

MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
May 23, 2019 – SPECIAL MEETING

The Board of Commissioners of Transylvania County met in special session on Thursday, May 23, 2019 at 6:00 p.m. in Commissioners' Chambers at the County Administration Building located at 101 S. Broad St., Brevard, NC. The purpose of the special meeting was to receive the Manager's FY 20 Recommended Budget.

Commissioners present were Jason Chappell, Vice-Chairman David Guice, and Chairman Mike Hawkins. Commissioner Page Lemel was in New York attending her daughter's graduation from Barnard College and Columbia University and her flight back was delayed. She intended to watch remotely. Commissioner Will Cathey was absent. Also present were County Manager Jaime Laughter, Finance Director Jonathan Griffin, County Attorney Misti Bass (arrived at 6:30 p.m. due to traffic) and Clerk to the Board Trisha Hogan.

Media: *The Transylvania Times* – Derek McKissock

There were approximately 60 people in the audience.

CALL TO ORDER

Chairman Mike Hawkins presiding certified a quorum was present and called the meeting to order at 6:07 p.m.

WELCOME

Chairman Hawkins welcomed everyone to the meeting and introduced Commissioners and staff in attendance.

Chairman Hawkins announced that no action would be taken tonight. The Board intends to receive the budget presentation, then hold a budget workshop as part of the regular meeting on May 28 to discuss elements of the budget.

PUBLIC COMMENT

Claudia Hawkins: Mrs. Hawkins is the Chair of the Transylvania County Community Land Trust. She encouraged Commissioners to support funding the development of a workforce housing action plan for the community. She understands there are some funds in the proposed budget for this purpose. The Land Trust has advocated with both the Brevard City Council and the County Commission to join in funding the development of a plan over the next year. The plan is intended to present concrete actions the community can take to improve the availability and affordability of workforce housing. The Land Trust does not envision a plan where local government is building housing units, but, in light of the failure of the market to address the housing gap, the Land Trust is convinced that local government needs to work collaboratively with other organizations to address this issue and allocate resources to incent workforce housing. The Land Trust previously provided data to the Board indicating that housing is an issue for teachers, public safety officers, and many employers in the community. The Board of Education, Chamber of Commerce, and Living Wage Coalition support the Land Trust's request for funding the development of a plan. Mrs. Hawkins understands that County Commissioners have a desire to improve and sustain the long-term economic development of the County, and she stated that having a range of housing options is critical. She asked the Commissioners to give the Land Trust's request consideration in light of that goal.

Judith West: Ms. West spoke on behalf of the Living Wage Coalition of Transylvania County. She thanked the Board and Manager for including funds in the proposed budget for workforce housing. She stated that workforce housing will not happen without a workable plan. Ms. West encouraged the Board of Commissioners to provide funding for workforce housing efforts and to develop a workable action plan, just as the Board has invested in economic development.

PRESENTATION OF FY 20 MANAGER'S RECOMMENDED BUDGET

The Manager began the presentation by thanking Board members and staff for all the time and effort they put into preparing the budget over the last five months. She especially thanked Finance Director Jonathan Griffin, Budget and Management Analyst Allen McNeill, and Clerk to the Board Trisha Hogan. A budget of this size covering over 24 County departments and offices and numerous outside agencies along with a high volume of state mandated services and local demands make the budget a complex process. She recognized the department heads and staff in attendance, noting that these are the people who work with our citizens every day and provide one-on-one services to them.

Statutes require the County Manager deliver the recommended budget to the Board of Commissioners by June 1 of each year; however, there is little time during the year that does not require discussion about current and future budgets as priorities change and trends emerge. In truth, the budget document is not a standalone fixture, but a reflection of Commissioners' priorities as the governing board elected to lead Transylvania County. It is as much policy and administrative guidance as it is revenue and expenditures. For this reason, the Manager started the presentation by providing an overview of the services counties provide, staff procedure to prepare a budget, and the highlights of some initiatives included in this budget along with the services that the County continues to provide and citizens expect.

County Services

The State of North Carolina controls what counties and cities are able to do. For instance, by state law counties cannot spend funds on roads; only the State, cities and private entities can do so. The State also mandates many services for which it does not provide the funding to meet the service requirements. Those mandates are met through property taxes. Many of the services provided by counties cover areas including financial management, jail operations, building code enforcement, public safety, and civic structure.

Counties also provide services that are not mandated. Counties do not have to provide services such as a Solid Waste facility, recycling services, or school nurses, for example, but these services are very critical to the operations of other services that are mandated. It would cause serious problems if these services were removed.

Other services are not mandated and counties can elect not to provide them; however, without these services, the face of Transylvania County would be dramatically affected - services such as Animal Control, Child Health, Library services, Parks and Recreation programming and facilities, subdivision regulations, Investigations in the Sheriff's Office, Law Enforcement Patrol (by statute, counties are only required to have a Sheriff and two deputies), Rescue Squad, pet adoptions, Soil and Water, Cooperative Extension, State Forest Fire Protection (County pays for the State to have fire protection coverage in State parks), etc.

All of these functions fall under the categories of Education, Public Safety, Health and Human Services, Physical and Economic Development, Culture and Recreation, General Government, Transfers and Debt Service. The majority of the categories fund Education, Public Safety, and Health and Human Services.

How Do We Budget?

There has been a lot of discussion generated about the use of data and peer comparisons over the last year. The need to use this information is to ensure accountability and transparency with our citizens. If the data shows that we spend more, we should be able to articulate what our citizens are getting that other counties are not providing. If we find that we are delivering the same service, then we are obligated as public servants to examine if there are strategies or methods by which our peers are able to deliver the same service for a lower cost. These are responsibilities as stewards of public funds and will continue to be important as we move forward budget year to budget year. The County budget is the public's money and not a limitless purse.

To budget, staff looks at trends to determine where the need for revenue may be. As stated earlier, the State controls much of local government including how revenue is raised. County governments have limited creativity to raise revenues. The primary revenue source is property tax. Being a tourist economy means sales tax is a factor in budgeting, but it will never be a dominating source of revenue under current statutes.

Staff also:

- Gathers information from various sources on price changes including gas, utility rates, economic predictions, etc.
- Makes assumptions and layers review so that staff feels comfortable the projections are reasonable
- Seeks to understand Board of Commissioners' priorities, community needs, and funding partner needs
- Estimates service demands by examining existing demands (what is growing, decreasing?)
- Understands mandated services and non-mandated services
- Reviews fee schedules and compares to other counties
- Considers impact to local economy
- Factors in long-term fiscal health and long-term planning in addition to annual budget

Budgets are math and statistics problems, but they also establish policy and reflect priorities.

The following trend information is from the budget kickoff workshop in February. During that workshop, the Board reviewed trends throughout County departments. The Manager does not intend to review every data point from every department, but she wanted to highlight some of the data so the Board could understand what the data is actually revealing.

Trends by Function

Education

The County provides funding for Transylvania County Public Schools K-12 and Blue Ridge Community College. The County has seen a decline in student enrollment (ADM) since FY 03. There has been steady growth in the FTE student rate at Blue Ridge Community College. It is important to note if the FTE minimum rate cannot be maintained, the State will cease funding, resulting in the County's having to pick up the cost of operations, or else the services would not exist.

Public Safety

Calls for service continue to increase as a result of service demand. This represents the work of law enforcement, fire departments, rescue service, and emergency management. The volume of calls is also reflective of the area of Transylvania County that is not taxable, i.e. State and federal lands, but that still

requires public safety services. Unfortunately, property tax payers have to pay for the majority of those services.

Health and Human Services

This category makes up both the Health Department and the Department of Social Services (DSS). In FY 19, there was a significant demand for service increases in DSS:

- 19% increase in Child Protective Services reports as of January 2019 compared to January 2018
 - Requires resources to care for both children and families to reach ultimate goal of reunification
 - At time includes foster care or adoption
- Increase of younger adults with severe mental illnesses in Adult Protective Services/guardianship cases

Physical and Economic Development

One of the best indicators of Physical and Economic Development is building permitting growth. There has been a continued increase of building permits even during times of economic hardship, but there has been a steady increase since FY 14 indicating economic growth.

Culture and Recreation

The Library's circulation numbers are one of the top in the State in per capita usage. The Library is not a mandated service, but it is a necessary service to our citizens. Not only is it well loved, it is well needed. There is a continued demand for more services in the Library, as well as Parks and Recreation.

General Government

Most of General Government is comprised of mandated services. To help Commissioners understand the mandated services, the Manager included information on the Finance Department's metrics that indicate the changes in different transactions, Human Resources metrics that showcase the onboarding of new hires that is indicative of our turnover rate increasing, and the tax collection percentage rate. Tax collection is critical. Not only does it bring in the revenue to ensure service provision, but it also indicates that citizens have bought into those services. If the collection rate were to slip, it would create a financial shortfall. The excellence that our Tax Administration Department achieves is something to note as one of the highest tax collection rates in the State.

Highlights for FY 20

The Manager stated this budget includes a recommendation that she never predicted she would be making. That recommendation is to levy the tax rate necessary to honor the voter's commitment to education capital from the vote to issue general obligation bonds for \$68 million in capital improvements. This recommendation requires a 10.5 cent tax increase to make bond payments for the debt service. The tax rate will be \$.616/ \$100 valuation for the general fund. While these are necessary to meet the expressed wishes of our citizens, she would otherwise be hesitant to suggest an increase of this size (approximately 20%) due to the impact to citizens in our community who may not be able to afford it.

- Tax increase of 10.5 cent based on voter approval of the \$68 million school construction bond to renovate and expand Rosman High, Rosman Middle, and Brevard High Schools for a new tax rate of \$.616/\$100 valuation
- Total budget of \$60,476,611
- Recommend keeping consistent with the fire department feedback preferring to fund fire departments from district funds and not to fund supplements through the general fund

- Total tax increase will vary across the county from 10.4 cent increase in Lake Toxaway to 21.8 cent increase in Cedar Mountain
- Support the United States Census 2020 work in Transylvania County to ensure an accurate count. This helps to bring federal tax dollars in the amount of \$1,600 per counted citizen back to the County for service support.
- Explore operational efficiency and best practices throughout County services
- Facilitate preparation of the first small area plan for the County with the Cedar Mountain community; coincides with appointment of committee in the coming months
- Facilitate a plan to address workforce housing and economic development needs in the community, including exploration of the role of infrastructure in providing these services (\$50,000 for action plan in reserve as of June 30, 2019)
- Continue facilitating the work of Get Set Transylvania in partnership with Sesame Street in Communities, including providing topic-based resource toolkits to children along with resources, including services provided by County departments
- Continue facilitating the work of the Senior Services Task Force, including continued operations and programming of the Senior Center at Silvermont
- Manage the construction of a sewer line that will provide expansion support to Gaia Herbs and extend service by the Town of Rosman along the US 64 corridor The County will hire and manage the contracts for design and construction in addition to the grant funding responsibilities and then turn over the responsibility for ongoing maintenance and operation to the Town of Rosman.
- Explore options that have been studied and any additional viable options to meet the facility needs of the Courthouse and develop a path forward to meet those needs
- Facilitate the education construction bond issuance as needed by the Transylvania County Board of Education
- Merge the Transportation Department and the Planning and Community Development Department to allow for more robust cross training and support
- Continue funding \$50,000 per year to provide free Wi-Fi at qualifying community centers and issue a grant cycle in FY 20 for capital improvements for community centers
- Implement compensation study and establish a compensation philosophy for implementation going forward
- Work to mitigate revenue loss from collection of City of Brevard taxes with efficiency measures in the Tax Administration Department; County notified today, in writing, that the City of Brevard will be administering its own tax collection, thus cancelling the 1950's contract and resulting in the reduction of approximately \$140,000
- Maintain service levels throughout County services
- Continue to identify and implement reasonable replacement schedules for equipment and capital purchases The County has made progress in replacement of aging HVAC units but will need to accelerate progress on those replacements due to the number that are reliant on R-22, which will be federally restricted as of 2020 for manufacture.
- Establish capital improvement schedules that consider reasonable life of capital improvements such as roof replacement, in addition to new capital items such as a replacement EMS base location

Fiscal Policy Goals

Continual discussions with Commissioners throughout the year helped develop a sense of fiscal policy goals for the FY 20 Budget. It is important to move toward the development of a long-range budgeting approach to ensure stability of the tax rate and to prevent expenditures from outpacing revenue growth.

- Develop a long term capital improvement plan

- Regular replacement schedules and capital needs identified in master plans
- Courthouse
- EMS Base
- Identify revenue to fund capital needs
 - Economic development and infrastructure support- Ecusta Road Project lease payments
 - Education Facilities Bond
 - Parks and Recreation- PARTF Grant, if purchase Brevard College Gallimore Road property
- Work toward multi-year budget planning in general fund
 - Vehicle prioritization, computer replacement schedule, long range maintenance evaluation
- Implement performance-based budgeting with outcome measures
 - Annual work plan according to strategic plan; in second year of implementation
- Consensus on this year's County needs from Commissioners for recommended budget

Process with Changes Implemented This Year

- Internal departments turned in budget requests with justification, including proposed work plans
 - 6 month reviews were evaluated for FY 19 work plans in February
- Nonprofit requests
 - Open call for applications in March
 - Per policy, subcommittee reviewed in April and scored on a rubric
 - Scoring accompanied by discussion, particularly on state statute restrictions
- School Funding
 - March presentation from Blue Ridge Community College President, Dr. Leatherwood
 - FY 19 recommendation was to cease use of local formula for County schools
 - Submitted requests for additional information and questions to County schools
 - Superintendent presentation in May on behalf of Board of Education for County schools
- Outside Agencies- Fire Departments, Rescue Squad, etc.
 - Budget requests due in April
- Priorities and preliminary discussion
 - Commissioners' meetings in May to clarify priorities, discuss justifications
 - Commissioners included in budget package review for Register of Deeds, Sheriff's Office, Blue Ridge Community College and County Schools requests

Revenue Projections

- Increasing reliance on property tax; projected growth of tax base is 1.6% ; 22.8% growth in the total due to the 10.5 cent tax increase
 - Important to be aware of losses to tax base and encourage development that will enhance the tax base to help cover services that are required countywide
 - More than 50% of County is comprised of State and federal parks
 - County continues to see steady loss of tax base with nonprofit and conservancy dedication
 - This year was partially offset with the sale of Mission Hospital, but without the revenue growth from the sale, the growth rate would have almost been stagnant
 - Transylvania County is the size of Polk County, one of the smallest in the State, if State and federal lands are not considered
- Sales tax growth 10.3 %
- Positive growth indicators in interest on investment, permitting, and property transfer fees reflect economic growth

- Revenue growth is steady, but Administration continues to be concerned that funding increases are outpacing revenue growth in some areas; this budget reflects use of reserved and unreserved fund balance; recession is looming

Requests vs Projections – Analysis

- Fully funded requested expenditures vs projected total revenue started with a deficit of requested funds vs projected revenues.
 - An additional 4.6 cent tax increase would be required to fully fund all requests
 - Justifications have generally improved over the years
 - Data submitted for increases and comparing to standards or peer counties is standard
- Utilized Commissioners' feedback to prioritize needs reducing deficit
- Limited personnel requests in the recommendations to support the compensation study
- Did not cut back capital significantly to keep making progress
- Recommended funding is not an indication that all needs are met or that requests will not be seen again in the future, but attempts to maintain existing service levels with this budget

Expenditures

- All categories reflect a smaller share due to a dramatic increase in transfers from 2%-12%
- Transfers capture \$6.2 million for education capital payments for the bond and \$1.2 million in capital reserves from the 2 cents tax increase approved in FY 16
- Includes over \$21,000 for the Register of Deeds enhancement fund
- If remove the bond payment funds and move them into the education category, this area would be increased by 10.5% over the 25% that is recommended
- Debt service remains stagnant for the coming year; however, the debt service will grow by 2,035% once the education bonds are issued
- Prior debt roll off has been used to fund education operations increases that outpaced revenue growth with average increases from FY 03 to FY 19 of 4.57% annually while non-education expenses have grown 2.75% on average annually over the same time period
- Debt roll off is no longer available to fund increases
- To fund future increases will require an increase in the tax rate
- General government is expected to grow due to earmarked funds to implement the compensation study that is currently underway
- Significant changes seen in budget when viewing by classification
- Significant change to budget from allocation of 10.5 cents for education bond
- Personnel decreases despite compensation study as a percentage of the budgeted expenditures
- Operational spending remains stagnant

Summary

- Balanced budget of \$60,476,611
- Recommended budget includes the FY 16 capital 2 cents tax increase as a \$1.2 million transfer to fund balance with designations to be made at the end of FY 20
- Recommended budget includes \$6.2 million in FY 20 to go to designated reserve for the education capital bond payments per voters' approval
- Recommended budget includes setting fire tax rates by district after approving funding levels by district as requested by most fire departments
- Implement the compensation study once complete
 - Budgeted for implementation on July 1 but may have to begin August 1 to process the recommendations into payroll
- Recommend continued policy implementation

- Require complete budget requests unilaterally for all County departments, offices and funding partners to be submitted during the budget process
- Continue capital planning and identify long-term capital investments along with maintenance schedules for existing assets
- Develop compensation philosophy after compensation study implementation

Revenues – Assumptions & Trends

Revenue

- Highest revenue source is property tax at 59.9% (57.6% FY 19) of budget; largest single contributor of growth of \$99.2 million this year is the \$38.99 million addition to the base of property associated with the acquisition of Mission Hospital and its affiliated properties by HCA; assessed value growth of 1.72% (from \$5.7 billion to \$5.8 billion) is low by historical standards and largely driven by the acquisition of real property for conservancy, governmental purposes, and nonprofits; projected to grow 1.6% for property valuation; over 50% of the County's raw land area is no longer taxable; full landmass of Transylvania County makes it the 69th largest county in North Carolina; however, removing the nontaxable land held in the State and federal forests makes the taxable area comparable to Polk County which ranks 96th out of 100 amongst counties in geographic size; County government continues to serve the entirety of Transylvania County, but the taxable resources available to deliver those services continues to shrink
- At the recommended tax rate of \$.616 per \$100 of value, the growth in the tax base amounts to only \$609,912 of additional ad valorem revenue at the estimated collection rate of 99.75%; approximately \$240,000 of this is related to the acquisition of the hospital for for-profit purposes
 - \$.616/\$100 valuation for general fund with collection rate of 99.5% presumed netting in an increase in property tax revenue of 22.8%
 - FY 20 projected tax base is \$5.88 billion; without the tax increase, tax base revenue would have generated \$497,000 in additional revenue and does not offset the annualized growth in operational needs
- Sales tax this year is projected to grow 10.3%
- Revenue reflects use of some designated reserve funds for capital projects at Silvermont Park, purchase of elections equipment to meet statutory requirements, and other similar planned projects
- \$1.7 million of fund balance is appropriated to balance this budget compared to \$827,236
 - Typically, see surplus at the end of the fiscal year due to savings achieved, lapsed salaries, and conservative budgeting

Other Revenues-Trends

- Jail inmate revenues from other counties are projected to decrease as other counties improve facilities; projecting some housing revenue next year, however
- Restricted intergovernmental revenue shows a decrease due to a change in block grant administration
- Seeing some increase in funds related to economic growth in building permits and property transfers; nominal increases to offset services required
- PARTF grant application for FY 20 will be submitted but is not budgeted and will require amendment if awarded and accepted

Fund Balance

- Projected increase in total fund balance at close of FY 19 of \$1.8 million
- The County's 2 cents for capital improvement programs continues to accumulate faster than the Board authorizes projects to be spent from it, with approximately \$2.4 million to be added by FY 19 and FY 20 while only two projects (\$1.2 million VHF radio upgrade and \$600,000 software upgrade) are actively drawing fund balance down; estimate would change should the Board authorize a major parks and recreation project or another economic development or public safety project
- Unassigned fund balance increases are mostly driven by employee turnover and unused operational resources

Solid Waste

- No change in fee structures
- No transfer from general fund scheduled
- Proposed use of solid waste fund balance to fund operational deficiencies projected in FY 20
- Continued improvement of management and business practices so department can stand on its own

Expenditures

Expenditure Trends

- No service expansion, but this budget does maintain existing services at existing levels
- Continue catching up on capital needs deferred
 - Including impacts of R-22 federal legislation for HVAC units
- 90% of the budget is mandated or required to meet state mandates; discretionary funding is small but would impact if citizens if removed
- Voter approved school bond capital reflects 10.5% of budget
- Economic Development support is a key strategy in future sustainability

Personnel Detail Changes

- Requested personnel changes outside of the compensation study total \$484,365 when factoring in salaries, wages, benefits, health insurance, etc.
- Recommended against adding new positions and most reclassification requests
 - Felt strongly the Board needs to focus on the compensation study so that the existing work force is paid more competitively to maximize human resource productivity currently approved
 - Reclassifications will be evaluated in compensation study for existing positions
 - EMS needs will need to be evaluated with HCA sale and in tandem with base locations and systemic impact to response time
- Total impact of recommended personnel changes is \$69,402
 - Recommend funding the Domestic Violence Investigator after the grant funds cease
 - Recommend upgrading a position in DSS Economic Services to a supervisor position due to supervisor to employee ratio being at an extreme

Capital Improvements

- Total capital requested was \$2.6 million
- Recommended capital is \$2.5 million

- The recommendation does not take into account all of the capital needs identified in adopted plans, such as the Parks and Recreation Master Plan, Silvermont Plan, McGill Water Study, Courthouse needs studies, etc.
- The recommendation attempts to project for the next five years what the regular annual capital improvements and equipment replacements may be so the Board can appropriately schedule capital improvements

Capital Recommended Highlights

- Total capital expenditures from the general fund at \$2.5 million
- Major expenses from the general fund include:
 - Commissioners' Chambers equipment upgrade: \$65,000
 - Parks and Recreation projects: \$161,000
 - Voting machines: \$140,000
 - HVAC replacements: \$100,000
 - Public Safety security, electrical equipment, interview room: \$252,800
 - Seven vehicles for the Sheriff's Office, one vehicle for Maintenance, one vehicle for Animal Control, one vehicle for Building Services: \$458,235
 - Replacement van for Transportation: \$62,820; majority paid through grant funds
- Major expenses not recommended:
 - Two vehicles in Tac Administration and DSS; pending review of entire fleet
 - Inmate work truck due to request being addressed in FY 19
 - Tax Administration and Register of Deeds security upgrade request: \$51,500
 - EMS ballistic vests: \$22,400; pending policy adoption by the Board, then appropriate funds accordingly

Outside Agency Requests

Constitutional Authority and Requirements. Article V, Section 2(7) of the North Carolina Constitution permits the General Assembly to authorize local governments to “contract with and appropriate money to any person, association, or corporation for accomplishment of public purposes only.” And, in fact, all expenditures of public funds must satisfy the North Carolina Constitution’s public purpose requirement. See **N.C. Const. Art. V, Sect. 2(1)**. Generally, the provision requires that all public funds, no matter what their source, be expended for the benefit of the citizens of a unit generally, and not solely for the benefit of persons or interests.

Statutory Authority and Requirements. Furthermore, satisfying the public purpose requirement is necessary but not sufficient. A local government also must have statutory authority to expend public funds for a particular purpose. See *Hughey v. Cloninger*, 297 N.C. 86 (1979). The General Assembly has authorized both counties and municipalities to “appropriate money to any person, association, or corporation . . .” **G.S. 160A-20.1** (municipalities); **G.S. 153A-449** (counties). There is an important limitation on this authority, though. The appropriations ultimately must be used to “carry out any public purpose that the [local governments are] authorized by law to engage in.” *Id.*

Non-profit subcommittee review overall comments:

- Criteria for scoring was consistent and included:
 - Ability to enhance/supplement County services
 - Outcomes in line with strategic plan
 - Scale out outcomes vs. expense “bang for the buck”
- \$120,500 requested, \$78,500 recommended
- Additional trends in review:

- Some requested more funds than granted
- \$10,000 for historic/culture preservation entities allocated by Joint Historic Preservation Commission, but only \$9,000 applied
- Feedback from discussion to be shared as requested with each applying agency
- Community Centers partnership
 - Recommend including \$50,000 for grant funds to fund the new grant system for community centers with a FY 19 call for applications in June
 - Will have free Wi-Fi available to the public soon at nine community centers to support students in their community to access the internet for homework
 - Will be implementing four capital improvement grant projects and reporting back to commissioners with first report this summer from FY 18
- Honor Guard
 - Funding for reimbursement of supplies and uniforms at \$5,000 in budget
- Rescue Squad and Vaya Health partnerships
 - Rescue Squad reflects small increase for salary adjustments
 - Vaya Health funding for mental health remains steady
- Co-operative Extension
 - \$10,874 increase recommended equating to a 5% increase
 - Funding salary increases established by the State
 - Not recommending kitchen replacement or position requests (total requested increase was \$31,823)
- NC Forest Service
 - \$101,825 as requested; budget includes small increase
- Land of Sky
 - Membership dues of \$28,000
- River Stewards
 - Tree removal fund in Soil and Water budget totaling \$20,000
- Transylvania Economic Alliance
 - Requested: \$392,500, recommended at \$315,000
- Two applications from nonprofits not recommended for funding
 - Center for Dialogue: \$6,000; due to outcomes presented from last year's funding process
 - Brevard Music Center: \$25,000; capital request not funded

Education

The Board of Commissioners has a legislative responsibility to “include appropriations sufficient, when added to appropriations from [the State], for current operating expense of the public school system in conformity with the educational goals and policies of the State and the local board of education, within the financial resources and consistent with the fiscal policies of the board of commissioners,” per G.S. 115C-426. Additionally,

- G.S. 115C-431(a) states “the entire school budget shall be considered carefully and judiciously”
- G. S. 115C-426(c) defines a budget to include state, federal and local funding
- G.S. 115C-425(a) requires the budget be balanced for “all funds”.
- G.S. 115C-429 requires that the Board of Education approve their “entire budget” prior to submission to a Board of County Commissioners (The Manager noted the date set by statute is May 15.)

The Manager stressed the importance of following statutory requirements. Not only is North Carolina a Dillon’s Rule State where much of the control over counties comes from the State Legislature, but compliance with statutory requirements is prudent to being a public servant. The Legislature gives the

Board of Education the authority and responsibility over school personnel, education policy, asset and budget management; the Board is likewise responsible for informing the Board of Commissioners of their needs. The Legislature leaves responsibility for school sites, constructing facilities, certain contracts to the Board of Commissioners, in addition to the responsibility for sufficient appropriations. This begs the following questions when considering the education budget: 1) Is the County providing adequate funding? 2) Is the funding allocation consistent with County fiscal policies? The following data review attempts to answer those questions.

The Manager shared her daughter's math homework word problem for the purpose of showcasing her point about the practicalities of budgeting, in addition to the legal responsibilities. In this example, *Janet was trying to save \$316. At her job, she made \$8 an hour and she worked 30 hours a week. After paying for food and other expenditures, she ended up saving only 1/8 of her weeks' earnings. How much money did she save each week?* If any of the variables were removed, no two people would have the same answer to the question. The Manager stated if her hourly rate were removed from the equation, one might assume she was making minimum wage, or one might be more optimistic and believe she is earning a living wage. Either way, no one would come to the same conclusion and have consensus on the answer. The Manager stated that, again, this showcases the practical issues with budgeting. While it is imperative that we follow and respect the law, our citizens deserve transparency and communication so that both the Board of Commissioners and Board of Education can ensure a sound education for our children and act as good stewards of their responsibilities for taxes. The Manager stressed that budgeting is hard, but there are tools to help make assumptions and communicate them.

There is available data to show how Transylvania County compares to other communities. Transylvania County has advanced to 4th out of 100 counties in per student current spending for FY 19 for both operations and personnel. Education is provided not only by State and federal dollars, but it is also supplemented by local funds. Those local funds also impact how local teachers are paid. Transylvania County also ranks 7th out of 100 counties for the number in public schools. The Manager pointed out that County officials often hear that education funding has been cut or has been lacking. It is not to say that has not happened in the past, but the State of North Carolina has been committed to steadily increasing funding for education since FY 10, according to school funding by source. Moreover, the Board of Commissioners has provided a steady commitment of increased funding to meet the needs of the local school system since 2003. At the same time, the number of students continues to drop. The Manager pointed this out because she thought it was important to highlight that the County is also providing services that are critical to the community and those needs continue to grow, but the County has not kept up with those needs the same as with education spending. For FY 19, the Department of Public Instruction reflects an increase in funding of \$1.1 million. Planning documents for next year from State sources show a decrease of nearly \$276,000 which is consistent with the projected student numbers for this year not materializing.

Education – Board of Education Request

The Manager reviewed the request from the Board of Education for FY 20.

- Requested increase in County funds of \$582,196, equating to additional 7.9%
- Net increase in personnel of one position, specifically from County funding
 - Manager has requested for past two years information on the number of teachers funded by both State and local sources
 - School Administration unwilling to share numbers
 - Board of Education change sheet reflects decrease of four teachers at high school which is the same as last year's request
- Proposal includes continuing the School Resource Officer program

- Indicates impact of State legislation for class size ratios, but County staff unable to get information from School Administration on existing ratios for K-3 to confirm the need
 - County has requested a review at the State level since our State representation has assured County officials that class size to teacher ratios were intended to be funded in full by increases in State funding; increase in fact occurred last year
- Requests \$250,000 for food and nutrition fund
 - No full food and nutrition budget because the dollars are being held in the entrepreneurial fund
- Request does not provide full revenue projections for all funds and projected expenditures which is provided from all funding partners-County departments and otherwise
 - Out of the top five per-student funders, all but Transylvania County Schools provide complete revenue and expenditures budget requests (Buncombe, Durham, Orange and Dare)
 - Dare and Buncombe Counties have withheld operational funds based on inadequate justification to correct these issues; both report that relationships are now better due to transparency

The Manager encouraged the Board of Commissioners to take notes from both Dare and Buncombe Counties' operations. Should they determine to add funding to education operations, she suggested it is through fund balance reserve at the County pending receiving sufficient information to justify the additional expenditures. The Manager felt this was important not only for legal reasons, but for transparency and understanding of what is being funding in order to be accountable to taxpayers.

Summary-Operations Funding

- Recommendation last year included ceasing use of local formula; however, use of the formula still netted \$106,000 more than requested by School System
 - Suggested additional funds be used for capital, but used for operations
 - Would have netted in a total increase of 2.27% if formula used this year, or a 5.48% in per student funding at \$3,801.32 (last year Commissioners approved funding for \$3,603.83 per student, but School System experienced loss of nearly 100 students from projected rate)
 - Student numbers continue to decline
- State formula adopted last spring for use in arbitration would result in a decrease of funding of 0.57% in total funding for operations
- Recommendation for FY 20 is to hold the total funding flat at \$12,429,613 which still results in a 3.1% increase per student funding based on projections (\$3,714.77)
 - Maintains Transylvania County at 4th highest county funded in the State
 - Any increase in funding needs to be based on thorough and transparent information for review; all of the requests made should be available to public and Board of Commissioners
- Recommend against special allocations due to concern that is not yet resolved legally about whether the food and nutrition fund should be considered by law to include a share for charter school students
 - State statutes require local funding follow students who choose to attend a charter school
 - Same as last year's recommendation where all local funding was appropriated by the County Commissioners to local current expense, but School Administration booked it separately so there is discrepancy currently being audited by the State; this is also consistent with County Attorney advisement

Education-Summary

- Capital requested by Board of Education: \$1.892 million (2.3% increase) for FY 20, in addition to the \$68 million capital improvements bond projects
- Recommendations for budget adoption \$1,561,886 after review of the specific projects, with additional \$114,929 for school debt (preexisting school capital bond payments) and the funds for the \$68 million bond capital payments
 - Allocate by project for renovation projects
 - All projects paid in full or as a sum of payments exceeding \$50,000 will need executed contracts or invoices submitted to draw down funds for approval
 - Removed from budget recommendation last year, but Manager felt important to include for communication purpose
 - Projects less than \$50,000 will be given in a lump sum as listed on the recommended capital proposal
 - As allowed by statute and as historically included in County Budget Ordinance, no funds can be reallocated at greater than 10% between projects without County Commissioners' approval
 - Some of the \$1.89 million request was to carry forward restricted funds from current year; staff recommended approval as a separate motion from the Budget Ordinance
 - One of the requests was to use project restricted Category I funds at TC Henderson to purchase a PA system for the gym (equipment/Category 2); staff recommended approval by a separate motion from the Budget Ordinance
 - Staff recommended against funding a request for \$250,000 in general repairs as it lacks detail on campuses impacted
 - Need project detail of recommended approvals for Board of Commissioners so they can see recommendations vs requests
 - Any additional requests could be reason for the Boards to consider use of State allocated lottery funds for Transylvania County that have not been requested for use in FY 19 or FY 20
- *Education – Blue Ridge Community College*
- \$749,279 total requested and recommended
 - Current expense increase bring faculty supplement up to same as Transylvania County Schools (8.5% salary supplement rate) and to meet utility rate increases; increase of 31%
 - Capital request totals \$199,000; represents 130.9% increase
 - A State bond contributed to the decrease of their capital needs for a couple of years, but the County is statutorily responsible for their capital

Operational Summary

- Recommended FY Budget can operate existing services and fund existing obligations as presented with:
 - No property tax increase for operations
 - Fund balance with initial budget appropriation but anticipate surplus to offset the fund balance appropriation that is shown at budget delivery
- FY 19 - projected \$1.8 million to go into fund balance at the end of year; factors in fund balance expenditures from reserves such as the communications upgrade
- The Sylvan Valley Industrial building is currently netting lease payments to offset investment from fund balance and provide funding for economic development
- Budget includes the \$1.2 million transfer to reserve fund balance for the FY 16 2 cent increase for capital reserves

- The Gaia Herbs/Town of Rosman \$1.6 million sewer extension is not included in the budget and will require amendment; will be the responsibility of County staff to administer contracts and construct the project

Unresolved Items in Recommended Budget – Impacts to FY 20

- Community Services Building HVAC/roof replacement (transferred from capital outlay fund)
- VHF radio (from assigned fund balance)
- JHPC (funded by carry forward of restricted grants)
- 2020 Fee Schedule not presented during this budget workshop, but will be part of the draft budget ordinance
- Council on Aging needs to approve the block grant funding plan for FY 20

Conservative Budgeting Philosophy – Budgets in Action

- Revenues are projected conservatively
- Expenditures are projected using data, but anticipating some cost variance with purchasing since some buys might be made several months after budget approval
- Organizational culture and procedures require consumerist shopping for best pricing at purchasing
- Factors of risk in this budget:
 - Fuel pricing
 - Investment projections subject to major events or crisis
 - Sales tax projections increasingly challenging due to formulas and mandates

Budget Recommendation Part 2 – Planning for the Future

The Manager also gave her recommendations beyond the FY 20 Budget as Commissioners think long term.

- Major capital planning requests from the Board of Education totaling \$75.3 million including the \$68 million bond; Commissioners need to determine how to factor in the remaining funds to meet those needs
- Courthouse estimated at between \$26 million-\$31 million for permanent solution based on current studies
 - May need to invest in short-term solution for small courtroom
- Capital items:
 - Water needs communitywide: \$40 million
 - EMS Main Station estimate: \$1.6 million
 - Parks and Recreation needs identified: \$32.2 million
 - Economic Development product and site development needs

Fire District Tax Rates

The Manager stated that each Commissioner has a different ideal with regards to handling fire department request. Staff has elected not to make budget recommendations for each fire department for FY 20, but the Manager does not feel that the majority of the Board would support doing so. Instead, staff presented the tax impact of the fully funded request from each department and highlighted what each request entailed.

There would be a range of tax rates and changes to tax rates depending on the level each district is funded.

Budget Requests for funding including additional staffing and Capital requests

	FY 20 Rate Fully Funded	FD Rate Change vs FY 19	Value for each cent
<u>Fire District</u>	<u>Requests</u>	<u>Approved</u>	<u>District Tax</u>
Sylvan Valley 2	\$0.055	\$0.000	\$88,860
Rosman	\$0.143	\$0.022	\$46,700
Little River	\$0.102	\$0.012	\$51,652
Connestee Falls	\$0.083	\$0.000	\$96,150
Cedar Mountain	\$0.251	\$0.113	\$14,140
Lake Toxaway	\$0.054	-\$0.001	\$166,700
Balsam Grove	\$0.111	-\$0.001	\$9,055
North Transylvania	\$0.222	\$0.082	\$12,739

Fire District Requests

- Brevard Fire/Sylvan Valley II
 - Request increase of \$742,604 including \$650,000 loan proceeds; no tax increase required this year
 - City again requesting a truck previously listed as a 1996 Rescue Truck with 21,000 miles that had a call volume of 40 calls in the last 12 months at a replacement of \$650,000 due to custom cab with a 10 year debt note; comparable stock cab saves \$150,000; no impact to budget until FY 21 due to loan; requesting Commissioners' buy-in before issuing the debt service
 - Request increase in paid staffing budget, including additional part-time two days/week
 - Increase for insurance to part-time employees
 - Request to approve fee schedule for events, etc.; staff recommends developing a countywide fee schedule for all departments, not just for one single fire department
- Rosman Fire
 - Request increase of \$100,000 requiring a 2.2 cent increase
 - Funds to hire two additional full-time employees; currently have two part-time staff
- Little River Fire
 - Request increase of \$59,880 requiring a 1.2 cent increase; request to use \$20,000 from existing reserves to limit tax increase to 0.0967 cents
 - Part-time staff pay adjustments
 - Operational increases
 - Capital for UTV in the amount \$18,000
- Connestee Falls Fire
 - Request \$14,092 increase, no rate change
 - Property payment of \$45,000 when close on purchase next month
 - Planning new station in 2022 which will increase revenue needs
- Cedar Mountain Fire

- Request \$249,525 increase, to include a general fund grant of \$160,000 which would allow them to maintain their tax rate; however, the Manager did not recommend the Board fund fire departments from the general fund; request would require an 11.3 cent increase if fully fund radios in one fiscal year
- Reserve funds could pay for portion of radios in the coming year if the Board agrees to allocate \$22,606
- Lake Toxaway Fire
 - No increase, but requesting to use FY 19 capital funds as operational funds in FY 20 which means those would become ongoing expenses; would decrease current tax rate by 0.0001 cent
 - Last year Commissioners approved \$70,000 in capital items
 - Request using \$70,000 used in FY 19 for operational funds in FY 20 to move from two full-time paid staff to four full-time paid staff
 - Request reserve funds to use on kitchen upgrade; request response from Commissioners, but not as part of their budget consideration
- Balsam Grove
 - No increase; tax rate to decrease by 0.0001 cent
 - Continuing with not paid staffing
 - Apparatus are 45 and 36 years old
- North Transylvania Fire
 - Request increase of \$4,000 for a tax rate increase 7.39 cents
 - Last year rate was capped at 14 cents and supplemented from county tax funds at \$102,112
 - This department has requested consideration of a different funding method that is not district based; majority of fire department prefer to be funded by existing districts; for this reason, the rates in this district must be raised

This concluded the Manager's presentation on her recommended budget for FY 20, both in policy and funding, as well as the proposed tax rate. She asked the Board to begin discussion on next steps to include budget workshop topics. As always, she asked the Board to be patient, kind, courteous, and cordial as they navigate discussion of the budget.

- Identify topics for the workshop next Tuesday that do not have consensus tonight so that we can prepare information for discussion
 - Does the Board need additional data?
 - Does the Board need additional detail?
- Proposed same workshop format as previous years
 - Manager to serve as facilitator
 - Present prior information and any known options for each item of discussion
 - Open floor for Commissioners' discussion and questions
 - Start with person who requested item
 - Opportunity for each to speak
- Once it appears to facilitator that there are three Commissioners in agreement or when 15 minutes is reached, Manager will poll Commissioners for consensus, unless Commissioners express interest in continuing discussion
- When consensus is reached, move to the next item
- Fire Department budget review already on the agenda for Commissioners to determine appropriate level and direct staff
- Additional workshops will be scheduled, if needed

- Public Hearings on budget to be held at both June Board of Commissioners' meetings, in addition to public comment periods

Board Discussion

Chairman Hawkins pointed out tonight is the first time Commissioners are seeing the proposed budget in its entirety; however, the majority of Commissioners have met with the Manager individually to discuss the budget in-depth on their thoughts and goals which have helped guide her recommendations.

Chairman Hawkins reiterated the Manager's direction to the Board to inform staff of any other items Commissioners might want to discuss more in-depth or any further data needed for the workshop.

Commissioner Chappell requested further information: a detailed breakdown of the staffing being requested by the fire departments.

Commissioner Guice stated he fully supports the compensation study, but he wants to understand how it will be funded. He thought it was important for voters to understand for the Board of Commissioners to address the needs of this community, a tax increase is going to be required.

Commissioner Guice requested further explanation of the County's fund balance and how it is broken down, in addition to the fund balance for the landfill. He wanted to understand the Board's obligations and how those funds can be used to address long-term needs.

Finance Director Jonathan Griffin gave an overview of the fund balances as requested by Commissioner Guice:

- Fund balance is comprised of five categories:
 - Non-spendable: inventory
 - Restricted: requirements by outside parties; grants from State and federal sources
 - Committed: set aside by resolution to meet certain needs; retiree health plan from 2006 and law enforcement special separation (Post Employment Benefits)
 - Assigned: Board of Commissioners has direct control over and can make changes; Commissioners set aside 2 cents in 2016 for certain priorities like Parks and Recreation projects
 - Unassigned: no restrictions placed on these funds by any other source; placed in this fund at end of year

The Manager provided an explanation of the Solid Waste fund balance:

- Entrepreneurial fund – Solid Waste
 - Should be separate from general fund and self-supporting from fees; but County's practice has been to balance the operational budget with general fund dollars; automatic transfers have resulted in surplus in the Solid Waste fund balance
 - \$5.8 million in Solid Waste fund balance is separate and apart from general fund balance
 - Solid Waste fund balance contains more dollars than staff anticipates as a need; would be used for emergencies, mitigation, or toward the development of a new cell
 - Enough funds available to balance operational funds from the Solid Waste fund balance instead of the general fund balance
 - Operational demands are not as great as anticipated, so staff not expecting a full draw of fund balance as predicted at time of budget approval
 - Staff will continue to evaluate the entrepreneurial fund to find efficiencies to make it a self-sustaining enterprise

Commissioner Guice asked if there were restrictions on the Solid Waste fund balance in terms of how the dollars can be used or transferred. The Manager explained that once general fund dollars are moved into the entrepreneurial fund, those funds are restricted for Solid Waste use only. She noted there will be future capital improvement needs, but at this point, she felt the Solid Waste fund balance was healthy and saw no need to draw from the general fund to balance the operational needs for Solid Waste.

In response to a question from Commissioner Guice, the Manager stated it would take action from the NC General Assembly to change how these funds can be used. She pointed out, however, that entrepreneurial funds also govern water and sewer utilities for municipalities. In the past, municipalities have abused those funds for short-term operational needs rather than long-term capital needs, so there is a desire at the State level not to allow for transfers out of enterprise funds.

Chairman Hawkins was concerned about significant capital improvements on the horizon over the next five to seven years. The Manager felt there would be enough funds to cover the needs, otherwise, she would not have made the recommendation to draw from the Solid Waste fund balance.

Commissioner Guice was interested in funding sources to help address the County's long-term needs, such as water and sewer infrastructure. The Manager explained the Board would be able to impact projects of this nature through the assigned and unassigned fund balances. The assigned fund balance includes reserve funds for specific infrastructure projects. At the end of this fiscal year, staff will transfer \$1.8 million into fund balance, \$1.2 million of which will be assigned for economic development, parks and recreation, etc. This should be a future conversation regarding how Commissioners prefer to designate those funds.

Chairman Hawkins thought it was important to emphasize that much of the transfer is from the 2 cent tax increase Commissioners committed to designating toward future capital.

Commissioner Chappell noted it is a policy that can be changed by a vote of the Board.

Commissioner Guice inquired further about the ballistic vests that were requested by EMS but not recommended for funding at this time. The Manager explained these vests would allow EMS to enter a hot zone in active shooter situations. The challenge with including the funding in the budget is there is no policy. EMS has proposed a draft policy for the Board's consideration explaining protocol for when the vests would be worn. Because it is anticipated to be a very detailed policy discussion, staff suggests not including it in the FY 20 Budget, but the Manager noted there are reserve funds in EMS for equipment purchases. Commissioner Guice requested a survey of what other counties are doing. The Manager reported she has comparative data that she will share, but she advised not having the discussion as part of the budget, but rather as a policy level decision, then pulling funds from reserves if needed.

Commissioner Guice intends to have further discussion of the Board of Education's budget request to gain an understanding of their needs.

Commissioner Chappell would like to have a discussion about the Food and Nutrition Program. To him, this program is a priority. The Manager clarified information the Board received this afternoon from the County Attorney. She stated when dollars are appropriated in local current expense for food and nutrition as a special appropriation, there is concern that the dollars bypass the charter school formula.

Chairman Hawkins thanked staff for the enormous amount of work that goes into preparing the budget each year. Commissioners were very appreciative of the quality of work. The budget presentation highlights the breadth of services County staff provides and the critical importance of getting budgets right. He stated that the real decisions the Board makes will be those that benefit citizens 20 years from

now, such as infrastructure improvements, court space needs, etc. He expressed his seriousness for beginning to address these long-term needs now, particularly in the context of limited revenues.

Chairman Hawkins noted a couple of capital items that will impact the County this year will be the Ecusta Road Building and Parks and Recreation projects because these projects will grow tax base and provide support services for businesses to grow and bring people and families to our community.

Chairman Hawkins reminded Commissioners to communicate with staff any other items that they wish to discuss during the budget workshop on Tuesday.

ADJOURNMENT

There being no further business to come before the Board, **Commissioner Chappell moved to adjourn the meeting at 7:53 p.m., seconded by Commissioner Guice and unanimously carried.**

Mike Hawkins, Chair
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board