



Harry L. Jones, Sr.
County Manager

MECKLENBURG COUNTY
Office of the County Manager

MEMORANDUM

To: Board of County Commissioners
From: Harry L. Jones, Sr., County Manager
Date: March 9, 2012
Subject: WTVI/CPCC Merger Proposal

I am writing to update you on the WTVI/CPCC merger proposal that will come before the Board at its March 13 workshop. I also am providing what I believe are the three fundamental choices for the Board and my recommendation regarding each option.

At its March 13 workshop, the Board will receive a proposal that would result in CPCC assuming the operation of WTVI. The proposal includes the transfer of WTVI's FCC broadcast license to CPCC and the lease or transfer of the County-owned WTVI facility to CPCC. The plan also calls for Mecklenburg County to provide transition funding to CPCC in FY 2013 of up to \$450,000, depending on the actual costs, including \$200,000 in new equipment. County funding of \$200,000 for additional equipment refresh also is requested for each of the fiscal years 2014, 2015 and 2016. In addition, CPCC is asking the Board to repurpose the \$5 million in currently approved capital funding for CPCC to renovate the vacant Citizens Center for use as a data center instead of a production/laboratory facility for its cable telecasts (Time Warner Cable channel 17). WTVI also is requesting approximately \$125,000 in funding from the County for severance costs for its employees.

The plan does not include Mecklenburg County providing any ongoing funding to CPCC for the operation of WTVI beyond the equipment costs. However, Mecklenburg County would be expected to provide ongoing support of the facility consistent with the County's current facility support responsibilities (e.g., capital financing, capital reserve, maintenance and security). The plan also requires the Board of Education to consent to the transfer of the WTVI FCC license to CPCC due to the requirements in the CMS/County agreement that established the Charlotte Mecklenburg Public Broadcasting Authority (CMPBA). This requirement is contained within the agreement's terms for dissolving the CMPBA.

The total estimated cost of the proposal for Mecklenburg County would be \$1.15 million.

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As I see it, the Board has three fundamental options. One option is to support this proposal. The second option is to provide funding directly to WTVI. The third option is to take no action.

I do not recommend support for the WTVI-CPCC merger proposal. I consider this proposal to be a government-funded bailout of a failed business model, and believe County taxpayers should not pay for this bailout. In addition, I do not support the request to shift \$5 million in capital funding from one CPCC capital project to another project that has not been on the capital request list and has not been ranked. Authorizing the repurposing of the \$5 million in capital funding from one CPCC project for another, especially a project that has not gone through the project ranking process, is contrary to maintaining fiscal discipline in allocating capital dollars. It also sets a problematic precedent for other departments and agencies receiving capital dollars from the County to seek changes in the allocation.

I also do not recommend the option to provide funding directly to WTVI. Providing a subsidy to offset the deficit of an unsustainable business model is not in the best interests of County taxpayers and is inconsistent with the Board's priorities.

However, if a majority of the Board believes it is vital to bailout WTVI, the Board should appropriate funding directly to WTVI rather than support the WTVI/CPCC merger, primarily because supporting the repurposing of the \$5 million in capital funding to an unranked project would jeopardize the integrity of the capital project ranking process. Although providing funding directly to WTVI would create an expectation of an ongoing government subsidy, this option would be more transparent in its purpose as a government bailout of WTVI. It should be noted that the most recent funding request from WTVI was for a \$500,000 subsidy in FY12 to offset its operating costs.

This third option of taking no action likely will result in WTVI ceasing its operation at the end of its fiscal year in June because it will not have sufficient funds to pay its employees and cover its operating costs. Without a government subsidy, WTVI's business model is not sustainable.

As regrettable as it may be that WTVI would cease operation, it is important to remember that WTVI has had multiple years to redesign and reshape its business model to reflect the new normal. Most recently, in FY2010, the Board reduced funding of WTVI, as it did County departments and other County-funded agencies. We were very open and candid with WTVI and others that the Great Recession and its lasting impact required all of us to think differently and chart new courses that did not require the same level of government funding as in the past.

With only months to go before its insolvency, WTVI has come forward with CPCC for another government bailout idea. Although having CPCC take over the operation of WTVI may result in a sustainable new model going forward, there is no guarantee of this.

Ultimately, I believe the best course for the Board is to take no action on this request. In addition to the reasons cited above, a fundamental concern is that the Board is being asked to make a funding commitment now for additional funding in FY13 and beyond, without knowing the breadth and scope of the FY13 budget choices or the consequences of those choices.

CPCC and WTVI are seeking a commitment from the Board now because they face FCC licensing deadlines. However, this does not diminish the fact that such a commitment would be made out of context of the FY13 budget process.

For example, the Board does not have complete information on projected revenues for FY13. The Board also does not have complete information on funding requests and funding recommendations for County departments/agencies, non-profit agencies, and other business partners such as Charlotte-Mecklenburg Schools, the Public Library as well as CPCC.

As I said at the Strategic Planning Conference, there are many wants in the community. You will recall that I suggested you would be pressured for – and be tempted to – propose, pursue and/or advocate for these wants. At that time and again now, I ask you to be mindful that many, if not all, of these wants and hopes for increased funding are **not** consistent with our new reality and **not** consistent with our capacity to implement.

Many funding decisions seem simple when viewed in isolation, because even the lowest priority items can have merit. But the best funding decisions are made when they are seen through a more comprehensive lens that includes all choices.

Because I do not recommend the merger proposal or the direct bailout of WTVI, I will not place this item on a future regular meeting agenda. If the Board wants to take action to bailout WTVI, the matter could be placed on a regular meeting agenda by the Board chairman or by three other members of the Board who wish to co-sponsor the item.

Thank you for your attention to and consideration of this matter.

cc: Executive Team
Marvin Bethune, County Attorney
Hyong Yi, Management & Budget Director
Dena Diorio, Finance Director