars in stimulus money; that this money was used to fund additional positions in the schools. For fiscal year 2011-2012, these new positions are in jeopardy because the schools will not have this stimulus money.
- All state paid custodial and clerical positions are also in jeopardy because the money paying for their salaries now will not be available next year.
- There will be a substantial deficit in the school budget; that a combination of strategies will have to be used including cutting staff to balance the budget.
- Charlie Horne, County Manager, commented that there are contrasting views on how the economy is doing. The news informs citizens that the economy is picking up, while the actual numbers show otherwise.
- Dr. Logan mentioned that after the Budget Advisory Committee meets and once they know what the final amount is that the state will cut from education, he can come back to the Board of Commissioners and provide different scenarios for the schools.

LUNCH

Chair Kost called for a lunch break with the meeting to resume at 1:00 PM.

REVIEW OF HEADS UP DOCUMENT

Ms. Paschal presented a spreadsheet with a preliminary projection of the budget for 2010 and 2011. The following projections were discussed for 2010:

- She stated that staff is unclear on what to do about the sales tax since they have received conflicting direction from consultants.
- Property taxes will increase about \$800,000 due to discoveries and the decrease in the property tax base.
- There is a projected shortfall of \$250,000 for sales tax.
- The Department of Social Services will see about a \$100,000 shortfall in revenue. Chair Kost asked if there was a decreased expense that would offset the revenue shortfall. Ms. Paschal stated that there was none.
- There will be a decrease in interest of about \$400,000 from what was budgeted.
- 4% reversion was projected meaning that departments will not spend about 4% of their budget

The following projections were discussed for 2011:

- About a 1.6% increase in the property tax base without an increase in property taxes
- Chair Kost mentioned that the motor vehicle values have decreased and will continue to decrease
- Slight increase projected for sales tax
- Increase in non-profit funding
- 5% increase in health insurance
- About a \$340,000 increase in operating expenses not including salaries
- 5% increase in public assistance given the increase in the caseloads
- 2% increase in school funding

- The biggest impact to the budget will be the additional CIP operating effect-the Briar Chapel Middle, new library, 2 community college buildings and the two new parks

Ms. Paschal stated that Chatham County could be facing a \$2.3 million dollar shortfall not including the possible \$3.2 million dollar shortfall for the schools.

Chair Kost mentioned that expansions are not being addressed here. She asked staff and the Board to look at every possible venue to find additional money; looking at assumptions that need to be tested, review agreements and look at fees that can be revised. Chair Kost stated that given the situation, a tax increase is likely.

BREAK

The Chair called for a short break.

NON PROFIT ALLOCATION PROCESS

Recommended process for arts organizations

Ms. Paschal reviewed the Economic Development Corporation Arts Funding Report and Recommendation. Ms. Paschal mentioned that the (EDC) has proposed that their funding remain similar to the current year's funding. The EDC is working on a strategic plan for the arts cluster. They have requested a \$10,000 increase in funding. Ms Paschal stated that the EDC is in agreement that the art agencies in question need to apply using the joint application that other agencies have used, go through certification, apply and go through appropriation through the EDC as part of the County Manager's recommended budget. Ms. Paschal stated that in essence, the EDC will act as the physical agent for the money and the review panel for determining the funding.

Commissioner Thompson asked Jeffrey Starkweather if all arts organizations involved in Chatham County would be included in the EDC plan for funding. Mr. Starkweather responded that they are looking at developing a plan to incorporate the arts agencies effectively for future allocations.

Vice-Chair Lucier commented that he does not agree with the interim art funding proposal which states that no additional organizations will be considered, other than the Chatham Arts and the NC Arts Incubator, for funding during the 2010-2011 period.

Chair Kost also asked that the word "non-profit" be included in the policy to make it clear that this only applies to non-profit agencies.

Vice-Chair Lucier mentioned that the Board also needs to decide if the funding given to the non-profits will come from the non-profit allocation (which was not done last year) or make it part of the EDC allocation; that the best approach to take is to increase the allocation to the EDC and fund this activity through them given that the Board made the commitment to use arts in the economic development context.

Chair Kost reviewed the changes to the EDC report that the Board would like to see. The word phase "non-profit" needs to be included in the document to make it clear that this process is available for all non-profits ad not restricted to the Chatham Arts Council and the NC Arts Incubator and that the funds will be requested through the EDC budget.

Vice-Chair Lucier moved, seconded by Commissioner Vanderbeck, to approve the Report to the Commissioners on Chatham County's Arts Cluster Development with the changes mentioned above. The motion carried five (5) to zero (0).

Resolution Honoring the Services of Noah Wilson: Chair Kost stated that the Clerk to the Board is asking the Commissioners to approve the Resolution Honoring the Services of Noah Wilson.

Commissioner Vanderbeck moved, seconded by Commissioner Thompson, **Resolution # 2010-05 Honoring the Service of Noah Wilson**. The motion carried five (5) to zero (0). The resolution is attached hereto and by reference made a part hereof.

Priorities for Fiscal Year 2011

Ms. Paschal asked the Board to review the Chatham County Board of Commissioners 2010 Adopted Priorities for Funding Non-Profits for adoption.

Chair Kost asked how priorities were established. Ms. Paschal explained that original list came from several documents including the Community Health Assessment and the needs assessment done by the service providers. Ms. Paschal mentioned the process works in this manner: that agencies that are alike are grouped together, they are required to fill out an application; the review volunteers fill out a form that determines the agency's score.

Vice-Chair Lucier mentioned that he does not agree with ranking the priorities. He stated that it would be best to categorize the priorities to make sure that all receive funding, as Mr. Horne suggested. He asked that staff categorize the list of priorities.

Chair Kost asked the Board to adopt the list of priorities with the addition of sustainable initiatives and energy conservation.

Commissioner Cross moved, seconded by Vice-Chair Lucier, to adopt the list of priorities with the addition of sustainable initiatives and energy conservation. The motion carried five (5) to zero (0).

BUDGET FOLLOW-UP ITEMS

Options for Employee Pay

Ms. Paschal reviewed the memo from Carolyn Miller, Human Resources Director, about the cost of the various options for the pay study for employees. She stated that the lowest cost is moving everyone to the minimum of their new salary range for a total of \$421,000. Another option is to move all employee salaries to market value at a cost of \$2.6 million. The County could also offer a one-time lump sum payment on a fixed percentage based on the employees' salary and it would not affect the employees' base salary. This would let employees know that they are appreciated.

Chair Kost stated that if the employees received a lump sum, she would like for that amount to be the same for all.

Vice-Chair Lucier suggested that the Board adopt option one and also provide employees with a one-time fixed amount of about \$300 to each employee.

Vice-Chair Lucier moved, seconded by Commissioner Cross, to adopt option one of the pay study which will move all employees to the minimum of their salary range and also provide a one-time lump sum of \$300 to all employees effective July 1, 2010. The motion carried five (5) to zero (0).

Cut the Fat Bring home the bacon

Charlie Horne, County Manager, introduced this item to the Board and reviewed the handout "Chatham County Efficiency Contest-Cut the fat, bring home the bacon." He stated that the Board talked about incentives for employees to be more efficient in the workplace. This handout outlines what such a program would look like. There would be a \$1,000 prize for ideas that would generate over \$1,000 in savings and every proposal would go through a fair review process.

Chair Kost feels like employees should already be looking for ideas to work more effectively. She states that she would be more open to the idea of not giving employees the

cash prize, but giving it to the department and have them purchase equipment or any item needed for the county operations that they were not able to purchase through the normal budget process.

Mr. Horne mentioned that this is only a model and that there are other ideas. For example, if a department has a \$100,000 budget and manages to spend only \$95,000, the remainder of their budget can be given back to the as an economic incentive.

Chair Kost commented that this needs to be advertised as a pilot.

Mr. Horne commented that given the economic climate now, this program may be a substitute for salary increases.

Chair Kost asked that the Commissioners review the ideas presented and be ready to comment on the following day providing staff with guidance on how to proceed with this program.

Ms. Paschal mentioned that Sybil developed his program. Sybil Tate, Management Analyst, responded that the idea helps staff be more innovative an infiltrating this into county government.

Options for Water Availability Fee

Ms. Paschal stated that staff needs direction from the Board in looking for options for the water availability fee. David Hughes, Public Works Director, contacted the Environmental Finance Center which provided a report with different options for addressing a high water tap fee. Ms. Paschal stated that the options in this report include sizing the impact fee based on the size of the home or number of bedrooms, or maybe having a loan program where citizens can borrow the money and repay over time.

Chair Kost stated that she did not think the second option was a good idea given that people move and it would be an administrative nightmare. She mentioned that she fully supports the concept, but is not sure on how to proceed.

Ms. Paschal stated that the Board needs to make sure that they remain revenue neutral. An analysis needs to be made to see where a fee needs to be set. Jeff Hughes, from the Environmental Finance Center, has offered to do an analysis. Ms. Paschal stated that staff would recommend looking at square footage of the property versus the number of bedrooms to establish a fee; that there is an assessor database that shows the square footage of existing properties, but may not be completely accurate.

Vice-Chair Lucier mentioned that one way to lessen the confusion would be to limit the number of categories.

Mr. Hughes mentioned the idea of charging a premium for irrigation given that the peak in usage affects the capital cost. This works as a deterrent for people to tap into the irrigation systems. There is currently no fee for tapping into an irrigation system. Staff will bring back recommendations for fees to the Board at a later time.

Vice-Chair Lucier moved, seconded by Commissioner Thompson, to have staff come back with a proposal for water tap fees based on square footage and for irrigation tap fees. The motion carried five (5) to zero (0).

Fireworks

By consensus, the Board decided not to have fireworks this year given the economic situation.

Performance Team Recommendations

Ms. Tate reviewed the results of the Performance Team meetings. The two departments that were evaluated were Parks and Recreation and the Manager's Office. The following recommendations were discussed for the Parks and Recreation department:

- Creating a formal agreement for grants made to the municipalities. This department would provide additional oversight for the use of the funds.
- Providing allocations based on projects and not on a per capita basis. Ms. Tate explained that currently Chatham County gives funds to municipalities for parks and recreation; that these funds are used for activities such as after school programs and athletic programs. Chatham is currently providing about \$3 per person in each municipality for this purpose; that Chatham should not give money to Cary because they can fund their own parks and recreation expenses. Ms. Tate explained that the county needs to know where the money is being spent and it makes more sense to allocate funds based on projects. Chair Kost mentioned that this helps prioritize projects for the municipalities as well.
- Increasing the youth program fee from \$20 to \$25. The Parks and Recreation department looked at fees for surrounding counties.
- Gradual increase in the adult program fee spread over a period of three to four years.
- An agreement needs to be formalized with Chatham County schools so that the county is not paying for utilities twice.
- Ms. Tate mentioned that with the new recreation center to be built in 2015, the Board needs to decide on a location for this facility; that staff suggest that it be on the Central Carolina Community College campus or maybe working with the Town of Pittsboro.
- Vice-Chair Lucier mentioned having it on the CCCC campus here in Pittsboro has many benefits; it is closer to the senior center and closer to the library. He also asked that staff talk to the community college about scheduling events for the public.
- Future parks and recreation needs- additional maintenance resources George Lucier moved, seconded by Commissioner Vanderbeck, to provide recreation funding only to municipalities located entirely in Chatham County. Motion carried four (4) to one (1) with Chair Kost opposing.

The following recommendations were discussed for the Manager's Office:

- Contract to conduct the bi-annual citizen survey at a cost of \$4,000-\$7,000
- Combining the State of the County and annual reports
- Soon after the Commissioners' meeting add agenda results to the agenda face sheet so that the public knows what the actions were during the meeting
- At the end of the budget process in June 30th, the Board will determine which departments will be evaluated and provide questions for evaluation. The departments chosen will then provide their measures to Ms. Tate by August 1st so that she may conduct the evaluation during August and September. Ms. Tate mentioned that she has incorporated some evaluative measures in the performance measures so that she can see if staff is meeting targets on a regular basis; that the performance data will help with the evaluative process.
- Staff also recommends that an Administrative Assistant II position was added to the Manager's Office. Vice-Chair Lucier mentioned that this position would assist the County Manager in the agenda process and also in providing follow-up on items from meetings.
- Developing a process for communication between the Board and staff; that many times there is confusion with what the Board requests of staff.
- Vice-Chair Lucier mentioned that this is a way of setting priorities for Board requests.
- Chair Kost summarized that if a Commissioner has a request, it will be sent to the department head via e-mail copying the other Commissioners and Mr. Horne. The department head will then determine how long it will take to complete the task; that if the request is too involved, the department head will notify Mr. Horne who will then contact the Commissioners to request more time or evaluate other options.
- Human Resources needs an additional position which would update the position classifications. The pay study that was recently conducted was contracted out and it

will require updates. There is no resource in this department to provide the updates and also to maintain the work that has been done.

- Chair Kost recognizes that this is a need, but given the economic situation this is not a request that likely cannot be granted at this time.

RECESS

Commissioner Cross moved, seconded by Commissioner Vanderbeck, to recess the meeting at 4:09PM until Tuesday, January 21, 2010, 8:30 AM at Camp Royall, 250 Bill Ash Road, located in Moncure, North Carolina. The motion carried five (5) to zero (0).

Sally Kost, Chair

ATTEST:

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