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Mecklenburg may face debt problems

Schools and other public projects could be delayed if county can't borrow what it needs at rates it can afford.

By April Bethea
abethea@charlotteobserver.com
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More Information

- [At tonight's meeting: Revaluation, bond sale](#)

Mecklenburg County commissioners also are expected to vote tonight to delay resetting tax values on county property until at least 2010. Commissioners don't want to do a revaluation now because of the poor economy, and possible further declines in home prices.

The board also will hold a public hearing on how much money the county should borrow in January for construction projects. It will also present plaques to the outgoing board of commissioners, whose term ended in November.

The meeting is set for 6 p.m. at the Charlotte-Mecklenburg Government Center, 600 E. Fourth St.

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APRIL BETHEA

Wall Street's troubles could delay dozens of public construction projects across Mecklenburg County, including the opening of four new elementary schools.

The county is among many local and state governments nationwide struggling because of the upheaval in the financial markets.

The reasons: the cost of some of the county's current debt has jumped, and the county is concerned it won't be able to sell more bond debt as investors look for safer havens.

County commissioners are expected tonight to consider borrowing up to \$375.6 million in January for schools, parks and libraries. Voters last year had approved bonds for much of the spending.

But if there aren't enough buyers for the county's bonds at affordable rates, the county would only seek about \$234.3 million.

Borrowing the lesser amount would pay to finish projects already under way. No new work would start until the county borrows more money, officials said, which could happen this summer.

Charlotte-Mecklenburg schools stand to lose the most – \$99 million – if the county borrows less.

Even though bond interest rates have recently declined some – which is good for municipal borrowers – many local leaders are still cautious.

Mecklenburg's Finance Director Dena Diorio said officials will decide closer to the sale date how much the county

intends to borrow.

"We're hopeful and confident that we should be able to get the full amount, the full \$375 (million)," she said. "But I can't predict what's going to happen in the market."

The borrowing crunch began in September as interest rates spiked on some debt following shakeups on Wall Street. In Mecklenburg, interest on some variable-rate bonds rose to as much as 8 percent, compared to 1.8 percent weeks earlier.

The high interest rates have led to less borrowing.

The Wall Street Journal reported recently that issuance of municipal debt has fallen 41 percent since September, compared with the same period last year.

In Wake County, officials in October delayed \$154 million in projects, cancelled a bond sale and took out a bank loan to pay for projects. Officials for the city of Charlotte also are discussing delaying some capital projects by three months.

Mecklenburg staff first pitched a proposal to trim its traditional January bond sale about six weeks ago. The original plan would have cut the sale to about \$220.5 million.

If Mecklenburg borrows less, CMS would be forced to halt \$99 million in school-related projects, including money to build the new elementaries on Ervin Cook Road in Huntersville, Johnston-Oehler and Robinson Church roads in the northeast and in the York Road/Red Fez Road area in the southwest.

It also would push back work on several renovation projects, including the replacement of McClintock Middle School.

Mike Raible, CMS executive director of facilities planning and real estate, said the elementary schools might not open until 2011 if the district isn't able to start construction early next summer.

Central Piedmont Community College expected to receive \$35 million for construction in the full county proposal.

In a recent e-mail, CPCC President Tony Zeiss urged commissioners to support full funding of the college's projects, citing enrollment growth on the campus and the potential to create local jobs for the construction. Zeiss also said the county could end up saving money by borrowing now, because CPCC has received lower bids and contracts for some of its construction projects.

Other county projects possibly affected by a smaller bond sale include relocating the Scaleybark and Sharon Road library branches, and expanding space for the Sheriff's Office.

Commissioners did not voice much opposition to a smaller bond sale when it was first pitched in October. But tonight's vote comes before a new slate of commissioners, including five new members.

Republican Bill James said he doesn't think the commissioners should be asked to approve borrowing \$375.6 million if county staff believes they will only be able to borrow the lower amount.

"There is a little bit of an attempt to manipulate the public on this issue," James said.

Diorio said the county staff isn't prepared to say yet that they should borrow the lesser amount. The vote tonight is because the county must send its proposal to a state agency that must sign off on all bond sales by early January.

Commissioners chair Jennifer Roberts, a Democrat, said she wants to hear more from county staff about what the market could look like in January, and the potential costs of approving a smaller bond sale.

"It's a balance between flexibility and I think, market risk," she said.
Julia Oliver contributed



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