

**MINUTES
FY 2013 BUDGET WORKSHOPS
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS**

THURSDAY, June 7, 2012, 6:30 p.m., Rogow Room, Transylvania County Library

The Board of Commissioners of Transylvania County met in Special Session on Thursday, June 7, 2012 at 6:30 p.m. in the Rogow Room at the Transylvania County Library. The meeting was called for the purpose of considering the FY 2013 Budget. Printed copies of the Budget are on file in the Finance Office, the Administration Building and the Transylvania County Library.

Commissioners present were Vice-Chairman Larry Chapman, Jason Chappell, Chairman Mike Hawkins, Daryle Hogsed, and Kelvin Phillips. Also present were County Manager Artie Wilson, Finance Director Gay Poor, Human Resources Director Sheila Cozart, Operations Manager David McNeill, and Clerk to the Board Trisha Hogan.

Media: *Hendersonville Times News* – Nathaniel Axtell
The Transylvania Times – Eric Crews

There were approximately 90 people in the audience.

CALL TO ORDER/WELCOME

Chairman Mike Hawkins presiding called the meeting to order at 6:35 p.m. and welcomed everyone to the meeting. He introduced the members of the Board of Commissioners and staff in attendance.

OVERVIEW OF THE PROPOSED FY 2013 BUDGET

The Manager briefly discussed the process the Board of Commissioners and staff will follow during the budget workshops. Staff will present the proposed budget, focusing on key items, and Commissioners will make any changes they see fit during the budget workshops. A public hearing will be held on June 18, 2012 in the conference room of the Community Services Building. Commissioners will vote on the budget during a regular meeting on June 25, 2012 in the large courtroom of the Transylvania County Courthouse.

The Manager reported that the proposed FY 2013 Budget is essentially the same as the budget for the current year, with the exception of six key issues. He stated that the proposed budget includes an investment in what he considers the County's biggest asset, that being County employees, and additional resources needed for Transylvania County to continue providing services to citizens.

Finance Director Gay Poor discussed the key assumptions for the revenues and expenditures for the FY 2013 General Fund and Solid Waste Fund.

Revenues

1. Ad Valorem Taxes – The Tax Administrator is projecting an increase of only \$30 million in the tax base due to the sluggish housing and real estate markets, bringing the total tax base to \$6 billion. A collection rate of 99.5% was used to calculate the budget. There is no increase in the tax rate recommended and it will remain the same at \$0.3949/\$100 of valuation.
2. Sales Taxes – A 2% increase is expected over the most recent 12 months of taxes received.
3. Medicaid Hold Harmless Funds – Last year Transylvania County received \$351,000 in Medicaid Hold Harmless Funds. For FY 2013, \$331,000 has been budgeted which is based on the estimate received from the NC Association of County Commissioners.

4. Register of Deeds Fees – Revenues are expected to grow 4% over FY 2012, which is still 4% lower than what was originally budgeted in FY 2012.
5. Interest on Investments – No improvements forecast for interest rates during FY 2013.
6. Building & Inspections/Public Health/Environmental Health – There are no proposed fee increases.
7. Public Health Programs/Social Services Programs – Funding for these programs come from other governmental sources. State and federal funds forecast for FY 2013 are essentially the same for the current year, with additional funding for some programs offsetting reductions in others.
8. Child Development – The New Adventure Learning Center is projecting a substantial increase in its revenues which is attributed to achieving and maintaining a license to enroll 70 children and a shift to more children who are receiving subsidy payments.
9. Fund Balance Appropriation – The proposed budget recommends drawing funds from Fund Balance to bridge the gap between revenues and expenditures.
10. Solid Waste Fund – Operating revenues are forecast to be 2% higher than FY 2012. No increase in fees is expected.

Expenditures

1. Personnel-Compensation & Benefits – The proposal includes a 3% cost of living adjustment for full time employees at a cost of \$425,000. Due to a decrease in the State retirement rates, there will be a reduction in those costs of approximately \$30,000. Health insurance costs are projected to increase \$250,000 over FY 2012. The increase would have been much greater if it had not been for the changes that were made in the employee co-pays and deductibles. Also included in the proposal is \$100,000 for a wellness initiative program which staff hopes will help to curb escalating medical costs in the future.
2. Personnel-Headcount – The proposal includes a net addition of 4 employees. In addition, requests to reclassify some positions and additional hours were included in the proposal. These requests total \$176,043.
3. Education – An increase of 5.2% is included in the FY 2013 Budget, which is an increase of \$234,278 in Current Spending and an increase of \$253,037 in Capital Outlay.
4. Capital-Vehicles & Equipment – The FY 2013 recommended capital budget is \$191,266 more than the current year, with \$169,950 being paid for through grants, donations, or other funds.
5. Economic Visioning – The proposed budget allocates \$50,000 for the economic visioning process.
6. Fuel Cost – The proposed budget uses the same figures for fuel prices as the current year budget (\$3.14/gallon for gasoline & \$3.40/gallon for diesel fuel). Staff assumed fuel usage would remain the same as the current year with the exception of the Sheriff's Office. An increase in calls has resulted in an increase in fuel consumption.
7. Computers – The proposal includes approximately \$30,000 to cover the replacement of 22 of the 87 computers that are 5 years or older.
8. Contingency - \$100,000 has been included for contingency which is the same amount budgeted for the last several years.
9. Outside Agencies – Funding is at the same level as FY 2012, with 2 exceptions: \$2,000 increase for Brevard College and \$2,000 for WNC Communities which did not receive funding in FY 2012.
10. Solid Waste – The total operating budget is 4.3% less than FY 2012, including capital.

General Fund-FY 2012 Approved Budget & Current Estimate & FY 2013 Proposed Budget

There is very little growth projected in revenues from FY 2012 to FY 2013. The actual increase is expected to be \$364,000 greater. Of that, \$113,000 will be generated by ad valorem taxes and \$140,000 by sales taxes. The remainder comes from intergovernmental revenues.

The proposed FY 2013 expenditures total \$41.1 million, which is 4.1% higher than FY 2012 for a total of \$1.6 million. All of the increase is attributable to the key issues indentified by staff. Without these the budget would essentially be flat. Ms. Poor gave an analysis of the increase as follows:

Significant Changes

1. 3% COLA Adjustment/Salary Increase: \$425,000
2. Net Addition of 4 Employees, Reclassifications, & Additional Hours: \$176,043
3. Increase in Appropriation for Schools: \$559,815
4. Increase in Capital: \$191,266
5. Economic Visioning: \$50,000
6. Health Insurance Increase: \$250,357
7. Wellness Initiative: \$100,000
8. Debt Service: Decrease of \$108,227 due to refinancing of school bonds
9. Miscellaneous Other: Decrease of \$17,835

Total: \$1,626,419

Proposed revenues are budgeted at \$39.1 million. Proposed expenditures are budgeted at \$41.1 million. This leaves a budget deficit for FY 2013 in the amount of \$2 million. Ms. Poor noted that the budgeted expenditures include \$200,000 that was transferred into the Fund Balance so the net impact to the Fund Balance is \$1.8 million. Staff estimates that at the end of FY 2012 the total Fund Balance will total \$20.4 million, with \$10.8 million available for general expenditures. This represents 27.1% of the estimated expenditures for FY 2012. At the end of FY 2013, staff projects the total Fund Balance to drop to \$18.7 million, with \$8 million available for general expenditures. This amount equates to 19.5% of budgeted expenditures.

Ms. Poor provided additional detail about the Fund Balance. The Fund Balance is restricted by types. They are:

- Non-spendable – The amounts are not in cash
- Restricted – Restricted by external sources such as statutes, grants, and donor stipulations
- Committed – Funds that are committed by formal action taken by the Board of Commissioners
- Assigned – Assigned for specific purposes

The obligated fund balances fluctuate from year to year based on related transactions; however the 2 committed funds for Retiree Health Insurance and the LEO Separation Allowance are intended to steadily grow for many years so that funds will be available to pay future insurance claims and pension benefits. Consequently, even if the total Fund Balance increases, the available Fund Balance may decrease, which staff is projecting for FY 2012. The total is expected to grow slightly while the available Fund Balance is expected to decrease by over \$1 million as money is shifted into the obligated balances. Assigned fund balances will increase significantly at the end of FY 2012 because the County is required to assign sufficient funds to cover the subsequent year's projected deficit and other identified obligations. This will also occur at the end of FY 2013. Total Fund Balance is forecast to decrease by \$1.7 million but available Fund balance will decrease by \$2.7 million, as \$1 million is shifted to obligated fund balances. At the end of FY 2013, the available Fund Balance as a percentage of expenditures will total 19.5%, which is just under the 20% mark that the Board of Commissioners has unofficially targeted as its minimum, but still well above the Local Government Commission's minimum requirement of 8%.

KEY ITEMS IN THE BUDGET

The key issues affecting the budget are:

1. Pay Increase
2. Personnel Requests
3. School Request
4. Capital
5. Economic Visioning
6. Health Insurance/Wellness Initiative

PROPOSED PAY INCREASE

Human Resources Director Sheila Cozart presented information regarding a proposed salary increase for employees. Transylvania County employees last received a salary increase in February 2008. The compensation study completed by Springstead, Inc. was implemented at that time. The information provided by Ms. Cozart included what surrounding counties have done for their employees and are anticipating for FY 2013, what local businesses have done, cost of living adjustments for those receiving Social Security and the overall Consumer Price Index (CPI) since 2008.

Ms. Cozart provided information on surrounding counties as well as those entities that Transylvania County competes with. She indicated their total salary percentage increases since 2008. They are as follows:

- City of Brevard – 9.23%
- Buncombe County – 12.23%
- Haywood County – 4.35%
- Henderson County – 8.1%
- Jackson County – 2.9%
- Macon County – 10.2%
- Transylvania County – 0%

Ms. Cozart surveyed local businesses to find out what types of increases they have been able to give to their employees. Of those companies, 7 out of 8 indicated they have given salary increases and bonuses in 2008. Many indicated they gave increases during multiple years and some even every year. Some indicated they would be doing so again in 2012.

Ms. Cozart put out a request over a listserv to find out what other counties, cities and towns are giving their employees in FY 2013. Their responses were:

- Buncombe County – CPI in April 2013 (Received 3% increase in April 2012)
- Henderson County – In addition to their retention bonus and 2% lump sum merit, they also will receive a 2% across the board increase
- Macon County – Recently completed a compensation study and plans to implement the results of that study
- Jackson County – Lump sum of \$600 to every employee whose salary is less than \$40,000
- Cherokee County – No increase
- Halifax and Moore Counties also responded to the survey and they plan to give increases
- City of Brevard – Will implement a compensation study to bring all employees to the minimum, otherwise employees will receive a 1% cost of living adjustment
- Hendersonville – 2% increase

- Asheville – 2% increase and there are indications it could increase

Ms. Cozart indicated that citizens who receive Social Security benefits got an increase in January 2009 and January 2012. The total increase for those two periods equals 9.61%.

Consumer Price Index (CPI) since February 2008 indicates a total 8.6% increase in the Southeast Region less than 50,000 in population and a 6.6% increase overall average across the nation.

Ms. Cozart expressed concern about one of the major issues with the compensation plan, that being compression. Compression is the situation that occurs when there is only a small difference in pay between employees regardless of their skills or experience. It results in challenges for many departments and for employees as well. The County has 61 employees at the minimum of their salary grade. There are 167 employees that are in the first quartile of their salary ranges. 81% of employees are in the first half of their salary range. This provides challenges when hiring employees without experience and they are being hired at the same salary rates as employees that transitioned into the new salary grades in 2008. Those employees have 5 or more years experience with the County. The proposed salary increase is an in-range increase and does not change the salary ranges. This would start to move employees through the range by 3%. New employees would be hired at the minimum. However, a salary increase still does not resolve the compression that exists within the quartiles because the intention of the merit pay system is to move employees through those quartiles. The recommendation does not include additional merit increases.

Ms. Cozart stated that competitiveness was addressed in 2008 with the pay classification study. Some of the concerns were that if the County does not continue to give salary increases to employees and surrounding counties do Transylvania County could lose employees to other counties. Other counties would see them as fully qualified employees because they received training and experience from Transylvania County and therefore may possibly receive higher compensation. Transylvania County invests a lot of time and resources into new employees and the County does not want to become a training ground to provide fully trained employees for other entities. There is also concern that Transylvania County could lose employees to other governmental agencies and to the private sector if businesses start to rebound in a better economy.

Employee morale is influenced by a myriad of issues, both positive and negative. Events such as downsizing, unstable health of the company, overwork and consistently heavy workloads, feeling unappreciated or underappreciated, etc. play a factor into morale. During a tough economy many of these conditions are present, but also compounding the situation is individual and personal circumstances such as the ability to provide for one's family, pay the bills and afford things that now cost more. Compensation and keeping up with inflation becomes an influence on employee morale. In light of an 8.6% increase in the CPI in the region since employees last received an increase, it is ever more important to employees.

Ms. Cozart pointed out that since the last salary increase in 2008, employees have had 2 changes to their health insurance plan where they were directly impacted by changes in co-pays and deductibles resulting in a net salary decrease. One of the options discussed by Commissioners has been giving employees a lump sum bonus. Lump sum bonuses, although appreciated, do not address any of the issues of compression, competitiveness, etc. The net amount to individuals would vary depending on their tax status. Typically a bonus is seen as a short term incentive. Bonuses are one-time payments and not reoccurring. Bonuses also do not address performance. Even with a 3% increase, this does not reestablish merit pay or recognize employees that stand out from others. Salary increases to the base salary are essential to maintain competitiveness and to overcome inflation. County employees are an

asset and Transylvania County wants to continue to be a good employer. Furthermore, Transylvania County wants to continue having good employees.

Ms. Cozart asked the Board of Commissioners to consider a 3% salary increase effective July 2, 2012 for all full time employees who have completed probation by June 30, 2012. This would help with compression and morale and begin to bring employees' salaries into a more comparable position. The cost including benefits is \$425,000.

Discussion:

Commissioners discussed this subject at length. They discussed options that might address the compression issue such as tiered increases based on time of service, another pay classification study, merit pay, etc. Commissioners also discussed what would impact employees more, a percentage pay increase or a lump sum bonus.

Chairman Hawkins said it is important that Commissioners take action to fix the discrepancy that is developing between the County's pay grade compensation level and those in surrounding areas and those that the County competes with. He said the lump sum does not do that. To him, the issue has to do more with the pay scale. Commissioners Chappell and Phillips disagreed. They believe a lump sum would be more beneficial because it has more of an immediate impact to employees. Commissioner Chappell also commented that the best way to address compression is through merit pay increases. He said he does not prefer cost of living adjustments because the increases are not based on performance. Commissioner Hogsed said a salary increase would be more appreciated by employees because it compounds over time and is better for those wanting to build their career in Transylvania County and it shows they are appreciated. Commissioner Chapman agreed with Commissioner Hogsed but expressed concerns about other areas of the budget. He commented that he would not raise taxes to give employees a salary increase.

Commissioner Chappell moved to give employees a lump sum bonus of \$750 which includes FICA and retirement costs, instead of the Manager's recommendation. The motion was seconded by Commissioner Phillips. The motion failed by a vote of 2 to 3, with Chairman Hawkins and Commissioners Chapman and Hogsed voting against.

Chairman Hawkins moved to accept the Manager's recommendation for a 3% salary increase for full time employees effective July 2, 2012. The motion was seconded by Commissioner Hogsed. Chairman Hawkins stated that the lump sum is only a solution for one year. He believes a longer term solution is in order. The increase in salary for employees, in his opinion, is more valuable. Chairman Hawkins commented that labor is not an expense, but an asset, and the increase is a good way to invest in the County's biggest asset, its employees. For the record, Commissioner Chappell disagreed and noted that his motion affected the County's budget one time by \$271,159. This motion has an ongoing impact of \$425,000. Commissioner Phillips stated that others have not had raises and there are others that do not have jobs and he believes this motion will guarantee a tax increase in the near future, which he said will also impact employees. Chairman Hawkins stated that if this Board expects excellence from employees, then it is the responsibility of this Board to compensate them fairly. **The motion passed by a vote of 3 to 2, with Commissioners Chappell and Phillips voting against.**

Commissioner Chapman made a motion that the 3% proposed salary increase not apply to the Board of Commissioners. The motion was seconded by Commissioner Hogsed and unanimously approved.

Chairman Hawkins called for a break at 7:55 p.m. The Board reconvened at 8:10 p.m.

PROPOSED PERSONNEL CHANGES

Ms. Cozart reported that department heads submitted a request for 8.4 new positions. They also identified 2 vacant positions that could be reduced, which is a net request of 6.4 positions. The Sheriff's Office and Board of Elections requested to reclassify some positions. Department heads also requested additional hours in the Tax Office and Housekeeping, and additional time for the Facilities Superintendent.

Ms. Cozart reviewed the justification for the requests in greater detail.

Position Requests

Finance-Accountant

(In 2008 this position was approved but staff held off on filling the position when the economy took a downturn and budgets were reduced.)

- Current overtime by EMS Billing and Finance Director
- EMS Billings have increased over 30% in the last 5 years and the fees collected by 57% since 2006; approximately 325 hours of overtime costing approximately \$10,000 in wages and benefits
- Unreasonable amount of time required by Finance Director; in 2008 documented 803 additional hours and approximately 600-700 hours thereafter; over and above what should be expected by any department director
- There is just not time to do everything; department operates on a triage basis for many things; some areas of financial services suffers such as training, updating of policies and procedures, identifying savings opportunities and the ability to provide meaningful financial information above and beyond current reporting
- This position is recommended

Tax Administration-Revaluation Project Manager & Property Appraiser

- Discussed previously with the Tax Administrator during the revaluation discussion
- Next revaluation is scheduled for 2016
- Necessary to ensure that the revaluation is performed in a timely manner
- A revaluation performed by an outside vendor would cost approximately \$26 per parcel, or \$780,000; to perform the revaluation in-house would save \$306,820
- Recommended and agreed with Tax Administrator to fund Revaluation Project Manager in FY 2013 and defer the Property Appraiser to FY 2014

Sheriff-Concealed Weapons Clerk

- Concealed handgun permits continue to rise; anticipate an average of 275 permit applications per year
- In the past the Sheriff has used one part-time employee to provide this service but the demand continues to increase
- This past year the employee worked 1,313 hours
- Requested to make this a permanent part-time position at 24 hours per week, which requires benefits of retirement and insurance
- This is recommended

Fire Marshal-Deputy Fire Marshal

- Fire Marshal provides inspections for occupancies required by law or requested by the public; assists in fire prevention education, fire safety, and ever-increasing arson investigations
- Currently budgeted part-time for 19 hours per week
- Not recommended

Animal Services-Animal Shelter Attendant

- Requested due to the anticipated construction of the new animal shelter beginning in January 2013
- Position is essential to the operation of the new shelter working directly with animal care groups, local veterinary professionals and County staff to promote and encourage animal adoptions and methods to manage the stray animal population and providing oversight of volunteer and inmate staff
- Position will do many different functions, such as monitor and implement policies consistent with regulatory requirements, respond to animal health issues, work with veterinarians to coordinate and oversee planning and disease control measures in the shelter; complete paperwork as required by the NC Department of Agriculture; work to implement spay and neuter programs to curb future increases to the animal population
- There are only 3 animal control officers that provide animal control services in the County; they work rotating shifts and 1 officer is on call at all times; the rotating shift schedules allow for extended hours at the current shelter after normal work hours and to respond to complaints without the need for overtime; there are many instances where there was only 1 officer available and the shelter had to be closed so the officer could respond to complaints/emergencies
- Recommended beginning January 2013

Planning & Economic Development-County Planner

- Increased focus and emphasis on economic development makes this essential to allow the Director to focus on economic development activities
- Previously contracted for some basic planning services, but the person is no longer available
- In order to focus on economic development there needs to be someone to perform technical, professional, and administrative work with planning functions, including subdivision and land use regulations, community facilities, Planning Board, Joint Historic Preservation Commission, Board of Adjustment, Community Appearance Advisory Council, and report to the Board of Commissioners; also administers the County's housing grants and provides assistance for grant development and economic development
- Since February 2011 the Director has assumed both roles and there are many of those duties that need to be transitioned to the new position; this position is essential to economic development activities
- This position is recommended

Social Services-Social Worker II

- Request is caseload-driven due to the growing volume of in-home cases; falling short of staffing requirements according to State and federal mandates
- Will allow Social Workers to focus appropriately on the high risk activities associated with this vulnerable population
- This position is recommended

Environmental Health-Environmental Health Specialist

- Resignation of an employee in January 2012; leaving 1 vacancy
- There is 1 employee that works 60% of the time in this department and 40% in the Maintenance Department
- Request to increase 1 employee from 60% to 100% in light of resignation and reduction of one position
- However, data does not support this in light of lower permits
- Request not recommended
- Results in reduction of 1 position

Solid Waste-Sanitation Equipment Operator

- Due to the reduction in the amount of waste stream and the increase in recycling and avoidance into the landfill
- Reduction of 1 vacant position

*Reclassifications*Board of Elections

- Reorganization due to upcoming retirements; reclassification of 2 positions to be effective January 2013
- Provides complete payback and a cost savings over a 3-year period
- Recommended

Sheriff's Office

- Request to reclassify 1 School Resource Officer to a School Resource Officer Sergeant
- Not recommended

Sheriff's Office

- Request to reclassify Detention Sergeant to same grade as Patrol Sergeant
- Not recommended

Sheriff's Office

- Request to reclassify Courthouse Security Officer to Sworn Officer
- This would allow for the officer to assist the civil process division in serving civil papers and orders during slower periods of time
- Avoid additional over-time and part-time hours in civil process division
- Recommended

*Additional Time/Hours*Tax Assistant

- Due to the upcoming change in the motor vehicle system which is combining the motor vehicle registration and County personal property ad valorem taxes
- Extensive training for full-time staff will begin in January 2013
- A temporary Tax Assistant is needed to cover for the full-time staff who will be receiving training
- Necessary to provide appropriate customer services during the training process
- January 2013 through July 2013 only
- Recommended

Housekeeping

- Request to add 2 ½ hours per week for each housekeeping staff (6)
- Increases basic work week from 37.5 hours to 40 hours per employee
- This will allow staff to provide housekeeping services to the newly renovated Register of Deeds and Tax Administration Building
- Recommended

Facilities-Facilities Superintendent

- Request to add 20% of time due to anticipated construction of the animal shelter and the demand for additional on-site supervision by the Superintendent as well as other projects such as the sidewalk project, space needs at the Courthouse, etc.; would bring up to working 80%
- On many previous projects, this position being on-site to represent the interest of the County is very important; generated savings to County
- Recommended

Total recommended = \$176,043

If approved the County's headcount will increase from 309 to 314 full-time budgeted positions.

Discussion:

Commissioner Chapman expressed concern about filling the **Animal Shelter Attendant** at this time because the bids have not been processed and construction has not begun. Commissioner Chappell inquired about how the shelter would be managed if this position is not approved. Operations Manager David McNeill said it would be very difficult to manage with the current staffing level. There are several duties that would be required of the new position. With the current staffing, the primary focus has been on animal control activities which are time-consuming and making it difficult to manage the current shelter. It will become much more difficult with a new larger facility, especially with the added functions. Mr. McNeill said there is currently no plan in place to operate this facility without this position. Commissioner Chapman preferred to evaluate whether or not this position is needed once the new shelter is built. Chairman Hawkins suggested staff devise a plan for handling these functions prior to the opening of the shelter and explore ways to provide the services in another way. Commissioners were in agreement with his suggestion.

Commissioner Chapman inquired about the pay and benefits recommended for the **Tax Revaluation Project Manager**. Ms. Cozart said she inquired about the salary through the School of Government and also reviewed the County salary structure. The pay is based on the expectation of hiring a qualified person. The Manager noted that the pay will be set depending on who is hired. The salary and benefits included in the recommendation is the amount the County could possibly pay in order to hire a good qualified person for this position.

Commissioner Chappell inquired about the **Concealed Weapons Clerk** and asked if additional fees can be charged to citizens to offset the cost of the position. Sheriff David Mahoney said he cannot charge any additional fees. He reported that this service brought in revenues totaling \$19,300 in the current fiscal year. Some of the funds go to the State. If this position is not approved, the Sheriff requested additional part-time hours totaling \$16,500. The Manager noted that the number of hours being performed is ongoing and the County should provide benefits to that employee. The net annual cost is \$7,800 for insurance plus a little more for retirement costs. Commissioner Phillips asked if this position is statutorily or constitutionally required. The Sheriff said he is statutorily required to process the applications within 60 days and this is being done thanks to this position.

Commissioner Chapman inquired further about the **Social Worker II** position. He asked if the County could be subject to litigation if it does not address some of the cases these positions handle. Social Services Director Stoney Blevins said the County could open itself up to litigation but more importantly without this position, the Social Services Department cannot respond in a timely manner to children who are being abused and neglected. He also noted that the number of cases continues to increase, as well as the requirements for handling the cases. His department has been using a lot of overtime to meet the demands and caseload requirements. The department is actually short 2 positions according to the State

but he is only requesting to fill 1 because he believes his staff can handle more than the State recommended caseload.

Commissioner Chappell asked Elections Director Karen Brinson to explain the savings with the **reclassification of positions in the Board of Elections**. Ms. Brinson explained that the Elections Office is currently operated by herself, 1 other full-time position and 2 part-time positions. Both of the part-time employees plan to retire in the coming year. Also Elections contracts with an individual to maintain their website and voting equipment and that individual is planning to retire as well. The request is to create 1 full-time position from the 2 part-time positions and the 1 contracted position, for a total of 3 full-time positions. The person would be responsible for overseeing the voting equipment, etc. and help with the daily routine tasks. The savings comes from having to pay benefits to only 1 full-time individual as opposed to 2 part-time individuals and reducing the contracted person. In addition the salary for the full-time employee would be less than the total salaries for the 2 part-time positions.

For the **County Planner** position, Commissioner Chapman asked how many of the duties listed in the justification are required and how many of those duties add to economic development. He is not sure if adding a person really addresses the problem in this department. He wondered if some of the duties could be delegated to another department or passed along to the private sector. Commissioner Hogsed agreed noting that some of the boards and committees facilitated by this department should be handled by other departments or it should be determined if there needs to be a County staff member involved at all. Chairman Hawkins pointed out that the Board of Commissioners voted to study economic development and the process is in its infancy. He believes a County Planner is needed. He suggested, just like with the position for the new animal shelter, that Commissioners delay making a decision on this position until the economic visioning process is brought forth for their consideration. The Manager said the focus of the County is on economic development. He does not believe many of these tasks and duties can be shifted to other departments because there is no additional manpower available, specifically with duties related to land use regulations and other responsibilities required by County ordinances. The Manager suggested Commissioners keep the monies allocated in the budget for this position and at least contract out for these services. Without help, the time spent on economic development efforts will be reduced. Commissioner Chappell suggested as a starting point to include monies in the budget at the level budgeted for part-time in the current year's budget. **Commissioner Chappell moved to include in the budget the amount of funds used to contract out for these services in the current year. The motion was seconded by Commissioner Hogsed.** The contracted amount was for the County Planner who retired and agreed to continue working on a part-time basis in the amount of \$19,500. The individual was very efficient in his ability to get things done and he knew the organization well. **The motion passed unanimously.**

Commissioner Chapman expressed concern about the additional time for the **Facilities Superintendent** because he said the County should be able to depend on the contractors who are bidding on County projects. **Commissioner Chapman moved to not approve the increase in time for the Facilities Superintendent. The motion was seconded by Commissioner Phillips.** The Manager noted that the bids for the animal shelter are due on June 21. Staff hopes to bring a recommendation to the Board in July and then move forward quickly on the project. Chairman Hawkins disagreed with the motion because he said the value of this position has been demonstrated with other County projects. **The motion passed 4 to 1, with Chairman Hawkins voting against.**

Chairman Hawkins moved to approve the Manager's recommendation for the positions, reclassifications and additional hours, less the Animal Shelter Coordinator, County Planner, the additional hours for the Facilities Superintendent and adding \$19,500 in contracting services to provide planning services. The motion was seconded by Commissioner Hogsed. Commissioner Phillips said he does not agree with all of the Manager's recommendations and would prefer to vote on each separately. Chairman Hawkins offered to withdraw the motion but received no comments from

Commissioners. Commissioner Phillips asked for more information about the **Revaluation Project Manager and Property Appraiser** saying that he believes it is too early to fill these positions being that the next revaluation is not until 2016. He questioned moving forward with hiring the Project Manager now and delaying the Property Appraiser until 2014. The Manager said it is important to hire these positions so they can be trained and prepared to perform the revaluation. The revaluation becomes effective January 1, 2016. Appraiser Annette Raines spoke in the absence of Tax Administrator David Reid. She informed Commissioners that the Tax Office has already begun working on the revaluation process; they just do not have the staff to do what needs to be done before the full process occurs. The Tax Administrator had originally requested to hire both positions this year but agreed to stagger the hiring. She pointed out that if there is no qualified person available to hire for the Project Manager position, the person hired will need time to take the courses and other training necessary to do the revaluation. The Appraiser would be hired later to work directly under the Project Manager. Ms. Raines reported that it takes approximately three years to perform an in-house revaluation. Commissioner Phillips said he does not recall hiring two additional full-time employees for previous revaluations. Ms. Raines noted that during the last revaluation, she and Mr. Reid worked approximately 20 weeks of overtime each to complete it in-house. The Manager reminded Commissioners that a temporary full-time position was eliminated a couple of years ago. There were additional people hired during the last revaluation but they were not certified to set the values and analyze sales, etc. He also pointed out that the County achieves a significant savings by completing the revaluation in-house rather than contracting for the service. Commissioner Chappell was not convinced of the rationale for hiring the Project Manager now and delaying the Property Appraiser in 2014. The Manager noted that the Tax Office does not have the additional resources to complete the revaluation, particularly since the merging of the collection and appraisal functions. As far as the timing for hiring the positions, he is relying on the expertise and experience of the Tax Administrator and staff. Ms. Raines explained the duties of both positions. Chairman Hawkins again offered to withdraw the motion and he received no comments from Commissioners. Commissioner Chappell expressed concern with the amount of training needed for an unqualified individual because he said this is an important process and it is imperative the County hire qualified people. Chairman Hawkins called for the previous question. There being no objection, Commissioners moved forward with the vote on the motion. **The motion passed by a vote of 3 to 2, with Commissioners Chappell and Phillips voting against.**

PUBLIC COMMENT

Tim Petit: Mr. Petit inquired about how the County's reserve funds compare to the rest of the State. The Manager said the available fund balance stands at 19.5% of expenditures and compares well with other counties. The total fund balance is very favorable and approximately half of it is obligated for specific purposes. The NC Association of County Commissioners reports annually on this and the Manager directed Mr. Petit to their website for those reports comparing counties across the State.

Mr. Petit also said the pay raises for County employees can make the difference between getting ahead and getting by and with the reserves the County has, a pay raise is long overdue. He also noted that the majority of employees will continue to spend their money here resulting in revenues to the County.

Mason Sexton: Mr. Sexton noted that he has not had a pay increase since 2007 and his family's health insurance costs continue to rise; therefore he would not ask employees to do something he is not doing. He cited some figures from the US Census Bureau which indicates to him that County employees are making more than private sector employees.

Mr. Sexton also commented on some of the position requests and suggested that the planning duties be transferred to the Facilities Superintendent. He believes the amount set aside for each employee for

health insurance costs is too high. Mr. Sexton also suggested using the fund balance to pay off the school bonds because the County is not making any money from the interest.

Paul Edwards: Mr. Edwards said he does not like the idea of a tax increase; however he believes the County is at a crossroads and is going to need to take action. He commented that the County has already placed an unfair tax increase on citizens by delaying the revaluation; therefore he believes a tax increase is imminent. Mr. Edwards was supportive of the pay increase for County employees, but said it does not solve the compression issue. He concluded by saying if the County does not meet the needs of the people, it becomes a bigger burden overall to everyone.

Gerry Hunsicker: Mr. Hunsicker said if the County is trying to reduce compression issues, Commissioners should not give pay increases to employees who have not completed their probationary period before June 30, 2012 nor to anyone who has been employed for less than the time since the last increase was given. Ms. Cozart said the recommendation from staff is that employees would have to complete their probationary period prior to June 30, 2012 in order to be eligible for an increase. The probation period is for 6 months. New employees are brought in at the minimum of their salary grade.

Mr. Hunsicker also commented that the Building Permitting Department's personnel were greatly reduced. He said the Planning Department is closely related to that department and should also experience a reduction in employees.

RECESS

Commissioner Chappell moved to recess the Budget Workshop until Monday, June 11, 2012 at 6:30 p.m., seconded by Commissioner Chapman and unanimously carried.

MONDAY, June 11, 2012, 6:30 p.m., Rogow Room, Transylvania County Library

The Budget Workshop meeting reconvened on Monday, June 11, 2012 at 6:33 p.m.

Commissioners present were Vice-Chairman Larry Chapman, Jason Chappell, Chairman Mike Hawkins, Daryle Hogsed, and Kelvin Phillips. Also present were County Manager Artie Wilson, Finance Director Gay Poor, Human Resources Director Sheila Cozart, Operations Manager David McNeill, and Clerk to the Board Trisha Hogan.

Media: *Hendersonville Times News* – Nathaniel Axtell
The Transylvania Times – Eric Crews

There were approximately 70 people in the audience.

WELCOME

Chairman Mike Hawkins presiding welcomed everyone to the meeting and introduced the members of the Board of Commissioners and staff in attendance.

SCHOOL REQUEST

The Manager reviewed the FY 2012 Actual Budget and the FY 2013 Budget request from the Board of Education.

FY 2012 Actual

Current Spending	\$ 9,815,716
Capital	\$ 746,963
Lottery Funds	\$ 200,000
Total Capital	\$ 946,963
Day Care	\$ 10,500
Total	\$10,773,179

<u>FY 2013 Requested</u>		<u>(\$ Increase)</u>	<u>(% Increase)</u>
Current Spending	\$10,049,994	\$ 234,278	2.4%
Capital	\$ 1,868,385	\$1,121,422	150.1%
Lottery Funds	\$ 270,045	\$ 70,045	35%
Total Capital	\$ 2,138,430	\$1,191,467	125.8%
Day Care	\$ 13,000	\$ 2,500	23.8%
Total	\$12,201,424	\$1,428,245	13.3%

<u>FY 2013 Recommended</u>		<u>(\$ Increase)</u>	<u>(% Increase)</u>
Current Spending	\$10,049,994	\$ 234,278	2.4%
Capital	\$ 1,000,000	\$ 235,037	33.9%
Lottery Funds	\$ 270,000	\$ 70,000	35%
Total Capital	\$ 1,270,000	\$ 323,037	34.1%
Day Care	\$ 13,000	\$ 2,500	23.8%
Total	\$11,332,994	\$ 559,815	5.2%

FY 2013 Anticipated Budget Changes (Current Spending)

Retirement Increase (13.12% to 14.31%)	\$ 48,820
Health Insurance Increase (\$4,929 to \$5,192)	\$ 21,537
EduJobs Funding – 14.46 teachers	\$781,462
LEA Adjustment (negative reserve)	\$163,921
ADM drop from 3,570 to 3,555	\$ 85,436
Absorb ADM drop	- \$ 85,436
State Budget Cuts	??
Appropriated Fund Balance	- \$781,462
	\$234,278 or 2.4% increase in County appropriation

The Manager noted that as of June 30, 2011 the Board of Education had an unassigned fund balance of \$2,321,401. According to the information provided by the Superintendent, the School System plans to add another \$120,000 to the fund balance this year, which leaves an unassigned fund balance as of June 30, 2012 of \$2,441,401. However, the Board of Education plans to draw down funds to cover EduJobs that were previously paid for from stimulus funding and to cover the loss from ADM funds, leaving an unassigned fund balance of \$1,574,503 at the end of June 2013.

The Manager showed the prioritized capital list from the Board of Education. Capital items are prioritized by project type. The Manager's recommendation funds the prioritized items that the Board of Education has indicated to be annual "must-haves" and repairs and/or improvements that are considered safety concerns or would prevent future expense or repair. The recommendation for capital spending is \$1,270,000, which includes \$1,000,000 in capital from the County and \$270,000 in lottery funds.

The Manager discussed other funding sources the Board of Education can utilize to cover capital expenditures. The School System also has an unassigned capital fund balance which is expected to total \$490,757 as of June 30, 2012. The Board of Education plans to draw down an additional \$10,000 in FY

2013, leaving a balance at the end of the fiscal year of \$480,757. The Board of Education also has the option to use lottery funds. Transylvania County is allocated approximately \$265,000 annually in lottery funds. As of June 30, 2011, the State indicated there was a balance of \$736,312 available for Transylvania County. In FY 2012, the Board of Education is proposing to use \$200,000. With the allocation from the State, the balance will increase to \$787,760 and at the end of FY 2013 the balance would be \$782,760. The Manager recommended future discussion about the use of lottery funds to help meet the needs identified by the Board of Education.

The Manager reported the NC House Budget could have a potential decrease in the retirement rate as well as increase in pay which are offsetting. The House Budget also recommends restoring some funding in the amount of approximately \$795,000. The NC Senate Budget includes a 1.2% pay increase instead of a \$250 bonus. This is approximately a \$65,000 increase. These budgets are still unknown at this time.

To summarize, the Board of Education has requested an overall increase of 13.2% and the Manager has recommended an overall increase of 5.2%.

For point of clarification, Dr. McDaris said the Manager's recommendation of a 5.2% increase includes lottery funds which makes it appear the funding is being allocated by the County. In actuality, lottery funds come from the State so the actual increase in County appropriation is lower than 5.2%.

Commissioner Chappell asked if the Senate Budget includes funding for EduJobs. Dr. McDaris said the Senate Budget would not restore the discretionary funding while not increasing it either. The House Budget differs. The Senate Budget does not replace the loss of the EduJobs funding which was paid for through stimulus funding over the last couple of years.

Board of Education Chairman Chris Whitmire spoke briefly about how Transylvania County Schools continues to achieve excellence while not receiving pots of funding from the State as other counties do and being designated as the most fiscally effective School System in the State. However, he said there is a point where it costs to run a system, no matter how good it is. Chairman Whitmire questioned Commissioners on their fund balances, noting that the County's fund balances continue to increase and that Commissioners should explain this to the public. He expressed disappointment that the Boards did not hold a joint meeting.

In response to Chairman Whitmire's comments, Commissioner Chapman asked him if he supports a tax increase at the local and State level to support the budget request. Chairman Whitmire said he does not support a tax increase. He believes the State and the County should better prioritize where they spend money.

Commissioner Chapman reported that the NC Association of County Commissioners indicated that Transylvania County ranks number 5 in the State out of 100 counties in terms of school funding, all the while the enrollment continues to decline. The Manager noted that the County used to receive ADM funding and the monies were designated in a capital reserve fund specifically for the School System. The County no longer receives those monies and the reserve fund has been drawn down completely.

Chairman Hawkins said there was no joint meeting because there must be a purpose to the joint meeting. The purpose should be set up so there can be constructive interchange between both Boards and so that Commissioners can learn more about the difficulties the Board of Education is facing and they can gain a better understanding of the overall budget the County is dealing with. He said this process starts with staff working together first and he does not believe that occurred here. Therefore, the joint meeting would not have been constructive. He hopes that next year both Boards can work on a better process.

With that said, he believes the Board of Commissioners has enough information about the budget to make a good decision with regards to the Board of Education's request.

Commissioner Chappell expressed concern about EduJobs funding and what happens when the stimulus funding ends. While the Board of Education intends to take monies from their fund balance for FY 2013 to cover the funding, which equates to 14.46 teaching positions, he expects the Board of Education to request the County to fund the positions beginning in FY 2014. Commissioner Chappell also commented that Commissioners do not tell the Board of Education how to spend these monies. Commissioners allocate a certain amount for current spending and capital and it is the responsibility of the Board of Education to spend the monies how they see fit.

Commissioner Chapman stated that education is an investment and until the Board of Commissioners is willing to cut spending significantly or increase taxes, he cannot support the recommendation. Therefore, **Commissioner Chapman made a motion to keep the Board of Education's budget flat for FY 2013 (the same as FY 2012). The motion died for lack of a second.**

Commissioner Hogsed said a large portion of the budget increase to the Board of Education last year went to their fund balance instead of where promised, to keep clubs, athletics, etc. going. He believes it is the County's responsibility, not the School System's, to keep a fund balance. Therefore, **Commissioner Hogsed made a motion to move forward with the Manager's recommendation for capital expense with the exception being the current spending level would be \$9,306,383, the same level as FY 2010-2011.** For clarification purposes, Commissioner Hogsed's recommendation is a reduction of \$743,607 from the current year plus the recommendation for FY 2013 for a total appropriation of \$10,589,383. **The motion was seconded by Commissioner Chapman.** Commissioner Phillips preferred to reduce the current spending by half of what Commissioner Hogsed recommended and reducing the capital outlay to \$900,000 which he said is still an overall increase. Lottery funds would still be included. Chairman Hawkins said he is hesitant to support the motion because there is a reason the Board of Education keeps a fund balance and there are unknown funding sources both Boards are facing in future years. Chairman Hawkins allowed time for Chairman Whitmire to speak. He stated that much of the School System's fund balance is being used for FY 2013 which was a result of a 2-year budget planning process. He also noted that current spending funds have limitations on how those monies can be used. Furthermore the fund balance is used to make payroll in July when funding from the State is delayed. He stated that the capital fund balance is used to cover emergency repairs in an aging building infrastructure. Lastly, Chairman Whitmire reminded Commissioners of the limitations of lottery funds.

For further clarification purposes for both the Board and the public, Commissioners allowed staffs time to put the numbers (Commissioner Hogsed's motion/proposal) on a flip chart as follows:

Current Expense	\$9,306,383 (FY 2010-2011 level)
Capital	\$1,000,000
Lottery	\$ 270,000
<u>Daycare</u>	<u>\$ 13,000</u>
Total	\$10,589,383 (compared to FY 2012 - \$10,773,179)

(Decrease of \$183,796 or 1.7% from FY 2012)

Commissioner Chappell reported that the FY 2013 anticipated budget changes in current spending are State budget cuts and/or funding cuts that neither Board can control. Furthermore, he pointed out that the Board of Education plans to fund the EduJobs through the use of their fund balance.

Chairman Hawkins stated that the Manager's recommendation is reasonable but understands why it might not be accepted by all Commissioners. While he does not disagree with Commissioner Hogsed's points about the use of fund balance, the County expects excellence from the School System and it is one of the Transylvania County's major assets. Chairman Hawkins expressed concern about the effects of the day-to-day operations of the schools. On paper, the Board of Education has the fund balance to support Commissioner Hogsed's proposal; however he asked Commissioners to think about whether this reduction is consistent with the message of expecting excellence in the School System.

Commissioner Chappell noted that the County is expending \$2.4 million this year in debt service for the School System.

Commissioner Hogsed asked what message it sends when additional funding from the County goes into fund balance and is not being used in the classroom. To him, it means the need is not there although the County was led to believe there was a need for additional funding. He pointed out that his motion proposes to decrease the overall spending by \$183,796 from FY 2012. Commissioner Chapman emphasized that the County continues to spend more than it is bringing in. He said if the Board of Education's request is that critical, then the County should consider a tax increase. Furthermore, he stated that the County has funded the School System extremely well and the County has increased funding for schools every year while school enrollment continues to decline. Commissioner Chapman does not believe the funding decrease recommended by Commissioner Hogsed is a substantial cut and is more funding per pupil than surrounding counties.

Commissioner Chappell agreed with the Manager's recommendation for an increase in current spending, noting it is no different than adjustments made to other County departments, with regards to retirement adjustments and health insurance increases. Plus, the Board of Education plans to absorb State cuts due to declining enrollment and funding EduJobs through the use of fund balance. Chairman Hawkins stated that he does not support the motion. He also commented that tax increases should not be considered based on one component of the budget. **The motion passed by a vote of 3 to 2, with Chairman Hawkins and Commissioner Chappell voting against.**

Chairman Hawkins called for a break at 8:00 p.m. The Board reconvened at 8:15 p.m.

PROPOSED CAPITAL

Mr. McNeill provided a summary of requested and recommended capital spending for FY 2013. There were requests from the General Fund totaling \$963,527 and from the Solid Waste Fund totaling \$150,000, for a total request of \$1,113,527. Each request was reviewed by staff and staff reduced the request for FY 2013 to \$734,547 from the General Fund and \$93,000 from the Solid Waste Fund, for a total recommendation in FY 2013 of \$827,547.

Mr. McNeill reported on the requested and recommended capital in more detail, but first noted that some of the requests were funded in the current year from the one-time use of E-911 Funds. Those items have been reduced from the FY 2013 recommended capital budget.

Administration

A vehicle replacement was requested in this department; however it is used by a variety of departments. The current vehicle is a 2001 Crown Victoria with 143,000 miles. The replacement is recommended at \$28,000.

Elections

A request for fireproof file cabinets to hold voter registration cards and minutes of the Board of Elections is recommended at \$7,500. An OVRD System for computerized registration and voter ID equipment is not being recommended.

Register of Deeds

The Register of Deeds has requested free internet access for customers. This system will provide access to images, real estate records, etc. for citizens and customers. The cost is \$13,200 and is recommended. The Register of Deeds also requested \$7,000 for grantor/grantee title search software. Staff worked with the department to narrow the request to \$2,500 because 2 of the components were already in place.

Maintenance

The Maintenance Department has been examining the County's buildings and properties to determine what their needs are. One item they identified is deteriorating parking lots, particularly at Child Development, as well as some deterioration of the access road to the Parks and Recreation Department. The request was reduced from \$40,000 to \$20,000. The paving needs will be prioritized and those will be funded first with available funds. The request to install showers at the Recreation Center was denied at this time. Mr. McNeill reported that the Recreation Center is utilized as a shelter during emergencies. The Maintenance Department also requested a storage building for the Recreation Center to store several pieces of equipment. The request was reduced from \$75,000 to \$22,000. Maintenance staff will construct an area to store the equipment. This is a safety concern. There was also a request for the replacement of a commercial mower in the amount of \$13,455. The current mower is 10 years old and has logged 2,300 hours. Currently the Maintenance Department manages approximately 130 acres with 2 employees.

Court Facility

There are HVAC units in the Clerk of Court's side of the Courthouse that need to be replaced at a cost of \$11,475. The units are more than 10 years old and have a significant repair history.

Information Technology

There is a need for a system backup. The County's data is only as good as its backup capabilities. The recommendation is for \$15,920 with monies to come from the IT Fund.

Sheriff

The request to fund 4 replacement vehicles at a cost of \$141,000 is recommended. It is important to have dependable law enforcement response.

EMS

The request is for the replacement of a 2003 ambulance that currently has 168,000 miles on it. The ambulance has a significant repair history. The cost of replacement is \$141,000 and is recommended. Other items being recommended are 3 stryker cots at \$18,737 and 3 cardiac monitors at a cost of \$90,000.

Animal Control

The replacement of a 2000 Ford Ranger that has 167,000 miles on it at a cost of \$25,000 is recommended. There are 3 staff members in this department and only 2 vehicles. There is no backup vehicle.

Communications

There were several items requested that were funded by E-911 funds.

Public Health

Public Health is requesting the replacement of a Ford Taurus with 102,000 miles on it that has had significant mechanical problems. The replacement is recommended at \$17,500.

Environmental Health

There is a request for scanning hardware and software in order to scan septic permits. The permits would be put into a searchable database so they can more easily be identified. The request is recommended to be funded from the IT Fund at \$5,500. The request for radios was funded in the current year with E-911 funds.

Social Services

A request for security windows in the reception area was requested at a cost of \$10,000. However, Maintenance staff is working on this project to make the windows more secure at a much lesser cost. The replacement of a vehicle is recommended at a cost of \$18,939. The vehicle is a 1999 Ford Explorer that has a significant repair history.

Transportation

The Transportation Department requested a replacement van. This request was in the current year budget but the State did not include it in its contract. There is no time to ensure it will be purchased and delivered in the FY 2012 budget. It will be paid for through grant funds in the amount of \$58,750.

Library

A request for security cameras is recommended at \$5,500. The purpose of these cameras is to assist law enforcement in identifying acts of vandalism, etc. which has occurred in the past. A microfilm scanner to scan records in the history room is not being recommended at this time. In addition, a radio frequency identification system that will provide inventory control for materials in the library and include a self checkout component is being recommended at \$89,780. The system will be paid for by grant funds and the Library Foundation.

Solid Waste

The replacement of 2 roll-off boxes that are damaged and beyond repair at a cost of \$16,000 is recommended. A skid steer unit to move and load pallets with electronics and white goods is not being recommended at this time. A request for methane flares which will assist with burning off and controlling the methane gas produced by phase 4 at the landfill site is recommended at \$12,000. The request for a 3,500 gallon leachate tank at a cost of \$65,000 is recommended. It will be utilized on one of the roll off trucks. It will manage the leachate during heavy rain periods which is a big issue at the landfill. Finally, a new compactor for the Pisgah Forest convenience center is not being recommended at this time; although the current compactor is reaching near the end of its life expectancy.

Summary

The total recommended capital from the General Fund and Solid Waste Fund is \$827,547. Of that, \$169,950 will be paid for by other funding sources. Therefore the net cost to the County for capital funding for FY 2013 is \$657,597.

Discussion:

Commissioner Chapman inquired about the vehicles and asked if the recommendation includes increasing the number of vehicles or replacing vehicles. Mr. McNeill responded that all of the vehicle requests are for replacement vehicles with the exception of one in Animal Control since there is no backup vehicle in this department. Commissioner Chapman noted that the Sheriff's request for additional vehicles was

pared back last year and he wondered if the request this year was as a result of that. The Manager confirmed and noted that the vehicles are on a rotation schedule. The older vehicles are retired.

Commissioner Chappell inquired further about the free internet access requested by the Register of Deeds. Register of Deeds Cindy Ownbey said the current system was installed in 2005. At that time, the vendor hosting the website agreed to keep the cost at a minimum for the County and the customers. While it did give the Register of Deeds a starting point to provide information online, it is not ideal for customers, and as more information has been added online, customers are more frequently requesting that the service be offered at no cost. The fee being charged to customers goes to the vendor. Her request will require an annual payment from the County to offer the service at no cost to customers. Commissioner Chappell preferred that users pay to use the service instead of passing the cost to taxpayers.

Commissioner Chappell made a motion not to include the free internet access to customers this year in the Register of Deeds office and to continue with the current practice. The motion was seconded by Commissioner Phillips. Commissioner Hogsed requested clarification of the costs. It was reported that currently the County pays \$11,124 for the software and support to the vendor. The request is in addition to that to allow free internet access for customers. There is no capability to do this in-house. Currently approximately 50 customers have accounts with the vendor and use the service regularly. **The motion was unanimously approved.**

Commissioner Phillips moved to accept the recommended capital as amended, seconded by Commissioner Chappell and unanimously approved.

ECONOMIC VISIONING

The Manager reported that \$50,000 has been included in the recommended budget for economic development. The monies are set aside to work with the economic development effort that Commissioners have begun. There is no plan in place at this time on how the monies will be spent. The Manager recommended reserving the funds with the understanding that before any monies were spent, staff would bring back a recommendation for the Board's approval.

Commissioner Chapman moved to deny the recommendation and address funding recommendations once a plan is brought forth about how the monies will be spent. The motion was seconded by Commissioner Hogsed. Chairman Hawkins commented that as economic development is studied further, it is possible Commissioners may find items that are worth investing some monies in. **The motion was approved unanimously.**

PUBLIC COMMENT

Chris Lewis: Mr. Lewis stated that he is involved with an outreach ministry called Wheels to Work. They accept donated vehicles and he personally refurbishes and performs maintenance on the donated vehicles. He inquired about what he needs to do to either get or purchase the County's retired vehicles. The Manager reported that the surplus vehicles will be auctioned on govdeals.com. Mr. Lewis will inquire about the process further with the Manager.

Chris Whitmire: Mr. Whitmire expressed his disappointment with the Board's decision to reduce school funding for FY 2013 although the budget process is not over and the budget is not yet approved. When it comes to transparency and budget decisions, he said the Board of Education prefers to be in front of their constituents. Mr. Whitmire pointed out that past audits indicate the County budgets conservatively. Each year the projections show that funds will be needed from reserves to balance the budget; however that has not occurred because of conservative budgeting practices. As a citizen, he requested to know what

reserves are funded and why. Mr. Whitmire concluded by noting that while the County has supported education very well, the School System does not receive funding from other sources that other districts do.

Jeff McDaris: Dr. McDaris stressed the importance of everyone speaking with a unified voice, especially outside of this County and when speaking to legislators and other counties. He said everyone should be marketing Transylvania County because its people are the best and the School System is excellent. Dr. McDaris believes the disagreements between the Board of Commissioners and Board of Education might not have occurred if there were more jobs available in the County. He also noted that the Senate Budget includes a modest increase for State employees, but purposely leaves out educators.

Gerry Hunsicker: Mr. Hunsicker said Transylvania County Schools should be recognized and rewarded for its success. He also stated Commissioners should provide relief for taxpayers rather than give pay increases to County employees. He said economic growth might mean to provide facilities for the manufacturing companies that want to come to this County, as well as reducing regulations at all levels. Mr. Hunsicker also commented that the number of County vehicles seems excessive. He asked Commissioners to consider information provided to them by very competent County residents before following the recommendations of a few County staff.

End public comment.

The Manager suggested as a format for tomorrow night's meeting to hear the presentation on the wellness initiative, discuss other budget items of interest by Commissioners, and hear the presentation on the fire department's budget. If there is no other business, he suggested Commissioners adjourn the budget workshops and prepare for the public hearing.

RECESS

Commissioner Phillips moved to recess the Budget Workshop until Tuesday, June 12, 2012 at 6:30 p.m., seconded by Commissioner Chapman and unanimously carried.

TUESDAY, June 12, 2012, 6:30 p.m., Rogow Room, Transylvania County Library

The Budget Workshop meeting reconvened on Tuesday, June 12, 2012 at 6:35 p.m.

Commissioners present were Vice-Chairman Larry Chapman, Jason Chappell, Chairman Mike Hawkins, Daryle Hogsed, and Kelvin Phillips. Also present were County Manager Artie Wilson, Finance Director Gay Poor, Human Resources Director Sheila Cozart, Operations Manager David McNeill, and Clerk to the Board Trisha Hogan.

Media: *Hendersonville Times News* – Nathaniel Axtell
The Transylvania Times – Eric Crews

There were approximately 40 people in the audience.

WELCOME

Chairman Mike Hawkins presiding welcomed everyone to the meeting and introduced the members of the Board of Commissioners and staff in attendance.

REVIEW OF BUDGET CHANGES

The Manager reviewed the changes Commissioners have made to the budget thus far as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Deficit</u>
Recommended Budget as of May 29	\$39,129,063	\$41,070,085	(\$1,941,022)
<i>Changes:</i>			
Animal Shelter Attendant		(\$20,963)	
County Planner		(\$57,810)	
Planning Contract Services		\$19,500	
Additional Hours for Facilities Superintendent		(\$15,236)	
Current Spending for Schools		(\$743,611)	
Free Internet for Register of Deeds customers	(\$13,200)	(\$13,200)	
Economic Development Reserves		(\$50,000)	
ABC Patrol-revenues & part-time	(\$11,384)	(\$6,459)	
Net Reductions	(\$24,584)	(\$887,779)	
Revised Budget as of June 12	\$39,104,479	\$40,182,306	(\$1,077,827)
FY 2012 Approved Budget		\$39,443,666	
% Change from FY 2012		1.9%	

WELLNESS PROGRAM

Insurance Broker Mark Browder with Mark III gave a presentation about potential wellness opportunities. The County has been active in trying to improve the health of the employee population. Mr. Browder pointed out that one of the main drivers for healthcare costs across the country is obesity and the trend continues. One reason there is such a focus on wellness is because the trend is mostly caused by behavior. Mark III has multiple clients that have implemented wellness strategies that include onsite clinics, onsite pharmacies, biometrics screenings and health risk assessments, financial incentives, health coaching, and accountability standards. As a result of wellness programs, many counties are seeing a decline in their claims costs and pharmacy costs. Mr. Browder stated that it is important that the County maintain the health of those that are well and improve the health of those that are chronically ill. Staff's goals are to design and implement an integrated health and wellness program, drive member engagement and responsibility for their healthcare, provide tools and incentives that result in healthy behaviors, and positively influence change in the healthcare system based on demonstrated results.

The Manager's proposal calls for a \$100,000 investment into wellness initiatives. Commissioner Chapman inquired as to what that entails. Mr. Browder said, depending on what strategy is employed, the County should see a savings of \$3 for every dollar spent. Mark III will work with staff to create a solution that they feel is in the best interest of the County and employees. The specifics are not yet in place. The solutions will determine the cost. Mr. Browder is looking for guidance and approval from Commissioners to explore wellness solutions, such as coaching or a health clinic.

The Manager asked Commissioners if they want staff to pursue this further because the process will take resources. He recommended either reserving \$100,000 or designating monies in the fund balance and allowing staff to bring back a proposal for the Board's consideration. The Manager feels this is appropriate action to take to determine how to curb increasing healthcare costs. Mr. Browder added that

exploring options costs the County nothing. It will require staff time; however there is no reason for staff to pursue some of the wellness initiatives if there are no monies available to implement them. Human Resources Director Sheila Cozart added that the County has required health risk assessments for employees for over 20 years. Staff will continue to focus on these areas. The County has offered several health initiatives over the years, but this process would be more clinical.

Commissioners discussed this item at length and asked questions pertaining to employee participation, how health clinics and coaching work, healthcare savings accounts, and being self-insured. Mr. Browder noted that healthcare savings accounts do not solve the problem without improving the health of employees because the cost is driven by claims.

Commissioner Chapman expressed his opposition because he does not believe it is the government's responsibility to control the behavior of others. He believes people need to assume responsibility for themselves.

Mr. Browder stated that being self-funded is a lower cost strategy over time and gives the County more flexibility that it would not have if part of an insured group. The County is protected from the catastrophic risk through stop-loss insurance. Mr. Browder pointed out that the County's health plan is in good economic shape. However, the claims costs need to be addressed. Inaction will not put the County in a better position and the County will be in the same spot next year.

Commissioner Chappell expressed concern about the proposal because there is no guarantee of a return on investment, especially when no plan has been developed at this point. He also expressed concern about expending staff time on this project when staffs are stretched thin now. He also believes there should be personal responsibility for one's health and therefore he does not support moving forward.

Commissioner Chapman moved to decline the proposal as presented and not set aside \$100,000 at this time. The motion was seconded by Commissioner Chappell. Commissioner Hogsed disagreed with the Manager's proposal to set monies aside because there are monies in the fund balance if needed; however he had no problem with staff exploring options and bringing back a proposal to Commissioners. He also agreed that people should take responsibility for their own health, but said if changes are not made the County is going to keep experiencing the same trend with increasing healthcare costs. **The motion passed by a vote of 3 to 2, with Chairman Hawkins and Commissioner Hogsed voting against.**

Chairman Hawkins called for a break at 7:18 p.m. The Board reconvened at 7:28 p.m.

The Manager reviewed the newest budget changes. Based on Commissioners' rejection of the wellness proposal, the proposed expenditures would be reduced to \$40,082,306, leaving a deficit of \$987,827.

OTHER BUDGET ITEMS

Position Requests in Tax Administration

Commissioner Phillips asked to discuss the two positions being requested by Tax Administration for the revaluation. He inquired as to how many staffs were hired for the last revaluation and the cost incurred. Tax Administrator David Reid reported that his office is down about two and half employees from the 2005 level. He reported that NC General Statutes require counties to either fund an octennial revaluation reserve fund or to fund a revaluation department. Currently, from February to the end of June, all employees in the Tax Office focus their attention on collecting taxes which has resulted in Transylvania County having the highest tax collection rate in the State. The Manager noted the difficulty in maintaining what needed to be done in past years with part-time employees. There has been a reduction

in this department since 2005. The last revaluation cost the County approximately \$300,000, which does not include additional hours put in by staff. Mr. Reid expressed concern about how this department will move forward with the next revaluation. He pointed out that the NC Department of Revenue recommends for a county of this size four staff members to complete a revaluation over a three-year period of time. Revaluations are controversial and the worst thing that any county can have would be a revaluation not performed by competent people. The County has to be able to defend the revaluations and the appeals made by property owners.

Commissioner Phillips inquired about whether there are monies set aside for the revaluation process. The Manager said the County no longer set monies aside when the decision was made to do revaluations on a four-year cycle. Funds are now built into the budget.

Commissioner Chapman commented about the importance of the revaluation process and thanked staff for the job they do. He supported the recommendation for the two positions. Commissioner Hogsed said he is impressed with the County's collection rate and thanked staff for their hard work.

Commissioner Phillips agreed with the comments but said he had trouble reconciling the salary recommendation in the budget. Mr. Reid said the salary recommendation is based on the successful recruitment of a qualified and trained professional. If that does not occur, the person's salary will be dependent on his or her experience. He pointed out that the revaluation will be effective January 1, 2016. Besides the time that is needed to complete the revaluation, the new employees will need time to learn about the County, the people, the computer software system, etc.

Commissioners took no further action than what was taken earlier during the budget workshops.

Renovation of Old Library

Chairman Hawkins asked Commissioners over the next few months to determine what their plans are for the old Library. Currently it is an underutilized asset and he believes the County has too many needs just to let the building sit. He noted there are monies set aside for the renovation of the old Library but some of those monies have been used over the years for other projects. The Manager estimated that by the end of June there should be approximately \$850,000 available in the reserves. Chairman Hawkins suggested reserving \$500,000 to bring the total reserved for the old Library to \$1.3 million. He believes Commissioners should reserve an appropriate amount to at least get started on this project.

Commissioner Chapman asked if there are still issues with security and space needs in the Courthouse since the Tax Offices and Register of Deeds have been relocated. The Manager said the issue still exists. There is a real need for an additional courtroom, a sally port for transporting inmates and a holding cell for inmates. Commissioner Chapman supported Chairman Hawkins' recommendations because if nothing is done with the building it will continue to deteriorate. He commented that the building is important to the community.

Commissioner Chappell agreed that Commissioners need to decide what to do with the facility; however he was unclear as to the need for reserving additional funds when no decision has been made on what to do with the building. Chairman Hawkins said setting aside monies identifies the needs that are there and that there is a plan for those needs. He commented that the County gets criticized for what people believe to be too large of an undesignated fund balance, but the County has not allocated some of the funding to areas that are needed in the future. Commissioner Chappell preferred to allocate monies once a decision is made about what to do with the facility.

Commissioner Chapman made a motion to move \$500,000 from undesignated fund balance to designated fund balance for future potential space needs. The motion was seconded by Chairman

Hawkins. Commissioner Chappell asked for clarification about whether or not the monies are being designated for space needs or specifically for the old Library. The Manager said the monies can be set up in the general fund designated specifically for space needs. Commissioner Phillips said he disagreed with designating funds when there is no plan in place and preferred to allocate dollars when a plan is developed. Chairman Hawkins said there is value in acknowledging there are space needs issues and it is prudent to start reserving funds for that. He emphasized that the old Library is a real asset and Commissioners need to decide what they plan to do with it. He believes reserving funds triggers that process. Commissioner Chapman noted that the last estimate for renovating the old Library was nearly \$1.6 million to make it useable. Commissioner Hogsed said it is important that Commissioners recognize there continues to be space needs issues and should begin formalizing a plan to move forward. He also commented that this Board has benefited greatly by previous Boards' plans to designate funds for specific projects. **The motion passed 3 to 2, with Commissioners Chappell and Phillips voting against.**

Commissioners did not discuss any other budget items. The Manager announced that staff will finalize the budget for the public hearing which is scheduled for Monday, June 18, 2012 at 7:00 p.m. in the Rogow Room at the Library. The location has been changed from the Community Services Building.

FIRE DEPARTMENTS

Operations Manager David McNeill presented the fire departments' budgets. He reported that the Emergency Services Department worked with the eight fire/rescue departments to put together a proposed budget for the Board's consideration. The process this year was similar to prior years. Departments were asked to complete standardized budget forms. Staff reviewed the budgets and suggested changes when appropriate. Brevard Fire Department operates somewhat differently than the other departments in that it is a municipal department and covers two distinct fire districts.

The budget review demonstrates there are eight different departments that are all in different places financially and operationally. Each department meets the minimum rating for insurance purposes. Most have much lower insurance ratings. It is important to note that some departments included paid staffing requests in their budgets to assist volunteers in responding to calls and meeting administrative requirements. The cost of equipment continues to rise which affects each department. Departments must keep abreast of changing and more stringent fire and rescue standards. The budget process also identified some issues that impacted individual departments, such as lower insurance rates in North Transylvania and reductions in assessed value in some districts. Some departments have building needs. There are also concerns about debt service within some departments.

The budget recommendation attempts to address all these needs and maintain the quality of fire rescue services while keeping the costs to a minimum. Mr. McNeill said one of the difficult issues is insuring that the departments have adequate volunteers and staff. During the 2009-2010 budget process, Commissioners instructed staff to work with the Chief's Association to identify some alternatives to the staffing needs at the time. Staff presented a proposal to Commissioners during the 2010-2011 fiscal year. Included in the information provided to Commissioners is what the impact would be to each fire district's tax rate and departments' budgets if the proposal were to be adopted. There were other alternatives listed in the proposal as well. The proposal for paid staffing is not being recommended this year. However it was very important to the Chief's Association and local fire departments that Mr. McNeill communicate to Commissioners during this process that the need still exists for paid staffing. Should Commissioners move forward with the proposal in the future, Mr. McNeill noted there are a couple of departments that could not fund staffing within the statutory limits.

When working with the departments, staff attempted to address the most pressing needs and Mr. McNeill believes the proposed budget does just that. Of the eight departments, all submitted initial budget

requests that required a tax rate increase. Staff recommended a slight rate increase for three of those departments. Two of the three had decreased property tax base projections. Mr. McNeill is recommending a 0.0036 cents increase for Rosman and a 0.0015 cents increase for Lake Toxaway. The other rate increase is in the Brevard Sylvan Valley 2 District and the proposed increase is 0.0047 cents.

After some brief comments by Commissioners, **Commissioner Chapman moved to approve the fire departments' budgets as presented. The motion was seconded by Commissioner Phillips.** Commissioner Chappell commented that paid staffing for the fire departments may prove to be in everyone's best interest if insurance rates can be significantly lowered. **The motion passed unanimously.**

PUBLIC COMMENTS

Mason Sexton: Mr. Sexton cited a report that indicates there are 385,000 illegal aliens in this State costing taxpayers \$1.3 billion annually for healthcare, education, social programs and incarceration. It is also estimated that between 1,500 and 2,000 illegal aliens live in Transylvania County. Mr. Sexton presented Commissioners and the Manager with copies of Senate Bill 205 which is an act to clarify that illegal aliens are not eligible for public benefits, copies of actions taken by Lincoln County, and copies of his original request for action in 2006 and the comprehensive study by the Federation for American Immigration Reform. Mr. Sexton requested action this year by the Board.

Mr. Sexton commented about the savings that could be achieved with wellness initiatives. He countered the statistics by saying that every dollar the government does not seize from the private sector allows the private sector to generate more. Mr. Sexton concluded by thanking the Board for the time they put into the budget process.

Tawny McCoy: Ms. McCoy is the Vice-Chair of the Transylvania County Board of Education. She thanked Commissioners for their support of education over the years; however she expressed disappointment in the budget cuts for FY 2013. She said cuts made to education affect the children, the School System, and the quality of education they receive. Ms. McCoy noted that the only refusal from the Board of Education to meet with Commissioners and staff came because the Board of Education did not have enough information to contribute to the meeting. She stressed the need for both Boards to work together to do what is best for the children.

Sue Fox: Ms. Fox is a member of the Transylvania County Board of Education. Ms. Fox thanked Commissioners for their support of Transylvania County Schools. She noted that Transylvania County has historically supported the School System well; however expressing allocations on a per pupil basis is misleading when declining enrollment is taken into consideration. Ms. Fox stressed that the School System is not wasteful or ineffective but it is being penalized by the Commissioners for saving money. She asked Commissioners to reconsider the Board of Education's budget request.

Tim Petit: Mr. Petit commented about the revaluation from 2009. He said his property was assessed a particular value because it has a view. He asked how the value of a view can be assessed because he believes it leaves a lot of room for error. Mr. Petit believes the County needs to better define what a view is. Tax Administrator David Reid responded that properties with views are assessed on how surrounding and like properties have sold.

Page Lemel: Ms. Lemel commended Commissioners for their support of the local fire departments. As a camp owner, she said she suffered one of the worst fires this County has seen in 10 years. She said the County has great fire departments and citizens should be thankful.

End public comment.

The Manager reviewed the changes Commissioners made to the budget. The changes reduce the expenditures to \$40,082,306. The deficit is \$977,827 and will be taken from fund balance. The tax rate will remain the same at \$0.3949 per \$100 of valuation.

ADJOURNMENT

There being no further business to come before the Board, **Commissioner Chappell moved to adjourn the budget workshop meetings at 8:40 p.m., seconded by Commissioner Phillips and unanimously carried.**

Mike Hawkins, Chair
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board