The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to Mecklenburg County for its annual budget for the fiscal year beginning July 1, 2010.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.
Mecklenburg Board of County Commissioners

**Chairman**
Jennifer Roberts (D) At-Large

**Vice-Chairman**
Jim Pendergraph (R) At-Large

**At-Large**
Harold Cogdell, Jr. (D)

**District 1**
Karen Bentley (R)

**District 2**
Vilma Leake (D)

**District 3**
George Dunlap (D)

**District 4**
Dumont Clarke (D)

**District 5**
Neil Cooksey (R)

**District 6**
Bill James (R)

**Clerk to the Board**
Janice Paige

**Executive Leadership**

**County Manager**
Harry L. Jones, Sr.

**General Manager**
Michelle Lancaster-Sandlin

**General Manager**
John McGillicuddy

**General Manager**
Bobbie Shields

Adopted Budget Fiscal Year 2012
Office of Strategic Organizational Improvement

Management & Budget Director
Hyong Yi

E-Government/Customer Service Director
Brian Cox

Planning & Evaluation Director
Leslie Johnson

Budget Manager
Michael Bryant

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Marni Fulton  Carol Hickey
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Adopted Budget Fiscal Year 2012
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Peggy Ryan

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Public Information Specialist
Suzanne Jeffries

Adopted Budget Fiscal Year 2012
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Adopted Budget Fiscal Year 2012
Introduction

Transmittal Letter

Executive Summary

How to Use this Document
MECKLENBURG COUNTY
Office of the County Manager

Fiscal Year 2012 Adopted Budget Transmittal

Mecklenburg Board of County Commissioners
Residents of Mecklenburg County

I am presenting the Adopted Budget for Fiscal Year 2012 that totals $1.38 billion. This is 2.6 percent more than the prior year’s adopted budget, an increase of $35.5 million. As a point of context, the $1.38 billion adopted budget for FY2012 is consistent with funding levels in the FY2009 budget approved by the Board.

Clearly, much has changed since that time. We’ve seen sales tax revenues drop as if they were falling off a cliff. As a result, we made mid-year cuts to expenses for two consecutive years. Overall, we’ve cut spending by approximately $150 million. We eliminated 500 positions and had the largest single layoff in anyone’s memory – certainly the largest during my 20 years with Mecklenburg County.

We reduced education funding, closed recreation centers and libraries, and made many other service cuts. We went on a strict debt diet. County employees saw their pay checks shrink on average by more than $1,000 per employee. We suspended the County’s match to employees’ 401k and 457 deferred compensation accounts. And we began a multi-year strategy to reshape and redesign Mecklenburg County to meet this new reality. We consolidated and outsourced facility maintenance and security, resulting in cost reductions. We strengthened our financial management functions by restructuring and enhancing oversight, including expanding our internal audit function.

Meanwhile, we also saw more people coming to Mecklenburg County and other community agencies for help in paying their bills and keeping their homes. Many were not able to keep their homes as unemployment remained above the state and national averages.

More recently, though, we’ve seen the sun emerging from the darkness of the Great Recession. Unemployment is dropping – though the rate is still well above pre-recession levels. Many businesses have weathered the storm and now find themselves making profits and hiring again. And they’re re-investing in their employees by increasing pay and restoring other benefits. Sales tax revenues have stabilized and we anticipate growth in this revenue by 8 percent this fiscal year. We’ve conducted the first property revaluation in eight years, and despite the recession, we’ll experience growth in both our residential and commercial tax base.

Although the winds of change continue to swirl around us, we find ourselves once again standing on stable ground. We continue to see significant needs in our community, even beyond those I mentioned already. But we have more solid footing, and a more clearly defined path to navigate ourselves to our desired future.
The Board defined this path earlier this year by identifying the Critical Success Factors for achieving the Board’s goals, as well as establishing funding priorities for the FY2012 budget. These Critical Success Factors and funding priorities are the foundation for the adopted budget, and are the basis for several key decisions the Board addressed in adopting the budget.

The first of these key decisions is Education Funding – particularly for Charlotte Mecklenburg Schools (CMS) and for Central Piedmont Community College (CPCC). Clearly, education funding is directly related to two of the Board’s Critical Success Factors: increasing the high school graduation rate, and supporting the creation of new jobs and developing our workforce. As a result, education and education support services are at the top of the Board’s funding priorities, as well as the top priority for every group providing input through our citizen involvement efforts earlier this year. Therefore, the adopted budget includes significant increases in funding for both CMS and CPCC, though not at the levels they requested.

Still, when we calculate the additional funding needed to pay for CMS debt service – due primarily to the loss of state lottery funds – as well as the adopted increase in CMS operating funding, this combined appropriation for CMS accounts for 65 percent of the funding increase in this budget.

The adopted budget also provides funding to support the Board’s Critical Success Factor of Operational Excellence. First, the budget provides additional resources to enhance our compliance culture. This includes additional staffing in the Internal Audit Department, a senior attorney to serve as deputy compliance officer, and 12 new positions in the human services agency finance division, consistent with the new organizational structure previously presented to the Board.

There also is additional funding to reinvest in Mecklenburg County employees. This includes funding pay raises based on performance, as well as providing a 3 percent match to employee contributions to their deferred compensation accounts. Funding also is adopted to reinvest in a portion of employee training that was cut over the past two years, so we can maintain and develop the staff competencies needed for operational excellence, including compliance training.

Fiscal Discipline is the third Critical Success Factor considered by the Board. The adopted budget establishes a debt service fund by allocating the value of 21 cents on the property tax rate. This level is sufficient to pay for existing debt service obligations as well as to begin building capacity to address future obligations. The adopted budget also restores funding for OPEB – Other Post Employment Benefits – to pay for our future liability in retiree health care costs. You will recall that we suspended OPEB funding in the prior fiscal year, with the intention of resuming this commitment to fiscal discipline in the FY2012 budget.

The final item regarding Fiscal Discipline – funding of Business Imperative Reserves – also is strongly connected to Operational Excellence. These reserves serve as an important means of fiscal stewardship of public assets. Funding these reserves protects taxpayers’ investments in buildings, while also maintaining the technology and vehicle infrastructure that is imperative in providing services to our customers and the community. As I mentioned to the Board, we are playing catch-up in this area and the adopted funding levels address the most critical needs.

Also in terms of Fiscal Discipline, for the first time since FY2003, we will not appropriate fund balance as part of the annual budget. In fact, we have reduced our use of fund balance from a high of $75 million in FY2009 to $0 in FY2012.

The final Critical Success Factors I will mention are Sustainability and Affordability, which I see as being interwoven. Our success in achieving the Board’s goals depends on having a sustainable approach to providing services. One of the areas of great interest in this community is the sustainability of our public library system. Recently, this Board – and the Library Board of
Trustees – approved implementing the recommendations of the Library Task Force. Consistent with the task force recommendations, the FY2012 budget includes a funding increase for the Public Library to keep branches open and expand hours at regional libraries. There is also a $2 million increase for Park and Recreation primarily to restore services and some positions.

Without diminishing the importance of sustaining services, our success also depends on the cost of these services being affordable to taxpayers. The fundamental reality is that taxes equal services and services equal taxes. Still, we make many efforts to drive down the cost of services through efficiency evaluations; consolidation of services internally and externally; outsourcing and other initiatives, such as our partnership with Deloitte Consulting to save taxpayers money in how we purchase goods and services.

Over the past several months, we’ve also been exploring the nature and scope of our relationship with Carolinas HealthCare System (CHS). We have a long and successful history and appreciate the partnership that has existed for many years. But just as Mecklenburg County government has changed and will continue to change, the time has come for us to examine our partnership with CHS.

The adopted budget calls for ending 100 percent of the taxpayers’ subsidy for indigent care being provided by CHS as well as Presbyterian Novant Health Care System. Both of these systems are highly successful and financially stable organizations that do not need the subsidy of Mecklenburg County taxpayers to remain solvent. At one point in our community’s history, this subsidy was important, but circumstances have changed.

Another key consideration on the topic of affordability and sustainability is the property tax rate needed to support the adopted budget. To support the FY2012 budget, the property tax rate will be 81.66 cents. This is a decrease of 2.21 cents from the current property tax rate, and is 2.83 cents higher than the revenue-neutral tax rate of 78.83 cents.

At the adopted property tax rate, approximately 55.7 percent of residential property owners will experience a tax bill increase, while about 44.3 percent will pay less in taxes. This distribution of the tax responsibility is due, in large part, to the shifting of tax assessment values from revaluation. I don’t take lightly the recommendation to require citizens to pay more taxes. The driving factors for this recommendation are those Board priorities and Critical Success Factors I’ve just mentioned as follows:

- Additional funds for education and education support to increase high school graduation rates and develop our workforce
- Fiscal Discipline to establish a debt service fund; addressing our long-term liabilities, specifically OPEB; and stewardship of public facilities, technology infrastructure and other public assets
- Operational Excellence by re-investing in employees and enhancing fiscal compliance
- Sustaining our public library system

The adopted budget includes $47 million in cuts that are re-invested in these areas. However, more funds are needed to sufficiently invest in these Critical Success Factors and priorities. Further cuts to cover all the new investments would result in undesirable service degradation. It should be noted that there are many needs and services that are not adopted for funding.

I want to conclude my remarks in the way I began, by acknowledging that we continue to move and change in ways we sometimes take for granted and perhaps don’t fully appreciate. Our
ability to withstand this change and to be in a position to re-invest in our community is a testament to our outstanding employees. I have the privilege of working with and leading the best employees in the country. The intelligence, diligence and professionalism of Mecklenburg County employees are second to none. I also want to thank the Board for its leadership, and thoughtful considerations and direction in this process.

Sincerely,

[Signature]

Harry L. Jones, Sr.
County Manager
**Mecklenburg County's Fiscal Year 2012 Adopted Budget**

**Operating Budget**

Mecklenburg County’s Fiscal Year 2012 Adopted Budget totals $1.38 billion, a $35.5 million or 2.6 percent increase from the FY2011 Adopted Budget. The adopted County funding of $1 billion is consistent with funding levels in the FY2009 Adopted Budget, which the Mecklenburg Board of County Commissioners (BOCC) approved in June 2008, a time that economists now identify as the initial stage of this most recent recession.

Mecklenburg County’s operating budget and associated services have undergone dramatic changes during the past three years. As Table 1 shows, Mecklenburg County reduced funding by $146.6 million from FY2009 to FY2011 and made mid-year reductions in FY2009 and FY2010.

**Table 1: Mid-year and Adopted Budget Reductions (FY2009 – FY2011)**

<table>
<thead>
<tr>
<th>Reductions</th>
<th>Mid-Year</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009 reductions</td>
<td>-$41.5 million</td>
<td></td>
</tr>
<tr>
<td>FY2010 reductions</td>
<td>-$20.0 million</td>
<td>-$75.6 million</td>
</tr>
<tr>
<td>FY2011 reductions</td>
<td></td>
<td>-$71.0 million</td>
</tr>
<tr>
<td><strong>Total Reductions</strong></td>
<td><strong>-$61.5 million</strong></td>
<td><strong>-$146.6 million</strong></td>
</tr>
</tbody>
</table>

Confronting the brutal realities of the recession, the BOCC took decisive actions to maintain fiscal discipline and continue to provide the core community services that have provided a much needed safety net for so many in the midst of this recession. The impact of these difficult funding choices has been widely felt by County residents, community partners and County staff. While we regret the necessity of such choices, the good news is that the national and local economies are starting to recover.

**Chart 1: Number of Employed Mecklenburg County Residents (2000 – 2010)**

Source: North Carolina Employment Security Commission

**Adopted Budget Fiscal Year 2012**
Mecklenburg County is once again gaining jobs (see Chart 1) and the local unemployment rate is decreasing from its high of 12 percent in February 2010.

The funding choices presented in this Adopted Budget are decisions to restore and reinvest in Mecklenburg County. These budget decisions support the County’s vision to be a community of pride and choice for people to live, work and recreate, and its mission to be the best local government service provider.

**Critical Success Factors for Mecklenburg County**

Mecklenburg’s strategy is not just about cutting costs to remain viable in the short-term; it is about making strategic investments and re-alignments that will enhance the future of Mecklenburg County. Resident and employee input are key components to this approach. Throughout autumn 2010, County leaders took time to listen to residents’ and employees’ thoughts about what Mecklenburg County should look like now and over the next 10 years. Gathering this input took the following forms:

- A community forum,
- A statistically representative community telephone survey,
- Employee focus groups, and
- An online employee survey.

From this information, seven themes emerged as Critical Success Factors for Mecklenburg County moving forward, which the BOCC endorsed during its January 2011 Strategic Planning Conference:

1. Affordability
2. Sustainability
3. Jobs/Workforce and Economic Development
4. High School Graduation and Literacy
5. Service Investments and Delivery Model
6. Fiscal Discipline
7. Operational Excellence

**Affordability** and **Sustainability** are overarching success factors that govern every action of Mecklenburg County. County services must remain affordable to the community and help sustain the community for future generations.

**Jobs/Workforce and Economic Development; High School Graduation and Literacy;** and **Service Investments and Delivery Model** are the three success factors that emerged as most critical to improving the quality of life of Mecklenburg County residents in the aftermath of the recession.

**Fiscal Discipline** and **Operational Excellence** are key standards for how Mecklenburg County conducts its business as an organization.
The main decisions within the FY2012 Adopted Budget align to one or more of these seven Critical Success Factors.

**Overview of the FY2012 Adopted Budget**

The FY2012 Adopted Budget provides $1,385,005,882 in total funding, an increase of $35,514,868 or 2.6 percent. The Adopted Budget supports 4,474 full-time equivalent (FTE) staff and includes $1,025,235,007 in County revenue, a $70,390,317 or 7.4 percent increase from the FY2011 Adopted Budget. The tax rate is 81.66 cents per $100 valuation, a 2.21 cent decrease from the FY2011 countywide property tax rate of 83.87 cents and 2.83 cents higher than the revenue-neutral tax rate of 78.83 cents.¹

In 2011, for the first time in eight years, Mecklenburg County underwent property revaluation. Although changes to individual commercial and residential tax assessment values varied, overall property values in the County increased by an estimated $9.5 billion (see Table 2).

**Table 2: Impact of Revaluation on Mecklenburg County Tax Base**

<table>
<thead>
<tr>
<th>Impact of Revaluation on Mecklenburg County Tax Base</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated 2011 values (prior to revaluation)</td>
<td>$101,091,905,831</td>
</tr>
<tr>
<td>Net revaluation increase</td>
<td>$9,485,166,688</td>
</tr>
<tr>
<td>2011 values with revaluation</td>
<td>$110,577,072,519</td>
</tr>
</tbody>
</table>

The occurrence of revaluation offers Mecklenburg County the opportunity to collect additional County revenue in FY2012 and make strategic investments in the future success of Mecklenburg County. Such investments are critical for moving this community forward from the hardship of the recent recession into recovery and renewal. Table 3 outlines how key funding decisions are organized across the Critical Success Factors.

¹For details of the calculations for the countywide and Law Enforcement Service District revenue-neutral tax rates, see end of revenue section.
Table 3: Major Funding Decisions by Critical Success Factor

<table>
<thead>
<tr>
<th>Key Funding Decisions by Critical Success Factors</th>
<th>FY2011 Adopted Budget</th>
<th>FY2012 Adopted Budget</th>
<th>Change from FY2011 to FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High School Graduation and Literacy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMS Operating Funding</td>
<td>299,950,000</td>
<td>326,039,101</td>
<td>26,089,101</td>
</tr>
<tr>
<td>CMS Debt Service</td>
<td>116,118,593</td>
<td>120,557,000</td>
<td>4,438,407</td>
</tr>
<tr>
<td>Public Library Funding</td>
<td>21,091,815</td>
<td>24,257,052</td>
<td>3,165,237</td>
</tr>
<tr>
<td>Grant Funding to Education Support Services</td>
<td>961,375</td>
<td>1,326,500</td>
<td>365,125</td>
</tr>
<tr>
<td>Jail High School</td>
<td>0</td>
<td>343,223</td>
<td>343,223</td>
</tr>
<tr>
<td><strong>Jobs/Workforce and Economic Development</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPCC Operational Funding</td>
<td>23,900,000</td>
<td>25,900,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>CPCC Debt Service</td>
<td>15,595,112</td>
<td>17,567,000</td>
<td>1,971,888</td>
</tr>
<tr>
<td>Grant Funding to Workforce Development</td>
<td>100,000</td>
<td>166,000</td>
<td>66,000</td>
</tr>
<tr>
<td>Business Investment Grants/Development Agreements/Whitewater</td>
<td>6,237,989</td>
<td>6,167,416</td>
<td>929,427</td>
</tr>
<tr>
<td><strong>Service Investments and Delivery Model</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Funding to Prevention of Health Risks</td>
<td>694,457</td>
<td>1,454,000</td>
<td>759,543</td>
</tr>
<tr>
<td>Smart Sourcing Initiatives Fees</td>
<td>0</td>
<td>1,180,000</td>
<td>1,180,000</td>
</tr>
<tr>
<td>Volunteer Fire Departments</td>
<td>1,978,746</td>
<td>2,515,929</td>
<td>537,183</td>
</tr>
<tr>
<td><strong>Operational Excellence</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Compliance Officer</td>
<td>0</td>
<td>142,600</td>
<td>142,600</td>
</tr>
<tr>
<td>Internal Audit Position</td>
<td>0</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Human Services Agency Finance Division</td>
<td>0</td>
<td>890,922</td>
<td>890,922</td>
</tr>
<tr>
<td>Restoration of 3% 401k/457b Employer Match</td>
<td>0</td>
<td>3,456,670</td>
<td>3,456,670</td>
</tr>
<tr>
<td>Pay-for-performance Merit Increases</td>
<td>0</td>
<td>4,202,600</td>
<td>4,202,600</td>
</tr>
<tr>
<td>Employee Enterprise Training</td>
<td>0</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Fiscal Discipline</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>62,506,254</td>
<td>89,393,869</td>
<td>26,887,615</td>
</tr>
<tr>
<td>Other Post-Employment Benefits</td>
<td>0</td>
<td>8,000,000</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Technology Reserve</td>
<td>1,125,000</td>
<td>4,100,000</td>
<td>2,975,000</td>
</tr>
<tr>
<td>Capital Reserve</td>
<td>5,543,628</td>
<td>8,750,000</td>
<td>3,206,372</td>
</tr>
<tr>
<td>Pay Go</td>
<td>29,337,750</td>
<td>32,343,773</td>
<td>3,006,023</td>
</tr>
<tr>
<td>Fleet Reserve</td>
<td>0</td>
<td>1,100,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td><strong>Cutting to Reinvest</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigent Care Subsidy to Hospitals</td>
<td>16,625,000</td>
<td>0</td>
<td>-16,625,000</td>
</tr>
<tr>
<td>Strategic Sourcing Initiatives</td>
<td>0</td>
<td>-3,000,000</td>
<td>-3,000,000</td>
</tr>
<tr>
<td>Facility Maintenance Outsource Savings</td>
<td>806,234</td>
<td>0</td>
<td>-806,234</td>
</tr>
</tbody>
</table>
**Education Services**

Based on the BOCC’s priority setting and the feedback from the community, education is the highest priority for the County. In addition, it ties to two of the Board’s Critical Success Factors: High School Graduation and Literacy and Jobs/Workforce and Economic Development. With the likelihood of reduced State funding for education, the need for County funding to maintain services at CMS and CPCC have become even more urgent.

**Charlotte-Mecklenburg Schools (CMS)**

The Adopted Budget includes total CMS funding of $452.6 million, which is an increase of $31.5 million or 7.5 percent. Of this increase, $26.1 million is for CMS’ operating needs, in particular to fund their sustaining operations costs and their highest funding priority in their Tier 4 reductions.

**Table 4: CMS Funding**

<table>
<thead>
<tr>
<th></th>
<th>FY2011 Adopted Budget</th>
<th>FY2012 Adopted Budget</th>
<th>$ Change (FY11-FY12)</th>
<th>% Change (FY11-FY12)</th>
<th>% of FY2012 County Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMS - Capital Replacement</td>
<td>4,960,000</td>
<td>4,960,000</td>
<td>0</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>CMS – Debt</td>
<td>116,118,593</td>
<td>120,557,000</td>
<td>4,438,407</td>
<td>3.80%</td>
<td>11.80%</td>
</tr>
<tr>
<td>CMS Operational Funding</td>
<td>299,950,000</td>
<td>326,039,101</td>
<td>26,089,101</td>
<td>8.70%</td>
<td>31.80%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>421,028,593</td>
<td>451,556,101</td>
<td>30,527,508</td>
<td>7.30%</td>
<td>44.00%</td>
</tr>
</tbody>
</table>

Note: The above table does not reflect fines and forfeitures

**Central Piedmont Community College (CPCC)**

The Adopted Budget includes total CPCC funding of $43.5 million, which is an increase of $4 million or 10 percent. Of this increase, $1.5 million is for CPCC to address its priorities of health insurance costs for County funded CPCC employees, utility costs, security and telecom. In addition, CPCC also receives funding for their facilities needs through the County’s capital reserve fund.
Table 5: CPCC Funding

<table>
<thead>
<tr>
<th></th>
<th>FY2011 Adopted Budget</th>
<th>FY2012 Adopted Budget</th>
<th>$ Change (FY11 – FY12)</th>
<th>% Change (FY11-FY12)</th>
<th>% of FY2012 County Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPCC – Debt</td>
<td>15,595,112</td>
<td>17,567,000</td>
<td>1,971,888</td>
<td>12.60%</td>
<td>1.70%</td>
</tr>
<tr>
<td>CPCC Operational Funding</td>
<td>23,900,000</td>
<td>25,900,000</td>
<td>2,000,000</td>
<td>8.40%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Total</td>
<td>39,495,112</td>
<td>43,467,000</td>
<td>3,971,888</td>
<td>10.10%</td>
<td>4.20%</td>
</tr>
</tbody>
</table>

Public Library Funding

Developing a sustainable new path for the Public Library has been a focus of both the County and the Library over the course of this past fiscal year. The Future of the Library Taskforce successfully completed its work, and key recommendations have been approved by both the BOCC and the Library Board of Trustees. A main recommendation was for the County to consider peer community and per capita funding analyses during budget deliberations.

The Adopted Budget includes a funding increase of $3.1 million. This increase exceeds the increase range recommended by the Task Force and will bring Mecklenburg County library funding in line with selected peer communities. Of this new funding, $2 million will help the Library implement taskforce recommendations such as maintaining branch operations and extending hours at the regional libraries. The remaining funding will restore a 3 percent employer match to deferred compensation plans, 401k or 457b, for participating Library employees, fund merit increases and allow the Library to operate the newly renovated and expanded Beatties Ford Road Regional Library.

Community Service Grants

For FY2012, the County Manager’s Office introduced a new competitive grants process that aligns the County’s non-profit grant funding to the Critical Success Factors pertaining to the quality of life of Mecklenburg County residents. In March 2011, the County issued a request for proposals (RFP) for non-profit services that contribute to the following four target areas:

- Improve the high school graduation rate
- Train and place unemployed workers
- Prevent health risks and diseases
- Promote financial self-sufficiency
For FY2012, the BOCC awarded Community Service Grants to 17 non-profit services for total funding of $3.1 million, a 24 percent increase from FY2011. Table 6 shows the funding levels by target area that are aligned with the Critical Success Factors.

Table 6: Community Service Grants FY2012 Funding by Target Area

<table>
<thead>
<tr>
<th>Community Service Grant Target Areas</th>
<th>FY2012 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve the High School Graduation Rate</td>
<td>1,326,500</td>
</tr>
<tr>
<td>Train and Place Unemployed Workers</td>
<td>166,000</td>
</tr>
<tr>
<td>Prevent Health Risks and Diseases</td>
<td>1,454,000</td>
</tr>
<tr>
<td>Promote Financial Self-Sufficiency</td>
<td>156,000</td>
</tr>
<tr>
<td><strong>Community Service Grant Funding Total:</strong></td>
<td><strong>$3,102,500</strong></td>
</tr>
</tbody>
</table>

**Investing in Employees**

The Adopted Budget reinvests in County employees by providing funds for merit increases and restoring funding for the 401k/457b deferred compensation match. In addition, this budget provides additional funds for both enterprise-wide and department-specific training needs to ensure that the County maintains a highly skilled workforce that meets the needs of County residents and businesses. In addition, this budget also keeps employee premiums flat by budgeting $4 million for claims increases.

Table 7: Investments in County Employees

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay-for-performance Merit Increase</td>
<td>$4,202,600</td>
</tr>
<tr>
<td>401k/457 Deferred Compensation Match</td>
<td>$3,456,670</td>
</tr>
<tr>
<td>Enterprise Training Fund</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Health and Dental Claims Increase</td>
<td>$3,999,004</td>
</tr>
<tr>
<td>Health and Dental Reserve</td>
<td>$1,750,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$14,408,274</strong></td>
</tr>
</tbody>
</table>

**Debt Service**

Debt service is the annual budget appropriation dedicated to paying off the County’s outstanding debts for capital building projects such as government buildings, schools, and libraries. Historically, the County budgets the amounts necessary to fully service its debt or make the required debt payments each year. Based on the County’s experiences in weathering the recession and its goal of maintaining fiscal discipline, it has changed its approach to funding capital projects and managing its debt. Before, the County approved capital projects first, borrowed funds to build the projects, and then appropriated the necessary amounts to pay off the debt service. Now the County is determining the available revenues for debt service first, borrowing up to that limit, and then identifying which projects will be authorized based on available funds in its Debt Service Fund.
Debt Service Fund

The Debt Service Fund is a dedicated funding source for the County’s principal and interest payments on debt, including debt service for Charlotte-Mecklenburg Schools and Central Piedmont Community College. The Debt Service Fund will help ensure compliance with adopted debt policies and will make debt service more intentional and less likely to be a potential strain on the annual operating budget. A more standard, structured method based on available funding capacity will be used to manage debt issuance for capital projects. The Fund will include County revenues dedicated for debt service, lottery funds and a portion of the sales tax, ABC and investment revenues. Property taxes totaling nearly 21 cents on the tax rate provide the majority of the revenue for the Debt Service Fund. The appropriation for the Debt Service Fund is as follows in Table 8:

**Table 8: Debt Service Fund Appropriations**

<table>
<thead>
<tr>
<th>Debt Service Fund</th>
<th>Dedicated Debt Service Revenue</th>
<th>County Funding</th>
<th>Total Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMS Debt Service</td>
<td>$43,515,000</td>
<td>$120,557,000</td>
<td>$164,072,000</td>
</tr>
<tr>
<td>CPCC Debt Service</td>
<td>1,261,000</td>
<td>17,500,000</td>
<td>18,761,000</td>
</tr>
<tr>
<td>County Debt Service</td>
<td></td>
<td>86,071,000</td>
<td>86,071,000</td>
</tr>
<tr>
<td>Total Debt Service Fund</td>
<td>$44,776,000</td>
<td>$224,159,000</td>
<td>$268,971,000</td>
</tr>
</tbody>
</table>

Two significant changes in the funding for debt service are the anticipated loss of lottery funds for CMS debt service totaling $10.2 million and the decision to forgo use of fund balance totaling $22.7 million. These funds must be replaced with County revenues in order to fully fund the debt service costs for FY2012.

**Business Imperative Reserves**

The County manages over 8 million square feet of facility space in 473 facilities, 65 terabytes of data and over 1,000 vehicles. Maintaining and managing these assets require a stable and predictable source of funding. Over the past three years, funding has been reduced due to the realities of the recession (see Table 9).
Table 9: Change in Funding for County Reserves

<table>
<thead>
<tr>
<th>Reserve</th>
<th>FY2008 Adopted</th>
<th>FY2009 Adopted</th>
<th>FY2010 Adopted</th>
<th>FY2011 Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$8.3 M</td>
<td>$4.9 M</td>
<td>$4.8 M</td>
<td>$5.5 M</td>
</tr>
<tr>
<td>Technology</td>
<td>$6.4 M</td>
<td>$4.5 M</td>
<td>$2.3 M</td>
<td>$1.2 M</td>
</tr>
<tr>
<td>Fleet</td>
<td>$1.2 M</td>
<td>$1.2 M</td>
<td>$0.6 M</td>
<td>$0.0 M</td>
</tr>
<tr>
<td><strong>Total $</strong></td>
<td><strong>$15.9 M</strong></td>
<td><strong>$10.5 M</strong></td>
<td><strong>$7.7 M</strong></td>
<td><strong>$6.7 M</strong></td>
</tr>
<tr>
<td><strong>Cents</strong></td>
<td><strong>1.7¢</strong></td>
<td><strong>1.1¢</strong></td>
<td><strong>1.0¢</strong></td>
<td><strong>0.7¢</strong></td>
</tr>
</tbody>
</table>

This budget restores funding consistent with pre-recession levels by funding the reserves at 1.29 cents on the tax rate. Table 10 outlines how that funding would be allocated among the three reserves.

Table 10: FY2012 Adopted Reserve Funding

<table>
<thead>
<tr>
<th>Reserve</th>
<th>FY2011 Adopted Budget</th>
<th>FY2012 Adopted Budget</th>
<th>$ Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$5.5 M</td>
<td>$8.75 M</td>
<td>$3.25 M</td>
</tr>
<tr>
<td>Technology</td>
<td>$1.2 M</td>
<td>$4.1 M</td>
<td>$2.9 M</td>
</tr>
<tr>
<td>Fleet</td>
<td>$0.0 M</td>
<td>$1.1 M</td>
<td>$1.1 M</td>
</tr>
<tr>
<td><strong>Total $</strong></td>
<td><strong>$6.7 M</strong></td>
<td><strong>$13.95 M</strong></td>
<td><strong>$7.25 M</strong></td>
</tr>
<tr>
<td><strong>Cents</strong></td>
<td><strong>0.7¢</strong></td>
<td><strong>1.29¢</strong></td>
<td><strong>0.59¢</strong></td>
</tr>
</tbody>
</table>

Revenue – Where the Money Comes From

Of the $1.4 billion in total revenue, County revenue is the largest portion of these revenues. County revenues are composed of property tax, sales tax, investment interest, fees and charges and charges for service. In addition, the County this year includes in the Adopted Budget the establishment of a debt service fund. These are the revenue sources over which the BOCC has discretion and authority and that directly affect the County-wide property tax rate.\(^2\) In addition, the County receives funds from the federal and state governments to provide specific services. Chart 2 shows the County’s revenue sources:

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\(^2\) The Board also has authority to set other revenue rates, such as the Law Enforcement Service District tax rate and fees/charges for services, but these do not impact or only indirectly impact the county-wide property tax rate.
County Revenue by Type

County revenue is the largest single type of revenue for Mecklenburg County. This revenue is composed of 10 distinct revenue sources.

At $898,237,487, property taxes are the largest portion of County revenue.

Sales taxes earned on every purchase within the County constitute the second largest source of County revenue at $183,715,000. Of this amount, the County budgets $32.2 million, one-half percent of sales tax, for Transit.

Charges for Services generate $84,690,218 and are revenues from user fees such as for the rental of park shelters, landfill tipping fees, storm water fees and others.

Licenses & Permits, $13,610,873, is primarily revenue generated from business and marriage licensing fees.

The Law Enforcement Service District (LESD) is a tax on property in the unincorporated areas of Mecklenburg County for the provision of police services from the Charlotte-
Mecklenburg Police Department. The current agreement maintains the existing conditions for service with adjustments for inflation and increased cost of service on an annual basis. For FY2012, this agreement projects a payment to the City in the amount of $15.8 million for police services. However, based on annexation of the unincorporated area, the population ratio, and the slower rate of growth for police services, the actual cost for this service will be $11,467,170. The tax rate for FY2012 is 18.66 cents.

Investment Income, $2,825,000, is revenues earned from funds invested by the County.

Local ABC profits, $2,730,000, are net profits from local ABC stores. Mecklenburg County allocated two percent of net profits to the six municipalities and applies no less than 24 percent to the payment of principle and interest on bond indebtedness.

Federal, $97,290,457, and State, $68,892,620, sources of revenue are primarily funds for health, mental health and social services.

Fund balance represents carryover funds from prior fiscal years and is available for a variety of purposes including debt service and general government operations. The FY2012 Adopted Budget does not include an appropriation for fund balance.

Other revenues, $21,547,057, include revenues from rentals, transient occupancy tax, sale of properties, inmate reimbursements and other small revenue sources.

Chart 3 illustrates these revenue sources.

**Chart 3: Mecklenburg County Revenue by Type**
Expenditures – Where the Money Goes

Total appropriations in FY2012 are $1,385,005,882, a $35,514,868 (2.6%) increase from the FY2011 Adopted Budget of $1,349,491,014. Net County expenditures are $1,025,235,007, a $70,390,317 (7.4%) increase from the FY2011 Adopted Budget of $954,844,690. Chart 4 shows the breakout of expenses by type for County funds.

Chart 4: Mecklenburg County Expenses by Type
Expenditures by Priority Level

Most of the net County expenditures (88.3 percent) are allocated to pay for services in the Board’s top three priority levels. Table 11 shows the County and total funding for each priority level:

**Table 11: FY2012 Adopted Expenditures by Priority Level**

<table>
<thead>
<tr>
<th>Priority level</th>
<th>County Funding</th>
<th>% of County</th>
<th>Total Funding</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority level 1</td>
<td>$622,818,318</td>
<td>60.75%</td>
<td>$672,004,660</td>
<td>48.52%</td>
</tr>
<tr>
<td>Priority level 2</td>
<td>180,319,409</td>
<td>17.59%</td>
<td>306,862,840</td>
<td>22.16%</td>
</tr>
<tr>
<td>Priority level 3</td>
<td>165,850,245</td>
<td>16.18%</td>
<td>244,014,433</td>
<td>17.62%</td>
</tr>
<tr>
<td>Priority level 4</td>
<td>41,914,049</td>
<td>4.09%</td>
<td>63,880,357</td>
<td>4.61%</td>
</tr>
<tr>
<td>Priority level 5</td>
<td>9,903,700</td>
<td>0.97%</td>
<td>52,552,044</td>
<td>3.79%</td>
</tr>
<tr>
<td>Priority level 6</td>
<td>3,811,580</td>
<td>0.37%</td>
<td>44,887,608</td>
<td>3.24%</td>
</tr>
<tr>
<td>Priority level 7</td>
<td>617,706</td>
<td>0.06%</td>
<td>803,940</td>
<td>0.06%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,025,235,007</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>$1,385,005,882</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
How to Use This Document

The annual budget document is designed to serve several purposes. First, it serves as a policy document, financial plan and operating guide for County programs. Second, the budget document is intended to provide information in such a manner that the lay reader can understand the operations of Mecklenburg County.

Recognizing that not everyone will want to read the entire budget book, the following descriptions of each section are presented to guide the reader to particular areas of interest.

Introduction

In this section, the County Manager, who serves as the chief administrative officer of the County, articulates his vision for the County in the Transmittal Letter. The Executive Summary summarizes the Adopted Budget, highlighting the outlook for revenues and taxes, expenditures and priority programs for Fiscal Year 2012.

County Government

This section provides general information about the County, including the County Seal, the members of the Mecklenburg Board of County Commissioners (BOCC), a brief County history, executive leadership and the organizational structure. This section also includes a description of the Strategic Planning Process and the FY2012 Strategic Planning Budget Calendar.

Performance Results

The Performance Results section includes the goals and measures established by the BOCC in the four focus areas and the progress that is being made toward the 2020 Strategic Vision for the County. Results are presented for the last four fiscal years.

Budget Overview

In this section, the FY2012 Adopted Budget is summarized and illustrated in various formats, giving the reader highlights of the budget. In addition, this section includes combined summaries of revenue, expenditures and inter-fund transfers for all funds.

Adopted Budget Fiscal Year 2012
Budget Summaries

This section summarizes and illustrates the adopted budget from various perspectives and levels of detail. The following summaries are included in this section:

- **Expenditure Summary by Choice Matrix** – a presentation of the expenditures by the choices available to the BOCC in funding services. All services funded by the County are categorized into one of four designations: **NO CHOICE (RED); NO PROGRAM CHOICE/FUNDING CHOICE (BLUE); PROGRAM CHOICE/NO FUNDING CHOICE (PURPLE); PROGRAM CHOICE/FUNDING CHOICE (GREEN)**. Some services appear in multiple designations because portions of the service are subject to different levels of funding.

- **Adopted Budget by Priority** – the FY2012 service budgets in order of the seven priority levels assigned by the BOCC; within each priority level, the budget is broken out by program category.

- **Education Summaries** – a five-year comparison of funding for Charlotte-Mecklenburg Schools and Central Piedmont Community College.

- **Community Service Grant Recipients** – a multi-year comparison of County funding for non-profit agencies, grouped according to BOCC priority level.

- **Position Summaries** – a comparative summary of the County’s authorized positions from FY2009 to FY2012 and a summary by agency of the changes in positions from FY2011 to FY2012.

Financial Sources and Uses

These sections summarize revenues by major categories and expenditures by fund and agency, department/division and focus area/program category/service. The summaries included in this section are as follows:

- **Revenue Overview**: This section uses various tables to provide an analysis of revenue trends and projections. It summarizes General Fund revenues by each source, subtotaled by category, for the prior, current and the upcoming fiscal years. This section also details revenues from the State and Federal governments for the prior, current and upcoming fiscal years.

- **Expenditure Overview**: This section provides details and explanations of the key expenditures in the Adopted Budget. It includes all the County government expenditures by fund type. This section also provides a breakdown of all operating expenditures by major expenditure category for the prior, current and upcoming fiscal years.

- **Budget Schedules By Focus Area/Program Category/Service**: This section illustrates the FY2012 Adopted Budget as the services are structured within one of the four focus areas. A brief description and financial table are provided for each service in its respective area.
• Budget Schedules By Department: In this section, the FY2012 Adopted Budget for each County agency is presented. Each page includes the agency’s mission and responsibilities, linkage to focus areas, position summaries and budget overview by expense categories.

• Budget Schedules By Service Level: This section displays County agency funding by service. Each page includes a budget overview of expenditures by priority and service.

Capital Improvement Program

This section contains an overview of the capital planning and budgeting process and explains the BOCC decision to fund previously approved capital projects in FY2012.

Appendices

This section contains the FY2012 Adopted Budget Ordinance and provides the reader with the financial policies and procedures that guide the organization. This section also includes a glossary of terms, historical tax data and statistical data on Mecklenburg County.