

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: February 12, 2009

**Action Agenda
Item No. 1**

SUBJECT: FY 2009-10 Budget Work Session

DEPARTMENT: County Manager and Budget

PUBLIC HEARING: (Y/N)

No

ATTACHMENT(S):

Attachment 1. Guiding Principles for County
Priorities, FY 2009-10

Attachment 2. Identified Priorities for FY
2009-10

Attachment 3. Items for Board Consideration
in Developing FY 2009-10
Budget

Attachment 4. January 27, 2009
Memorandum: Preliminary
Projects for the Federal
Stimulus Package

Attachment 5. Stimulus Package Submissions
from Schools

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PURPOSE: For the Board to make decisions regarding development of the FY 2009-10 budget.

BACKGROUND:

1) Current Year Fiscal Update

- **Recommended Board Action** – The County Manager recommends the Board receive an update from staff regarding the County's current FY 2008-09 fiscal status.
- a) **Revenues** – Overall revenue collections are on target with where they should be at this point in the fiscal year.
- i) **Real Property Taxes** – Preliminary reports from the Collections department indicate property tax revenues to-date are consistent with past years' collection rates. Of the \$117.9 million budgeted for real property taxes, the

Revenue Office has collected about 98% of total budget or \$115.4 million as of February 9, 2009.

The encouraging news is that real property tax bills are being paid. Delinquent notices have been mailed and public advertisements of delinquencies are scheduled for print in newspapers this month. Garnishment of wages will begin soon.

- ii) **Motor Vehicle Property Taxes** – Motor vehicle property tax collections to-date are on target with where the County should be at this time of the year. As mentioned during the Board's retreat in early January, one area to highlight is motor vehicle valuations. As economic conditions continue to worsen, many people are trading larger, more expensive vehicles for smaller, less expensive ones. This may become a more prominent factor in preparing the FY 2009-10 budget. Staff closely monitors these numbers monthly and will provide additional information to the Board as it becomes available.
- iii) **Sales Taxes** – To date, the County has received four months of sales tax receipts for the current year - August through November 2008. Out of an \$18.8 million budget, the County has received \$6.3 million or 33.7%. As a point of comparison, after four months, the target collection point is 33.3%. Sales tax receipts anticipated in February and March 2009 will reflect recent holiday sales activity. The State has not published the February report as of the printing of this agenda. Staff anticipates these numbers will be available to report at the February 12 work session.
- iv) **Land Transfer/Construction Related Revenues** – These revenues include Register of Deeds fees along with Planning/Inspections/Environmental Health permit revenues. There is an evident slowing trend in this revenue area – particularly in the area of land/property transfer related revenues. This is indicative of a slowing housing market.

As a point of reference, of the \$1.8 million budgeted for Register of Deeds fees, the County has collected about \$672,000 or just over 37% of total budget through February 9, 2009. In the area of construction related revenues such as building permits and inspections, the County has received about \$496,000 of the total \$1.2 million budgeted (through February 9, 2009).

- b) **Expenditures** – Overall expenditures are on target with where they should be at this point in the fiscal year. In September 2008, the County Manager put into place a number of budget directives for the current fiscal year. The intent of this precautionary measure action was to ensure that at year-end County expenditures did not exceed anticipated revenue collections. The list below outlines current year budget directives and guidance the Manager has issued to date:
 - Continuing the County's 3-month hiring delay
 - Reserving 2% of budgeted operating expenditures

- Postponing vehicle and equipment purchases
- Delaying other capital expenditures
- No out of state travel
- Postponing other travel if possible
- Reducing fuel consumption by at least 10 percent

Other counties throughout the State have also implemented similar measures in reaction to the slowing economy.

2) FY 2009-10 Budget Activity to Date

- **Recommended Board Action** – The County Manager recommends the Board receive information regarding staff activity to-date in preparing for the upcoming 2009-10 FY.

Development of the FY 2009-10 budget promises to be quite a challenge. On the revenue side there appears to be little or no growth in the County's overall revenue base between this year and next. This is because natural growth in real property valuation will be offset by decreases in motor vehicle valuations and sales tax receipts. In addition, during the Board's retreat Commissioners expressed their desire to avoid a tax rate increase in the upcoming fiscal year. All of this equates to flat or potentially reduced revenues to support the County's services in the upcoming fiscal year.

On the expenditure side, departments across the board are experiencing increased demands. Job losses and reduced income for many of our residents equate to substantial increases in requests for core services provided by Community Services departments. In addition, our state and nation face fiscal uncertainty. As their purse strings tighten, they pass increased costs/funding reductions on to local governments.

Moving into the new fiscal year, the fiscal outlook is anything but promising. Limited revenues mean the County must examine and prioritize services offered. This is similar to approaches our counterparts across the state and nation are currently undertaking.

a) County Manager FY 2009-10 Budget Preparation Directions to Departments

In order to meet the Board's FY 2009-10 budget goals, it will be necessary to decrease current year spending levels. To that end, the County Manager has provided the following direction to department directors as they prepare their FY 2009-10 budget requests.

- The County Manager has directed departments to submit FY 2009-10 budget requests reflecting a budget reduction of 10%. The dollar amount of the decrease is equivalent to 10% of the sum of the department's overtime, non-permanent (i.e. temporary) and operations line items.

- In keeping with one of the Board's January 20 adopted guiding principles (Attachment 1) – the County workforce is a valuable asset which should be protected – the County Manager has exempted permanent personnel related line items from the 10% formula.
- In order to meet the 10% reduction target, the Manager expects department directors to look holistically at their department and propose reductions in, and in some instances elimination of, non-mandated services and activities.
- As the first option, the Manager has directed departments to absorb costs associated with opening new facilities within their budget proposal for FY 2009-10. This will likely mean substantial changes in current service delivery.
- For each service reduction and elimination, department directors must submit a Service Reduction Impact Statement. The Manager plans to share these statements with Commissioners during budget work sessions in March 2009.
- The Manager has also directed departments not to submit requests for capital items in FY 2009-10.

b) Mandated and Non-Mandated Services

During the early January retreat, staff shared a funding matrix identifying mandated and non-mandated services with the Board. Identifying mandated and non-mandated services and activities is a good first step. The majority of activities and services offered by the County are non-mandated. It is important to note, non-mandated does not mean the activities and services are not important – it simply means Commissioners have discretion over what level of service they wish to fund. As part of March 2009 budget work session materials, Commissioners will receive a final version of the Matrix to use as a decision making tool in discussing service delivery alternatives for the upcoming fiscal year.

c) Board Priorities and Exchanges

In addition to developing guiding principles at the retreat, Commissioners approved priorities for the County to pursue in FY 2009-10. Attachment 2 reflects, in priority order based on the number of votes, the approved priorities. At the January 29, 2009 work session, Commissioners and staff had the opportunity to discuss and clarify draft action plans and fiscal impact statements related to each of the Board's FY 2009-10 priorities. The County Manager recommended the Board consider funding for the fourteen new priorities separately from other budget components reductions. In accordance with the Board's guiding principles from the retreat, no new services can be added without exchanging them for current services or increasing taxes. To that end, the Manager has directed department directors to propose exchanging current activities or services for new Board priorities thereby resulting in a net budget impact of zero. As part of the upcoming March 2009 budget work sessions, staff plans to share final action plans and fiscal impact statements with the Board for approval.

3) BOCC FY 2009-10 Budget Decisions and Guidance

- **Recommended Board Action** – The County Manager recommends the Board make decisions that provide direction to staff in developing the FY 2009-10 budget.

Staff highlighted historical trends in Orange County's revenues and appropriations at the Board's January 10 retreat. During that conversation, staff engaged the Board in a preliminary conversation about a number of budget drivers, including a target tax rate and funding for schools, that would affect the upcoming budget for FY 2009-10. Attachment 3 is a copy of the handout provided to the Board at the retreat. This handout highlights a number of questions and budget drivers that would impact the upcoming budget. The County Manager recommends Commissioners make decisions at tonight's work session to guide in developing the upcoming budget.

4) Federal Economic Stimulus

- **Recommended Board Action** – The County Manager recommends the Board review the stimulus projects for the County and the two school districts (Attachments 4 and 5) and provide direction to staff regarding priority projects for anticipated Federal Economic Stimulus monies.

Attachment 4 offers a list of potential County projects that may be eligible for Stimulus funding while Attachment 5 offers potential School projects for Stimulus funding. The Manager recommends the Board offer direction regarding staff proposed projects or other priority projects Commissioners may be interested in submitting for Stimulus funding. Following tonight's discussion, staff will prepare a final list of potential Stimulus projects for approval at the February 17 regular Board meeting.

FINANCIAL IMPACT: Financial impacts are included in the Background section.

RECOMMENDATION(S): The Manager recommends the Board of County Commissioners:

1. Receive an update from staff regarding the County's current FY 2008-09 fiscal status
2. Receive information regarding staff activity to-date in preparing for the upcoming 2009-10 FY
3. Make decisions that provide direction to staff in developing the FY 2009-10 budget.
4. Provide direction to staff regarding priority County and School projects for anticipated Federal Economic Stimulus monies.

**ATTACHMENT 1: GUIDING PRINCIPLES AND IDENTIFIED PRIORITIES FOR
2009-2010 BUDGET**

County Priorities for FY 2009-2010	
Guiding Principles	
1	Create budget ethic/discipline for BOCC and staff that does not assume an annual increase in the tax rate
2	Focus on providing 'core' county services.
3	No new services can be added without exchanging current services or increasing taxes.
4	County workforce is a valuable asset which should be protected.
5	Make county government accessible, understandable and transparent. Begin now to relay the message to citizens, partner agencies, and organizations that current levels of service may not be maintained. Make clear county priorities and what might change.
6	Maintain a 'reserve fund' as a safety net dedicated for responding to emergencies.
7	Exercise caution when considering issuing new debt.
8	Work against unfunded state and federal mandates.
9	Provide 'adequate' staffing to perform core county services.
10	Hire staff with 'flexibility' to be reallocated to cover core functions.
Revenues	
1	Diversify tax base, including new 'green' commercial tax base.
2	Lobby local General Assembly representatives to consider legislative reforms to allow flexibility in revenue generation.
3	Seek potential federal dollars for infrastructure (new emphasis or new resources based on political shifts).

ATTACHMENT 2. IDENTIFIED PRIORITIES FOR 2009-2010 BUDGET

Priority #	Votes	Priorities for FY 2009-10 (sorted in descending order)
P-1	6	Conserve high priority natural areas, wildlife habitat, and prime forests. (Goal 5)
P-2	5	Implement Comprehensive Land Use Plan (Goal 3) <ul style="list-style-type: none"> a. Rewrite zoning and subdivision regulations
P-3	5	Develop economic plans for 3 districts (Goal 3)
P-4	5	Review services to identify and protect 'safety net' programs and services. (Goal 1)
P-5	4	Encourage for profit investments in affordable housing and review available tools. (Goal 1)
P-6	4	Develop plan and tools to improve the way county and citizens communicate with each other; foster two-way exchange (Goal 2)
P-7	4	Improve intra- and intergovernmental coordination, cooperation, and collaboration. (Goal 2) <ul style="list-style-type: none"> a. Work with Town of Hillsborough on: <ul style="list-style-type: none"> o Joint land use planning approaches, policies and ordinances and annexation o Economic Development Districts b. Work with Durham on: <ul style="list-style-type: none"> o Economic Development Districts
P-8	4	Examine advisory boards and commissions (Goal 2): <ul style="list-style-type: none"> a. Ensure they are meeting their missions b. Determine how boards relate to each other and how their work can be best integrated with BOCC c. Ensure sustainability goals d. Ensure fit with overall county vision e. Recognize (and be sensitive to) consistencies represented by boards, commissions when framing this review
P-9	4	Update economic development plan for county (Goal 3): <ul style="list-style-type: none"> a. Clarify Economic Development plan for each district b. Identify spectrum of tools c. Identify other stakeholders d. Identify what county wants to see happen
P-10	4	Develop an energy plan that includes economic development strategies to attract, retain, and grow "green" business

P-11	4	Invest in technology to increase worker efficiencies, e.g., web streaming, paperless agendas, integrated tracking systems between field and office .(Goal 4)
P-12	4	Implement county's environmental responsibility goals (Goal 5)
P-13	4	Plan to provide 'equitable' library services for OC residents. (Goal 5)
P-14	4	Fulfill remainder of bond issuance approved by voters in 2001 for soccer and Twin Creeks. (G- 5)
P-15	3	Complete stewardship and management plans for land legacy. (Goal 5)
P-16	2	Develop and accounting and assessment system of water and air pollution (Goal 5): b. In conjunction with ICLEI; set emissions reduction target for 2030; conduct public education campaign and link public with opportunities to improve energy efficiency and use sustainable energy sources c. Begin multi-year implementation of Observable Well Network
P-17	2	Review the Schools and Adequate Facilities Public Funding Ordinance. (Goal 2) a. Is it doing what it was originally intended? b. Does it have application for Durham and Mebane?
P-18	1	Address inequities between old and new schools. Older schools are in need of capital improvements. Building new schools has been the funding priority (Goal 4)
P-19	0	Relations with UNC-Chapel Hill: Be actively involved and informed about UNC-CH decisions and intentions (Goal 2)
P-20	0	Support transit, pedestrian, and bicycle facilities and other alternatives to the single passenger automobile (Goal 3)
P-21	0	Amend county zoning to address and modernize airport and related issues (Goal 3)
P-22	0	Review and update county personnel and operational policies and procedures. (Goal 4)
P-23	0	Design and fund space for county attorney offices. Manager and board to discuss concept and staffing. (Goal 4)
P-24	0	Plan to acquire/land bank for future park development. (Goal 5)
P-25	0	Develop a policy/update current plan about how parks will be developed, appropriate ratio of parks to population, length of time to develop, and incorporation of such into CIP. (Goal 5)
P-26	0	Clarify and communicate to public how and why county funding is allocated the way it is. (Goal 2)

Items for Board Consideration in Developing FY 2009-10 Budget Guidelines

1.

Tax Rate

Increase or no increase in revenue neutral rate

2. **Appropriation Mandated,
Timing Discretionary**

Debt Service

Plan issuance of debt to minimize fiscal impact on FY 2009-10 by postponing issuance for Office/Library and CHCCS Elementary #11 until July 2009

February 12, 2009 Update: On February 5, 2009, Commissioners authorized staff to proceed with plans to issue \$33.6 million in debt in April 2009. The planned issuance includes County Campus & Library Development (\$25M), Parks & Open Space (\$5.5M), Affordable Housing (\$1.4M), Property Information Management System (\$1.5M) and Solid Waste Equipment (\$217K). The repayment plan will be structured so that debt service payments do not begin until FY 2010-11.

With regard to CHCCS Elementary #11, according to school staff the project's current timetable is such that debt will not need to be incurred until January 2010. This means the first debt service payment would be anticipated in FY 2010-11 or 2011-12. **Preliminary** November 15, 2008 SAPFO student membership projections indicate CHCCS Elementary Level of Service (LOS) will be 103.1% of capacity in school year ending 2009-10 and 105.5% of capacity in school year ending 2010-11.

Items for Board Consideration in Developing FY 2009-10 Budget Guidelines

**3. Appropriation Mandated,
 Funding Discretionary**

Local School Districts - Current Expense Funding

Current Expense Funding for FY 2008-09	FY 2008-09 Total Current Expense Funding	Divided by # FY 2008-09 Budgeted Students	Equals FY 2008-09 Per Student Funding
	\$60,582,479	18,932	\$3,200

What does "no increase" mean?

Maintaining same bottom line total for Current Expense - equates to lower per student funding (i.e. no increase in total General Fund)	FY 2008-09 Total Current Expense Funding	Divided by Projected Total # of Students in FY 2009-10 (1)	Equals Amount of \$ Per Student
	\$60,582,479	19,334	\$3,133
	Equates to Projected Decrease in Per Pupil		(\$67)
	% Decrease in Per Pupil		-2.1%

Same Per Student Funding - will equate to higher Current Expense funding level (i.e. increase of \$1.2 million in total General Fund)	Projected FY 2009-10 Total Current Expense Funding	Divided by Projected Total # of Students in FY 2009-10 (1)	Equals Amount of \$ Per Student
	\$61,868,800	19,334	\$3,200
Equates to Increase in Current Expense	\$1,286,321		
% Increase in Current Expense	2.1%		

February 12, 2009 Update: The State Department of Public Instruction (NCDPI) does not release certified student membership numbers until after March 15 of each year. Staff will update the Board as information is received from NCDPI.

(1) Allows for increase of 402 new students - the average annual increase in actual student membership between school years 1999-00 and 2008-09.

Items for Board Consideration in Developing FY 2009-10 Budget Guidelines

**4. Appropriation Mandated,
 Funding Discretionary**

Local School Districts - Recurring Capital Funding

Commissioners currently dedicate the equivalent of 2 cents on the tax rate to recurring capital for Chapel Hill Carrboro and Orange County Schools. Does the Board want to defer some portion or all of this dedication in FY 2009-10?

Recurring Capital Funding for FY 2008-09 - equivalent of 2 cents on FY 2008-09 ad valorem tax rate	FY 2008-09 Total Recurring Capital Funding \$2,570,535
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**5. Appropriation Not Mandated,
 Funding Discretionary**

Fair Funding for Schools

Does the Board want to defer some portion or all of this dedication in FY 2009-10?

Fair Funding for School Health and Safety Resources for FY 2008-09 - equivalent of .77 cents on FY 2008-09 ad valorem tax rate	FY 2008-09 Total Fair Funding Allocation \$988,000
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Items for Board Consideration in Developing FY 2009-10 Budget Guidelines

6. Appropriation Not Mandated, Contributions to Non-Profit Funding Discretionary Agencies

Does the Board want to maintain or reduce current year funding levels?

Total FY 2008-09 Dedicated to Non-Profit Agencies - equivalent of 1.22 cents on FY 2008-09 ad valorem tax rate	FY 2008-09 Funding Allocation
	\$1,568,413

February 12, 2009 Update: Staff has provided Commissioners with the Annual Outside Agencies Report for FY 2007-08. The Board may find the information included in this report useful in making funding decisions for FY 2009-10.

7. Appropriation Not Mandated, Contributions to Towns for Library and Recreation Services

Does the Board want to maintain or reduce current year funding levels?

Total FY 2008-09 Contributions to Towns for Library and Recreation Services - equivalent of .3 cents on FY 2008-09 ad valorem tax rate	FY 2008-09 Funding Allocation
	\$375,141

Items for Board Consideration in Developing FY 2009-10 Budget Guidelines

8. Funding Discretionary

Employee Compensation

What direction does the Board want to provide to staff with regard to County employee compensation in FY 2009-10?

Components include:

- Results of Classification and Pay Study
- Cost of Living Increases
- Pay for Performance
- Health and Dental Insurance

MEMORANDUM

TO: Board of County Commissioners
FROM: Willie A. Best
DATE: 2/10/2009
RE: Preliminary Projects for the Federal Stimulus Package

In anticipation of the Federal government consideration of a federal stimulus legislative package to stimulate the nation's economy, the preliminary projects are proposed for the Board's consideration. We believe we have a number of projects that when developed will create a number jobs opportunities that will put people back to work, stimulate the local economy and create a positive impact regionally.

School Construction: The construction of elementary school #11 of the Chapel Hill-Carrboro School System. School construction cost is estimated at approximately \$34,000,000.

Efland Sewer System and Buckhorn Community Sewer Project: The projected cost for the currently designed system, include the upgrading the existing twenty year old McGowan Creek pump station is approximately \$4.6 million. All design documents are completed and the preliminary engineer's report is completed.

Northern Human Services Center: The project will substantially increase the size, capacity and reliability of the onsite wastewater treatment system (WWTS) at the Northern Human Services Center (NHSC). The increase in capacity will allow for full development of a park, with ball fields of all types, playgrounds and walking trails. The park is in phase I construction. The preliminary design work and site investigation has been completed. Final design work has to be completed. Orange County has appropriated approximately two-thirds of the projected \$480,000 project costs. The remaining cost is approximately \$160,000.

Value Added Agriculture Processing Center: Farmers and local food entrepreneurs in the Piedmont region of North Carolina will have access to a new processing center to help compete in the emerging Buy Local, Eat Seasonal, and Farm to Fork Economy. The planned processing center will be within 1.5 hour drive of 16, 214 farms in a twenty-two county area. Farmers and food entrepreneurs will benefit from an FDA-inspected food processing facility and 3.3 million consumers in the service area. The approximate cost for renovation is \$1.2 million. Orange County has received \$861,000 in grant funding with a remaining need of \$339,000.

Fairview Park: The park, located in the Fairview community in northern Hillsborough, NC, serves a predominantly minority community and features a ball field, picnic shelter, trails and basketball courts, among other amenities. The projected cost is \$1,700,000. Orange County has appropriated \$850,000 through voter approved bonds. The project remaining cost is \$850,000.

Twin Creeks Park: Twin Creeks Park is a ninety-six acre park north of Carrboro, NC. The site of a former dairy farm that dates back to the early 19th-century, the park includes a historic farmstead with house, gambrel-roof barn and other farm buildings. Phase 1 of the park would include four full size soccer fields, parking, a picnic shelter, trails and associated amenities. The cost is \$4,000,000.

Twin Creeks East-West Connector Road: Providing access to Twin Creeks Park and adjoining property, this road would extend from Old NC 86 north of Carrboro, NC westward to the intersection with Lake Hogan Farm Road and increase connectivity and ingress/egress options for the area. The cost is \$890,000.

Highways Projects: Proposed NC DOT projects are provided for your review. The County is not responsible for highways; however, the following DOT projects are proposed for Orange County within the NC DOT stimulus package:

Orange County	Chapel Hill-Carrboro	Computerize Signal System	\$5,000,000
Orange County	I-40-85 to Durham County line	Grind and reseal joints	\$1,500,000
Orange County	NC 54 Alamance Co line to SR 1107	Pavement Strengthen	\$1,500,000
Orange/Alamance	Buckhorn Rd to I-40/85 split	Mill and resurface	\$15,000,000
Orange County	NC 86 to Person Co. line	Rehab Intersection, turn lane/signal	\$3,000,000

Broadband: Broadband coverage is limited in rural areas of Orange County due to a lack of cabled TV/Broadband service and limited telecommunication tower wireless access. The County owns property throughout rural areas and would consider installing towers for public safety, public service delivery and private sector use to promote rural economic development and home-based businesses to reduce transportation and pollution costs. The costs of the project would be approximately \$1.2 million and because monopolies are pre-engineered, their deployment after zoning processing would be expeditious.

CHAPEL HILL-CARRBORO CITY SCHOOLS
Potential Capital Projects for Economic Stimulus Funding

<u>Amount</u>	<u>Facility</u>	<u>Project Description</u>
31,980,730	Elementary School #11	The School District needs another elementary school
27,738,770	Carrboro High School	Expansion of Carrboro High School
2,500,000	Rashkis Elementary School	6 Classroom addition
2,500,000	Morris Grove Elementary School	6 Classroom addition
200,000	Phillips MS/FPGraham Elm	Removal of asbestos fascia material
420,000	CHHS/Phillips	Removal of asbestos floor tile
350,000	CHHS	Athletic field lighting and correct erosion problems
225,000	Glenwood/McDougle/Seawell Culbreth/Phillips	Security systems: access control video cameras
370,000	Elementary Schools	Removal of classroom carpet and install vinyl tile
1,035,000	FP Graham/Ephesus/Seawell/ Culbreth/Phillips	Light fixture replacements
475,000	Glenwood/FP Graham/Culbreth	Kitchen air conditioning and heating systems
265,000	Scroggs	Chiller installation
650,000	Lincoln Center	Replacement of building heating and cooling systems
375,000	Culbreth	Duct work replacement and controls
440,000	CHHS	D Building heating system
350,000	McDougle Mdl/Elm/ Glenwood	Controls for heating and cooling system
275,000	Seawell	Replacement of Lawlor Building's roof
690,000	Lincoln Center	Replacement of roof
3,854,840	McDougle Elementary and Middle	Replacement of roofs
1,256,000	LinCtr/Seawell/Culbreth/Phillips/ CHHS	Window replacements
233,000	FP Graham/Estes Hills/Phillips/ CHHS	Bathroom upgrades
739,000	Carrboro Elm/Estes/FP Graham Seawell/Phillips/CHHS	Classroom casework
76,922,340	Total	

ORANGE COUNTY SCHOOLS

Potential Capital Projects for Economic Stimulus Funding

Per OCS Superintendent, final list of projects to be provided to Commissioners at the February 12, 2009 work session (after OCS Board of Education has reviewed and approved the list)