

**MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS AND BOARD OF
EDUCATION JOINT MEETING**

April 3, 2007- Rogow Community Room, Transylvania County Library

The Transylvania County Board of Commissioners met in joint session with the Board of Education on April 3, 2007 at 7:00 p.m. in the Rogow Community Room at the Transylvania County Library.

Commissioners present: Lynn Bullock, Chairman Jason Chappell, David Guice, Daryle Hogsed and Vice-Chairman Kelvin Phillips.

Board of Education members present: Bill Cathey, Chairman Teresa McCall, Jenni Pogue, Vice-Chairman Mike Rogers and Chris Whitmire

Staff present: County Manager Artie Wilson, County Attorney Jeanne Hall, Finance Director Gay Poor and Clerk to the Board Trisha McLeod

School Staff present: Norris Barger, Jenny Hunter and Dr. Sonna Lyda

Media: *Transylvania Times*- Carleigh Knight

There were approximately 7 people in the audience.

CALL TO ORDER

The meeting was called to order at 7:00 p.m.

WELCOME

Board of Education Chairman Teresa McCall and Board of County Commissioners Chairman Jason Chappell welcomed everyone to the meeting.

PRAYER

Board of County Commissioners Vice-Chairman Kelvin Phillips offered the invocation.

PLEDGE OF ALLEGIANCE

Board of Education Vice-Chairman Mike Rogers led the Pledge of Allegiance.

OPENING REMARKS

Chairman Chappell and Chairman McCall thanked both Boards for continuing the discussion of the School Board's budget formulation.

OLD BUSINESS

LOTTERY FUNDS

Chairman McCall stated that recently the County Manager, Artie Wilson, met with Superintendent Lyda to request the Board of Education consider allowing the County the use of the current lottery proceeds. She asked the County Manager to share the proposal with the Board of Education.

The Manager said during the budget process last year, the County was directed by the NCACC to handle lottery funds the same as ADM funds. The Lottery Funds were included in the budget as revenue to use towards school capital. The County's proposal is for the Board of Education to allow the County to use the funds for projects as already budgeted and identified by the Board of Education. Otherwise, the County would suffer a budget deficit. In the future, lottery funds will not be budgeted and both Boards will designate the funds for specific projects.

Chairman McCall said the Board of Education is willing to consider the County's request to use the lottery proceeds for FY 2006-07 with the following expectations:

- The education lottery proceeds will not affect the Board of Education's FY 08 budget request.
- The capital outlay baseline will not be affected by this decision.
- The Board of Education would select projects for the use of the education lottery proceeds beginning July 1, 2007 and beyond. In addition, the education lottery funds will not be considered when developing future budgets.
- A written agreement between the two Boards should be formulated by the chairmen.

Chairman Chappell stated that the Board of Commissioners has not yet discussed the proposal and he called for commissioner comments. Commissioner Guice requested the Board of Education's list of expectations in writing. He added that the County followed the direction of the NCACC on how to budget the lottery funds and the County can provide that information to the Board of Education. In addition, the County can provide a timeline of when Commissioners met to discuss and pass the budget. Commissioner Guice said the budget message included a statement reference the lottery funds being used as revenue for FY 2006-07 and the budget message was posted on the County website. He added that the Commissioners need time to review the Board of Education's proposal and then make the best decision.

Chairman Chappell asked the Manager to forward the information, including email correspondence, to Chairman McCall. He said the information shows the policy set forth by the NCACC and explains how the lottery funds were budgeted.

Commissioner Phillips said he believes the NCACC was not clear on how to budget the lottery funds. He said it is not wise to budget lottery funds because the rules are not

clear. He agreed with Chairman McCall not to consider the lottery funds for future projects.

Commissioner Guice said the County's inclusion of lottery proceeds in its funding sources for school capital projects was fully in accordance with the recommendations provided by the NCACC and in compliance with the Lottery Act as it was passed, as it stood in June 2006, as it still stands today, and as it will stand at least until July 1, 2007. He said the County did not act inappropriately.

Commissioner Phillips clarified his previous statement. He said a memo dated July 6, 2006 read, "While the initial lottery legislation excluded non-supplant language, the legislative intent was to increase educational funding overall, not to supplant existing dollars." Mr. Whitmire added that the FY 2006-07 budget was intended to include the budgeted amount plus the lottery funds. However, the Board of Education is willing to help alleviate the situation.

Chairman McCall said it has not been the Board of Education's intent to withhold information from the County or State and doesn't believe anyone intentionally did anything wrong. She is interested in seeing the criteria that led people to believe that it was appropriate to budget educational lottery funds as County revenue. She said they are willing to work with the County but they have some expectations as well, which she will share with the County in writing. Chairman McCall said she believes their expectations are reasonable and they will assist the County in any way, but as of July 1, 2007 the lottery funds should no longer be considered as County revenue nor should they be budgeted by the County or determined by the County how to be appropriately spent. She is concerned that both Boards have different information. She asked how quickly this issue could be resolved and understands that no action will be taken at this meeting. She requested both Chairs work together to develop a proposal to bring back to their respective Boards.

Commissioner Guice said his concern is that the Commissioners have not discussed this matter. He said he would prefer the Commissioners meet and give direction to the Chairman. Commissioner Guice said that he fears there is a feeling that the County intentionally supplanted funds. He stated that the 2007 approved capital budget for the schools was \$1,868,385.00. The Commissioners also met the challenge of providing an additional \$350,000 that was needed for stadium renovations at Brevard High School.

Mr. Rogers said although the budget was public information, the Board of Education was not aware that the lottery proceeds were part of the revenue until January of this year when the Board of Education was starting to discuss how to allot or appropriate those funds. He hopes that in the future there will be better communication between the Superintendent and County Manager. He said they are appreciative of the County Commissioners for meeting their needs and for funding the additional \$350,000 for the stadium at Brevard High School. Mr. Rogers added that during their budget sessions, they were not aware of the problems at Brevard High School. He said he is concerned about the education lottery proceeds. He noted that if the \$288,000 allotted for

Transylvania County in lottery proceeds was deducted from their \$1.86 million capital budget, the capital budget is reduced to \$1.58 million. He said if it had not been for those funds, the schools would have been looking at a 6.67% cut in capital spending.

Chairman McCall stated that there should have been more extensive conversation prior to assumptions being made by both Boards about educational lottery funds. She said now both Boards have an opportunity to do what is right and come to agreement that is acceptable to both Boards. She said the Board of Education needs to be transparent in their budget development with the County and the County as well with the Board of Education. Chairman Chappell concurred with Chairman McCall. He said both Boards have an opportunity to do what is right. He added that the intent of the legislature was not stated in the initial information the County received. He believes both Boards should continue to communicate and the expectation should be to have transparent budgets. Commissioner Bullock added that the County is responsible to the taxpayer as the School System is responsible to the children. He is confident that both Boards will find resolution and develop a plan to utilize the lottery funds. Commissioner Guice stated that both Boards have always been able to work together and will continue to do so.

FY08 CURRENT EXPENSE BUDGET

Chairman McCall said there have been a few changes to the FY08 Current Expense Budget request since both Boards last met. She summarized the changes. She added that it includes no new positions.

- Teacher Supplements: She said it is the Board of Education's desire to continue to increase teacher supplements. She stated that Transylvania County's supplement is higher than Henderson County which shows a commitment by both Boards. Over the next 5 years thru FY13, the Board of Education wants to strive to bring teacher supplements to 10%. Their initial request was to bring the supplements up to 9% but since the last meeting they have learned that other counties are striving for higher supplements. Chairman McCall added that the upcoming changes to the curriculum will make it difficult for schools to attract teachers in specialty areas such as Foreign Language. She also pointed out that Transylvania County does not receive Low Wealth or Small School funding, whereas counties like Cherokee County receive over \$1,725,000. She said Representative Walend and Senator Snow are working on legislation to include Transylvania County in Small School funding.
- Medical Reimbursement Plan: This figure has been adjusted since the last meeting because they were compiled at \$350 per employee and it should have calculated at \$300 per employee. Chairman McCall said the Medical Reimbursement Plan is a way to retain and reward teachers and staff.
- Hazardous Chemical Removal: Chairman McCall said they have estimated the cost at \$5,000. She said they are following information received from surrounding schools. She added that they expect to have a quote by the end of the week.

Mr. Whitmire stated that the new curriculum will make Transylvania County compete for teachers with neighboring counties so the supplements are very important. He said the Medical Reimbursement Plan is a way to show their staff that the Board of Education cares about them and is trying to take care of them. He said for them to expect outstanding results from their teachers, they have to make sure the teachers see their appreciation. He hopes the Commissioners will see the value of these two items. He added that Henderson County is working toward a goal of 10% for teacher supplements. Chairman McCall added that they expect to have information on the Federal budgets by April 15, 2007.

Commissioner Guice stated that the Commissioners have been supportive of teacher supplements and has made a commitment to increase supplements through 2008. He said we are going to have to remain competitive. He said he is not as optimistic about the Medical Reimbursement Plan because of some of the other challenges the County faces in the coming year, but it will be considered and discussed and given the attention and time necessary to make a good decision.

Commissioner Guice noted that their budget request includes a 10.1% increase in operating expenses. Chairman McCall responded saying they may not realize the discretionary cuts because it is not in the Governor's budget. As they get further information they will share that with the Board of Commissioners. Commissioner Guice said he knows the challenges they face and the Board of Education's request is in line with their past requests.

FY08 CAPITAL OUTLAY BUDGET

The Board of Education provided the Commissioners a list of their capital priorities and a draft capital outlay planning budget spread over five (5) years. Chairman McCall noted that the first sixteen (16) items on the list are "must-do's", followed by the list of their priorities. She stated that their request includes a Facilities Master Plan for FY08. The Board of Education requested \$20,000 to complete the project.

Commissioner Guice said Categories I, II, and III reflect a substantial increase over last year. He would like to discuss what the County has been able to accomplish over the last years for the School System and how the County has been able to meet those challenges and fund those capital needs.

Commissioner Phillips asked if the project they plan to complete with the lottery funds is on the list. Chairman McCall responded saying that the project is not on the list. She said that once an agreement is made between both Boards, then Board of Education feels the appropriate project for the proceeds would be the Brevard High School stadium. The Board of Education has also agreed on a future project. They plan to use the lottery funds to match funds raised by a committee to build an art gallery.

Commissioner Guice stated that the County was using money set aside in a reserve account to fund schools capital needs. At the end of the current fiscal year, the reserve

fund will have a \$0 balance. Mr. Rogers added that it appears that monies have not gone into the reserve account since FY 2001-01.

The Manager responded saying the year that all the plants closed down in the County, the Board of Commissioners decreased the tax rate to alleviate the burden that was placed upon the citizens. He added that the Commissioners instructed Staff to just meet the needs of the County, including repaying debts. The County lost \$2 million in property taxes alone with the closing of the plants, therefore the same amount was cut from the County's operating expenses. The Manager said these reasons are why no other monies have been going into this account.

Chairman McCall asked what monies were being put into the reserve account and if those funds were required for school capital. The Manager responded. He said the County made the decision to set aside funds for the schools. When the tax rate was reduced, the County did not have additional monies to put into the reserve account.

Chairman McCall asked what the total amount was on the bond referendum and if the County received any interest from the bond monies. The Manager responded saying the bond amount was \$24.3 million and the County did not receive any interest from the bonds. The bond money was spent and taxes were increased to cover the repayment of the bonds. Extra monies from the tax increase were set aside in a reserve account for school capital in the amount of \$3.4 million.

Chairman McCall would like Mr. Barger and Dr. Lyda to review the information the Commissioners have provided to them and have an opportunity to request additional information from the County. She stated that she wants to better understand how the County's finances work. Chairman Chappell said the Manager and Finance Director would be available to answer questions and that the budgets should be transparent.

Mr. Rogers asked if taxpayers voted for a \$.10 cents tax increase. The Manager responded saying the voters voted passed a \$24.3 million bond, not a \$.10 cents tax increase. With the tax increase, the County could pay off the bonds faster and do some additional things. He added that when the plants closed, the County funded the schools' capital requests from the reserve funds. The County no longer has revenue sources that it had in the past.

Chairman McCall said the Board of Education's commitment is to take care of the school system in a partnership with the County. She said it is not their intent to break the County with this budget request this year or in the future but rather find a way to meet the needs of the school system. She said they are committed to meeting the needs of the schools. They want to better understand the County's position. She thinks that both Boards should be able to come to an agreement where the schools are funded and the County is also taken care of.

Commissioner Phillips said at the last meeting he mentioned trying to create a funding formula to help both boards with budget preparations. Capital budgets are not consistent

from year to year. Chairman McCall said the Board of Education is willing to work with the Commissioners to have a better process in place to help with planning for both Boards.

Commissioner Guice said he hopes that the formula would not set a dollar amount but would set principles and practices in place that would help reach an end result.

CENTRAL OFFICE FACILITY

Chairman McCall stated that the Board of Education included renovations to the central office facility in their capital budget as a separate issue from the capital outlay budget and the current expense budget. She said not much has been done to the facility other than addressing immediate health and safety issues. Superintendents have been reluctant to spend any money on the facility when it would have been better spent in the classroom or the schools. Chairman McCall estimated that it would cost \$2 million to build a new facility. The Board of Education is at a point where they need to decide to renovate this facility or relocate. She asked the County to give them some direction.

Mr. Whitmire added that not all of the offices are located at the Education Center and to accommodate moving all Staff into a central location would require an addition to the building. He also stated that there are some historical limitations to renovating the building.

Mr. Cathey asked if there was any property available that could be built on. Chairman McCall said there is property available on Fisher Road and would be suitable for building on if that is the direction in which the Commissioners decide to go. Commissioner Guice stated that if the cost to renovate is lower than building a new facility, then the County should consider renovating. He said the County is facing a number of challenges and must find other funding formulas to be able to meet some of those needs.

Chairman Chappell stated that before the Commissioners can instruct them on which direction to take, the County needs to know exactly what their needs are. Commissioner Guice added that the County needs to find out what the historical limitations are. Chairman McCall said she would get some cost comparisons on what the cost would be to renovate versus building a new facility. Commissioner Hogsed asked her to include what the Board of Education would be missing in a central office facility if the County decided to move in the direction of renovating the Morris Education Center.

BOARD COMMENTS

Mr. Rogers thanked the Board of Commissioners for their support.

Chairman McCall thanked the Commissioners for their willingness to conduct a joint meeting. She thinks it is important to the County as a whole that both Boards are conducting business and having discussions in public. She is confident that both Boards will work together for the benefit of the County and the schools.

Commissioner Hogsed thanked the Board of Education for a productive meeting.

Chairman Chappell thanked the Board of Education for having open and honest dialogue. He stated that everyone needs to remember that members of both Boards are here at the pleasure of the citizens of Transylvania County.

PUBLIC COMMENTS

A citizen addressed the Board. He said he just moved to Brevard and was astounded by the professionalism of both Boards and was very impressed with Transylvania County's website. He also said he would like to discuss a matter with the Boards after the meeting, an issue that he feels is illegal and could bring us into litigation.

ADJOURNMENT

Ms. Pogue moved to adjourn the Board of Education meeting, seconded by and Mr. Rogers and unanimously carried.

Commissioner Phillips moved to adjourn the Board of Commissioners' meeting, seconded by Commissioner Bullock and unanimously carried.

Jason R. Chappell, Chairman
Board of County Commissioners

ATTEST:

Trisha D. McLeod
Clerk to the Board