

# ENQUIRER JOURNAL

## Debt crisis afflicts county

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The national economic meltdown is hitting home in Union County.

Local officials are scrambling to adjust budget and construction plans in the wake of the U.S. credit crisis, as governments face soaring interest rates, a slowing economy and looming debt constraints.

“We really are in uncharted waters,” said Union County Finance Director Kai Nelson. “There’s no question about it. When you look at what’s happening at the national level, it is clearly having significant effects on the local level.”

The county’s borrowing costs have increased “dramatically” since the Wall Street crisis, according to a Nelson memo to County Manager Al Greene, costing Union between \$450,000 to \$680,000 per month.

Nelson warned Union commissioners will have to cut spending and curb school construction plans.

Commissioners responded quickly, imposing a hiring freeze in county offices and agreeing to halt most capital spending during Monday’s meeting.

The first victim of the cutback was a \$126,000 purchase of a roll-off truck for Union County Public Works, and Nelson expects plans for new middle school and high complex “D” in the Hemby Bridge area, as well as various renovations for aging school facilities, are in “jeopardy.”

The county will also have shift funds to pay for several projects already contracted for construction, Nelson said, including elementary “L” in western Monroe and a middle school and high school intended to relieve Waxhaw and Indian Trail schools.

The Monroe and Waxhaw schools are set to open next August, according to Union County Public Schools construction chief Don Hughes, while middle school and high school D has a target opening date in August 2010.

Hughes said UCPS is also seeking a transportation headquarters to open next November, but that is also at risk.

“This is really a bummer,” Hughes said. “Because we have a really good bidding climate right now. We have the potential to save some money.”

Nelson said county officials met to discuss impending building plans for growing Union in mid-September, days after the Lehman Brothers crash started a precipitous drop in the stock market.

“The magnitude and the ripple effect that has had on the world’s economy has really been unprecedented,” he said. “... I guess what happened to Lehman and the ensuing month has been really horrific for the capital markets.”

Greene said county revenue sources like property taxes are down this year, and Union, like many counties, has struggled to issue new debt as the lending market froze, making it “difficult if not impossible” to balance costs and income.

Nelson added that the downturn has also hit state government in the pocketbook, impairing state contributions to the county budget.

About 12 percent of Union’s budget is dependent on state “largesse,” he said.

The likely result, Nelson said, is some county departments will see budget cuts, while others, like the Department of Social Services, will need more money to assist locals in the flagging economy.

Meantime, Hughes said the school system will have to find a way to relieve overcrowded Indian Trail and western Union schools.

“If it has to be pushed, Porter Ridge is going to be that much overcrowded for that much longer,” he said.

Commissioners, at the request of board Chairman Allan Baucom, voted unanimously in favor of a hiring and capital spending freeze Monday, with Commissioner Parker Mills calling Nelson and Greene’s warnings “disturbing.”

“We all in our own business, our families, have had items that we planned to buy,” Baucom said. “But due to the situation, we have to make changes. And this is a change in Union County.”

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