

The Board of Commissioners for the County of Cabarrus met in recessed session in Helm's Hall at Camp T. N. Spencer in Concord, North Carolina on Saturday, January 28, 2012, at 8:30 a.m.

Present - Chairman: Elizabeth F. Poole  
 Vice Chairman: Larry M. Burrage  
 Commissioners: Robert W. Carruth  
 Christopher A. Measmer  
 H. Jay White, Sr.

Also present were Mike Downs, County Manager; Jonathan Marshall, Deputy County Manager; Pam Dubois, Deputy County Manager; Aimee Hawkins, Communications and Outreach Manager; Erica Nesbitt, Budget and Performance Manager; and Kay Honeycutt, Clerk to the Board. Karen Cimino with the Independent Tribune was also present.

Call to Order

After breakfast was served, Chairman Poole called the meeting to order at 8:36 a.m.

Tax Department - Revaluation: Update & Projections

Mike Downs, County Manager, welcomed Dr. Carol Spalding, President of RCCC (Rowan-Cabarrus Community College), to the meeting.

Brent Weisner, Tax Administration, Chris Ferris, Real Property Manager and David Thrift, Real Property Supervisor, provided an update on the reevaluation project and related projections. Information presented included the following: sales ratio study, value change by percent of change, value change by tax district, land value maps, tax base preliminary estimate and the appeal's process. Highlights of the presentation included a significant decrease in property values as set forth in the tables below:

2012 REVALUATION Value Change by Percent of Decrease County Totals			
Total Parcels 2012			
Total Value	2011 Value	2012 Proposed Value	% Change
Market Value*	\$19,448,839,388	\$16,792,282,758	-13.659%
Assessed Value**	\$ 18,238,133,771	\$15,810,157,378	-13.313%
Land Value	2011 Value	2012 Proposed Value	% Change
Market Value*	\$7,515,593,797	\$6,120,032,503	-18.569%
Assessed Value**	\$ 6,304,888,180	\$5,137,907,123	-18.509%
Deferred Value	\$ 1,210,705,617	\$982,125,380	-18.880%
Improvement Value	2011 Value	2012 Proposed Value	% Change
Market Value*	\$11,933,245,591	\$10,672,250,255	-10.567%
Assessed Value**	\$11,933,245,591	\$10,672,250,255	-10.567%
* Market value does not include exempt properties.			
** Assessed value consists of market value minus present use deferred value.			

2012 REVALUATION Parcels Grouped by Percent of Value Change Totals by Percent of Change		
Range of Value Change	% of Total Parcels	Number of Parcels
> 40.00% decrease	2.44%	1,966

30.00% - 39.99% decrease	2.29%	1,847
20.00% - 29.99% decrease	14.74%	11,866
15.00% - 19.99% decrease	20.71%	16,670
10.00% - 14.99% decrease	31.67%	25,487
00.01% - 09.99% decrease	21.12%	16,995
No Change in Value	2.01%	1,614
00.01% - 09.99% increase	2.44%	1,966
10.00% - 29.99% increase	0.62%	498
> 30.00% increase	1.96%	1,577
Total parcels	100.00%	80,486*
* Total parcel count does not include exempt parcels.		

Tax Department staff also responded to a variety of questions from the Board throughout the presentation.

County Manager Downs advised a letter, jointly composed by all the municipalities and the County, will be mailed with the tax notices as a unified effort to educate citizens on the concept of revenue neutral. He further advised the Town of Midland plans to approve the draft letter today. Mr. Downs also responded to questions from the Board.

#### Break

The Board took a short break and the meeting resumed.

#### Finance - 5 Year Plans

Pam Dubois, Deputy County Manager, presented the following 5-year plans. She advised that due to declining property values in a revaluation year, \$17.6 million needs to be cut from the budget if the tax rate is to remain at .63 cents.

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## Five Year Financial Plan - Assumes Revenue Neutral

1/4 Sales Tax in FY2012 and Freeze Expenditures at FY2012 Levels

### GENERAL FUND

Budgeted Revenues for:	Revaluation Year				
	2012	2013	2014	2015	2016
Estimated operating revenues from previous fiscal year	191,425,780	191,171,680	194,763,190	198,301,377	203,207,790
Change resulting from Revaluation	-	360,884	-	-	-
Growth/Decline in tax base	(2,476,934)	1,014,479	2,464,187	3,214,133	3,960,492
Increase in Property Tax	-	-	-	-	-
Register of Deeds Fees	(56,050)	177,000	217,000	220,000	-
Building Inspection Fees	(80,600)	200,000	250,000	250,000	-
QSCB Subsidy Payments	743,081	27,839	-	-	-
Increase (Decrease) in other Revenues	(1,220,096)	-	-	-	-
Growth in Sales taxes	45,969	247,308	469,000	938,000	1,425,384
New 1/4 cent sales tax/education capital projects	3,036,000	1,564,000	138,000	284,280	401,782
Reduction in Taxes - Article 39 and Article 44 (Medicaid)	(245,470)	-	-	-	-
<b>Total Re-occurring Revenues</b>	<b>191,171,680</b>	<b>194,763,190</b>	<b>198,301,377</b>	<b>203,207,790</b>	<b>208,995,448</b>
<b>One Time Revenue Sources</b>					
Capital Reserve Funds	846,800	-	-	-	-
Capitalized Interest Proceeds - School Debt	3,967,669	-	-	-	-
Contribution from Capital Projects Funds	5,700,000	-	-	-	-
Lottery Proceeds	1,713,555	7,307,518	4,848,673	2,000,000	2,000,000
Fund Balance Appropriated	-	-	-	-	-
<b>Total Revenues</b>	<b>203,399,704</b>	<b>202,070,708</b>	<b>203,150,050</b>	<b>205,207,790</b>	<b>210,995,448</b>
<b>Budgeted Expenditures for:</b>					
Estimated operating expenditures from previous fiscal year	192,214,857	201,382,904	200,900,708	201,980,050	202,131,607
RCCC Current Expense Funding	37,044	-	-	-	-
School Current Expense Funding	840,000	-	-	-	-
New Debt Service					
Housing Unit for Detention Center	(154,250)	(124,000)	(124,000)	(145,000)	(146,500)
School Debt	4,735,000	(142,050)	(197,950)	(224,400)	(189,400)
Qualified School Construction Bonds	748,098	28,027	-	-	1,330,000
Retirement of Debt Service	(817,445)	(1,490,977)	(188,708)	(897,743)	(2,286,744)
Fulfilled/Added Econ Dev Incentive Grants	(345,223)	(175,000)	46,000	(125,000)	(727,000)
Obligation to Kannapolis	-	1,421,804	44,000	43,700	3,300
Salaries and Benefits:					
COLA	730,154	-	-	-	-
New Positions inclusive of all benefits - Detention Unit	2,678,621	-	-	-	-
Increase in operational cost for the Housing Unit	535,800	-	-	-	-
Increase (Decrease) in Contingency	(219,428)	-	-	-	-
Undesignated Expenditures	-	-	1,500,000	1,500,000	1,500,000
Misc. Increases (Decreases) in Operational Expenditures	316,696	-	-	-	-
Cabarrus Health Alliance Funding	82,980	-	-	-	-
<b>Total Operating Expenditures</b>	<b>201,382,904</b>	<b>200,900,708</b>	<b>201,980,050</b>	<b>202,131,607</b>	<b>201,615,263</b>
<b>Funding for Capital Projects:</b>					
Capital Improvement Plan - Capital Reserve Funds	846,800	-	-	-	-
Capital Improvement Plan - General Fund Monies	1,170,000	1,170,000	1,170,000	1,170,000	1,170,000
Contribution to Capital Reserve Fund	-	-	-	-	-
<b>Total Expenditures</b>	<b>203,399,704</b>	<b>202,070,708</b>	<b>203,150,050</b>	<b>203,301,607</b>	<b>202,785,263</b>
Revenues over (under) Expenditures	0	0	0	1,906,183	8,210,185
<b>Estimated Unassigned Fund Balance</b>	<b>18,328,832</b>	<b>18,328,832</b>	<b>18,328,833</b>	<b>20,235,016</b>	<b>28,445,202</b>
<b>Property Tax Rate</b>	<b>.63 / 100</b>	<b>.7050 / 100</b>	<b>.7050 / 100</b>	<b>.7050 / 100</b>	<b>.7050 / 100</b>
Total Debt Service Payments as a % of Current Budget	46,520,115 22.87%	44,791,115 22.17%	44,280,457 21.80%	43,013,314 21.16%	41,720,670 20.57%

Note: Adopted in FY 11-12.

### Finance - Budgetary Impact of Revaluation (Current, Flat and Revenue Neutral)

Erica Nesbitt, Budget and Performance Manager, reviewed the Program Funding Matrix for the current tax rate of 63 cents, the revenue neutral tax rate of 72.96 cents, and a flat rate of 63 cents. The matrixes categorize county programs according to state, federal or other legal mandates and their associated funding, mandatory vs. discretionary, using color coding. Tables for revenue neutral and the current tax rate are as follows:

Revenue Neutral					
Funding Matrix Categories	Total Cost	Other Revenue	Property Taxes	Tax Rate Equivalent	Tax Rate Running
Mandatory/Mandatory	56,436,705	18,406,561	38,030,144	0.2154	0.2154
Mandatory/Discretionary	117,483,045	49,406,208	68,076,837	0.3856	0.6011
Discretionary/Discretionary	13,004,597	297,786	12,706,811	0.0720	0.6731
Discretionary/Obligations*	3,372,620	395,186	2,977,434	0.0168	0.6899
Discretionary/Discretionary	13,302,017	6,300,219	7,001,798	0.039	0.7296
<b>TOTAL</b>	<b>\$ 203,598,984</b>	<b>\$ 74,805,960</b>	<b>\$ 128,793,024</b>	<b>0.7296</b>	

Current Tax Rate					
Funding Matrix Categories	Total Cost	Other Revenue	Property Taxes	Tax Rate Equivalent	Tax Rate Running

Mandatory/ Mandatory	56,436,705	18,406,561	38,030,144	0.2154	0.2154
Mandatory/ Discretionary	117,483,045	49,406,208	68,076,837	0.3856	0.6011
Discretionary/ Discretionary	5,401,886	297,786	5,104,100	0.0288	0.6300
Discretionary/ Obligations*	-	-	-	-	0.6300
Discretionary/ Discretionary	-	-	-	-	0.6300
TOTAL	\$ 179,321,636	\$ 68,110,555	\$ 111,211,081	0.6300	

Legend:

Matrix	Green	Blue	Brown*	Yellow
Service Provision	Mandatory	Mandatory	Discretionary	Discretionary
Funding	Mandatory	Discretionary	Discretionary	Discretionary

\*Business imperative.

County staff responded to questions from the Board. County Manager Downs advised any significant reductions will impact personnel, programs and/or levels of service. A short discussion ensued.

Chairman Poole requested a breakdown of educational expenses by entity. Discussion continued.

**Finance - Major Revenue and Expenditure Changes**

Erica Nesbitt, Budget and Performance Manager, reviewed the major revenue and expenditure changes for the FY 12-13 budget as follows:

Revenue Changes		
Decreases	\$17.6 million	Revaluation impact
	\$205,000.00	Rental - Cabarrus Health Alliance
Increases	\$260,000.00	Inspection Fees
Watching	Sales Tax	Unpredictable - refunds
	¼ Cent Sales Tax	Potentially higher than anticipated
	Social Services	Uncertainty. Anticipated reductions in TANF and additional Title IV reductions will shift cost to the counties for mandated services. Child Welfare, Childcare and Child Support Services will be impacted.
Expenditure Changes		
Decreases	Organizational Changes	
	\$228,000.00	Elimination of Manager in Transition
	\$154,000.00	Elimination of (1) and Frozen (1) Code Enforcement Officers
	\$83,000.00	Management Changes
	\$1.4 million	Jail Debt (Pending BOC Approval)
Increases	\$94,000.00	Employer Retirement Contributions
	1.3 million	Employee COLA (Cost of Living Adjustment)
	\$240,000.00	Utilities - Jail and Human Service Center
Watching	\$57,000.00	Jail Food - Per Contract
	Elections	Redistricting Lawsuits could result in (3) elections in FY2013 rather than one. UMOVA Act could move primary run-offs to the new fiscal year.

Ms. Nesbitt and other county staff responded to questions from the Board. She advised the data will continue to be refined as new information becomes available.

Dr. Barry Shepherd, Cabarrus County School Superintendent, arrived at 10:22 a.m. and was present until noon. He also responded to budgetary questions from the Board.

**Finance - Major Revenue and Expenditure Changes - Jail Annex**

Pam Dubois, Deputy County Manager, advised an opportunity exists to pay-off a \$15 million loan the County secured in October 2006 (current interest rate - 4.19 percent) for the construction of the Jail Annex that was

needed to relieve inmate overcrowding. The loan was established as a bridge until the County was ready to issue Certificates of Participation (COPS) for construction of the Sheriff's Administration building. Using fund balance to pay-off the loan early eliminates \$1,386,807.00 of re-occurring expenditures in the FY 2013 budget and saves \$1,989,854.00 over the remaining life of the loan, which ends in FY 2022. She further advised the monies are available should the Board choose to pursue this initiative and that no penalties will be incurred by the County. The amount required to pay-off the loan through March 30, 2012 is \$10,203,588.08. The following chart shows the budgetary effects for each fiscal year through FY 2022.

Fiscal Year	Principal Payoff Balance	Interest Savings	Budgetary Impact
2013	1,000,000	386,807.20	1,386,807
2014	1,000,000	345,703.70	1,345,704
2015	1,000,000	303,803.70	1,303,804
2016	1,000,000	262,415.57	1,262,416
2017	1,000,000	219,548.44	1,219,548
2018	1,000,000	178,103.70	1,178,104
2019	1,000,000	136,203.70	1,136,204
2020	1,000,000	94,474.32	1,094,474
2021	1,000,000	52,289.69	1,052,290
2022	500,000	10,503.70	510,504
Total	9,500,000	1,989,853.72	

UPON MOTION of Chairman Poole, seconded by Commissioner White and unanimously carried, the Board approved the pay-off of a loan at Fifth Third Bank (Obligor # 0901412080, Obligation # 00034, SR# 1-568570687) and adopted the following budget amendment:

Date: 1/27/2012 Amount: \$9,500,000  
 Dept. Head: Pamela S. Dubois Department: Debt Service  
 Internal Transfer Within Department  Transfer Between Departments/Funds  Supplemental Request

Purpose: to appropriate funds for the payoff the Installment Financing of the Jail Annex

Account Number	Account Name	Approved Budget	Inc Amount	Dec Amount	Revised Budget
00161710-6910	Fund Balance Appror.	\$3,014,401.00	\$9,500,000.00		\$12,514,401.00
00199110-9918	Installment Prin - Jai	\$1,000,000.00	\$9,500,000.00		\$10,500,000.00

County Manager - Budget Directive

Mike Downs, County Manager, asked for guidance in preparing the FY 12-13 budget and a general discussion ensued. Board members were polled and all were in favor of removing the COLA (Cost of Living Adjustment) and merit increases from the proposed budget.

A variety of program/departments listed on the Program Funding Matrix were discussed with Mr. Downs, Ms. Dubois and Ms. Nesbitt responding to related questions.

Commissioner Measmer requested additional information on the following topics: Cabarrus Health Alliance (mandated services vs. non-mandated services), Forestry Services, Register of Deeds, Transportation and Department of Aging.

Discussion continued. The concept of a 5 percent across-the-board budget cut was addressed.

Dr. Barry Shepherd, Superintendent, Cabarrus County Schools, addressed the lack of educational funding on a local and national basis and responded to questions from the Board. He also noted the ability of low-wealth counties to receive State and Federal grant funding.

Dr. Carol Spalding, RCCC President, addressed the need for additional funding, job creation, public / private partnerships, and the College's desire to create a more prosperous community.

Ms. Dubois expressed appreciation to Dr. Spalding for allowing RCCC facilities on Hwy. 73 to be used as a one-stop voting location in the Presidential election. A short discussion ensued on budgetary savings that could be captured by creating mega voting districts.

Lunch Break

Lunch was served at 12:09 p.m. The meeting resumed at 1:15 p.m.

County Manager - Budget Directive - Continued

A general discussion continued on voting precincts and the possibility of obtaining special legislation or adding it to the County's legislative goal's agenda.

A number of individual programs identified in the Program Funding Matrix were discussed in general, including ones that could be privatized or regionalized. County staff responded to a number of questions on these programs, their purpose, funding, and/or service level.

Board members requested additional information on Transportation services, funding, etc.

With regard to setting the tax rate, Vice Chairman Burrage and Commissioner Measmer were in favor of an amount below revenue neutral (73 cents). Commissioner Carruth was in favor of a revenue neutral tax rate.

In order to make informed decisions, Commissioner Measmer suggested the Board receive additional information on certain programs and/or departments at future meetings prior to the budget meetings in May. Following discussion, it was determined that budgetary information would be presented to the Board at future work sessions. The concept of a 5 percent across-the-board reduction was also mentioned again.

County staff responded to additional questions on various programs or services.

Communications - Budget Process - Public Information Plan

Aimee Hawkins, Communications and Outreach Manager, presented a plan to educate and collect feedback from taxpayers about the budget process and property revaluation while creating a shared understanding of issues and challenges. The plan included the following components: budget-building community exercise, community online survey, town hall meetings, enhanced utilization of the County website, utilization of social media and coordination with media outlets. A general discussion ensued with Ms. Hawkins responding to questions from the Board.

Commissioner White suggested budget meetings be televised on Channel 22 and bookmarked for specific topics. However, he was not in favor of holding town hall meetings due to low turnout. Discussion continued. With regard to the budget-building community exercise, several Board members advised that it is the Commission's responsibility to identify potential cuts.

BOC - Vision/Goals: Changes/Updates Needed & Legislative Goals

Due to time constraints, the Board agreed to discuss these items at a future work session. Note: The legislative goals were reviewed and adopted at the February 20, 2012 regular meeting.

Adjournment

UPON MOTION of Commissioner White, seconded by Vice Chairman Burrage and unanimously carried, the meeting adjourned at 2:42 p.m.

  
Kay Honeycutt, Clerk to the Board