

**MECKLENBURG COUNTY, NORTH CAROLINA
BUDGET ORDINANCE FISCAL YEAR 2026-2027**

The following ordinance was offered by _____ who moved its adoption:

**BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF
MECKLENBURG COUNTY, NORTH CAROLINA, THIS 2nd DAY OF JUNE 2026:**

Section 1. That for the operation of Mecklenburg County's government and its subdivisions for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the amounts in the following schedules are hereby appropriated:

General Fund	\$1,905,882,632
Debt Service Fund	\$456,723,357
Law Enforcement Service District Funds	
Charlotte LESD Law Enforcement Service District	\$17,334,137
Cornelius LESD Law Enforcement Service District	\$234,001
Davidson LESD Law Enforcement Service District	\$593,821
Huntersville LESD Law Enforcement Service District	\$3,166,695
Mint Hill LESD Law Enforcement Service District	\$1,089,138
Pineville LESD Law Enforcement Service District	\$1,035,976
Fire Protection Service District Funds	
Charlotte ETJ Fire Protection Service District	\$14,394,775
Cornelius ETJ Fire Protection Service District	\$38,931
Davidson ETJ Fire Protection Service District	\$385,730
Huntersville ETJ Fire Protection Service District	\$2,503,587
Mint Hill ETJ Fire Protection Service District	\$698,168
Code Enforcement Special Revenue Fund	\$59,749,729
Solid Waste Enterprise Fund	\$61,348,415
Scrap Tire Special Revenue Fund	\$3,127,330
White Goods Special Revenue Fund	\$621,931
Storm Water Enterprise Fund	\$41,284,554
Fee Collection for State Special Revenue Fund	\$22,365,277
Representative Payee Funds Special Revenue Fund	\$120,000
TOTAL APPROPRIATIONS	<u>\$ 2,592,698,184</u>

Section 2. That it is estimated that the following revenues will be available during the fiscal year beginning July 1, 2026, and ending June 30, 2027, to meet the appropriations in Section 1, as set forth in the following schedules:

General Fund	
Current Year Property Taxes	\$1,194,115,955
Fund Balance – Unrestricted Appropriation	\$98,416,143
Revenues – Other Sources	\$613,350,534
Subtotal – General Fund	\$1,905,882,632

Debt Service Fund	
Current Year Property Taxes	\$326,144,844
Revenues – Other Sources	\$130,578,513
Subtotal – Debt Service Fund	\$456,723,357
Law Enforcement Service District Funds	
Charlotte LESD Law Enforcement Service District	\$17,334,137
Cornelius LESD Law Enforcement Service District	\$234,001
Davidson LESD Law Enforcement Service District	\$593,821
Huntersville LESD Law Enforcement Service District	\$3,166,695
Mint Hill LESD Law Enforcement Service District	\$1,089,138
Pineville LESD Law Enforcement Service District	\$1,035,976
Fire Protection Service District Funds	
Charlotte ETJ Fire Protection Service District	\$14,394,775
Cornelius ETJ Fire Protection Service District	\$38,931
Davidson ETJ Fire Protection Service District	\$385,730
Huntersville ETJ Fire Protection Service District	\$2,503,587
Mint Hill ETJ Fire Protection Service District	\$698,168
Code Enforcement Special Revenue Fund	\$59,749,729
Solid Waste Enterprise Fund	\$61,348,415
Scrap Tire Special Revenue Fund	\$3,127,330
White Goods Special Revenue Fund	\$621,931
Storm Water Enterprise Fund	\$41,284,554
Fee Collection for State Special Revenue Fund	\$22,365,277
Representative Payee Funds Special Revenue Fund	\$120,000
TOTAL ESTIMATED REVENUES & APPROPRIATED FUND BALANCE	<u>\$ 2,592,698,184</u>

Section 3. That there is hereby levied for the fiscal year beginning July 1, 2026 and ending June 30, 2027, the following rate of property tax on each one hundred dollars (\$100) of assessed valuation of taxable property, as listed for taxes as of January 1, 2026, for the purpose of raising the revenue for current year's taxes as set forth in the foregoing estimates of revenues, and in order to finance the foregoing appropriations:

<p>Tax Rate <u>49.27¢</u> Based on Estimated Assessed Valuation of \$310,575,836,007</p>

Section 4. There is also hereby levied for the fiscal year beginning July 1, 2026 and ending June 30, 2027, the following rate of property tax on each one hundred dollars (\$100) of assessed valuation of taxable property subject to taxation in the Law Enforcement Service Districts as listed for taxes as of January 1, 2026, in addition to that levied throughout the County, for the purpose of raising the revenue for the Law Enforcement Service Districts as set forth in the foregoing estimates of revenues, and in order to finance the foregoing appropriations:

<p>Charlotte Law Enforcement Service District Tax Rate <u>11.70¢</u> Based on Estimated Assessed Valuation in the Charlotte ETJ Law Enforcement Service District of \$14,965,153,181</p>

Cornelius Law Enforcement Service District Tax Rate 27.23¢
Based on Estimated Assessed Valuation in the Cornelius ETJ Law Enforcement Service District of \$87,688,870

Davidson Law Enforcement Service District Tax Rate 11.70¢
Based on Estimated Assessed Valuation in the Davidson ETJ Law Enforcement Service District of \$512,665,921

Huntersville Law Enforcement Service District Tax Rate 11.70¢
Based on Estimated Assessed Valuation in the Huntersville ETJ Law Enforcement Service District of \$2,733,916,093

Mint Hill Law Enforcement Service District Tax Rate 11.70¢
Based on Estimated Assessed Valuation in the Mint Hill ETJ Law Enforcement Service District of \$949,884,976

Pineville Law Enforcement Service District Tax Rate 11.85¢
Based on Estimated Assessed Valuation in the Pineville Law Enforcement Service District of \$700,914,640

Section 5. There is also hereby levied for the fiscal year beginning July 1, 2026 and ending June 30, 2027, the following rate of property tax on each one hundred dollars (\$100) of assessed valuation of taxable property subject to taxation in the Fire Protection Service Districts as listed for taxes as of January 1, 2026, in addition to that levied throughout the County, for the purpose of raising the revenue for the Fire Protection Service Districts as set forth in the foregoing estimates of revenues, and in order to finance the foregoing appropriations:

Charlotte ETJ Fire Protection Service District Tax Rate 8.76¢
Based on Estimated Assessed Valuation in the Charlotte ETJ Fire Protection Service District of \$15,666,067,822

Cornelius ETJ Fire Protection Service District Tax Rate 4.53¢
Based on Estimated Assessed Valuation in the Cornelius ETJ Fire Protection Service District of \$87,688,870

Davidson ETJ Fire Protection Service District Tax Rate 7.60¢
Based on Estimated Assessed Valuation in the Davidson ETJ Fire Protection Service District of \$512,665,921

Huntersville ETJ Fire Protection Service District Tax Rate 9.25¢
Based on Estimated Assessed Valuation in the Huntersville ETJ Fire Protection Service District of \$2,733,916,093

Mint Hill ETJ Fire Protection Service District Tax Rate 7.50¢
Based on Estimated Assessed Valuation in the Mint Hill ETJ Fire Protection Service District of \$949,884,976

Section 6. The foregoing appropriations, schedules of expected revenues, and taxes levied, are based on the annual budget as hereby approved, a summary of which budget is attached as *Schedule No. 1*, and the terms of which budget are hereby specifically incorporated by reference.

Section 7. The total of all remaining amounts encumbered for outstanding purchase orders and contracts by June 30, 2026, shall be re-appropriated for expenditure in the current fiscal year.

Section 8. The Management and Budget Director, as approved by the County Manager, is hereby authorized to transfer the unencumbered balance, or any portion thereof, from one appropriation to another appropriation within the same fund. Expenditures will be controlled for financial reporting purposes at the agency level and for operational purposes within organization units at the appropriation unit for all category levels (4000, 5000, 6000, 7000, 8000 and 9000 series of accounts). The original capital outlay appropriation by organization unit may not be increased by transfer by more than \$100,000 of local funds without specific Board action. The Management and Budget Director may authorize, at the request of the affected department head or designee, the substitution of one capital outlay item for another within the appropriation limits set forth above. The Management and Budget Director may authorize non-locally funded changes in capital outlay resulting from Federal, State, or other grant funding as requested by the affected department.

Section 9. The County Manager or designee may award and execute contracts that are not required to be bid or which N.C.G.S. 143-131 allows to be let on informal bids provided the budget or appropriate capital project ordinance or capital reserve fund contains sufficient appropriated but unencumbered funds for such purposes. On behalf of Mecklenburg County, the County Manager, or designee, may enter into and execute change orders or amendments to construction contracts when the appropriate capital project or capital reserve fund contains sufficient appropriated but unencumbered funds allocated for such construction projects. On behalf of Mecklenburg County, the County Manager, or designee, may execute contracts with outside agencies to properly document budgeted appropriations to such agencies where N.C.G.S. 153A-248(b), 259, 449 or any similar statutes require such contracts. On behalf of the Mecklenburg County Consolidated Human Services Agency (“ Human Services Agency”), the County Manager or designee, may award and execute contracts which are not required to be bid or which N.C.G.S. 143-131 allows to be let on informal bids provided the budget contains sufficient appropriated but unencumbered funds for such purposes, and may execute contracts with outside agencies to properly document budgeted appropriations to such agencies where N.C.G.S. 122C-141, 142 or any similar statutes require such contracts. The County Manager or designee may execute contracts on behalf of the Human Services Agency or the County, to render services, at not less than full cost, with the State, other political subdivisions of the State and outside agencies. The County Manager or designee may execute contracts or other agreements with the State of North Carolina required by the State in connection with the receipt of revenues that are included in the estimate of revenues. The County Manager shall exercise the authority to designate individuals who are authorized to award and execute contracts only by a written memorandum of delegation filed with the Clerk to the Board, the County Attorney, and the Director of Finance, except that the County Manager may designate Deputy County Managers without filing a written memorandum of delegation. However, equipment leases for fewer than 30 days, and purchase orders may be processed without the signature of the County Manager or designee if processed in accordance with policies of the Finance Department. Additionally, the County Manager may delete positions as part of a reorganization, but the Board must approve all new permanent positions.

Section 10. That there is hereby appropriated to the Solid Waste Enterprise Fund all Residential Solid Waste Fees, user fees, tipping fees, revenues from sale of recyclables and other revenues attributable to the program. A Residential Solid Waste Availability Fee of \$61.50 per year is imposed under N.C.G.S. 153A-292 for the fiscal year beginning July 1, 2026, and ending June 30, 2027, on all mobile homes, single family and multi-family residences located in Mecklenburg County on January 1, 2026, as provided in the Residential Solid Waste Fee Ordinance. Such fees are to be added to the 2026 property tax bill, are payable in the same manner as property taxes, and, in the case of nonpayment, may be collected in any manner by which delinquent personal or real property taxes can be collected. The Residential Solid Waste Fee Ordinance provides additional details about this fee.

Section 11. That there is hereby appropriated to the Scrap Tire Special Revenue Fund all other revenues attributable to the program.

Section 12. That there is hereby appropriated to the White Goods Special Revenue Fund all other revenues attributable to the program.

Section 13. That there is hereby appropriated to the Storm Water Enterprise Fund all user fees and other revenues attributable to the program.

Section 14. That there is hereby appropriated to the Code Enforcement Special Revenue Fund all user fees and other revenues attributable to the program.

Section 15. That there are hereby appropriated to the Law Enforcement Service District Funds (special revenue funds) revenues from the collection of the Law Enforcement Service Districts Ad Valorem tax at the rates stated in Section 4 to cover the cost for servicing all districts. Revenue may be used from multiple service districts to pay a single service agreement for the districts.

Section 16. That there are hereby appropriated to the Fire Protection Service District Funds (special revenue funds) the revenues from the collection of the Fire Protection Service Districts Ad Valorem tax at the rates stated in Section 5 to cover the cost for servicing all districts. Revenue may be used from multiple service districts to pay a single service agreement for the districts.

Section 17. The Director of Finance is authorized to transfer as a loan from the General Fund to the Law Enforcement and Fire Protection Service District Funds, such funds necessary to provide cash for operation until such time as revenues received from all sources are sufficient to provide funding for expenditures. Any such loan is to be paid back to the General Fund when cash balances allow for repayment.

Section 18. A transfer of \$12,872,978 is authorized to the Technology Reserve Fund as a transfer of \$4,509,988 from the General Fund and \$8,362,990 from the Debt Service Fund. Funds are appropriated to be utilized for technology in the current fiscal year or subsequent fiscal years.

Section 19. A transfer of \$6,747,401 is authorized to the Capital Reserve Fund as a transfer of \$244,393 from the General Fund and \$6,503,008 from the Debt Service Fund. Funds are appropriated to be utilized for capital expenditures in the current fiscal year or subsequent fiscal years.

Section 20. A transfer of \$1,464,608 is authorized from the Capital Maintenance Reserve Fund to the Capital Reserve Fund to support capital maintenance projects for county facilities.

Section 21. A transfer of \$49,345,000 is authorized to the Capital Maintenance Fund as a transfer of \$16,520,000 from the General Fund and \$32,825,000 from the Debt Service Fund. Funds are appropriated to be utilized for capital maintenance expenditures in the current or subsequent fiscal years. This funding includes Capital Maintenance for Charlotte-Mecklenburg Schools, Central Piedmont Community College, and County Park & Recreation facilities.

Section 22. A transfer of \$1,814,100 is authorized to the Vehicle Reserve Fund as a transfer from the General Fund. Funds are appropriated to be utilized for purposes described in the Vehicle Replacement Reserve Fund Ordinance either in the current or subsequent fiscal years.

Section 23. There is hereby appropriated \$801,964 within the Child Support Reinvestment Special Revenue Fund to be used for child support services enhancements either in the current or subsequent fiscal years.

Section 24. The FY2027 Financial Plan for the Enterprise Risk Management Internal Service Fund for expenses related to risk mitigation, insurance premiums, claims payments, and other related expenses is hereby adopted. See *Schedule No. 2* for the FY2027 Financial Plan as required by N.C.G.S. 159-13.1.

Section 25. The FY2027 Financial Plan for the Employee Medical Benefits Internal Service Fund for expenses related to the county medical plan, dental plan, and other benefit plans for active and retired employees is hereby adopted. See *Schedule No. 2* for the FY2027 Financial Plan as required by N.C.G.S. 159-13.1.

Section 26. In accordance with N.C.G.S 115D-58.2, the Director of Finance is directed to provide, based on the appropriations herein, funds to Central Piedmont Community College as needed (with at least one transfer of funds during each month for which funds are requested) to meet the expenditures reflected in the approved budget. All unexpended and unencumbered funds at the end of the fiscal year shall be returned to Mecklenburg County within thirty (30) days after the close of the fiscal year.

Section 27. The appropriations to the Charlotte-Mecklenburg Board of Education have been allocated by purpose, function and project as defined in the uniform budget format, as shown on *Schedule No. 3*. The Charlotte-Mecklenburg Board of Education must obtain the approval of the Board of County Commissioners for any amendment to the Board of Education's budget which would (a) increase or decrease appropriation for capital outlay approved by the Board of Commissioners for such projects as listed in N.C.G.S. 115C-426(f)(1) or (2), or (b) increase or decrease the amount of other County appropriations allocated to a purpose or function by more than ten (10%) percent.

Section 28. That there is hereby appropriated to the Debt Service Fund actual proceeds of revenues dedicated for debt service, specifically sales tax Articles 40 and 42 received and allocated for schools, lottery, ABC, investment revenue, property taxes, and other revenue. The total appropriation for this fund is \$456,723,357. Funds appropriated can only be utilized for debt service or pay-as-you-go capital funding in the current or subsequent fiscal years.

The Director of Finance is authorized to transfer, as a loan from the General Fund to the Debt Service Fund, necessary funds to provide cash for operation until such time as revenues received from all sources are sufficient to provide funding for expenditures. The loan is to be paid back to the General Fund when cash balances allow for repayment.

The Director of Finance is authorized to appropriate amounts needed to fund current fiscal year debt issues that have been approved by the Board of County Commissioners.

Section 29. That there is hereby appropriated to the Fee Collection for State Special Revenue Fund such actual proceeds as received to be transferred by the Director of Finance to the State of North Carolina.

Section 30. That there is hereby appropriated to the Representative Payee Funds Special Revenue Fund such actual proceeds as received to eligible payees.

Section 31. The fees submitted by the Public Health department, Land Use & Environmental Services department, Historic Landmarks department, and the Park & Recreation department in support of their budget requests are approved.

Section 32. That the County's revised General Fund Balance Policy and Debt Policy are adopted and replace any prior versions, attached as Exhibit A & Exhibit B.

Section 33. That the Affordable Housing Fund is terminated.

Section 34. That the Transit Sales Tax Special Revenue Fund is terminated.

Section 35. That before any portion of the \$700,000 contingency appropriation in *Schedule No.5* can be expended, the Board must authorize such expenditure. That before any portion of the \$2,293,759 restricted contingency allocated for Medic minimum pay increases may be expended, the Board must authorize such expenditures following a briefing and recommendation on Medic compensation to the Board by the County Manager or the Manager's designee.

Section 36. The compensation and allowances for the Board of County Commissioners shall be as provided in the annual budget, the details of which are shown attached in *Schedule No. 4*, and the terms of which are hereby specifically incorporated herein by reference.

Section 37. The motion to adopt the foregoing ordinance was seconded by Commissioner _____ and carried on the following vote:

AYES

NAYES

**Budget Summary By Fund
FY 2026 - 2027**

Fund	Appropriation	Fund Balance	Federal Aid	State Aid	Fee Revenue	Other Revenue	Sales Taxes	Prior Year Taxes	Current Year Taxes
General Fund	\$ 1,905,882,632	\$ 98,416,143	\$ 102,333,214	\$ 21,598,269	\$ 8,955,557	\$ 142,531,587	\$ 334,056,576	\$ 3,875,331	\$ 1,194,115,955
Debt Service Fund	456,723,357		2,091,565	9,500,000		18,035,850	100,951,098		326,144,844
Code Enforcement Fund	59,749,729				56,349,340	3,400,389			
Solid Waste Disposal Enterprise Fund	61,348,415			40,000	57,460,721	3,847,694			
Scrap Tire Fund	3,127,330			2,595,894		531,436			
White Goods Fund	621,931			621,931					
Storm Water Enterprise Fund	41,284,554				35,310,881	5,973,673			
Fee Collection for State Fund	22,365,277				22,365,277				
Representative Payee Fund	120,000					120,000			
Charlotte ETJ - FPSD	14,394,775	808,532							13,586,243
Cornelius ETJ - FPSD	38,931								38,931
Davidson ETJ - FPSD	385,730								385,730
Huntersville ETJ - FPSD	2,503,587								2,503,587
Mint Hill ETJ - FPSD	698,168								698,168
Charlotte ETJ - LESD	17,334,137								17,334,137
Cornelius ETJ - LESD	234,001								234,001
Davidson ETJ - LESD	593,821								593,821
Huntersville ETJ - LESD	3,166,695								3,166,695
Mint Hill ETJ - LESD	1,089,138								1,089,138
Pineville ETJ - LESD	1,035,976	213,698							822,278
TOTALS	\$ 2,592,698,184	\$ 99,438,373	\$ 104,424,779	\$ 34,356,094	\$ 180,441,776	\$ 174,440,629	\$ 435,007,674	\$ 3,875,331	\$ 1,560,713,528

2026-2027 Tax Rate per \$100 of Assessed Value:

General & Debt Service Fund	
Yield of 1¢ Tax Rate	
Gross	\$31,057,584
Less: 0.65% Allowance for Uncollectibles	<u>-201,874</u>
NET	<u>\$30,855,709</u>
2026-2027 Tax Rate	<u>49.27 ¢</u>
2026-2027 Est. Assessed Valuation	<u>\$310,575,836,007</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Charlotte ETJ Fire District	
Yield of 1¢ Tax Rate	
Gross	\$1,566,607
Less: 1% Allowance for Uncollectibles	<u>-15,666</u>
NET	<u>\$1,550,941</u>
2026-2027 Tax Rate	<u>8.76 ¢</u>
2026-2027 Est. Assessed Valuation	<u>\$15,666,067,822</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Cornelius ETJ Fire District	
Yield of 1¢ Tax Rate	
Gross	\$8,769
Less: 2% Allowance for Uncollectibles	<u>-175</u>
NET	<u>\$8,594</u>
2026-2027 Tax Rate	<u>4.53 ¢</u>
2026-2027 Est. Assessed Valuation	<u>\$87,688,870</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Davidson ETJ Fire District	
Yield of 1¢ Tax Rate	
Gross	\$51,267
Less: 1% Allowance for Uncollectibles	<u>-513</u>
NET	<u>\$50,754</u>
2026-2027 Tax Rate	<u>7.60 ¢</u>
2026-2027 Est. Assessed Valuation	<u>\$512,665,921</u>

**Budget Summary By Fund
FY 2026 - 2027**

2026-2027 Tax Rate per \$100 of Assessed Value:

Huntersville ETJ Fire District	
Yield of 1¢ Tax Rate	
Gross	\$273,392
Less: 1% Allowance for Uncollectibles	<u>-2,734</u>
NET	<u>\$270,658</u>
2026-2027 Tax Rate	9.25 ¢
2026-2027 Est. Assessed Valuation	<u>\$2,733,916,093</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Mint Hill ETJ Fire District	
Yield of 1¢ Tax Rate	
Gross	\$94,988
Less: 2% Allowance for Uncollectibles	<u>-1,900</u>
NET	<u>\$93,089</u>
2026-2027 Tax Rate	7.50 ¢
2026-2027 Est. Assessed Valuation	<u>\$949,884,976</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Charlotte ETJ Law Enforcement Service District	
Yield of 1¢ Tax Rate	
Gross	\$1,496,515
Less: 1% Allowance for Uncollectibles	<u>-14,965</u>
NET	<u>\$1,481,550</u>
2026-2027 Tax Rate	11.70 ¢
2026-2027 Est. Assessed Valuation	<u>\$14,965,153,181</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Cornelius ETJ Law Enforcement Service District	
Yield of 1¢ Tax Rate	
Gross	\$8,769
Less: 2% Allowance for Uncollectibles	<u>-175</u>
NET	<u>\$8,594</u>
2026-2027 Tax Rate	27.23 ¢
2026-2027 Est. Assessed Valuation	<u>\$87,688,870</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Davidson ETJ Law Enforcement Service District	
Yield of 1¢ Tax Rate	
Gross	\$51,267
Less: 1% Allowance for Uncollectibles	<u>-513</u>
NET	<u>\$50,754</u>
2026-2027 Tax Rate	11.70 ¢
2026-2027 Est. Assessed Valuation	<u>\$512,665,921</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Huntersville ETJ Law Enforcement Service District	
Yield of 1¢ Tax Rate	
Gross	\$273,392
Less: 1% Allowance for Uncollectibles	<u>-2,734</u>
NET	<u>\$270,658</u>
2026-2027 Tax Rate	11.70 ¢
2026-2027 Est. Assessed Valuation	<u>\$2,733,916,093</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Mint Hill ETJ Law Enforcement Service District	
Yield of 1¢ Tax Rate	
Gross	\$94,988
Less: 2% Allowance for Uncollectibles	<u>-1,900</u>
NET	<u>\$93,089</u>
2026-2027 Tax Rate	11.70 ¢
2026-2027 Est. Assessed Valuation	<u>\$949,884,976</u>

2026-2027 Tax Rate per \$100 of Assessed Value:

Pineville ETJ Law Enforcement Service District	
Yield of 1¢ Tax Rate	
Gross	\$70,091
Less: 1% Allowance for Uncollectibles	<u>-701</u>
NET	<u>\$69,391</u>
2026-2027 Tax Rate	11.85 ¢
2026-2027 Est. Assessed Valuation	<u>\$700,914,640</u>

Employee Benefits Internal Service Fund	
<i>FY2027 Financial Plan</i>	
	FY2027 Estimate
Revenues¹	\$ 134,066,062
Expenditures²	134,066,062

Risk Management Internal Service Fund	
<i>FY2027 Financial Plan</i>	
	FY2027 Estimate
Revenues	\$ 11,019,492
Expenditures	11,019,492

1: include employee & County medical, dental, and other benefit premiums

2: include all estimated expenses for medical, dental, and other benefits in FY2027; including claims, prescription costs, plan administration, etc.

**MECKLENBURG COUNTY, NORTH CAROLINA
CHARLOTTE-MECKLENBURG BOARD OF EDUCATION BUDGET
FISCAL YEAR 2026-2027**

	Total Appropriation
5000 Instructional Services	
5100 Regular Instructional	\$ 228,783,674
5200 Special Populations	30,989,682
5300 Alternative Programs	26,838,802
5400 School Leadership Services	33,623,721
5500 Co-Curricular	5,323,746
5800 School-Based Support	31,313,187
Subtotal Instructional Services	\$ 356,872,812
6000 System-Wide Support Services	
6100 Support and Development	\$ 7,862,028
6200 Special Population Support and Development	1,458,205
6300 Alternative Programs Support and Development	2,621,177
6400 Technology Support	15,944,133
6500 Operational Support	149,373,107
6600 Financial and Human Resource Services	32,961,666
6700 Accountability	3,884,632
6800 System-wide Pupil Support	7,059,011
6900 Policy, Leadership and Public Relations	18,816,507
Subtotal System-Wide Support Services	\$ 239,980,466
8000 Non-Programmed Charges	
8100 Payments to Charter Schools	\$ 100,383,791
Subtotal Non-Programmed Charges	\$ 100,383,791
TOTAL OPERATING EXPENDITURES	\$ 697,237,069
9000 Capital Outlay	
9100 Category I Projects	\$ 32,960,000
TOTAL CAPITAL OUTLAY	\$ 32,960,000

Note: Amendments to this appropriation may be requested by the Board of Education to the Board of County Commissioners, per Section 27 of the Budget Ordinance. This appropriation includes only County funds, and excludes funding from the State of North Carolina, the Federal government, and other sources. Total Capital Outlay includes funding for capital maintenance that may be transferred by the County to a multiyear fund to be expended solely for CMS facility maintenance & repair.

**Mecklenburg County, North Carolina
Board of County Commissioners
Compensation & Allowances
Fiscal Year 2026-2027**

Salaries

(1) Chairman at \$65,847 and (8) Commissioners at \$53,102 each \$490,663

Auto Allowance

(1) Chairman at \$6,279 and (8) Commissioners at \$5,774 each \$52,471

Technology Allowance

(9) Commissioners at \$6,332 each \$56,988

Expense Allowance

(9) Commissioners at \$11,847 each \$106,623

Total Compensation and Allowances \$706,745

**MECKLENBURG COUNTY, NORTH CAROLINA
CONTINGENCY
FISCAL YEAR 2026-2027**

DATE	Contingency Item	Amount
6/2/2026		
	Contingency Appropriation	\$ 700,000
	Medic Minimum Pay Contingency	\$ 2,293,759
	Total	\$ 2,993,759

Contingency Appropriation: Funding to provide flexibility to the Board of Commissioners to respond to mid-year opportunities, which can only be expended through Board action.

Medic Minimum Pay Contingency: Contingency funding is allocated to provide Medic with additional County revenues to increase minimum pay for Medic employees, which may only be expended through Board authorization following a briefing and recommendation on Medic compensation to the Board by the County Manager or the Manager's designee.

General Fund Balance Policy

Process Overview

The County will maintain a fund balance in the General Fund in accordance with generally accepted governmental accounting principals and North Carolina law.

The County will maintain an unassigned General Fund balance adequate to meet the unexpected fiscal needs of County operations and to permit orderly adjustment to changes resulting from fluctuations of revenue sources.

Statutory References and Authoritative Guidance

N.C. General Statute 159-26 Accounting System
N.C. General Statute 159-34 Annual Independent Audit
OMB Circular A-133 Internal Control Requirements
GASB Fund Balance Reporting & Government Fund Type Definitions
N.C. Local Government Commission Fund Balance Guidelines

Significant Policies

Through good fiscal management, the General Fund Unassigned Fund Balance (UFB) will be maintained at a level sufficient to provide for the resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature and to permit orderly adjustment to changes resulting from termination or significant reductions in revenue sources.

The minimum General Fund UFB to the Adjusted Original Adopted General Fund Expenditure Budget (Adjusted Budget) will be 25% (approximately 90 days of operating expenses). The Adjusted Budget shall be calculated as total budgeted expenditures less transfers out and appropriations of fund balance for purposes other than transfers out.

In accordance with GASB Statement No. 54 general fund balance will be classified as follows:

- *Nonspendable*: Inherently nonspendable; cannot be spent because of form or need to remain intact (legal or financial reasons)
- *Restricted*: External enforcement of use (creditors, grantors, contributors, state or federal laws or regulations, limitations by governing body legislation)
- *Committed*: Self-imposed Internal limitations on use (as deemed by the Board of County Commissioners (BOCC), requires legislation to remove or change use)
- *Assigned*: : Internal limitations based on intended use (determined by legislation, BOCC, County Manager)
- *Unassigned*: Equals total fund balance minus nonspendable, restricted, committed, and assigned.

Exhibit A

UFB in excess of 25% of the Adjusted Budget can be appropriated only for non-recurring costs and will not be appropriated to support the on-going operations of the County except in emergency situations. .

In the event that, at the end of the fiscal year, total UFB falls below the minimum 25% of the Adjusted Budget, a replenishment period will commence.

To return the UFB to the minimum 25% of the Adjusted Budget, replenishment of UFB will be budgeted over the next two fiscal years beginning with the subsequent year's adopted budget.

The replenishment period can be extended to three years if deemed appropriate by the BOCC.

Any amount of UFB above 35% of the Adjusted Budget shall be transferred to the Debt Service Fund to be used for future capital projects.

Procedures

Projections of the UFB will be performed on an on-going basis to ensure sufficient fund balance will be available at year

Upon completion of the external audit of the County's Annual Comprehensive Financial Report the final UFB shall be reported to the BOCC and any amounts over 35% of the Adjusted Budgeted shall be transferred to the Debt Service Fund.

Adopted the 5th day of June 2012
Amended the 21st day of June 2016
Amended the 2nd day of June 2026

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Introduction

The Debt Policy guides the issuance and repayment of debt in support of effective and efficient financial management. A debt policy establishes the parameters for issuing and managing debt. It also provides guidelines regarding the timing and purposes for which debt may be issued, the types of permissible debt, and the methods of sale that may be used.

The Debt Policy is used in conjunction with the County’s operating and capital budgets, Capital Improvement Program (CIP), and other financial policies. The Debt Policy:

- Enhances the quality of decisions;
- Documents the decision-making process;
- Identifies objectives for staff to implement;
- Demonstrates a commitment to long-term financial planning objectives; and
- Factors positively in private sector credit rating agencies’ review of the County’s credit policy.

The Debt Policy below reflects private sector credit rating agency guidance and criteria for highly-rated jurisdictions, the Local Government Commission (LGC) and best practices as outlined by the Government Finance Officers Association.

Long-Term Debt Instruments

General Obligation Bonds: General obligation (“GO”) bonds are secured by a promise to levy taxes in an amount necessary to pay debt service—principal and interest due each fiscal year. General obligation bonds are backed by the full faith and credit of the County. These bonds are either authorized by a referendum, or through a non-voted (two-third’s) authorization by the governing body. The authority for non-voted authorization allows governments to issue up to two-thirds of the previous year’s net debt reduction without a referendum.

Revenue Bonds: Revenue bonds are repaid from pledged revenues generated by debt-financed asset, or by the operating system of which that asset is a part.

Special Obligation Bonds: Special obligation bonds are bonds that are payable from the pledge of revenues other than locally-levied taxes. Examples include beer and wine tax or enterprise revenues.

Installment Financing/Limited Obligation Bonds (LOB): These are alternative financing methods that do not require voter approval.

Installment financing can take several forms. An Installment Purchase Contract is an agreement in which equipment or property is acquired, and repaid over a period, with or without interest. This type of structure can be used to finance a wide-range of capital projects and equipment purchases.

Limited obligation bonds or certificates of participation are bonds that are issued to finance a project or asset. Revenues resulting from the operation or lease of the project are pledged to repay the debt.

Short-Term Debt Instruments

Generally, a government issues long-term debt based on when the bond proceeds are needed to begin construction on capital projects. However, other borrowing instruments may be more efficient and cost effective under specific circumstances. The County may consider short-term financing options, such as those outlined below, where such financing provides an efficient and effective means of financing. The County may consider other short-term or variable rate borrowing structures not listed below, including but not limited to, floating rate notes and variable rate demand bonds. The County will evaluate such options taking into account the projects being financed, the expected timing of cashflows and funding needs, the County's overall financial position, and current market conditions, among other factors.

Bond Anticipation Notes: Bond anticipation notes are short-term obligations issued in advance of a larger, future bond issue. In certain circumstances, it may be appropriate for the County to issue short-term obligations to provide interim or bridge financing for a project with the intention of refinancing the notes with long-term debt or retiring the notes with other funds.

Commercial Paper: Commercial Paper ("CP") is a short-term obligation with maturities ranging from 1 to 270 days. The County may consider utilizing CP as interim financing during the design and/or construction period to take advantage of typically lower interest rates at the short-term end of the yield curve. Once a capital project is completed, the County may recommend refunding CP with debt instruments.

Draw-Down Facility: A draw-down facility is a loan placed with a bank with a stated maximum balance and term, similar to a line of credit. As the County spends money on a capital project, the County would "draw" funds on the facility increasing the outstanding loan balance. The County would pay interest primarily on the "drawn" balance of the loan – not the maximum balance. This type of facility can be used to minimize initial interest costs prior to the project being completed.

Internal Financing

Another financing option the County may consider is internal financing, which is the use of internal sources (Pay-as-you-go "PAYGO") to finance capital improvement projects or other purchases in place of third-party financing, such as pay as you go ("PAYGO"). The County will evaluate the use of internal financing where it offers economic and/or

administrative efficiencies. Any internal financing structured as debt, such as a loan to the Solid Waste Enterprise Fund, will be repaid in full with interest and may not be forgiven except with the written authorization of the Director of Finance and the County Manager. All loans will be required to pay a rate of interest, which will be established by the Director of Finance and the County Manager at the time of execution.

Other Financing Options

The list above is not an exhaustive list of options available to the County. The County will evaluate other financing options, their legality under state statutes, and whether use of any such instrument would result in improved financing results for the County.

County Debt Policy

- a. Debt shall not be used to finance ongoing operational expenses.
- b. Any debt issued shall not have a maturity date beyond the useful life of the asset being acquired or constructed by the debt proceeds.
- c. The County shall establish an affordable debt level to preserve credit quality and ensure sufficient revenue is available to pay annual debt service. This will be balanced against the County's need to maintain its infrastructure and manage growth.
- d. The County will use appropriate debt instruments to provide funding for capital assets at the lowest cost with minimal risk. The County will monitor its debt positions to maintain the lowest effective cost.
- e. The County will, at all times, manage its debt and sustain its strong financial position, including healthy reserves, to seek and maintain the highest credit rating possible.
- f. The County will maintain a Debt Service Fund to provide dedicated funding and management of general debt issuances and expenditures.
- g. The County shall utilize pay-as-you go and other alternative sources of funding for capital projects to minimize debt levels. To have an effective pay-as-you-go program, at least one funding source must be identified that is consistent, reliable, and large enough to provide for capital needs in an amount that reduces dependency on debt.

Purposes for Debt Issuance

The County may issue debt to acquire or construct capital assets including land, buildings, machinery, equipment, technology, furniture, fixtures and any other eligible expenses specifically indicated in the Capital Improvement Policy. When feasible, debt issuance will be pooled together to minimize issuance expense. The County will prepare and adopt a Capital Improvement Program (CIP) to identify and establish an orderly plan to meet the County's infrastructure needs. The CIP will also identify all financing sources and the related debt service impact.

Debt Structure

Debt will be paid off in a timeframe that is less than or meets the useful life of the asset or project acquired through the financing. The life of the debt, interest mode, and principal maturity schedule make up the structure of the debt. This debt could be general obligation, revenue or special obligation bonds or limited obligation bonds or short-term instruments, or installment financing.

The County may consider various financing techniques, including fixed or variable interest rate debt, and interest rate swap agreements or derivatives to minimize costs and risk over the life of the issue. The County will review any such proposed structure with its financial advisors and legal counsel to determine if the use of any swap or derivative is appropriate and warranted given the potential benefit, costs, risks, and objectives. The County will evaluate the use of swaps or derivatives based on market conditions. The County will limit the issuance of variable rate debt to help maintain the County's "AAA" credit ratings. The County's long-term variable rate debt ratio limit is 15% of total outstanding debt. The County shall not pursue swaps, derivatives, variable rate debt, or other structures for speculation.

Debt Ratios

The County shall abide by the following debt ratios:

- Direct Debt as a Percentage of Assessed Valuation

This ratio measures direct debt levels, debt issued by Mecklenburg County, against the property tax base which generates the tax revenues that are the main source of debt repayment. The ceiling for this ratio is 1.75%

- Direct Debt per Capita

This ratio measures the burden of direct debt placed on the population supporting the debt. This measure will not exceed \$3,000.

- General Debt Service as a percentage of total General Fund and Debt Service Fund revenues. General Debt Service shall exclude any debt attributed and paid from any County Enterprise Funds.

This ratio reflects the County’s budgetary flexibility to adapt spending levels and respond to economic condition changes. This ratio is targeted at a level of 17%.

- Ten-year Payout Ratio

This ratio reflects the amortization of the County’s outstanding debt. A faster payout is considered to be a positive credit attribute. The County will maintain a floor for its ten-year payout of 64.0%.

In addition, the County will monitor the following debt ratios, which are impacted by external partners and economic trends.

- Overall Debt as a Percentage of Assessed Valuation

This ratio measures debt levels against the property tax base which generates the tax revenues that are the main source of debt repayment.

- Overall Debt per Capita

This ratio measures the burden of debt placed on the size of the population supporting the debt and includes debt issued by municipalities within the County.

These ratios will be calculated and reported each year in conjunction with the capital budget process, the annual financial audit and as needed for fiscal analysis. The county will also manage debt within parameters of related financial policies, including the General Fund Balance Policy.

Debt Management Policies

- a. The County will issue debt only for purposes of constructing or acquiring capital assets and for making major renovations to existing capital assets.
- b. The County shall not construct or acquire a public facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility.
- c. The County will ensure that adequate systems of internal controls exist, to provide reasonable assurance as to compliance with applicable laws, regulations, and covenants associated with outstanding debt.

- d. The County will limit the use of Installment Financings, such as LOBs, to circumstances that require immediate action, or where there is a potential for significant benefit to the county.
- e. The County will manage debt issuance to comply with the adopted debt limits and other financial policies and will evaluate such limits at least every five years.
- f. The County will attempt to structure debt in the best and most appropriate manner, consistent with the financial policies of the County.
- g. The County will monitor its outstanding debt in relation to existing conditions in the debt market and will refund any outstanding debt when sufficient cost savings can be realized or evaluate the use of interest rate swap agreements to achieve cost savings.
- h. The County will utilize the Debt Service Fund to manage debt issuances and to make debt service and capital expenditures more *budget neutral* and intentional.
 - To reduce the impact of capital programs on future years, the County will fund a portion of its CIP on a pay-as-you-go basis by:Appropriating a portion of the property tax rate for capital projects;
 - Appropriating proceeds from all county land sales for capital projects.

Pay-as-you-go funding will save money by eliminating interest expense on the funded projects. Pay-as-you-go capital appropriations improve financial flexibility in the event of sudden revenue shortfalls or emergency spending.

Refinancing of Outstanding Debt

The County in conjunction with its Financial Advisor will monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. Current refundings of existing fixed rate debt will generally be considered when net present value savings meet or exceed 3% of the refunded par amount.

Additionally, the County may consider refinancing existing debt for reasons other than to achieve interest savings, including but not limited to mitigating risks associated with the County's debt portfolio.

Taxable advance refundings, synthetic refinancing opportunities, and other alternative structures will be evaluated on a case-by-case basis and must be determined to be in the best interest of the County by the Director of Finance and the County Manager.

The County will attempt to coordinate refunding transactions with the issuance of new debt to leverage combined issuance costs and create administrative efficiencies.

Credit Enhancement

Credit enhancements (letters of credit, liquidity providers, bond insurance, etc.) may be used to improve the overall cost of funds on a debt financing, mitigate potential risks to the County, or for other reasons deemed appropriate by the Finance Director and the County Manager. The County's Financial Advisor will provide an analysis establishing the additional value any credit enhancement.

Administration and Implementation

The County Manager and the Director of Finance are responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this policy. The County will evaluate the debt policy at least every five years.

Capital Planning and Debt Determination

The Mecklenburg County Capital Improvement Program (CIP) comprises the financing, acquisition, development, and implementation of improvement projects for the County's fixed assets. The CIP is a comprehensive five-year plan for land acquisition, and the development, modernization, or replacement of county-owned facilities, infrastructure, and equipment.

The Citizens Capital Budget Advisory Committee (CCBAC) is appointed by the Board of County Commissioners (BOCC) to review and make recommendations regarding proposed capital projects.

The County Manager and Director of Finance review, evaluate, and recommend capital projects for all functional areas through the CIP process. The BOCC adopts capital project ordinances to authorize projects in the CIP, and any amendments for capital plan updates. The BOCC also approves the capital budget to provide funding through the budget process. Available pay-as-you-go funding and debt issuance is allocated to fund the CIP, consistent with the Debt policy.

Where appropriate and consistent with the Debt Policy, the County will utilize the non-voted (two-thirds) bond authorization for bonds to fund projects, such as government facilities.

The County may use a combination of bonds and Installment Financings to finance capital assets. Installment Financings do not require voter approval but do require collateral as security.

Any capital item that has not been included in the CIP or capital budget process, but because of its critical or emergency nature, or is mandated immediately by either State or Federal requirements, will be considered for financing by installment purchase contract.

Debt Service Fund

The Debt Service Fund is established to provide separate dedicated funding for debt service and pay-as-you-go (PAYGO) capital costs. Annually, the County will appropriate to the Debt Service Fund a set tax rate through the annual budget process in an amount no less than the amount required for debt service plus projected PAYGO capital costs. In addition, proceeds from all land sales, the statutorily required 25% of ABC revenues, State lottery funds, sales taxes dedicated for school funding and other revenues deemed capital related will also be appropriated in the Debt Service Fund along with investment earnings on funds accumulated in the Fund. Funds appropriated can only be utilized for debt service, PAYGO capital, deferred and preventive maintenance, or contributions to the capital, technology or fleet reserves in the current or subsequent fiscal years. This practice provides consistent resources for the County's capital needs and reduces the County's dependence on borrowing.

Issuance of Debt

The scheduling and amount of bond sales and installment purchase transactions will be recommended by the Director of Finance and the County Manager. The BOCC must approve the sale. These decisions will be based upon the identified cash flow requirements for each project to be financed, market conditions, and other relevant factors including the debt ratios. If the cash requirements for capital projects are minimal in any given year, the County may choose not to issue debt. Instead, the County may fund up-front project costs and reimburse these costs when financing is arranged. In these circumstances, the County will take steps required to reimburse itself in accordance with IRS guidelines.

Debt service for each issue will be structured with a goal to level out the county's total debt service payments over the life of the debt portfolio and minimize the interest payments over the life of the issue. Structuring must take into consideration current market conditions and practices in the municipal finance market.

Method of Sale: There are four primary methods of issuing debt obligations: competitive sale, negotiated sale, private placement and bank loan. In a competitive sale, underwriters submit sealed bids and the underwriter or underwriting syndicate with the most favorable bid (as defined in the Notice of Sale), is awarded the bonds. In a negotiated

sale, the underwriter or underwriting syndicate is selected by the County. The interest rates and underwriter's discount are negotiated, and the bonds are sold to investors during an order period. In a private placement, the County hires a placement agent to place a debt obligation with a specific investor or group of investors. A bank loan is a debt obligation sold directly to a bank or group of banks.

Generally, new fixed rate general obligation bond sales are required to be conducted on a competitive basis by the Local Government Commission (LGC), a division of the Office of the State Treasurer. Refunding Bonds and all other types of securities can be sold using a method of sale selected by the County. Variable rate bonds, revenue and special obligation bonds and Installment Financings will be sold on a competitive or negotiated basis. Underwriter(s) will be selected for each issue based on the experience and expertise necessary for that issue.

Legality

The County must receive an opinion acceptable to the market from a nationally recognized law firm that each financing transaction complies with applicable law and all agreements in connection with any financing are legal, valid and binding obligations of the County.

Interest Rate Exchange Agreements

Interest Rate Exchange Agreement shall mean a written contract entered into in connection with the issuance of County debt or in connection with County debt already outstanding with a counterparty to provide for an exchange of payments based upon fixed and/or variable interest rates. The County will govern the use of Interest Rate Exchange Agreements by the policy described in Attachment I to this debt management policy.

Continuing Disclosure and Relationships with Other Interested Parties

The County is committed to full and complete primary and secondary financial disclosure to interested parties including state and national regulators as well as those in the underwriting market, institutional investors, rating agencies and other market participants to enhance the marketability of the County's bonds. It will provide on-going disclosure information to established national information repositories and maintain compliance with disclosure standards promulgated by state and national regulatory agencies. The County will maintain good communications with investors and bond rating agencies to inform them about the County's financial position making the County's Comprehensive Annual Financial Report (CAFR), operating and capital improvements Budget and other required documents easily accessible.

Investment of Bond Proceeds

The County will invest its bond proceeds in compliance with North Carolina statutes, any restrictions within the related bond documents, and in compliance with the County's investment policy. Additionally, the County will invest the proceeds of any tax-exempt bond issue in compliance with IRS or other federal rules and regulations.

Arbitrage Rebate Reporting

The County will comply with all arbitrage rebate requirements as established by the Internal Revenue Service and all disclosure requirements established by the Securities and Exchange Commission. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with the tax law and remitting rebatable earnings to the federal government in a timely manner in order to preserve the tax exempt status of the County's outstanding debt issues.

Amended by the Board of County Commissioners, February 15, 2003

Amended by the Board of County Commissioners, April 15, 2003

Amended by the Board of County Commissioners, September 3, 2003

Amended by the Board of County Commissioners, November 5, 2008

Amended by the Board of County Commissioners, June 5, 2012

Amended by the Board of County Commissioners, May 20, 2014

Amended by the Board of Commissioners, Oct 2, 2018

Attachment I: Interest Rate Exchange Agreement Policy**Mecklenburg County
Interest Rate Exchange Agreement Policy**

This policy will govern the use by Mecklenburg County (the “County”) of Interest Rate Exchange Agreements. “Interest Rate Exchange Agreement” shall mean a written contract entered into in connection with the issuance of County debt or in connection with County debt already outstanding with a counterparty to provide for an exchange of payments based upon fixed and/or variable interest rates. The failure by the County to comply with any provision of this policy will not invalidate or impair any Interest Rate Exchange Agreement.

The Conditions Under Which Interest Rate Exchange Agreements May Be Entered Into

Purposes

Interest Rate Exchange Agreements may be used for the following purposes only to:

- a. achieve significant savings as compared to a product available in the bond market if the use of derivatives helps to achieve diversification of a particular bond offering;
- b. enhance investment returns within prudent risk guidelines;
- c. prudently hedge risk in the context of a particular financing or the overall asset/liability management of the County;
- d. incur variable rate exposure within prudent guidelines;
- e. achieve more flexibility in meeting overall financial objectives than available in conventional markets; and
- f. accomplish a financial objective not otherwise obtainable using traditional financing methods.

Legality

The County must receive an opinion acceptable to the market from a nationally recognized law firm that the Interest Rate Exchange Agreement is a legal, valid and binding obligation of the County and entering into the transaction complies with applicable law.

Speculation

Interest Rate Exchange Agreements shall not be used for speculative purposes. Associated risks will be prudent risks that are appropriate for the County to take.

Methods by Which Such Contracts Shall be Solicited and Procured

In general, the County should procure Interest Rate Exchange Agreements by competitive bidding. The County shall determine which parties it will allow to participate in a competitive transaction. The County has the right to accept matching bids to diversify counterparty risk or reward firms for ideas and work performed. The parameters for the bid must be disclosed in writing to all potential bidders.

Notwithstanding the above, the County may procure Interest Rate Exchange Agreements by negotiated methods when the County makes a determination that, due to the size or complexity of a given swap, a negotiated transaction would result in the most favorable pricing and terms or innovation.

To facilitate the procurement of Interest Rate Exchange Agreements, the County will engage an independent financial advisory firm to assist in the price negotiations, in the development of terms and in risk assessment. The County shall obtain an independent opinion that the terms and conditions of the Interest Rate Exchange Agreement reflect a fair market value of such agreement as of the date of its execution.

Form and Content of Interest Rate Exchange Agreements

To the extent possible, the Interest Rate Exchange Agreements entered into by the County shall contain the terms and conditions set forth in the International Swap and Derivatives Association, Inc. (“ISDA”) Master Agreement, including any schedules and confirmation. The schedule should be modified to reflect specific legal requirements and business terms desired by the County.

The County shall consider including provisions that permit the County to assign its rights and obligations under the Interest Rate Exchange Agreement and to optionally terminate the agreement at its market value at any time. In general, the counterparty shall not have the right to optionally terminate an agreement.

Events of Default

Events of default of a counterparty shall include the following:

- a. failure to make payments when due;
- b. material breach of representations and warranties;
- c. illegality;
- d. failure to comply with downgrade provisions; and/or
- e. failure to comply with any other provisions of the agreement after a specified notice period.

The County will have the right to terminate the agreement upon an event of default by the counterparty. Upon such termination, the counterparty will be the “defaulting party” for purposes of calculating the termination payment owed.

Aspects of Risk Exposure Associated with Such Contracts

Before entering into an Interest Rate Exchange Agreement, the County shall evaluate all the risks inherent in the transaction. These risks to be evaluated could include:

- a. counterparty risk – the risk of a payment default on a swap by an issuer’s counterparty;
- b. termination risk – the risk that a swap has a negative value and the issuer owes a breakage fee if the contract has to be terminated;
- c. rollover risk – the risk of a failed remarketing or auction with respect to any variable rate bonds associated with a swap; or the risk that an issuer cannot secure a cost-effective renewal of a letter or line of credit;
- d. basis risk - the risk that floating rate cash flow streams may diverge from each other;
- e. tax event risk – the risk that the spread between taxable and tax-exempt rates will change as a result of changes in income tax laws or other conditions; and
- f. amortization risk – the risk that the amortization of the swap will not be fully integrated with the amortization of the underlying bonds.

The County shall endeavor to diversify its exposure to counterparties. To that end, before entering into a transaction, it should determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure. The exposure should not be measured solely in terms of notional amount, but also how changes in interest rates would affect the County’s “Value at Risk” exposure for outstanding agreements.

Counterparty Selection Criteria

The County may enter into an Interest Rate Exchange Agreement if the counterparty has at least two long term unsecured credit ratings in the AA category from Fitch, Moody’s, or S&P, and the counterparty has demonstrated experience in successfully executing Interest Rate Exchange Agreements. If after entering into an agreement the ratings of the counterparty are downgraded below the ratings required, then the agreement shall be subject to termination unless (a) the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria reasonably acceptable to the County or (b) the counterparty (or guarantor) collateralizes the Interest Rate Exchange Agreement in accordance with the criteria set forth in this Policy and the Interest Rate Exchange Agreement.

Provisions for Collateralization

Should the rating of the counterparty, or if secured, the entity unconditionally guaranteeing its payment obligations not satisfy the requirements of the Counterparty

Selection Criteria, then the obligations of the counterparty shall be fully and continuously collateralized by (a) direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America or (b) direct obligations of U.S. Agencies and such collateral shall be deposited with the County or an agent thereof. The specific collateral requirements for each Interest Rate Agreement shall be set forth in the corresponding swap documentation.

Long-Term Implications

In evaluating a transaction involving the use of Interest Rate Exchange Agreements, the County shall review long-term implications associated with entering into Interest Rate Exchange Agreements, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, opportunities to refund related debt obligations and other similar considerations.

Methods to be Used to Reflect Such Contracts in the County's Financial Statements

The County shall reflect the use of Interest Rate Exchange Agreements on its financial statements in accordance with generally accepted accounting principles.

Monitoring

The County shall monitor the performance of Interest Rate Exchange Agreements and may employ a financial advisor to assist in evaluating the effectiveness of its Agreements. A written report, provided at a minimum quarterly, shall include at least:

- a. preparing a description of each contract, including a summary of its terms and conditions, the notional amount, rates, maturity and other provisions thereof;
- b. determining any amounts which were required to be paid and received, and that the amounts were paid and received;
- c. determining that each counterparty is in compliance with its rating requirements;
- d. determining that each counterparty is in compliance with the downgrade provisions, if applicable (See Counterparty Selection Criteria);
- e. assessing the counterparty risk, termination risk, basis risk and other risks, which shall include the marked to market value for each counterparty and relative exposure compared to other counterparties and a calculation of the County's Value at Risk for each counterparty; and
- f. determining, at least quarterly, that all posted collateral, if required, has a net market value of at least the collateral in the Interest Rate Agreement.