

**MINUTES**  
**FY 2009-2010 BUDGET WORKSHOPS**  
**TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS**  
**May 28-29, 2009 & June 1, 2009**

**THURSDAY, MAY 28, 2009, 6:00 p.m., Rogow Room, Transylvania County Library**

The Board of Commissioners of Transylvania County met in Special Session on Thursday, May 28, 2009 at 6:00 p.m. in the Rogow Room at the Transylvania County Library. The meeting was called for the purpose of considering the FY 2009-2010 Budget. The Budget was presented on CD. Printed copies of the Budget are on file in the Finance Office, the Administration Building and the Transylvania County Library.

Commissioners present were Lynn Bullock, Chairman Jason Chappell, Mike Hawkins and Vice-Chairman Kelvin Phillips. Commissioner Daryle Hogsed was absent. Also present were County Manager Artie Wilson, Finance Director Gay Poor, Human Resources Director Sheila Cozart and Clerk to the Board Trisha McLeod.

Media: *Transylvania Times*: Mark Todd

There were approximately 10 people in the audience.

**WELCOME**

Chairman Chappell presiding called the meeting to order at 6:05 p.m. and welcomed everyone to the meeting.

**OVERVIEW**

The Manager provided a brief overview of the budget. He reminded Commissioners that staff had been instructed to reduce their current budgets by \$1.1 million and began the year with a budget 2% below the previous year. The County is facing an additional shortfall of \$1.4 million in FY 2009-10. Staff made additional cuts to their budgets and reduced the shortfall to approximately \$400,000 which the Manager suggested making up through the use of the Fund Balance.

The Tax Administrator has estimated the tax base at \$5.82 billion. The revenue neutral rate would be \$.3949 per \$100 of assessed value. Last year Transylvania County had the highest tax collection rate in the State at 99.5%; however staff expect a decline in the collection rate in FY 2010 and therefore budgeted at a 98.27% collection rate.

Expenditures have been reduced by 9.3%. No cost of living adjustments or pay for performance for employees have been included in the budget. Staff also shifted resources around where needed.

Education is a key component of the County's budget. The State has proposed increasing classroom size which would affect 21 teachers in Transylvania County. The Board of Education has asked the County to help fund some of those teachers and they plan to use stimulus funds to cover the remaining teachers over the next two years. The Board of Education has also asked the Board to support their child nutrition program. They submitted a budget proposal that includes a \$500,000 increase in their current expense and an \$800,000 decrease in the capital outlay.

Blue Ridge Community College will receive the same funding as last year which includes funds to replace a roof which the County previously committed to.

Another key issue is funding for outside agencies. Many agencies have lost funding due to a decrease in donations from the private sector. The Manager proposed reducing funding for outside agencies by 10%, which is in line with the reductions County departments have made. No new requests were funded.

The Manager proposed taking the \$400,000 deficit from the Fund Balance which he said still leaves the County in good financial shape. He also proposed using funds from the insurance fund balance to offset the cost increases projected for next year as well as funds from the revaluation fund. In years past the revaluation has been funded by the General Fund.

The Manager believes the proposed budget is a doable budget and noted that any further reductions would result in a reduction of staff.

## **REVENUES**

Finance Director Gay Poor reviewed the General Fund Revenues.

The total revenues projected for FY 10 are \$38.8 million which is \$4.4 million, or 10.3%, less than the current year's amended budget and \$4.1 million below FY 08's actual revenues. All revenue sources are estimated to be either flat or down significantly, except ad valorem taxes.

Ad Valorem Taxes provide well over half of the County's annual revenues. The budget of \$23 million for FY 2009-10 is \$769,000 more than FY 09's amended budget. This figure includes both current and prior year collections and interest and penalties.

The current year ad valorem tax revenue of \$22.6 million has been calculated using the revenue-neutral tax rate. Since the last revaluation in January of 2002, the tax base has risen by an average of 2.63%. Based on the Tax Assessor's 2009 tax base projection of \$5.82 billion, the revenue neutral tax rate would be \$.3949 per \$100 of assessed value and adds \$591,000 to the levy, bringing it to a total of \$23 million. Staff lowered the tax collection rate from 99.5% to 98.27% for FY 10. Applying this collection rate to the levy results in the budgeted current year ad valorem taxes of \$22.6 million. When collections decrease, the balance of prior year taxes unpaid consequently increases. Prior year collections are budgeted at \$247,000 in FY 10, \$92,000 more than in FY 09.

The next largest source of County revenues is Intergovernmental funding at \$6.4 million. Included in this category are \$5.2 million for State and federal funding for Human Services programs; approximately \$500,000 in payments from the school system for SRO's; \$247,000 in payments in lieu of taxes for forest lands; and miscellaneous outside funding for other functions. Intergovernmental revenues are projected to be down by \$1.3 million. This is due largely to the exclusion of any Medicaid Hold Harmless funds (budgeted at \$572,000 in FY 09) and ADM funds (budgeted at \$179,000 in FY 09). Most of the remainder of the difference is attributable to pass-through grants for Economic Development, Soil and Water Conservation projects, and Mental Health programs.

Sales Taxes are projected to generate \$6 million in FY 10, \$1.2 million less than FY 09's amended budget. Based on the seven months of sales taxes received this fiscal year, staff projects that FY 09 sales tax revenues will fall 7% below FY 08's actual results. Based on the State's

economic forecasts, staff expects FY 10 sales taxes will remain at that lower level, accounting for \$230,000 of the shortfall. The majority of the decrease, though, is the result of the Medicaid Relief Swap. In October of 2008, the ¼ cent Article 44 sales tax distributed on a point of origin basis was eliminated. In October of 2009, the remaining ¼ cent Article 44 tax will be eliminated. Also at that time, distribution of the Article 42 sales tax will switch from a per capita to a point of origin basis, which will reduce Article 42 revenues by an estimated 17%. Since there is no direct benefit to municipalities of the State's assumption of Medicaid costs, the State requires that they not be penalized for the reductions in sales tax revenues. These "hold harmless payments" to the municipalities are deducted from the County's Article 39 receipts. The total impact of the Medicaid Relief Swap on projected sales tax revenues to be reported for FY 10 equals \$1.6 million. Medicaid savings are anticipated to be \$1.8 million, creating a net benefit to the County of \$200,000. The State has guaranteed counties a net gain of \$500,000; however, in calculating the County hold harmless payment, the State considers only sales taxes actually paid to the counties during the fiscal year. There is a three month lag on sales tax distributions. This means that the State does not include the reductions in the last quarter's sales tax revenues in determining the minimum benefit to counties. Restating the County's lost sales taxes on a cash basis shows a net positive impact of \$445,000. Because of the uncertainty about all the variables used in the hold harmless calculation, staff decided to take a conservative approach and not to budget any Medicaid Hold Harmless funds for FY 10.

The only item in Other Taxes is cable franchise taxes, which are expected to continue to generate \$118,000.

Approximately 8% of FY 10's budgeted County's revenues, \$3 million, are derived from licenses, fees, and miscellaneous sources. Fees and licenses, including those from the Register of Deeds, Building Permitting and Enforcement, and Environmental Health, make up \$2.8 million of this total. This is only \$240,000 less than the amended budget for FY 09 because estimates for these revenues were adjusted downward by more than \$600,000 during the current year. Register of Deeds revenues are forecast to drop another \$24,000, while inspections and environmental health fees are forecast to show very modest improvements of \$5,000 and \$11,000, respectively. The cancellation of the Lake Toxaway Patrol contract decreases this group of revenues by \$316,000, more than offsetting gains in fees for the New Adventure Center, general health programs, and ambulance services.

The decrease in budgeted interest earned on investments from \$555,000 to \$253,000 reflects the projected decline in both interest rates and available cash balance to invest as funds have been drawn down in FY 09 to pay for the new Public Safety Facility.

\$50,000 is budgeted to be taken from reserves which include \$16,000 from the Enhancement Fund and \$34,000 from the Emergency Telephone Fund. These funds do not represent income but rather withdrawals from reserves to cover expenditures included in the FY 10 budget. This amount is \$2.1 million less than the FY 09 amended budget, which reflects \$1.2 million from fund balance, \$843,000 from the Emergency Telephone Fund, and \$96,000 from the Enhancement Fund.

There are three departments who have proposed fee increases. Building Permitting and Enforcement has requested increases that range from \$25 to \$150. The Health Department has proposed raising environmental fees for wells and septic systems. These increases range from \$25 to \$100. These fee increases are inline with surrounding counties and cover costs incurred by these departments. Child Development has also proposed increases which are included in the recommended budget.

The Manager pointed out that the City's tax rate could impact the County. Sales taxes are allocated based on each entity's tax rate. If the City's tax rate increases, they will receive a higher percentage of the sales tax. The County determines how the sales taxes are distributed either based on the levy or the population. It is more favorable to the County for the sales taxes to be distributed based on the tax levy amount.

## **EXPENDITURES**

Ms. Poor reviewed the General Fund budgeted expenditures by function. The total budgeted expenditures for FY 10 are \$39.2 million which is 9.3%, or \$4 million, below FY 09's amended budget. There are reductions in every function except general debt service and reductions were made in all individual departments. For most departments, unless they included large capital items, the total reduction is the accumulation of a number of small cuts, with most coming out of travel and training, dues and subscriptions, contract services, and supplies.

General Government accounts for 12.3% of budgeted expenditures and includes the Commissioners, Administration, Elections, Tax Administration, Register of Deeds, Court Facilities and county-wide expenditures such as maintenance, IT, insurance, and project management. At \$4.8 million, the budgets for these activities are actually \$142,000 less than in FY 09. The Manager increased the Contingency line in the Non-departmental budget by \$200,000 to cover identified, potential, extra expenditures such as fuel price increases, a second primary, or a county-wide election as well as currently unknown costs that may occur, particularly as a result of State cuts. Offsetting this to a large extent is a \$155,000 decrease in the Register of Deeds budget attributable to less in conveyance tax revenues remitted to the State and a document preservation project that was budgeted in FY 09. The Administration budget dropped by \$61,000 which included a reduction of \$27,000 for outside services and savings of \$20,000 on rental space that will be realized when Maintenance moves to its new building. In spite of absorbing \$87,000 in additional costs to support the Public Safety Facility, the Maintenance budget decreased by \$23,000 thanks to a \$29,000 reduction for building and grounds maintenance and an \$88,000 reduction for capital improvements to buildings and land. Due to the increased workload associated with the new facility, a position was transferred from Building Permitting and Enforcement to Maintenance, which accounts for the majority of the \$87,000. In addition, a position in Environmental Health will be assigned to work two days a week in Maintenance in lieu of the part-time help that has been budgeted in the past. Information Technology's budget for FY 10 is \$2,000 higher than FY 09's because 15 computers were budgeted in IT as spares instead of budgeting to purchase all of the 82 computers on the replacement schedule.

The area that has seen the most changes recently is the Public Safety, which makes up 22.3% of the County's budget. Grouped together in this function are the Sheriff's Department and Emergency Services departments (Emergency Management, Fire Marshal, Emergency Medical Services, Communications, and Animal Control). The FY 10 proposed budget of \$8.7 million for Public Safety is less than FY 09's amended budget by \$1.4 million. Almost all of this reduction, \$1.3 million, is coming from the Emergency Services departments, with the majority attributable to the \$1.1 million budgeted in Communications for the software and hardware upgrade purchased for the Sheriff and Communications in the current year. Whereas FY 09's budget included \$180,000 for two replacement trucks and a replacement ambulance, there are no capital items included in FY 10's budget. There are, however, several new expenditures totaling \$66,000 related to the Public Safety Facility that have been added to the Communications budget, the most significant of which is another Telecommunicator position. This has been part of the long-term staffing plan for Communications at the new site. Also, instead of budgeting for part-time help to

maintain the addressing system, Communications will pick up the part of a position in the Health Department that is no longer fully funded by a grant.

There is an overall decrease of \$73,000 in the Sheriff's FY 10 budgets. This resulted mainly from the removal of \$307,000 in expenditures related to the Lake Toxaway Patrol, the delay of the purchase of approximately \$270,000 worth of vehicles, and a \$31,000 decrease in fuel costs. These reductions, plus a number of smaller ones, offset the net operational costs of \$649,000 added to the budget for the detention center. The \$541,000 in personnel expenditures represents the amount budgeted in FY 10 that was not included in FY 09's budget for filling the new positions in the last few months of this year. Since most of the costs associated with the new staff such as background checks, physicals, uniforms, and training have been incurred this year, the budget for these items has been reduced by \$28,000. With the opening of the Public Safety Facility tentatively set for October, the amount budgeted for Prisoner Overflow has been reduced by \$72,000. Prisoner Medical expense, however, is expected to increase by \$31,000. Onsite medical services will be available to inmates through an outside healthcare contractor, who will provide an LPN 40 hours a week and on-call service 24 hours a day. The base charge will be \$8,100 per month in the new facility. The costs of janitorial and operating supplies are also expected to increase along with the number of inmates. At this time it is very difficult to predict the usage of utilities at the new facility. Based on the information gathered by staff, \$100,000 has been added to the Detention Center budget for electricity, natural gas, and water and sewer. Expenditures in the other departments under the Sheriff have remained relatively flat although the transfer of personnel and positions between departments makes comparisons somewhat difficult. If the State eliminates funding for state inmates in local jail facilities of \$18 per day per inmate, that could impact the County by \$35,000 plus the additional food costs.

Making up the Economic and Physical Development function are Building Permitting and Enforcement, Planning and Economic Development, Cooperative Extension, and Soil and Water Conservation. FY 10's budget of \$1.1 million for these departments is \$400,000 below FY 09's amended budget. In response to a reduced demand for services related to the slump in construction, the Building Permitting and Enforcement department reduced its budget for FY 10 by \$119,000. One inspector position has been eliminated (the employee has been transferred to Maintenance) and the work week for the remaining staff has been shortened from 40 to 37.5 hours. In addition, since replacement computers and vehicles were budgeted and purchased in FY 09, none were included in FY 10's request. While a number of smaller line item cuts were made in other departments in this function, the most significant reductions are related to grant-related expenditures for Economic Development and Soil and Water Conservation. In FY 09, the County budgeted to distribute \$104,000 to Excelsior Packaging from funds received through the One NC Fund and \$154,000 to various property owners for stream bank stabilization projects funded by the Division of Water Resources. FY 10's budget does not include any pass-through grants such as these.

Human Services represents 22.7% of the total budgeted expenditures and encompasses Social Services, Child Development, Veterans' Services, Transportation, and General, Environmental, and Mental Health Services. The proposed budget for these functions for next year is \$8.9 million, \$1.5 million less than this year's amended budget. The major reason for this sizeable reduction is the State's assumption of the County's share of Medicaid Payments, budgeted at \$919,000 in FY 09. However, \$29,000 has been budgeted in FY 10 for Medicaid administrative costs, which counties will continue to be responsible for. The budgets for General Assistance programs, as projected by the State, also show a net decrease of \$149,000, mainly due to not budgeting \$40,000 in funds rolled into FY 09 from prior years for special adoptions and \$93,000 less in pass-through funding for Crisis Intervention Programs. Additional funding for emergency

help type programs is usually authorized as needed. Delaying the replacement of 15 computers costing \$22,000 plus other minor reductions enabled Social Services to lower its administration budget by \$53,000. Child Development budgets were decreased by \$60,000 primarily by consolidating some of the administrative functions with DSS and the New Adventure Center and reducing part-time. Transportation's budgets, likewise, show a decrease of \$35,000. Although FY 10's budget includes a \$56,000 replacement van, which will be paid for with ARRA funds, FY 09's budget included \$90,000 for two vans. The \$122,000 drop in General and Environment Health Department budgeted expenditures is related to the freezing of the vacant public health nurse position, a 40% reduction of an inspector's time charged to Environmental Health, special funds included in FY 09's budget but not in FY 10's, and corresponding funding decreases in some programs such as Child Services Coordination, Immunization Action, and BT Preparedness. Many of the expenditures in Human Services are mandated and much of the funding is provided by federal and State monies. Compared to the FY 09 amended budget, the FY 10 recommended budget shows that the County will absorb less of the cost to support the Human Services activities. The Manager pointed out that Child Development is an important service but it is costly to the County. Staff will be exploring other opportunities in the coming year on how to provide these services in a more cost efficient manner. The County contributes a sizeable amount per child to operate the facility and provide the service. Child Development is a five star facility and the fees may be higher than some private owned childcare facilities.

Commissioner Hawkins questioned the Manager's recommendation to freeze a health nurse position at the Health Department and yet contract for medical services for the new Public Safety Facility. Ms. Poor and the Manager stated that the health nurse position specializes in children services. The medical services contract will help to reduce emergency room visits from inmates and reduce the amount of medical supplies. There is an increase in the budget because the number of inmates is expected to increase when the new facility opens. The contract includes access to a doctor and prescription medications as well. Captain Eddie Lance said counties are required by law to provide healthcare for inmates. The Sheriff's Department is continually looking at ways to save money.

Chairman Chappell called for a 15 minute break.

The proposed budget for Culture and Recreation for FY 10 decreased by \$355,000, taking the amount recommended for the Library and the Recreation Department down to \$1.6 million. Most of this reduction is due to one-time items that were in FY 09's budget but not in FY 10's, which included \$45,000 for preliminary work on the new Community Sports Complex and \$151,000 rolled forward from FY 08 for the bookmobile. In addition, the part-time budget for the Library has been cut by \$52,000, or 40%, which will negatively impact the Library's ability to provide current services and programs. Overall, the Library's proposed budget for FY 10 is \$280,000 below the FY 09 amended budget. The Recreation Department also reduced its part-time budget, which means delaying the opening of Champion Pool by a week and decreasing the hours the gym is open on the weekend and decreased budgeted building and grounds maintenance to pull the Recreation budgets down by a total of \$64,000.

At \$12.7 million, Education remains the single largest function reported in Transylvania County's budget, even though FY 10's budget is \$300,000 lower than FY 09's. These funds are appropriated for the local school system's current spending and capital outlay, a portion of the operational and capital expenditures at the Brevard Campus of BRCC, and debt service on the school bonds. While the proposed budget for capital of \$1 million for the school system is \$821,000 less than the prior year's, the proposed budget for current spending is up 6.3% to a total of \$8.7 million. The total request from the Board of Education for FY 10 equals \$9.8 million

versus \$10.1 million for FY 09. The budget for BRCC, which rose significantly last year due to higher operational costs associated with the new building and major capital repairs, has remained the same at \$341,000 for next year. Debt service on the school bonds is up slightly at \$15,000.

Scattered throughout these functional areas are Outside Agencies that are budgeted to receive approximately \$358,000 in County funding to help support their work in these areas. This is down 7.3% from last year's level of \$386,000.

Debt Service covers the payments of principal and interest on the \$2.9 million installment financing agreement entered into to provide funds for the completion of the Public Safety Facility. Only two quarterly payments came due in FY 09. Four payments will be due in FY 10.

The \$1.1 million in Transfers consists of \$900,000 to be transferred to Solid Waste, \$84,000 to be transferred to other funds, and \$66,000 to be set aside in reserves within the General Fund.

Ms. Poor next reviewed the General Fund expenditures by function which shows where budget reductions have been made and why some expenditures have been identified by the Manager as key expenditures.

Personnel expenditures are budgeted to be \$16.8 million and account for 42.8% of the County's budget. These include not only salaries, wages, and fringes, but also benefits such as health insurance and 457 contributions. There is no provision in the FY 10 budget for salary and wage increases or for staffing increases. The budgeted number of employees for FY 10 is the same as the currently authorized number, which includes 19 new positions approved for the Sheriff's Department in the current fiscal year. The only other new positions are a Telecommunicator, which is offset by the reduction of a vacant public health nurse position, and a Maintenance Technician, which represents a transfer of an inspector position from Building Permitting and Enforcement. Personnel expenditures actually show a slight decrease of 0.6%, or \$101,000, from FY 09's amended budget. This is attributable mainly to the following reductions:

- \$270,000 from the elimination of the Lake Toxaway Patrol
- \$142,000 cut from budgeted part-time in various departments
- \$56,000 from shortening the budgeted work week in a couple of departments
- \$52,000 less for the annual required contribution (ARC) to the Retiree Health Insurance Fund, per the latest actuarial study
- \$42,000 included in FY 09's amended budget but not in FY10's proposed budget for vacation pay-outs, which are funded by the Reserve for Compensated Absences

While the annual health insurance cost per employee budgeted in the General Fund remained at \$7,065, staff is anticipating an overall increase in health insurance costs of \$185,000, due to a combination of additional subscribers and a medical trend inflation rate of 10%. This increase, however, will be funded from the increase in the self insurance reserve generated by favorable claims experience this year. FY 10's proposed budget also includes \$187,000 to fully fund the ARC for the retiree health insurance plan and \$377,000 for 457 contributions for employees not participating in that plan. The costs of these benefits per employee per year have dropped from \$1,966 to \$1,800.

The \$4.4 million in Operational Expenditures constitutes 11.4% of the total budget and covers a number of types of expenses, ranging from professional services, rentals, and travel to operating supplies, maintenance, utilities, computers, and insurance. These are the expenditures that, at the

beginning of this year's budget process, department heads were asked to keep flat. FY 10's budget shows a \$200,000, or 4.4%, decrease.

The \$909,000 budget for Outside Fees and Services is \$206,000 lower than the current year's amended budget. For FY 09 the Register of Deeds budgeted \$96,000 for document preservation services. This project has been delayed to at least FY 11. \$38,000 for architectural, engineering, and consulting services has been removed from the budget as well. Services related to the Public Safety Facility, such as Prisoner Overflow housing and Prisoner Medical expense net to a reduction of \$41,000.

As instructed by the County Manager, department heads have reduced budgeted travel and training and travel to only that which is essential to perform departmental functions or obtain and maintain required certifications. The result is a decrease in these line items of \$50,000 compared to FY 09's amended budget.

Fuel costs are projected to go down by \$59,000 as both prices and consumption are budgeted to decrease. Prices per gallon are expected to drop from the amended budget level of \$2.59/ gallon for gasoline and \$3.02/ gallon for diesel to \$2.03 and \$2.22, respectively, based on projections from the Department of Energy's Energy Information Administration. The County is exempt from paying the federal and State excise tax of \$.4855 per gallon for gasoline and \$.5455 per gallon for diesel. Budgeted fuel consumption for FY 10 is 6.2% less than FY 09's, thanks to reduced usage in the Sheriff's department, approximately half of which is due to doing away with the Lake Toxaway Patrol.

Utility costs in most areas are not budgeted to increase next year since the 5% inflation factor applied in FY 09 seems to be adequate to cover the coming year as well. The one exception is in the Public Safety Facility, where \$100,000 was added. Once the County has some actual charges, staff will review the Detention Center utilities budget and determine how to allocate charges to other departments within the facility, such as Communications and Emergency Management.

Maintenance costs are budgeted to be \$53,000 below the FY 09 level, with building and grounds maintenance absorbing \$29,000 of the reduction and software and equipment maintenance for voting machines contributing another \$34,000. In prior years the County has budgeted for the maintenance on the elections equipment, but now the State has assumed responsibility for the charges. Not including these maintenance expenditures in the FY 10 budget has been identified as a risk.

In FY 06 the County implemented a four-year replacement cycle for computers. Under this plan, 82 were scheduled to be replaced in FY 10. However, to cut costs, only 16 computers are included in next year's recommended budget. These were selected based on their condition and the consequences of their potential failure. IT is also budgeted to purchase 10 computers to have as spares to use when needed. The FY 10 budget for computers and printers is \$105,000 less FY 09's.

Contingency is included in the Operational Expenditures category and has been increased by \$200,000.

Expenditures for Human Services Programs represents 7.5% of the General Fund budget and include Medicaid Payments, Medicaid transportation, foster care, adoption assistance, adult day care, and other general assistance programs. These account for \$2.4 million of the total \$2.9 million budget. The remaining expenditures are funded by grants which include HCCBG, CJPP,



DJJDP, and the Children's Center. Medicaid Payments have been reduced by \$919,000 while general assistance programs have decreased by \$146,000, which explains the \$1.1 million reduction from FY 09's amended budget.

The two largest components of the Miscellaneous category are advertising at \$20,000 and recreational program costs at \$41,000, which are covered by fees collected from participants in the programs. At \$89,000, miscellaneous expenditures budgeted for FY 10 are less than FY 09's budgeted amount of \$169,000 due mainly to \$60,000 in special project funds received by the Health Department in FY 09.

Grant-related expenditures budgeted for FY 10 are \$160,000 versus \$601,000 in FY 09. While the Sheriff's Office has applied for several grants for the coming year, none have been awarded so far, which accounts for \$60,000 of the \$441,000 difference. The majority is attributable to Economic Development and Soil and Water Conservation grants, totaling \$354,000. Another \$75,000 may be traced to the NC Office of Rural Health and Community Care grant, which provides funds for mental health care services. This is a pass-through grant the County has received the prior two years.

The Governmental Remittances are the payments made by the Register of Deeds to the Children's Fund and the Domestic Violence Fund from marriage license revenues and the State's portion of the conveyance taxes collected. The governmental remittances budgeted have been lowered from \$233,000 in the FY 09 amended budget to \$175,000 in anticipation of lower revenues.

The \$457,000 budgeted for Outside Agencies excludes BRCC, Communities in Schools, and School Day Care, since they are grouped with Education. It does, however, include \$99,000 for Mental Health maintenance of effort, which is mandated by the State, and \$96,000 for the NC Forest Service, \$131,000 for the Rescue Squad, and \$7,000 for City and County boards, which are not totally discretionary. That leaves \$124,000 budgeted in FY 10 for other organizations versus \$169,000 budgeted in FY 09 for outside agencies.

The Education expenditures make up 32.3% of the County's budget.

The Capital budgeted for FY 10 has been limited to only the most urgently needed items. Of the total \$118,000 budgeted for Capital in the General Fund, \$55,000 is for a Transportation van that will be paid for with ARRA funds, \$20,000 for a skid steer loader for the Maintenance Department, \$20,000 for a replacement HVAC unit at the Community Services Building, and \$20,000 for the replacement of a section of roof at the old Sheriff's Office. Compared to FY 09's amended budget, this represents a 94.1% decrease and compared to the original budget, an 85.3% decrease. No Sheriff's Department vehicle replacements have been included, which will be an issue next year. Staff will be exploring grant opportunities to help cover the cost of new vehicles.

Debt Service and Transfers are reported the same as by function.

## **SOLID WASTE**

Ms. Poor reviewed Solid Waste revenues and expenditures.

### Revenues

A decrease in construction and demolition waste related to the downturn in building activity has caused scale sales in the current year to be off by approximately 21% from FY 08's tonnage. The budget for FY 10 assumes on a minor improvement, up to 22,917 tons from this year's estimated

level of 22,667 tons. This translates to over a quarter of a million dollars in lost sales compared to FY 08 and \$89,000 compared to the FY 09 amended budget. Sticker sales are expected to be slightly higher than this year's estimate but still below FY 09's amended budget. Recycling revenues for FY 10 are also projected to be lower. Excluding the transfer from the General Fund, Solid Waste revenues are expected to drop by \$177,000.

#### Expenditures

Expenditures are also budgeted to be \$177,000 lower in part because of the decreased tonnage going in the landfill. Less waste extends the life of cell #4 and delays the need to open cell #5. At the level of growth currently estimated for scale sales, the existing cells should have sufficient capacity for another 7 to 8 years, which means that the amount to be reserved in FY 10 for closure and post-closure care costs and for the next cell could be reduced by \$151,000, compared to the amount budgeted for FY 09. Other factors that decreased expenditures included \$35,000 budgeted in FY 09 for a one time slope study and \$30,000 budgeted for debt service on a note that was paid off in FY 09. The only significant increase in Solid Waste expenditures is \$118,000 in capital and is attributable to a \$195,000 rebuild of the CAT trash compactor. No other capital items have been budgeted for Solid Waste for FY 10.

#### **OTHER FUNDS**

Other funds include the Law Enforcement Officers Separation Fund, the Retiree Health Insurance Fund, and the 457 Contribution Fund. The County contributes a required annual contribution from the General Fund to the Law Enforcement Officers Separation Fund. There are 11 current retirees receiving retiree health insurance through the County. The County contributes \$1,500 to a 457 Contribution Fund for employees annually.

Additional funds in this category include the Occupancy Tax Fund, the Revaluation Fund, the Self Insurance Fund, the Emergency Telephone Fund, and the Silvermont Fund. Other agency funds include Fines and Forfeitures that are collected by the court system and QZAB funds.

The Manager said staff will be discussing key issues and education at the next meeting and any other items the Board may want to discuss. On Monday, staff will discuss the fire departments budgets and finalize the budget and subsequently schedule a public hearing on the budget at the direction of Commissioners.

Chairman Chappell asked if the final revaluation appeals have been complete. Tax Assessor David Reid said appeals are 50% complete and should be finalized by the end of June. He said he has been in frequent contact with the Manager regarding the tax base estimate which is used to calculate the revenue neutral tax rate.

Chairman Chappell asked Commissioners to inform staff of any additional items they would like to discuss at the next budget meetings.

#### **PUBLIC COMMENTS**

There were no comments from the public.

#### **COMMISSIONERS' COMMENTS**

There were no comments from Commissioners.

**RECESS**

**Chairman Chappell recessed the meeting until Friday, May 29, 2009 at 6:00 p.m.**

**FRIDAY, MAY 29, 2009, 6:00 p.m., Rogow Room, Transylvania County Library**

The Budget Workshop meeting reconvened on Friday, May 29, 2009 at 6:05 p.m.

Commissioners present were Lynn Bullock, Chairman Jason Chappell, Mike Hawkins, Daryle Hogsed and Vice-Chairman Kelvin Phillips. Also present were County Manager Artie Wilson, Finance Director Gay Poor, Human Resources Director Sheila Cozart and Clerk to the Board Trisha McLeod.

Media: *Transylvania Times*: Mark Todd

There were approximately 30 people in the audience.

Commissioners amended their agenda to include the consideration of Resolution 30-09 In Honor of Dr. Sonna Lyda, Superintendent of Transylvania County Schools.

**Commissioner Phillips moved to approve Resolution 30-09 In Honor of Dr. Sonna Lyda, Superintendent of Transylvania County Schools. The motion was seconded by Commissioner Hogsed and unanimously approved.**

Commissioners presented the following resolution to Dr. Lyda and thanked her for many years of service to Transylvania County Schools and the citizens of Transylvania County.

**Resolution 30-09**

*In Honor of Dr. Sonna Lyda, Superintendent of Transylvania County Schools*

**WHEREAS**, Dr. Sonna Lyda, Superintendent of Transylvania County Schools, will retire effective June 30, 2009; and

**WHEREAS**, Dr. Lyda has served 38 years as an employee of Transylvania County Schools, the last 7 years spent as Superintendent; and

**WHEREAS**, Dr. Lyda was named the Western Region Superintendent of the Year for 2008-2009; and

**WHEREAS**, this year she was honored as the 2009 North Carolina Excellence in Education Awards winner at the AdvancED conference in Chicago, an award presented to individuals who have demonstrated unparalleled leadership in promoting and advancing excellence in education; and

**WHEREAS**, as she has worked among the people in our community, Dr. Lyda has become a positive and effective influence for good in our community; and

**WHEREAS**, Dr. Lyda has displayed the highest example of character, ethics, morals, leadership, and unselfish service; and

**WHEREAS**, she has won the highest regard of all her associates and the admiration of

students and parents throughout the community; and

**WHEREAS**, Dr. Lyda has earned and justly deserves this public recognition for her many years of service to our community.

**NOW THEREFORE BE IT RESOLVED** by the Transylvania County Board of Commissioners that it hereby expresses its appreciation to Dr. Sonna Lyda for her many years of dedicated service to Transylvania County and Transylvania County Schools and extend to her best wishes for a long and happy retirement.

**BE IT FURTHER RESOLVED** that this resolution be spread upon the official minutes of the Board of Commissioners and that a copy be presented to Dr. Lyda.

This the 29<sup>th</sup> day of May, 2009.

## **KEY ISSUES**

### School Budgets

#### **K-12**

The proposed increase requested by the Board of Education in Current Expense is \$519,000, or 6.3%, over FY 09. The Senate and House budgets will affect their budget significantly and both propose a reduction in teachers and an increase in classroom size. The Board of Education plans to use stimulus funds over a period of two years to reduce the impact to teachers. They have asked the County to fund 7.5 positions at a cost of \$369,000. The other increases to their current expense are to cover increases in health insurance and retirement and the child nutrition program for which Commissioners have voiced their support. The Manager supported and recommended their budget proposal but expressed concern over how the teaching positions will be funding when the stimulus funds run out.

The Board of Education has proposed a 44% decrease in capital, a reduction from \$1,868,385 to \$1,046,963 from FY 09. They have requested the County to fund their top 10 priorities, including a school activity bus and their project expenditures by school. Their total budget decreased approximately \$300,000.

Commissioner Hawkins discussed and expressed concern about the Board of Education's list of priorities, specifically their request for computer replacements, noting that the County drastically reduced the number of computers it plans to purchase next year because of the expected shortfall in revenues. Board of Education Chair Mike Rogers responded that the schools are behind in technology compared to other schools and the computer replacements are a priority. Dr. Lyda said the old computers are used in other schools where needed. Mr. Rogers further noted that the Board of Education submitted a list of 54 capital items and prioritized their top 10 items. Next year they will reprioritize their list which will be submitted to the County. Commissioner Hawkins noted the County cut its capital expenses for FY 09 by approximately 95% and he encouraged the Board of Education to begin prioritizing their needs now.

Commissioner Hawkins inquired about additional cuts that could be made in their current expense such as extracurricular activities. Dr. Lyda said no cuts have been made to any programs; however they are not being funded at the same level as years past. Mr. Rogers said the Board of Education will use every dollar that is allotted to them and they are also mindful of taxpayers.

In response to a question from Chairman Chappell, Dr. Lyda said the State budget will potentially cut 21 teaching positions. Some of those can be made up with the use of stimulus funds. A few of the positions lost were retirements and will not be filled.

The Manager suggested meeting with the Board of Education after the State's budget is finalized to discuss next year's budget needs because the County is expecting a larger revenue shortfall in FY 11.

### **Blue Ridge Community College**

The budget for Blue Ridge Community College is identical to the current year's budget. Last year the County committed to a roof replacement in FY 10. BRCC is using \$20,000 from their fund balance to fund some other projects.

David Whitson, Dean of Administrative Services, thanked the Board for their support. He said the college has implemented a facilities assessment program which helps the college plan for the future and helps the County plan their budgets as well. He pointed out that enrollment at both campuses continues to increase which will help them in terms of the State budget cuts.

Transylvania Campus Division Director, Chad Merrill, announced a record number of students enrolled at the Transylvania Campus. They are working with the Sheriff's Department and investigating other resources to help provide security on campus, specifically in the evening.

Chairman Chappell called for a 15 minute break.

### Personnel

313 personnel have been authorized for FY 10 which is no increase in personnel from that which was authorized in FY 09. The Manager noted some resources were shifted to other departments where needed.

Commissioner Phillips asked if staff was offered the option of taking voluntary leaves of absence. The Manager said staff explored possible furloughs but they were not offered as an option because the County's personnel rolls are lean anyway. He also said there was a question about violating the Fair Labor Standards Act with exempt employees.

### Health Insurance

The Manager projected a favorable impact of \$196,000 in the current year in the insurance fund balance which will offset the shortage in the coming fiscal year. There will be no increases to health insurance costs for staff.

### No Market Adjustment or Pay for Performance

No increases for staff pay have been included in the budget. The Manager said the major focus has been on saving all jobs.

### Capital

The total capital request for the County is \$270,000, \$215,000 of which will be out of pocket expenses. A new van for the Transportation Department will be paid for with stimulus funds. The other capital expenses include equipment for the Maintenance and Solid Waste Departments.

The Manager noted that next year the Sheriff's Department will be requesting funds to replace several vehicles. The Communications Department will explore grant opportunities for funding the repeaters they requested. The Manager said there is no risk to delaying the ambulance request to next year.

#### Funding Outside Agencies

The Manager reviewed all the requests from Outside Agencies, noting that no new requests were funded and most agencies requests were reduced 10%. The total request from Outside Agencies was \$157,250 and the Manager recommended \$99,425.

The Manager discussed the request from the Bread of Life. The Bread of Life requested \$10,000, \$9,000 of which they plan to purchase vouchers from Angel Food Ministries to distribute to churches. The Manager only recommended funding \$1,000 which will be used to purchase food for their kitchen.

Commissioner Hawkins said the Tourism Development Authority has agreed to fund the County's share of the Heart of Brevard's request for funding to cover the Fourth of July Fireworks event. He said the County needs to review this request next year, specifically because the TDA's budget has decreased significantly as well.

Commissioner Hawkins suggested considering funding the arts in the future with monies from Economic Development, and not consider it as an Outside Agency. He also said the Bread of Life has a tremendous impact on the community and suggested increasing their funding to \$4,000.

A representative from the Heritage Museum requested to speak. She said their dream budget is \$88,000 a year, noting a significant amount is needed just to pay rent and utilities. The Heritage Museum offers many programs and they are State and nationally recognized. They also work closely with the schools. She said lots of work and materials have been donated to them. She said they need funds from the County but there are other ways the County can assist them too.

Commissioner Hogsd shared the same concerns about the Bread of Life as Commissioner Hawkins and proposed diverting \$8,000 from Brevard College to the Bread of Life for a total of \$9,000. Commissioner Hawkins did not agree with taking funding from Brevard College saying it has a positive impact on the County's economy.

After further discussion, the Manager recommended reducing the appropriations for Brevard College and Habitat for Humanity by 10% for a total of \$1,000 which can be used to increase funding for the Bread of Life or fund the Heritage Museum.

Commissioners deferred their discussion and decision to the next budget workshop meeting.

#### Fuel Costs

Included in the budget is staff's best estimate of fuel prices for the coming year. Commissioner Hogsd suggested planning at a higher level to give the County some cushion in case fuel prices increase. The Manager added \$.50 per gallon to both gas and diesel. Ms. Poor calculated the increase to the budget as \$38,000 for gas and \$7,500 for diesel. The Manager suggested increasing the contingency line item by this amount.

#### No Funding for Community Park in Rosman

A study is under way to determine what can be built on the property in Rosman and what the projected cost may be. The initial drawings should be available in the coming weeks. There are no funds available to construct a community park. Funds have been included to make the lease payment on the property and for maintaining the grounds.

#### Tax Collection Rate

The tax collection rate has been budgeted at 98.27% which the Tax Administrator and the Manager feel is a reasonable rate.

#### Sales Tax

The NCACC predicts an additional 4% reduction in sales tax for FY 2009-10 which will vary around the State. Staff had originally projected sales taxes to be flat for the next fiscal year. The additional 4% loss negatively impacts the County by \$235,595.

Commissioners discussed the additional impact to the budget and suggested including the additional deficit of \$235,595 to the budget which will be made up from the fund balance.

#### Tax Base – Revenue Neutral Tax Rate

The estimated tax base is \$5.82 billion. The Manager said the revaluation appeals are still ongoing but should not affect the figures.

The revenue neutral tax rate is \$.3949 per \$100 of assessed value. The estimated effective tax rate based on last year's tax rates across the State places the County 19<sup>th</sup> lowest in the State. The new figures will not be available until the end of June. In the current year, Transylvania County had the 30<sup>th</sup> lowest tax rate in the State. The Manager noted that a one cent increase on the tax rate will give the County an additional \$575,000.

The City's tax rate also affects the County's revenues. If the City does not adopt a revenue neutral tax rate, they will receive a larger share of the sales tax distribution. Sales taxes are distributed based on the tax levy.

The Manager concluded his presentation. At the next budget meeting he will report on how the additional increases to the budget affect the fund balance.

Commissioner Phillips requested a breakdown of additions to the tax base since the last revaluation, specifically new construction versus remodels.

#### **PUBLIC COMMENTS**

There were no comments from the public.

#### **COMMISSIONERS' COMMENTS**

There were no comments from Commissioners.

#### **RECESS**

**Chairman Chappell recessed the meeting until Monday, June 1, 2009 at 6:00 p.m.**

**MONDAY, JUNE 1, 2009, 6:00 p.m., Rogow Room, Transylvania County Library**

The Budget Workshop meeting reconvened on Monday, June 1, 2009 at 6:03 p.m.

Commissioners present were Lynn Bullock, Chairman Jason Chappell, Mike Hawkins, Daryle Hogsed and Vice-Chairman Kelvin Phillips. Also present were County Manager Artie Wilson, Finance Director Gay Poor, Human Resources Director Sheila Cozart and Clerk to the Board Trisha McLeod.

Media: *Transylvania Times*: Mark Todd

There were approximately 20 people in the audience.

**REVISIT EDUCATION**

The Manager reported that the County received information today on the Senate and House education budgets. The Senate version shows a reduction of 20.75 positions. Stimulus funds would pick up 9 of those positions over the next two years. The Board of Education has requested the County to fund 7.5 positions leaving 4.5 positions unfilled. The Board of Education has implemented a contingency plan where they would eliminate 8 positions, 6 of which would remain vacant. This plan covers the 4.5 positions they would be short from the Senate version. The House version reduces their staff by 26 positions, leaving them short 9.5 positions. The Board of Education has agreed to reduce positions by an additional 1.5 positions if the House budget passes.

Dr. Lyda said the schools have reduced positions in the central office and in career and technical education. One other position will be eliminated that she did not disclose. Other reductions were made in school building and administration and in support staff and teacher assistants. She pointed out that the stimulus funds will be spread over 2 years to cover 9 positions. The Board of Education will evaluate all the positions before they consider rehiring the lost positions in the future.

Commissioner Hogsed expressed concern about cutting money from the classroom and not from administration or other projects. Dr. Lyda said the Board of Education has worked hard to minimize the loss of jobs, noting that some of the loss was positions, not teachers.

Commissioner Hawkins asked the Board of Education to look at other potential cuts to their budget. Dr. Lyda said the Board of Education has already made cuts to their budget; however if the final budget from the State is worse than anticipated, they will revisit their budget.

Commissioner Hawkins suggested reducing funding for the child nutrition program from \$100,000 to \$75,000 and funding for computer replacements from \$300,000 to \$200,000. Dr Lyda said cuts to the child nutrition program will be passed on to the students. She said the schools have used almost all their spare parts in repairing computers which are used on a daily basis by teachers and students.

Commissioner Bullock inquired about potential cuts in extracurricular activities. Dr. Lyda said they must be cautious with cutting those activities because many are under contractual arrangements.



## **FIRE DEPARTMENTS**

Emergency Services Director David McNeill explained the process of determining the fire departments' budgets and discussed the key issues facing each department. He pointed out that each department was asked to submit a budget equal to or less than the current year. Mr. McNeill met with each department to discuss each line item. There were several generic influences in each department which included the rising cost of equipment and stricter standards on equipment replacements which has a large impact on many of the departments. Other influences included utility cost increases, insurance costs, personal protective equipment costs, future and present building and space needs issues, and the continuing reduction of volunteer responders especially during the work day.

Individual departments also have issues that affect their departments more specifically. In some cases emergency services staff identified and communicated specific issues that impacted departments' operational budgets and the ability to provide quality services.

The first specific issue is the need for paid staff which was requested from Rosman Fire Rescue. They requested paid staff for assistance in response and administrative support claiming it has been increasingly difficult to have personnel available to respond in an adequate time. They also expressed a need for assistance with preplanning and administrative functions for their department. Many other departments have requested paid staff in the past. The need for paid staff is a growing concern and is a problem that affects all fire departments regardless of the size or the total volume of calls. Mr. McNeill said this creates a countywide issue and the approval of paid staff in one department without a strategy to implement the need in each department is not feasible. He recommended that Commissioners instruct the Emergency Services Department to work with the Chief's Association to establish a committee to examine the issues and make recommendations to Commissioners. The committee would examine key items such as staffing levels, mutual aid agreements, funding, contractual arrangements, level of service, County response expectations, preplanning, and medical response to bordering districts.

Another key issue for departments is debt service. Mr. McNeill continues to work with departments to keep their debt service to a minimum because it impacts their operational budgets and their ability to provide services.

Three departments are having difficulty generating revenues consistent with other departments although they are still required to meet their contractual arrangements and meet the same standards. The tax rates are higher in these districts because their property valuations are low.

Most importantly the fire departments' budgets should meet their needs while providing quality services and keeping the tax burden low.

Mr. McNeill reviewed the budgets for each department as follows:

### Brevard Fire Department

- A municipal department within the City and they have their own budget process
- Increase in budget this year because City in the process of purchasing a new tanker
- Requested and recommended budget is \$223,650

### Rosman Fire Rescue

- Requested \$329,152, recommended budget is \$286,058

- The difference in the requested and recommended budget is the reduction of the paid staffing
- Added funds for a down payment for a new engine they will need in the coming year in an attempt to keep debt service low

#### Little River

- Budget the same as the current year

#### Connestee Falls

- Costs associated with new station
- Shifted funds to reduce debt service
- Provides good quality services

#### Cedar Mountain

- Operational budget less than the current year
- Requested to set aside funds to make an extra payment on their building; however it was not recommended because of the state of the economy

#### Lake Toxaway

- Debt service largely impacts their budget

#### Balsam Grove

- Operates on a small budget
- Budget same as the current year
- Significant reduction in their tax rate

#### North Transylvania

- Submitted budget same as the current year
- Issues with low property valuations within their district
- Continues to explore alternative methods for funding equipment

Mr. McNeill updated Commissioners on the merger of Little River and Etowah Fire Departments. He said the transition was smooth and he has received no complaints.

Commissioner Hawkins inquired about Mr. McNeill's assessment of the quality of equipment in each department. Mr. McNeill said overall the departments are doing well; however there are some departments that have specific needs with respect to personal protective equipment. Equipment and vehicle costs are rising significantly and departments have to be diligent in their planning process.

Chairman Chappell commented about the need for paid staff. Mr. McNeill noted that some departments in surrounding counties have paid staff in their departments. All options need to be discussed and considered to address the County's needs in the future. Commissioner Bullock commented that record keeping for the departments is very important because of the new standards.

Commissioners instructed Mr. McNeill to meet with the Chief's Association and establish a committee to discuss options to meet the needs of the departments with respect to paid staff and report back to the Board in January 2010.

A member of the public, Mark Tooley, inquired about how each fire department budget was put together and how they work to keep their costs low. Mr. McNeill explained that each department completes a line item budget request form. They include debt service for equipment and building, personal protective equipment and supplies, medical equipment, utility costs, etc. Each department submits a completed form. He and the Fire Marshal then meet with each department and review their budgets line by line. Mr. McNeill pointed out it is possible for departments to work in cooperation with each other on specialized resources or services, such as dive teams and oxygen refill services.

Mr. McNeill reviewed the recommended tax rate for each fire district as follows:

	<u>FY09</u>	<u>FY10</u>
Brevard	0.0331	0.0271 (expected to reduce further)
Rosman Fire	0.0877	0.0626
Little River	0.0797	0.0577
Connestee	0.0697	0.0494
Cedar Mountain	0.1154	0.0802
Lake Toxway	0.0359	0.0275
Balsam Grove	0.1391	0.0968
North Transylvania	0.1242	0.0911

**Commissioner Hogsed moved to approve the fire department budgets, seconded by Commissioner Bullock and unanimously approved.**

Chairman Chappell called for a 15 minute break.

## **OUTSIDE AGENCIES**

Commissioners revisited funding for outside agencies. During the meeting on Friday night, Commissioners discussed reducing Brevard College's budget request by 10%, or \$800, as done with the other agencies. Last year the County funded Brevard College \$10,000. They have only requested \$8,000 for FY 2010. Commissioners also discussed reducing the request from Habitat for Humanity by 10%, or \$200. All other agency requests were reduced by 10% in the Manager's recommended budget. At the request of Commissioners, the Manager reviewed all the requests by outside agencies and explained what services they provide and the recommended appropriation for each.

Commissioner Hawkins discussed the possibility of the Heritage Museum assisting the County with the planning of its 150<sup>th</sup> Anniversary and suggested taking the \$1,000 reduction from Brevard College and Habitat for Humanity and appropriating it to the Heritage Museum. Commissioner Hogsed agreed but noted there are funds set aside to fund the celebration.

After discussion, **Commissioner Hawkins moved to appropriate \$1,000 (\$800 from Brevard College and \$200 from Habitat for Humanity) to the Heritage Museum. The motion was seconded by Chairman Chappell and unanimously approved.**

## **EDUCATION**

Commissioner Hawkins noted that Dr. Lyda answered his earlier questions pertaining to potential reductions in computer replacements and the child nutrition program. He had suggested reducing their request for computers from \$300,000 to \$200,000 and reducing the child nutrition program

allocation from \$100,000 to \$75,000. He suggested not waiting to finalize the education budget when the State finalizes their budget, but rather acting now and being ready to make additional reductions if needed in other areas such, as athletics. He further questioned the need for funding computers, etc. when teaching positions are being cut.

Incoming Superintendent Jeff McDaris explained many of their athletic programs and equipment replacements are mandated by the State. He hopes the State will look at ways to reduce cost and explore other options. He further explained that newer computers are utilized in departments where needed, such as the business department. The older computers are rotated into other departments, such as health education, and other schools in the County where they normally would not be able to afford computers. The Board of Education's goal is to protect teachers. They have been able avoid some of the impact through attrition. He said he does not understand the State's reasoning for reducing teachers. They have made some difficult decisions with regard to teacher reductions, noting classroom size will be increasing next year. They have also eliminated the free tuition for community college courses and those students will be absorbed back into the classroom. Mr. McDaris further commented that there is no way to break even on the child nutrition program because of the increasing costs. He said they are doing everything they can to protect positions but noted they can not eliminate everything else and still have a structured program.

Chairman Chappell stated that the Board gives the schools an amount of money that they spend how they see fit and he believes they have submitted a valid budget. The school system has prioritized their budget according to their needs. He said the County should not compound the loss the school expects to see from the State and he is not in favor of reducing their budget any further. Commissioner Phillips agreed saying the Board of Education has been diligent and he supports their budget request.

Commissioner Hawkins disagreed. He said the County has the obligation of overseeing the budget because it has the taxing authority and it is the County's responsibility to require justification for their expenditures. He commented that the Board has asked more from its County departments than it has from the schools, including a huge reduction in the County's computer replacement cycle. Department Heads have sacrificed and the Board owes them to make sure all departments are treated the same. He commented that the County is essentially starving in order to fund one department. The school system brought the Board a budget recommendation and Commissioners are accepting it; however the other County departments have not been afforded the same treatment.

Chairman Chappell said he believes the Board of Education has made significant reductions in their budget. Commissioner Hawkins said he knows they have made cuts; however he emphasized the County is cutting the purchase of an ambulance and is willing to accept the risk of operating an ambulance that may have problems. He is concerned that Commissioners are falling into the trap of forcing other departments to fund the school system and Commissioners should be asking the same questions from all departments the County funds. Chairman Chappell said he feels the Board of Education's request is valid. Commissioner Phillips commented that the capital budget was cut significantly. He believes the Board of Education has made the best choices for the education process.

Commissioner Hawkins pointed out that the computers are not being replaced because of functionality problems. Mr. McDaris said the schools are experiencing more problems with older computers and 3,700 students and teachers use those computers on any given day.

Commissioner Hogsed said he is glad to see reductions in the school budget and he agreed with Chairman Chappell's comments; however he is concerned about taking money from the classroom. He would have preferred to see additional cuts in order to save teachers. Commissioner Phillips said programs such as athletics and other extracurricular programs are important to students. Without them student involvement decreases and could contribute to an increase in the drop out rate. Mr. McDaris agreed saying these programs keeps students involved and requires them to keep their grades up. He noted that statistics show a reduction in teen pregnancy when females stay involved in programs at school.

Commissioner Hawkins said he only is suggesting more efficiency the school system, not an elimination of programs. Commissioner Bullock said it is important to be creative when planning for future budgets.

Chairman Chappell called for a 15 minute recess.

## **EDUCATION CONTINUED**

**Commissioner Phillips moved to approve the Board of Education's budget as submitted. The motion was seconded by Chairman Chappell. The motion passed by a vote of 3 to 2, with Commissioners Hawkins and Hogsed voting against.**

## **FINALIZE BUDGET**

The Manager presented amendments to the budget as follows:

- \$426,000 deficit as submitted (to take from Fund Balance)
- Additional 4% reduction in sales tax of \$235,595
- Additional \$.50 cents added to fuel in the amount of \$66,777
- Additional items total \$302,372 for a total deficit of \$728,660

The Manager offered the following options for making up the deficit:

- Take total from Fund Balance
- More reductions to offset deficit
- Increase revenue via tax rate (\$.3949 is revenue neutral tax rate)
- Combination of above options

The Manager noted that a 1 cent increase on the tax rate, based on the tax base and estimated tax collection rate, is \$572,000.

If the total deficit is taken from Fund Balance, 16.8%, or \$6,615,000, remains in the undesignated Fund Balance, which is below the County's 20% goal. The County still remains in good financial shape. The Manager is concerned about the larger deficit expected for FY 2011.

It was noted that the increases to fuel did not include the Solid Waste Department. The Finance Director amended the fuel figures.

Commissioner Phillips inquired about the reduction of the ambulance in the budget. The Manager said staff determined there would be no risk to the County by delaying the purchase for another year and that spare ambulances are available if the need arises. The Manager said the

ambulance request will be included in next year's budget request, as well as requests for vehicle replacements by the Sheriff's Department.

Commissioner Phillips expressed concern about the reduction in pay for the Building Permitting Department. The Manager said their work week was reduced from 40 hours per week to 37.5 hours which is a normal work week for all other employees.

Commissioner Hawkins said although the Board's goal has to been to remain revenue neutral, he wondered if this is sustainable in the long term. He offered two suggestions, either remaining revenue neutral or increasing the tax rate by 2 cents

Commissioner Hogsed said the budget is based largely on assumptions, but felt the County was more likely to experience the loss in sales taxes than an increase in fuel costs.

Chairman Chappell said he is not willing to increase the tax rate in the current state of the economy because citizens are hurting too. Commissioner Hawkins responded that obviously no one wants to raise taxes but if the Board is committed to remaining revenue neutral, it must do so with the understanding that the budget deficit in FY 11 will be worse than FY 10.

**Commissioner Hogsed made a motion to keep the tax rate revenue neutral at \$.3949, seconded by Commissioner Phillips.** Commissioner Hogsed said he is not willing to further burden the citizens with a tax increase. Commissioner Hawkins agreed with Commissioners that citizens are experiencing hardships but said staff has made significant cuts to their budgets and the County is still experiencing a deficit of over \$700,000. Furthermore, he said citizens receive services for the taxes they pay. **The motion passed by a vote of 4 to 1, with Chairman Chappell voting against.**

The Manager suggested taking the shortfall from the undesignated Fund Balance which leaves \$16.8 million remaining. He urged Commissioners not to make any further reductions which would result in a loss of personnel.

**Commissioner Hawkins made a motion to make up the shortfall entirely by the Fund Balance, seconded by Commissioner Bullock.** Commissioner Hogsed expressed concerned about taking the entire amount from Fund Balance because of the additional shortfall. He said there are other accounts Commissioners can withdraw from if necessary. **Commissioner Hawkins withdrew his motion with no objection from the Board.**

**Commissioner Hawkins made a motion to increase the tax rate by 2 cents to \$.4149 for FY 2009-10. The motion died for a lack of a second.**

**Chairman Chappell moved to take the shortfall from Fund Balance. The motion was seconded by Commissioner Bullock. The motion passed by 4 to 1, with Commissioner Hogsed voting against.**

The Manager said staff will prepare the budget for the public and schedule a public hearing for June 15, 2009.

Commissioner Phillips suggested rescinding the proposed permit fee schedule because he feels it is an additional tax on those who are trying to make improvements to their homes or build homes. The Manager said the fee increases do not significantly impact the budget. Staff compared the

fees to other counties and increased the fees to remain competitive. There were also fee increases in environmental health.

**Commissioner Phillips moved to rescind the fee increases for Building Permitting and to review the fees at a later date if necessary. The motion was seconded by Commissioner Hogsed.** Commissioner Hawkins said he would prefer staff review the fee schedules and that the Board not take action. Commissioner Phillips said he wants to reduce the impact to citizens. **The motion passed by a vote of 4 to 1 with Commissioner Hawkins voting against.**

#### **PUBLIC COMMENTS**

There were no comments from the public.

#### **COMMISSIONERS' COMMENTS**

There were no comments from Commissioners.

#### **ADJOURN**

There being no further business to come before the Board, **Commissioner Bullock moved to adjourn, seconded by Commissioner Phillips and unanimously carried.**

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Jason R. Chappell, Chairman  
Board of County Commissioners

ATTEST:

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Trisha D. McLeod  
Clerk to the Board