

**MINUTES**  
**TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS**  
**May 28, 2013 – REGULAR MEETING & BUDGET WORKSHOP**

The Board of Commissioners of Transylvania County met in regular session on Tuesday, May 28, 2013 at 7:00 p.m. in the Rogow Room at the Transylvania County Library.

Commissioners present were Vice-Chairman Larry Chapman, Jason Chappell, Chairman Mike Hawkins, Daryle Hogsed and Page Lemel. Also present were County Manager Artie Wilson, Finance Director Gay Poor, Human Resources Director Sheila Cozart, Finance Accountant Abbey Owen, County Attorney Tony Dalton, and Clerk to the Board Trisha Hogan.

Media: *The Transylvania Times* – Eric Crews

There were approximately 70 people in the audience.

**CALL TO ORDER**

Chairman Mike Hawkins presiding called the meeting to order at 7:06 p.m.

**WELCOME**

Chairman Hawkins welcomed everyone to the meeting and thanked the members of the audience for participating in their County government. Chairman Hawkins introduced the members of the Board of Commissioners and staff.

**PUBLIC COMMENT**

Anne Alexander: Ms. Alexander asked if Transylvania County has a strategic plan in place like other counties, such as Buncombe and Henderson. If not, she believes it would be a great idea for the County to have one. Chairman Hawkins said Commissioners have been talking about developing a strategic plan after the budget process is over.

Jason Bednarek: Mr. Bednarek believes the biomass facility could affect the County's future budgets negatively through the loss of tax base, loss of jobs at the airport and landfill, impact on the environment, etc. He said the County budget will need to address what happens if the facility fails or needs repair. Mr. Bednarek does not want his tax dollars to subsidize the construction or operation of the biomass facility.

**AGENDA MODIFICATIONS**

The Manager requested to add Item XI. Closed Session per NCGS 143-318.11 (a) (3) to consult with an attorney, (a) (4) to discuss matters relating to the expansion of an industry, and (a) (5) potential acquisition of property. He noted for the benefit of the public that the closed session was not related to the biomass facility.

**Commissioner Hogsed moved to approve the agenda as modified, seconded by Commissioner Lemel and unanimously approved.**

## CONSENT AGENDA

**Commissioner Lemel moved to approve the Consent Agenda as presented, seconded by Commissioner Chappell and unanimously approved.**

The following items were approved:

### MINUTES

The minutes of the May 13, 2013 regular meeting and sealed closed session were approved.

### DISCOVERY AND RELEASE REPORT

The Discovery and Release Report for April 2013 was approved. Total tax dollars released was \$2,838.34. Refunds totaled \$1,876.67.

Commissioner Lemel thanked the staff in the Tax Office for their hard work and diligence in achieving an impressive tax collection rate.

### RECORDS RETENTION AND DISPOSITION SCHEDULE-COUNTY MANAGEMENT

The NC Department of Cultural Resources has revised the Records Retention and Disposition Schedule for County Management. In accordance with the provision of Chapters 121 and 132 of the General Statutes of North Carolina, it is agreed that the records that do not and will not have further use or value for official business, research, or reference purposes after the respective retention periods specified in the schedule are to be destroyed or otherwise disposed of by the agency or official having custody of them.

Transylvania County also agrees that it will establish and enforce internal policies setting minimum retention periods for records that Cultural Resources has scheduled with the disposition instruction “destroy when administrative value ends.” If the County does not establish internal policies and retention periods, it is not complying with the provisions of the retention schedule and is not authorized by the Department of Cultural Resources to destroy these records with the disposition instruction “destroy when administrative value ends”. The County Manager recommended an internal policy in his office to destroy records whose “administrative value has ended” after six months. The Records Retention and Disposition Schedule for County Management must be approved by the Board of Commissioners.

Commissioners approved the Records Retention and Disposition Schedule for County Management and set an internal policy to destroy records whose administrative value has ended after six months.

### RECORDS RETENTION AND DISPOSITION SCHEDULE-COUNTY TAX ADMINISTRATION

The NC Department of Cultural Resources has revised the Records Retention and Disposition Schedule for County Tax Administration. In accordance with the provision of Chapters 121 and 132 of the General Statutes of North Carolina, it is agreed that the records that do not and will not have further use or value for official business, research, or reference purposes after the respective retention periods specified in the schedule are to be destroyed or otherwise disposed of by the agency or official having custody of them.

Transylvania County also agrees that it will establish and enforce internal policies setting minimum retention periods for records that Cultural Resources has scheduled with the disposition instruction “destroy when administrative value ends.” If the County does not establish internal policies and retention periods, it is not complying with the provisions of the retention schedule and is not authorized by the Department of Cultural Resources to destroy these records with the disposition instruction “destroy when administrative value ends”. The County Tax Administrator recommended an internal policy in his office to destroy records whose “administrative value has ended” after six months. The Records Retention and Disposition Schedule for County Tax Administration must be approved by the Board of Commissioners.

Commissioners approved the Records Retention and Disposition Schedule for County Tax Administration and set an internal policy to destroy records whose administrative value has ended after six months.

#### RESOLUTION IN RECOGNITION OF YVONNE H. HOGSED

Yvonne Hogsed will retire from Transylvania County effective July 1, 2013. She has worked in the Transylvania County Child Development-New Adventure Learning Center since November 2003. Commissioners approved Resolution 17-2013 In Recognition of Yvonne M. Hogsed and wished her the best in her retirement and future endeavors.

(Resolution 17-2013 In Recognition of Yvonne M. Hogsed is hereby incorporated by reference and made a part of these minutes.)

#### RESOLUTION IN RECOGNITION OF CAROL A DILLINGHAM

Carol Dillingham will retire from Transylvania County effective June 1, 2013. She has worked in the Transylvania County Library since February 2007. Commissioners approved Resolution 18-2013 In Recognition of Carol A. Dillingham and wished her the best in her retirement and future endeavors.

(Resolution 18-2013 In Recognition of Carol A. Dillingham is hereby incorporated by reference and made a part of these minutes.)

### **PRESENTATIONS/RECOGNITIONS**

#### US DEPARTMENT OF VETERANS AFFAIRS EXPENDITURES IN TRANSYLVANIA COUNTY

Each year Veterans Service Officer Frank Pearsall updates the Board of Commissioners on the amount of expenditures the US Department of Veterans Affairs extends to veterans in the community. For FY 2012, the US Department of Veterans Affairs spent \$13,939,000 in Transylvania County, up from \$13,305,000 in FY 2011. There are 3,447 veterans in Transylvania County. The funds are provided in the form of compensation, disability compensation, pension and VA hospitalization. Mr. Pearsall reported that the VA is behind in processing claims by approximately 1.5 million claims. Most of the claims are from Iraq and Afghanistan War veterans. The majority of claims he processes are for veterans from Vietnam, the first Gulf War, and the Camp Lejeune water contamination which affected those stationed there from 1954 to 1987. The Transylvania County Veterans Service Office is open Tuesdays and Thursdays and Mr. Pearsall is available by appointment all other days of the week. Commissioners thanked Mr. Pearsall for his service to his country and to the County and for all he does for veterans.

**Commissioner Hogsed moved to accept the report, seconded by Commissioner Lemel and unanimously approved.**

### **APPOINTMENTS**

#### PLANNING BOARD

Larry Hoxit recently resigned from the Planning Board. There are nine applications on file. The new appointee's term will expire in January 2014.

**Commissioner Hogsed nominated and moved to appoint Wayne Hennie. The motion was seconded by Commissioner Chappell. There were no other nominations. The motion passed by a vote of 4 to 1, with Commissioner Lemel voting against.**

### JOINT HISTORIC PRESERVATION COMMISSION

The terms of Rosie Craig, Paul Heidmann, and Betty Sherrill expire at the end of May. They are all eligible for reappointment; however, Mr. Heidmann does not wish to be reappointed. In addition, Roger Eades has not been able to attend the meetings. There are additional applications on file.

It is also the responsibility of the Board of Commissioners to appoint a chairman annually. Mr. Heidmann is the current chairman. Planning and Economic Development Director Mark Burrows recommended that Jeanne Pedler be appointed as chairman.

**Commissioner Lemel moved to reappoint Rosie Craig and Betty Sherrill and nominated and moved to appoint Marcy Thompson and Ellen Harris. The motion was seconded by Commissioner Chapman. There were no other nominations. The motion passed unanimously.**

**Commissioner Chappell nominated and moved to appoint Jeanne Pedler as chairman for the ensuing year. The motion was seconded by Commissioner Lemel.**

**Commissioner Chapman nominated and moved to appoint Rosie Craig as chairman for the ensuing year. Mr. Chapman said he spoke with her personally and she said she is willing to serve as chairman. She had originally stated she would not be able to serve because of job commitments. Commissioner Hogsd seconded the motion.**

**Commissioner Chappell withdrew his nomination. The motion to appoint Rosie Craig as chairman was approved unanimously.**

### **NEW BUSINESS**

#### PRESENTATION OF FY 2014 BUDGET PROPOSAL

The Manager presented the FY 2014 Budget proposal. He thanked and recognized department heads and staff that worked to prepare the proposal and the presentation for these budget workshops. He noted that the proposal will be available for public inspection tomorrow at the County Administration Building and the Library.

The Manager provided a brief overview before staff presented the details of the budget. The FY 2013 Budget proposal reflected a \$1 million shortfall; however, staff expects to end the year at a breakeven point. The FY 2014 Budget proposal is the first of a three-year plan to begin an investment in the community. This three-year plan will move the County through to the next property revaluation which will be effective January 2017.

Commissioners met jointly with the Board of Education on two occasions to hear about the school system's needs. Commissioners have previously discussed drawing down the County's fund balance to meet the needs of the school system and other County needs to a level as low as 12%. The Manager noted that staff will address this and other issues in the budget presentation.

The three-year plan recommended by the Manager requires drawing down the fund balance to a level of approximately 12% to cover several needs. One of the needs and a priority of Commissioners is the expansion of the Courthouse to provide additional space for court functions. To accomplish this, the Manager recommended borrowing \$6.5 million to pay for the expansion of the Courthouse at the current site. The Administration offices would be relocated to the old library which also needs renovation. Another need in the County is an investment in economic development. Commissioners have created two task forces that will work on the development of an economic development organization and determine available property for a potential business park. Several capital items need to be addressed as well, such

as the aging recreation facilities, new voting machines, upgrading the communications system, additional capital for the school system, etc.

The FY 2014 Budget proposal reflects a \$3.2 million deficit. The Manager pointed out that Commissioners could take the monies from fund balance to cover the deficit for one year without a tax increase. However, the deficit grows larger for FY 2015 and FY 2016. The Manager proposed for FY 2014 a combination of a drawdown in fund balance and an increase in the ad valorem tax rate of 5.92 cents. Information in the Board's packet indicates how the tax increase would be used. An analysis of the fund balance through the end of FY 2016 is included as well.

The Manager believes it is important to plan ahead and work to address the needs in the community. Staff will present information with regards to the operational deficit and then discuss the other investments he briefly touched upon.

## **BUDGET WORKSHOPS**

### Key Assumptions - Revenues

Finance Director Gay Poor reviewed the key assumption and changes in revenues for the proposed FY 2014 Budget.

At \$24.1 million, ad valorem taxes contribute 59.2% of the revenues budgeted for FY 2014. There is a tax increase included in the operational budget as currently presented. The current tax rate is \$0.3949/\$100 of valuation and was established in FY 2010 following the last revaluation. There is no growth in the tax base projected and it is projected to remain stagnant at \$6 billion. Staff assumed a collection rate of 99.5% which is the actual rate achieved in FY 2011 and budgeted for FY 2013. Staff expects a one-time boost in ad valorem taxes of \$303,000 attributable to the State's new Vehicle Tax System. Due to the transition, the County will collect 16 months of motor vehicle taxes in FY 2014.

Sales taxes account for another 14% of budgeted revenues and are proposed to total \$5.6 million, which reflects an increase of 5.8% over FY 2013 and 2.5% above the budget estimate for FY 2013. The General Assembly's Research Division and the NC Office of Budget and Management are predicting a 3% growth in sales taxes. A 1% increase equates to \$56,000 for Transylvania County.

Medicaid Hold Harmless Funds are included in the sales taxes in the audit. These payments are budgeted to be \$533,000 which is based on the estimate provided by the NC Association of County Commissioners. These funds help to compensate the County for the loss of sales tax revenues that were exchanged for relief from Medicaid payments.

Based on recent activity, there is cautious optimism about the slight improvement in real estate transactions and construction projects. This optimism is reflected in the estimate for the real property transfer tax and recording fees in the Register of Deeds office. Staff has budgeted just over \$500,000 in fees for FY 2014. The budgeted amount is approximately the same as FY 2013, but 9% more than originally expected for FY 2013.

In Building and Permitting, revenues are projected to be \$300,000 which assumes the recent improvement in new construction will continue. The new construction will favorably impact the tax base and create some growth in future years.

There are no new fee increases for County services; although staff does anticipate growth in revenue in some services. For example, EMS ambulance fees are expected to generate \$150,000 more than FY

2013, primarily due to growth in the number of transports. Part of the increase is due to having an additional ambulance available another 12 hours per day under the new proposed staffing model.

Commissioners added two school resource officers during the year for TC Henderson Elementary and Blue Ridge Community College. With the addition of these costs, there are additional revenues to offset them. Budgeted to cover the cost of the school resource officers is \$91,000.

At the time when the FY 2013 Budget was developed, the Sheriff had no firm commitments from other counties or the State Misdemeanant Confinement Program on how many inmates might be housed in the Transylvania County Detention Facility. This year there has been outside inmates housed here and the Sheriff expects the number of inmates to remain close to the current level. Budgeted revenues from jail fees total \$93,000, based on \$40/day and averaging six to seven outside inmates per day.

In Child Development, the New Adventure Learning Center expects to have full enrollment. Staff expects moderate growth in revenues of \$57,000 with increases in both private payments and child subsidies.

Intergovernmental revenues are projected to be \$6.4 million for FY 2014 and make up almost 16% of the budgeted revenues. Projections for these are mixed, some are up and some are down, and all are subject to change.

Social Services programs overall should have funding somewhat less than FY 2013, with a significant decrease in program staff/administrative revenues. However, there are increases budgeted for foster care due to the higher volume of cases and for the low income emergency assistance program.

For Public Health, funding is expected to be a little lower due mainly to uncertainty about the Medicaid Cost Settlement dollars. Currently, staff is projecting a \$56,000 decrease from the FY 2013 Budget.

In Parks and Recreation, the County was recently awarded a matching PARTF grant for the new community park in Rosman, which added \$181,000 to revenues.

Conversely, there are a couple of grants from FY 2013 that are not anticipated in FY 2014. One was an LSTA grant for the Library which paid for the majority of the RFID system. There was also a grant in County Transportation that was used to purchase a new van.

Lottery funds, per the Board of Education's request, are projected to be drawn down by \$230,000. This adds to revenues but is offset by expenditures.

There is no improvement forecast for interest rates in FY 2014.

There is also a 5.6% reduction projected in scale sales in Solid Waste. The decrease amounts to a reduction in approximately \$60,000 in revenues. On the upside, there is a \$15,000 increase projected for recycling revenues.

#### Key Assumptions – Expenditures

Ms. Poor reviewed the key assumptions and changes in expenditures for the proposed FY 2014 Budget.

Total personnel related costs in the General Fund are \$18.8 million for FY 2014. This includes fringes and benefits and represents the single largest component of County expenditures at 42.7%. Included is a 2% cost of living adjustment for employees, which equates to \$300,000. There is an increase in the State retirement rate of 4.9% for general employees and 7.5% for law enforcement officers. This impacts the

budget by approximately \$46,000. There is a projected increase of \$305,000 in health insurance claims and administrative costs over FY 2013, and includes the establishment of a new Employee Wellness Clinic which will be designed to lower claims costs in FY 2014 and years to come. There is no change in the employee health insurance co-pays and deductibles. There are State-mandated changes in unemployment insurance requirements. The County must set aside \$209 per employee in a special account with the State until it reaches 1% of the County's gross wages. It will take a couple of years to reach the 1% level. Next year, the increase is projected to be \$67,000.

The FY 2014 Budget includes the addition of 11 full-time positions; however the addition is a net of 8 positions due to the elimination of 3 part-time positions. Also included is the reclassification of 4 other positions and an increase in part-time hours in a couple of departments.

Education is the second largest component of the County's operational FY 2014 Budget at 33.4%, or \$14.7 million. This includes a 12.7% increase in total appropriations for the school system. Current spending is budgeted to be \$9.815 million, which is equal to the Board of Education's request. Capital outlay is budgeted at \$1.6 million and is \$200,000 less than the Board of Education's request. Lottery proceeds are budgeted at \$500,000, which also equals the Board of Education's request. In addition, the County is responsible for providing some funds to Blue Ridge Community College. For FY 2014, there is an increase budgeted in the amount of \$120,000 in capital outlay.

For Economic Development, Commissioners previously appropriated \$185,000 from assigned fund balance for the implementation of economic development initiatives as recommended in the Goldsmith report.

For capital acquisitions and improvements, staff has included a total of \$898,000 in capital in the General Fund, which includes \$362,700 for the community park which will be paid for partly through PARTF funds, and includes funds for paving projects, equipment, servers, vehicles, etc. Excluding the community park, the FY 2014 budgeted capital is \$186,000 less than FY 2013.

In the past, the County followed a four-year replacement cycle for computers; however, to reduce costs a couple of years ago, the County abandoned this plan and subsequently experienced failure. The FY 2014 Budget provides for the replacement of 50 of 92 computers older than five years, plus the replacement of 24 computers in the computer lab at the Library, as well as installation of Cloud technology, electronic records, and increases in software maintenance charges.

For fuel, staff has seen the same level of usage over the last few years. Given the volatility of fuel prices and the difficulty of predicting them with any great accuracy, staff used the same price per gallon as well. Gas is budgeted at \$3.14/gallon, although the County is currently paying \$2.94/gallon. Diesel is budgeted at \$3.40/gallon, although the County is currently paying \$2.98/gallon. These prices exclude the excise tax since the County does not have to pay the excise tax on fuel. Based on the County's budgeted usage, a one cent change in the price per gallon would have a dollar impact of \$1,400.

Utilities include power, water, gas and telephones and are budgeted to be \$727,000, which is \$16,000 higher than FY 2013, due to higher usage projections. Because no approved rate changes have been announced, there is no provision for adjustment to any of the figures presented for rate changes. This is a risk and an area staff will have to watch closely.

Workers Compensation and Liability and Property Insurance total \$463,000, which is \$15,000 more than the FY 2013 Budget. There is an increase in Workers Compensation due to salary and wage increases and also a higher experience modifier. This is offset somewhat by a decrease in Liability and Property Insurance, due to a reappraisal of property values.

Contingency is budgeted at \$100,000, the same as in FY 2013.

Funding for outside agencies is \$112,000, which is \$19,000 less than the prior year. There were a few changes in the funding due to the closure of the Free Clinic and a decrease in the request from Brevard College. As a result, staff added appropriations for Pisgah Legal Services to help compensate for some federal funding that they are losing in the amount of \$18,000. Staff also added funding for the Transylvania Heritage Museum, Transylvania County Arts Council, Heart of Brevard, and the Community Land Trust. Details are provided in the Commissioners' packets on each of those agencies. There is another \$257,000 budgeted for other outside agencies that are not discretionary. Those are Brevard Rescue Squad, the NC Forest Service and the Land-of-Sky Regional Council.

There is a reduction in debt service by \$97,000 as a result of the refunding of the bonds in 2008. The County continues to see the benefits of the lower interest rate on the bonds.

There is a transfer of an additional \$156,000 for Solid Waste to cover a 6.4% overall addition in operating costs due to an increase in capital needs.

The operational budget does not include any funds to address space needs.

#### Comparison of FY 2013 Approved Budget & Current Estimate and FY 2014 Operational Budget

Ad valorem taxes and sales taxes make up the majority of the County's revenues. There was a slight increase in sales taxes and other taxes over the FY 2013 Approved Budget and FY 2013 Current Budget. The estimate is 3.5% more than budgeted and is based on 12 months' worth of data from February 2012 through January 2013.

Education and personnel make up the majority of the County's expenditures. Both expenditures are on track with the budget. There is a slight increase in capital by less than \$50,000, the majority of which was for the sidewalk at the Public Safety Facility. There was also a slight increase in other expenditures. Total operating expenditures equaled \$40.4 million versus \$40.1 originally budgeted. Instead of the operational deficit staff originally expected, there is now a slight surplus of approximately \$90,000. This will be added to fund balance.

At the end of this fiscal year, the fund balance will increase to \$21.1 million. Available fund balance will actually decrease, however, by \$1.8 million because components of the obligated fund balance are expected to increase. The biggest change in the obligated fund balance is the requirement to set aside monies for the subsequent year's anticipated deficit.

For the FY 2014 Operational Budget, staff expects ad valorem taxes to rise by \$300,000, related to the motor vehicle taxes. There is another 2.5% increase anticipated for sales taxes over the current year's estimate. Other taxes are expected to come in at \$10.8 million. The FY 2014 Operational Budget should remain the same as the current year.

For expenditures, there is a \$1.3 million increase for Transylvania County Schools and an increase of \$120,000 for capital for Blue Ridge Community College. Debt service will remain the same at \$2.4 million. Education expenditures total \$14.7 million. Personnel costs are budgeted at \$18.8 million, which is a \$1.3 million increase. Capital is budgeted at \$900,000 and other expenditures at \$9.3 million, for a total of \$43.7 million in expenditures for FY 2014. This leaves the County with a deficit of \$3.2 million.

The anticipated deficit drops the total fund balance to \$17.9 million. The available fund balance shrinks to \$5.5 million because of the requirement to designate funds in the obligated fund balance to cover next



year's anticipated deficit. For FY 2015, the deficit is expected to grow in excess of \$4 million. At the end of FY 2013, the available fund balance should total 24.4% of expenditures. That drops to 12.6% at the end of FY 2014.

### Key Issues

Most of the key issues will mirror the key assumptions Ms. Poor reported on earlier.

The key issues incorporated into the FY 2014 Budget for personnel are additional staff, hours and reclassifications at a net impact of \$497,000. The pay increase of 2% totals \$300,000. Health insurance increases are expected to be \$305,000. These equate to a \$1.1 million increase in personnel spending.

Education expenditures includes a \$1.3 million increase for Transylvania County Schools and a \$120,000 increase in capital for Blue Ridge Community College, for a total increase of \$1.459 million.

There is a decrease in routine capital by \$76,000. Funds are included for the community park at \$363,000. The total increase for capital spending is \$287,000.

Mandated changes, not included elsewhere in the budget figures, increased by \$150,000.

There is an increase of \$148,000 in computers, printers and software.

Commissioners have already approved the addition of \$185,000 in economic development.

The total increase for these key issues is \$3.3 million.

### Personnel Requests

Human Resources Director Sheila Cozart reviewed the personnel requests and recommendations for FY 2014. She noted that department heads were in attendance to answer specific questions Commissioners may have.

Department heads requested 16 new positions, which is somewhat misleading. Three of the positions are temporary or part-time and the request is for these positions to become permanent positions. There were also some reclassifications and additional hours requested.

The Manager recommended 11 of the 16 positions, which is a net impact of 8 positions due to the reduction of the part-time and temporary full-time wages. There are also 4 reclassifications included in the budget and additional hours in Parks and Recreation and the Library.

Ms. Cozart reviewed each addition and change in great detail, as follows:

### **NEW**

1. *Tax Administration – Property Appraiser*: The Transylvania County Tax Collection Department has the highest tax collection rate in the State of North Carolina and has since 2008. In 2007, Transylvania County was second to Dare County. The new position is the second position required for the in-house revaluation program. This position was discussed by Commissioners last year with the Tax Administrator in reference to deciding to perform in-house property tax revaluations. Last year Commissioners funded the first position of a Reappraisal Manager and the second position was deferred to the FY 2014 Budget. The next revaluation is scheduled for January 2016, so the work has already begun. This position is necessary to ensure there is adequate staff and that the revaluation is performed in a timely and effective manner. Based on

quotes received in the past, the cost to perform a revaluation by an outside agency is approximately \$26 per parcel, or \$780,000. Performing the revaluation in-house will save \$306,820 over a four-year period versus contracting with an outside provider. This position is recommended by the Manager.

Discussion: Commissioner Chapman asked about the status of the two property appraisers once the revaluation is completed. Tax Administrator David Reid reported that the County is currently on a four-year revaluation cycle. Once staff finishes one four-year cycle, they begin working on the next cycle. There are just fewer than 30,000 parcels of property in Transylvania County and each one must be appraised using the same principles and techniques that fee appraisers use. Part of the process is the actual measuring and listing of the property and staff needs to make an actual site visit to have accurate details of the structural elements and improvements. This involves gathering data through photographs, etc. Mr. Reid believes his office will be able to handle the revaluation process properly and effectively with the appropriate number of staff. Also, Transylvania County is different than many other counties in that all staff, including appraisal staff, works on delinquent tax collections because the tax collection rate is very important to the County and the citizens. Mr. Reid believes having the additional appraiser in place will meet the needs of his department. He said another time consuming part of the revaluation is the appeal process and all staff is involved in this process somewhat as well. There were nearly 4,000 appeals during the last revaluation.

Commissioner Chappell asked how old the estimates were for the outside revaluation. Ms. Cozart reported that these figures were obtained last year.

2. *Register of Deeds – Deputy Register of Deeds*: This is not a new position. It was previously funded as a full time position in 2004 and part-time for five years. The position was frozen during the 2011 hiring freeze. For FY 2012 and FY 2013, the position was approved as a temporary position for each of those years. This position is necessary to continue to provide the same level of services to the citizens. There is an employee currently working full-time hours without benefits. Ms. Cozart said the County should be fair and treat this employee the same as the other positions working full-time. The additional cost of this position is the cost of the benefits. There are no additional salary requirements. This is recommended by the Manager
3. *Fire Marshal – Deputy Fire Marshal*: There are two staff persons in the Fire Marshal's office: Gerald Grose is the Fire Marshal and there is a part-time fire inspector. With the current staffing, the department cannot physically perform the number of required annual inspections, which translates to putting people's lives at risk. The part-time fire inspector works 19.5 hours per week. The request is to increase the hours up to 30 hours per week. Based on the current staffing in 2012, they completed 69% of the required inspections. The number was up 10 in 2013. With the additional hours and rearrangement of some duties they hope to meet the requirements. This is recommended by the Manager.
4. *EMS -2- EMT Paramedics*: This request is due to the continued increase in EMS calls and the increase in times that there are no ambulances available to provide services to the citizens. Since 2008, the total call volume has increased 16.3%; over the last 10 years, the call volume has increased 44.6%. Out-of-County transports have increased by 12.9%, which typically tie up an ambulance for 1.5 to 2 hours. Other startling and concerning issues are an increase of 42.8% in "out-of-trucks" in the last 5 years. That is when there are no additional paramedic ambulances available to answer calls. In these situations, Brevard Rescue Squad responds to provide care. Last year there were 621 times when this occurred and during that time there were 184 calls in which EMS was unable to respond. With an aging population, the community is

seeing more and more demand for EMS services. The original request was for four positions; however the Manager asked staff to provide possible alternatives and is therefore recommending two of the EMS positions. The two positions would work 12 hours per day, which would allow the shift supervisors to come off of the regular duty truck to respond with an additional emergency response vehicle. They would respond with an ambulance, and use volunteer first responders or Brevard Rescue Squad to serve as drivers. Based on the 2012 data, EMS would have been able to respond to 60% of the needed calls during “out-of-trucks” situations with the two additional positions. Currently there are three trucks running from 9:00 a.m. to 9:00 p.m. and two trucks from 9:00 p.m. to 9:00 a.m. Under the new staffing model there will be three ambulances from 8:00 a.m. to 10:00 a.m., four ambulances from 10:00 a.m. to 8:00 p.m., three ambulances from 8:00 p.m. to 10:00 p.m., and two ambulances from 10:00 p.m. to 8:00 a.m. This gives EMS one additional ambulance from 8:00 a.m. to 10:00 p.m. which is when the majority of the calls occur. Ms. Cozart stressed that this request is based on the demand for the services that EMS is currently unable to fill with the current staffing level. These two positions are recommended by the Manager.

Discussion: Commissioner Lemel made the point that EMS was essentially “out-of-trucks” nearly 30% of the time. The Manager stated that Brevard Rescue Squad does a great job for the County serving as the backup ambulance; however, those staffs are not at the paramedic level. The County wants to ensure EMS can respond to calls with a paramedic.

Chairman Hawkins asked if the two additional positions require the purchase of another ambulance. The Manager said EMS will continue to use existing ambulances.

5. *Animal Services – Animal Shelter Attendant*: This position has been discussed previously in anticipation of the opening of the new animal shelter later this year. The position is essential to the operation of the shelter working directly with the animal care groups, local veterinary professionals and staff to promote and encourage animal adoptions and methods to manage the stray animal population, implement spay and neuter programs to control future animal population and provide oversight of volunteers and inmate work crew. With the increased space at the new animal shelter comes increased cleaning and animal care requirements, which will require the use of volunteers and the inmate work crew to meet the expanded need from the current shelter. Currently the County has three employees who provide basic animal control services. Presently, officers work a rotating shift to allow for shelter hours and response to complaints without overtime. In the current situation, staff cannot respond to all calls and spend the time to have the shelter open for adoptions and guarantee scheduled shelter hours. The new position will allow the shelter to be open 36 hours per week versus the current level of at most 19 hours. Typically two times a week there is an animal control call which causes the shelter to close to the public. Having the shelter manager will nearly double the number of hours the shelter is open to the public. This staffing model is consistent with some of the other shelters in the area, in particular Macon County. The animal shelter manager is recommended by the Manager.
6. *Planning & Economic Development – County Planner*: Commissioners have directed focus and emphasis on economic development which makes the County Planner position essential to allow the Director to refocus on economic development activities. This position will provide technical, professional and administrative services including: Subdivision Ordinance, community facilities, Planning Board, Joint Historic Preservation Commission, Board of Adjustment, Community Appearance Advisory Council, advisory to the Board of Commissioners. The Planner will also administer the Scattered Site Housing Grant and provide assistance for grant development. Prior to 2011, this was a full-time position. The position was

frozen when the employee in the position retired and the position was not funded in FY 2012 or FY 2013 due to the emphasis on cost reduction. For a short period of time, the County contracted with the retired employee for some basic planning services, but he is no longer available. Currently, there is a temporary part-time employee who is providing assistance with these functions. Otherwise, since February 2011, the Director has assumed both roles. If approved, this takes the department back to the staffing level prior to 2011 and would allow the Director to focus on economic development efforts. This is recommended by the Manager.

7. *Public Health – Social Worker I:* The Social Worker position will provide case management for patients, data analysis and reporting, and allows the Health Department to fulfill its obligation under the Community Care of Western North Carolina and Care Coordination for Children and Pregnancy Care Management programs. Currently the Health Department has been trying to fulfill the obligations with the Public Health Nurses, but because of the breadth of the program and its services, they do not have the time. The Social Worker I position is needed to provide support for patient coordination, follow-ups and timely data entry for all risk category clients in the programs. The Health Department receives funding for these services and if the department is unable to fulfill its obligations, the County will have to return the monies paid through the grants. Currently there are 924 Medicaid children and 852 Medicaid women in these two programs. The Social Worker I position in the Health Department is recommended by the Manager.
  
8. *Social Services -2- Income Maintenance Caseworker II:* This request is based strictly on increasing caseloads in Food Stamps, Adult Medicaid, and Family and Children’s Medicaid. Per North Carolina standards, the County’s Social Services Department has a shortfall of 3 full-time staff. In addition, the department averages 196 new applications each month on top of the ongoing caseload. The environment for these staff is very stressful, especially with such large caseloads. At the same time, the department is implementing the new NCFast program, which is the new public assistance computer system and process. It is a very different way of doing business and that within itself has been particularly difficult and stressful to employees who already have large caseloads. There is additional concern about the high turnover rate in this department. In FY 2013, the Social Services Department had a turnover of 7 of 15 positions, which is a 47% turnover rate. This is obviously a huge concern. Within the last two months, 3 employees left the department to work in an adjoining county in the same position and cited a significant difference in compensation and contributions to 401K as reasons for their departure, as well as lower caseloads. One of those resignations was received today. These positions are recommended by the Manager.
  
9. *Social Services – Social Worker III:* In the early Fall, Commissioners approved a temporary full-time position in the Child Protective Services area for Foster Care due to a significant increase in cases. The department is in need of this position to be able to provide adequate supervision and safety of children in the care of the Social Services Department. This position is caseload driven due to the growing volume of in-home cases. This area falls short of staffing levels according to State and federal mandates. The caseloads indicate there should be 1.9 additional Social Workers. Only one is being requested at this time. The additional position will allow the Social Workers to focus appropriately on the high risk activities associated with this vulnerable population. The position is recommended by the Manager.

## **RECLASSIFICATIONS**

1. *Tax Administration – Deputy Tax Collector to Tax Collections Manager:* The Tax Administrator brought this request forward after discovering that the position was not equitably classified with

similar positions. This is the number one position in the Collections function and is the fundamental position responsible for the great collection rate that Transylvania County has achieved. Transylvania County has had the highest collection rate in the State since 2008 and was second to Dare County in 2007. This position requires advanced certifications and is responsible for the collections process, including garnishments, foreclosures, etc. Staff gathered comparable data, looking at the relationship to other positions. The data supports the Tax Administrator's concerns. Therefore, the position is recommended to be classified at a salary grade 17.

Discussion: Commissioner Chappell asked why this was not noticed during the reclassification study. Ms. Cozart believes the position was overlooked during the study.

2. *Department of Public Health – Admin Officer to Community Service Business Officer I:* The Health Director has expressed his concern about this position due to the increasing complexity associated with the management data analysis, information technology and accountability for public health funding (federal, State, local, contract and grant). The position requires advanced knowledge of technology and high accounting oversight. This position has a tremendous financial impact on the County's liability associated with most funding streams if reporting and accountability are not correctly reported for these programs. A survey of other counties shows that the title of Community Service Business Officer I is the classification being used for this position. It is recommended by the Manager.
3. *Department of Public Health – Dental Assistant to Dental Hygienist:* Currently the position of Dental Assistant is not allowed to provide services independently to children and must be accompanied by a Public Health Nurse when providing dental screenings. This reclassification will allow the position to work independently to provide services in a clinical setting. This reclassification will allow a more efficient way of providing services to the clients and free up time for nurses. Dental Health was established as one of the top community health priorities during the Community Health Assessment as decay rates for local children are increasing. This is recommended by the Manager.
4. *Sheriff's Office – Reclassify 1 SRO to SRO Sergeant:* There are currently nine school resource officers and one school resource officer lieutenant. This reclassification would allow for a closer line of supervision of the day-to-day operations of elementary school resource officers and provides a consistent command structure in the absence of the lieutenant. The school resource officer sergeant supervises and coordinates all activities related to the DARE program and DARE Camp. The reclassification is recommended by the Manager.

Discussion: Commissioner Lemel asked about the status of the memorandum of agreement for the school resource officer program between the Sheriff's Office and the school system. Captain Eddie Lance reported that a request was sent to the NC Sheriff's Association for samples. He is now in the process of drafting an agreement that he expects should be finalized next week. The agreement should be in place before the school year starts.

#### **ADDITIONAL TIME/HOURS**

1. *Recreation – Recreation Assistant:* Currently the Recreation Assistant position works 20 hours per week. This position is the point person for scheduling, phone, computer work, greeting the public and registering the public for activities. This position also works with fitness programs, youth and adult art programs, Silver Arts, Senior Games and gymnastics. For the last four years, the Recreation Department has had a volunteer working 20 hours per week through the Land-of-

Sky program; however the program is anticipated to end in the early Fall, which leaves a large gap in being able to provide adequate staffing. Increasing the hours by 10 hours will allow additional coverage as well as have a staff member available during peak times. The additional hours are recommended by the Manager.

2. *Library – Part-time Hours:* The Library has struggled to provide adequate staffing coverage particularly in the Children’s area. This proposal restores 7.5 hours per week of part-time staffing in the Children’s area where the previous reductions have taken a toll on their ability to serve children. The second proposal restores 5 hours per week of part-time staffing to allow for the North Carolina Room to remain open during the lunch hour from 12:00 p.m. to 1:00 p.m. daily, except on Saturdays. Currently the North Carolina Room is closed for the lunch hour when many people would use those resources during their lunch hour. The part-time hours for the Library are recommended by the Manager.

In summary, there is a recommendation of 11 positions, but in reality, there are only 8 new positions since the Deputy Register of Deeds, Deputy Fire Marshal and the Social Worker II are all currently approved and being filled with temporary full-time or part-time employees. These recommendations have been brought forward to Commissioners as true needs of the departments. Departments are strained to be able to maintain and provide services. Staff realizes this is a significant investment, but they feel the County departments must be able to provide the services as required by citizens with the proper capabilities and resources. The total net impact of all personnel recommendations is \$497,000.

Discussion: Commissioner Chapman expressed concern about several requests and he feels it will be tough to consider all the recommended positions without a significant tax increase.

Chairman Hawkins commented that it is unprecedented to request so many positions in one year. The Manager said over the last several years departments have been instructed by the Board of Commissioners to cut costs. Staff has done this; however the need for services continues to grow at a point where departments cannot provide the services anymore at the current staffing levels. There happens to be a cost-avoidance in the Tax Office with the addition of personnel to complete the revaluation in-house. Other positions are caseload driven. The Manager stressed to Commissioners that these positions are being recommended because they are true needs of the departments. He also said he does not want Transylvania County to become the training ground for Buncombe and Henderson Counties, particularly speaking about the Department of Social Services.

#### Salary Increase

Ms. Cozart reported that staff has proposed a 2% cost-of-living salary increase for employees in the FY 2014 Budget effective July 1, 2013. The impact to the budget is \$300,000. When considering pay increases to employees, staff reviews what surrounding counties and the City of Brevard are doing in order to remain competitive. Staff also reviews the Social Security increase and CPI.

Ms. Cozart showed a table comparing salary increases from surrounding areas since 2008. She reported the following:

- City of Brevard – considering 1% COLA and up to a 2% merit increase; since 2008 the City has increased salaries by 13.43%
- Buncombe County – gives a CPI in April of each year; that figure is unknown for the next fiscal year; since 2008 they have provided a 14.1% increase
- Haywood County – anticipating awarding a 2% merit increase
- Henderson County – planning to award a 2.5% COLA and an additional up to 2% performance bonus as a lump sum; since 2008, salaries have increased 14.68%

- Jackson County – implemented a pay study; gave \$600 to all employees last year; looking at a 2% increase for FY 2014; total compensation compounded since 2008 is 4.95%
- Macon County – implementation of salary study with a minimum of 2% for all employees; total compensation compounded since 2008 is 12.12%
- Transylvania County – gave 3% COLA last year; anticipate 2% for FY 2014; total compensation compounded since 2008 is 5.06%; Transylvania County is behind all counties in the region, with the exception being Jackson County

Social Security has given three adjustments since 2008, the total being 11.47%. In January 2013, Social Security provided a 1.7% increase. Social Security recipients have received a higher percentage increase than Transylvania County employees.

The CPI Index for the Southeast region with less than 50,000 in population indicates a 9.362% CPI since 2008. The nationwide average over the same time period is 7.366%. If Commissioners approve a 2% increase, salary increases will still lag behind the average compounded over the last few years by 4.3%.

Ms. Cozart stated that the 2% COLA request is not lavish. Staff wants to be able to provide a cost of living adjustment for employees because their earnings have remained the same, although the cost of goods and services has continued to increase. Department heads have a real concern about being competitive. In other counties, there are many positions that require exactly the same training as positions in Transylvania County so the salaries should be comparable. Ms. Cozart referred back to the positions in the Department of Social Services where employees took positions in Buncombe County. Those former employees still live in Transylvania County, but the salary and benefit compensation was significant enough for them to travel to Buncombe County to work in the same positions. Last year the Sheriff lost a sizable number of officers to Henderson County. Turnover does have a value and can cost a county from 38% of an annual salary up to 150%, depending on the position. Ms. Cozart added that with a 9.2% increase in inflation in this area, it is more important than ever to provide an increase to County employees.

Discussion: Commissioner Chapman said when this same discussion occurred last year there was a significant concern about providing COLAs. Therefore it was his understanding that staff would bring forth a system this year based on merit. His concern with COLAs is that there is no way to reward outstanding performance versus mediocre performance. He hopes staff will spend some time on developing a better compensation system to reward excellent employees. Ms. Cozart stated that prior to 2008 the County did have such a system that included a market adjustment and performance based pay, but because there was such a long period of time from 2008 to July 2012 where employees received no increase, staff decided it was best to give all employees a cost of living adjustment to help deal with salary compression. The Manager conferred with department heads earlier this year and overwhelmingly they preferred the COLA since no market adjustment had been given to employees since 2008, except the 3% adjustment in 2012, because the pay is lagging behind other counties and the City of Brevard, as well as the Southeast region. The Manager said if staff is allowed to move forward with a system that will be funded he would prefer the implementation of a performance based system. He reiterated comments made by Ms. Cozart that the reason for the COLA is the fact that employee salaries have fallen behind. He would like to move forward next year with the continuation of the former system where pay increases are based on performance.

Commissioner Chappell said there is a long term impact related to COLAs so he inquired about the dollar impact of a 2% one-time bonus. The Manager said the cost is the same for FY 2014 at \$300,000; it just does not compound for future years and does not add to employees' base pay. Commissioner Chappell stated that while a one-time bonus does not add to base pay, it does give employees immediate relief more so than overall increase. The Manager responded that a one-time bonus does not allow employees to

move up through the salary ranges and most employees are below the midpoint of their salary ranges. Many of those employees have longevity in terms of years of service with the County, yet they are still below the midpoint of their salary range. Those employees should have already moved past their midpoint. He believes employees would prefer the COLA to a one-time bonus because it affects them long term.

Commissioner Chappell said it would be helpful when discussing salary increases and comparisons to other local governments to see their entire compensation packages.

Chairman Hawkins asked if there had been significant changes to health insurance to make Transylvania County less competitive with other counties. Ms. Cozart said the increase in co-pays and deductibles last year made Transylvania County less favorable than surrounding counties. In fact she had a conversation with an employee today who is considering not taking the County's health insurance plan because they can get a better insurance product with their spouse's plan in Henderson County. However, this coming Fall, the employee health clinic will open and will be available for all employees and retirees on the health insurance plan. Henderson County also has an employee health clinic. In addition, Transylvania County does not offer a 401K match and has a cap on longevity pay which is different than surrounding counties.

#### Health Insurance

Commissioners have already approved the health insurance renewal. Staff projected a 9% increase in healthcare costs at an impact of \$305,000. This includes the employee health clinic which is projected to pay for itself over the 12-month period and can help reduce healthcare costs over the long term. Of the increased amount, \$67,000 was mandated because of the Affordable Care Act.

#### Education

Before the discussion occurred, Commissioner Chappell announced he would be recusing himself from the vote on the budget related to Blue Ridge Community College since he is employed there.

The Manager reviewed the budget requests from both Transylvania County Schools and Blue Ridge Community College.

The Transylvania County Board of Education has requested an additional \$509,333 in current spending and an increase of \$600,000 in capital outlay. They also intend to use an additional \$230,000 in lottery funds. The total increase requested for the school system is \$1.3 million.

Blue Ridge Community College has requested an additional \$120,000 in capital. The current spending request equaled the same as FY 2013.

The total increase for education spending for both entities is \$1.459 million.

The Board of Education requested a total appropriation in the amount of \$12.1 million, a \$1.5 million increase over FY 2013, which equates to a 14.5% increase. The Manager recommends the increase of \$509,333 in current spending, a 5.5% increase. He also recommends \$200,000 less than the request in capital. The recommended total appropriation for the Transylvania County School System is \$11.9 million, a 12.6% increase over FY 2013. Removing the lottery funds, which are pass-through funds, equates to a 10.7% increase in appropriation from the County.

The Manager shared funding scenarios for the next three years for education. For FY 2014, the Board of Education will draw down \$966,924 of their fund balance. At the end of June 30, 2014, the fund balance would total \$1.2 million for current spending. The estimated budget for FY 2015 is \$11.2 million, an



increase of 3.1%, and includes continuation of teacher supplement increases and an \$800,000 draw down in fund balance, leaving a fund balance total at the end of the fiscal year of approximately \$362,000. For FY 2016, assuming another 3% increase, there can be no further drawdown of fund balance because the balance would be so low. In order to maintain the same level of spending, the County would have to increase its appropriation.

The County receives approximately \$255,000 a year in lottery funds. At the end of FY 2013, the estimated lottery fund balance would be \$662,000. The Board of Education intends to draw down \$500,000 in FY 2014, leaving an estimated lottery fund balance of \$418,000. The same goes for FY 2015. At the end of FY 2014, the lottery fund balance would equal approximately \$173,000.

The capital outlay fund balance will experience the same situation as the current spending fund balance. At the end of FY 2013, the capital fund balance is expected to be \$455,000. The Board of Education intends to draw down \$100,000 in FY 2014, leaving a balance of \$354,000 at the end of the fiscal year.

The Manager briefly reviewed the items that make up the increases in current spending. They mostly consist of State mandates, but also include the school resource officer for TC Henderson Elementary School and a new Assistant Principal for Brevard Elementary School. The Manager agreed with these requests.

The Manager also briefly shared some charts and graphs outlining the County's appropriations to the school system over the last several years and how the County ranks in funding compared to surrounding counties and the State average. The County ranks very high in terms of school funding per pupil. There are several pools of State funds in which the County does not qualify.

The County is responsible for the maintenance and facilities for the Transylvania Campus of Blue Ridge Community College. For FY 2014, the current spending request is the same as FY 2013. They have requested an increase in capital spending of \$120,000. The facilities are old and they intend to replace the old doors and locks with safer fire doors. They also have a need to repave the parking lot and to renovate the library.

### Capital

Finance Accountant Abbey Owen presented the capital requests and recommendations. The total capital recommended for FY 2014 in the General Fund is \$535,000 and \$203,000 in the Solid Waste Fund, for a total of \$738,000, not including the community park which will be paid for partially by grant funds. She highlighted the recommended items as listed below:

#### *General Fund*

<u>DEPARTMENT</u>	<u>CAPITAL ITEM</u>	<u>COST</u>
<b>Land Improvements</b>		
Maintenance	Parking lot resurfaced for Tax Office/Register of Deeds & repairs to access road to Parks & Recreation	\$105,000
Parks & Recreation	Repairing 3 public tennis courts	\$ 32,000
<b>Total Land Improvements</b>		<b>\$137,000</b>
<b>Building Improvements</b>		
Maintenance	Administration roof replacement/HVAC replacement	\$ 26,920
Social Services	Cubicle enclosure (to address privacy needs)	\$ 5,000
<b>Total Building Improvements</b>		<b>\$ 30,920</b>

### Vehicles

Ms. Owen noted that staff spent quite a bit of time studying the needs for vehicles (utilization, maintenance costs, mileage, etc.) Department heads requested 13 vehicles; however the Manager is recommending only 6 vehicles. Due to the mileage and wear and tear of vehicles in the Sheriff's Office, some of them need to be replaced. The older cars with high mileage will be shifted to those officers that do not drive as frequently and do not make long distance transfers. The 6 vehicles recommended for the Sheriff's Office are replacement vehicles, not additions. Other departments' requests will be met by a combination of utilizing existing vehicles and mileage reimbursement where advantageous.

Sheriff	5 replacement vehicles	\$185,000
Sheriff	1 used vehicle for SRO	<u>\$ 23,000</u>
<b>Total Vehicles</b>		<b>\$208,000</b>

Discussion: Commissioner Chapman believes staff should look at the possibility of creating a motor pool in the future. Commissioner Lemel supported this idea.

### Computer Hardware

IT	Servers-Domain Controllers & Virtual Network (old/outdated)	\$ 25,000
Library	Server replacement (old/outdated)	<u>\$ 4,600</u>
<b>Total Computer Hardware</b>		<b>\$ 29,600</b>

### Other Equipment

Board of Elections	OVRD System	\$ 14,700
Board of Elections	Voter ID (mandated)	\$ 5,000
EMS	Stryker Bariatric Transport	\$ 18,201
EMS	2 Cardiac Monitor replacements	\$ 60,000
EMS	Stryker Expandable Patient Surface (request 6, recommend 3)	<u>\$ 6,000</u>
<b>Total Other Equipment</b>		<b>\$103,901</b>

### Software Conversion

Register of Deeds	Software conversion – GTGT	\$ 2,500
Public Health	Electronic records software (mandated)	<u>\$ 23,144</u>
<b>Total Software Conversion</b>		<b>\$ 25,644</b>

**Total General Fund Capital** **\$535,065**

The General Fund capital budget recommended for FY 2014 is \$186,000 less than FY 2013.

### *Solid Waste Fund*

<u>CAPITAL ITEM</u>	<u>PURPOSE</u>	<u>COST</u>
<b>Land Improvements</b>		
Site Improvements	Accommodate electronics and waste	<u>\$ 5,000</u>
<b>Total Land Improvements</b>		<b>\$ 5,000</b>

<b>Vehicles</b>		
Pickup Truck	Replace fuel truck (high mileage)	<u>\$ 19,000</u>
<b>Total Vehicles</b>		<b>\$ 19,000</b>
 <b>Heavy Equipment</b>		
Roll off truck	Haul recyclables, garbage, leachate (200,000+ miles)	\$135,000
Methane Flares	Prevent methane from being released into atmosphere	<u>\$ 14,000</u>
<b>Total Heavy Equipment</b>		<b>\$149,000</b>
 <b>Other Equipment</b>		
Roll off containers	6 or 7 additional to replace old, worn out boxes	<u>\$ 30,000</u>
<b>Total Other Equipment</b>		<b>\$ 30,000</b>

The total recommended capital for Solid Waste is \$203,000.

#### *Special Projects*

Community Park	Paid for in part by PARTF Grant	\$362,700
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In summary, the capital needs of the County, excluding the community park, have been pared back from the departmental requests of \$1,032,000 to \$738,000. These are the immediate needs of the departments and they have provided ample justification that is included in the Commissioners' backup materials.

#### Mandated Changes

Ms. Poor reviewed the mandated changes to the FY 2014 Budget. The State retirement rate for both general employees and law enforcement has increased. There are also new unemployment laws that require counties to set aside monies to cover unemployment costs. Supplies for the new Voter ID law and the implementation of NCFast in Social Services are also mandated changes. The general mandated changes add approximately \$150,000 to the FY 2014 Budget.

The other mandated changes include Voter ID, Onsite Voter Registration Database (OVRD), and electronic medical records required by the Affordable Care Act totaling \$43,000. There are also some mandated cost additions in the County's healthcare costs related to the Affordable Care Act in the amount of \$67,000.

The total impact of the mandated changes to the FY 2014 Budget is \$260,000.

#### Computers/Printers/Software

Ms. Owen discussed the items included in the FY 2014 Budget for computers, printers and computer software. Recommended for the General Fund budget is \$321,000, including computers, printers, and maintenance agreements on the software, which is an increase of \$148,000 over FY 2013. The Manager recommended \$139,000 for computers, replacing 50 of 92 computers that are older than five years and used regularly by employees. The County used to have a shorter replacement schedule but budget cuts required staff to extend the life of computers as long as possible, and only replace those in need. Also, nine MDT's would be added for the vehicles in the Sheriff's Office and for the EMS ambulances. It is recommended to purchase 17 new tablets, 10 of which are for the paperless agenda system Commissioners will be implementing later this year. Other tablets are for the Health Department and Social Services for electronic medical records. Another four new computers are recommended for the Tax Office and Social Services related to new positions. In the Library, 24 laptops need to be replaced in

the computer lab. The laptops are old and heavily used. Finally, there is the addition of one printer in the Building Department and three scanners in Social Services.

Another \$182,000 is recommended for software maintenance and computer software, which is \$61,000 over last year's budget. Some of the major changes are the yearly maintenance contract on the County backup system, software used by EMS for online patient care reporting services, electronic medical records annual maintenance contracts, Cloud email exchange, and narcotics investigation and funds management software. Ms. Owen noted that technology is always changing. Staff is trying to keep up with these changes while maximizing the County's dollars. The recommended budget for this area reflects the needs of the departments to improve efficiency, accuracy and productivity.

Discussion: Commissioner Lemel asked if this investment will help reestablish the replacement schedule for computers. Ms. Owen said staff feels like if 50 of the 92 computers are replaced, it will place the County back on the right schedule. Information Technology Director Dean Landreth added that the County has gotten really behind on replacing these items. He pointed out that out of 315 computers, 194 are older than five years.

#### Economic Development

The Manager noted that Commissioners have already approved setting aside \$185,000 for economic development.

#### Summary

The Manager summarized the budget presentation. The County is facing a \$3.2 million deficit. For the next budget workshop meeting, staff intends to project out three years, given the various budget assumptions, indicating the budget deficit will continue to grow. The education budget will have a significant impact on the County's budget in coming years, especially when the school system's fund balances are depleted. Over the course of the budget workshops staff will discuss how the County can meet these and other needs over the next three years, as well as the Courthouse expansion project and space needs and further investment in economic development. The Manager noted that the deficit for FY 2014 can be made up by using fund balance; however, at the end of FY 2014 the available fund balance drops to 12.6%.

Discussion: Commissioner Chapman spoke to the public and said if Commissioners approve the budget as recommended they should expect a 15% or 16% tax increase. He commented that unemployment continues to hang around 10% and the tax base is not growing. Commissioner Chapman said he has never known a tax increase to spur economic development. He asked to hear from citizens and whether or not they support this budget along with a tax increase to fund it.

### **PUBLIC COMMENT**

Jim Lorenz: Mr. Lorenz said the County's budget has doubled in the last 15 years. He believes the County should raise revenues by charging the State and federal governments for the land they continue to take from the County. He also suggested the County should raise the sales tax rates to cover specific needs. Mr. Lorenz believes the current tax revaluation process is flawed and that some properties are valued too high and some too low. As a result the County would be "double-dipping" if it were to raise taxes on those properties that are valued too high. Mr. Lorenz commented about employee raises being a "wish list" the County cannot afford and furthermore believes healthcare costs should be passed down to employees, just like in the private sector.

## COMMISSIONERS' COMMENTS

There were no additional comments from Commissioners.

**Chairman Hawkins moved to enter into closed session per NCGS 143-318.11 (a) (3) to consult with an attorney, (a) (4) to discuss matters relating to the expansion of an industry, and (a) (5) potential acquisition of property, after a 5 minute recess. The motion was seconded by Commissioner Chappell and unanimously carried.**

## CLOSED SESSION

Per NCGS 143-318.11 (a) (3) to consult with an attorney, (a) (4) to discuss matters relating to the expansion of an industry, and (a) (5) potential acquisition of property, closed session was entered into at 10:00 p.m. Present were Chairman Hawkins, Commissioners Chapman, Chappell, Hogsed and Lemel, County Manager Artie Wilson, Planning and Economic Development Director Mark Burrows, County Attorney Tony Dalton, and Clerk to the Board Trisha Hogan.

Commissioners consulted with the County Attorney and discussed potential economic development projects. After discussion, Commissioners directed staff on how to proceed.

**Commissioner Chappell moved to leave closed session, seconded by Commissioner Lemel and unanimously carried.**

## OPEN SESSION

**Commissioner Chappell moved to seal the minutes of the closed session until such time that opening the minutes does not frustrate the purpose of the closed session. The motion was seconded by Commissioner Lemel and unanimously approved.**

## RECESS

**Chairman Hawkins moved to recess the budget workshops until Wednesday, May 29, 2013 at 6:30 p.m., seconded by Commissioner Lemel and unanimously carried.**

### WEDNESDAY, May 29, 2013, 6:30 p.m., Rogow Room, Transylvania County Library

The Budget Workshop meeting reconvened on Wednesday, May 29, 2013 at 6:35 p.m.

Commissioners present were Vice-Chairman Larry Chapman, Jason Chappell, Chairman Mike Hawkins, Daryle Hogsed, and Page Lemel. Commissioner Hogsed arrived late to the meeting due to work commitments. Also present were County Manager Artie Wilson, Finance Director Gay Poor, Human Resources Director Sheila Cozart, Finance Accountant Abbey Own, and Clerk to the Board Trisha Hogan.

Media: *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.

## FY 2014 FINANCIALS

Finance Director Gay Poor reviewed the FY 2014 financial information. She provided a summary of the revenues projected for the General Fund based on the key assumptions discussed at the workshop meeting last night. Total General Fund revenues are projected to be \$40.7 million. Ad valorem taxes calculated using the current tax rate of \$0.3949/\$100 valuation makes up 59.2% of the budget. Sales taxes, including Medicaid Hold Harmless Funds, contribute 15.2%. Intergovernmental revenues, both restricted and unrestricted, generate 15.8% of the budget. These revenues provide funding for the Sheriff, Emergency Management, Soil and Water, Cooperative Extension, Transportation, Recreation and Library, as well as Health and Social Services programs. Most of these are State and federal funds and grants but some come from other local governmental units. Sales and services add another 6.9% in revenues. The County charges for a number of different services, including collecting taxes for the local municipalities, ambulance transports, housing inmates for other counties, and providing school resource officers. These four revenue sources account for 94% of the revenue. They are augmented by other taxes, permits, fees, interest and transfers.

Excluding fund balance appropriation, staff anticipates an increase in revenues of \$1.4 million coming primarily from ad valorem taxes, sales taxes, and sales and services revenues. The FY 2013 Budget was balanced by drawing down \$1 million from fund balance. For FY 2014, the fund balance appropriation is for \$185,000 being withdrawn from reserves for economic development.

Ms. Poor also reviewed the expenditures projected for FY 2014. Expenditures are budgeted to be \$44 million. Personnel costs are the largest component at 42.7%, followed by education at 33.4%. The education expenditures include the debt service on the school bonds. Human Services programs, which include programs that are administered through the Department of Social Services, Home and Community Care Block Grant, and Juvenile Crime Prevention Council, are responsible for 5.7% of expenditures; however, over 75% of their costs are funded by State and federal monies. Operational expenditures make up another 11.4% and include a wide range of items, such as fuel, utilities, grounds maintenance, computers, contract services, workers compensation and liability and property insurance, and a myriad of departmental operating costs. These four classifications comprise almost 93% of the total. Other expenditures fall under capital, debt service, economic development, etc. and make up the remaining 7%.

Expenditures are projected to be \$3.9 million more than FY 2013, a 9.7% increase. The additions to personnel and education make up \$2.7 million of the increase in expenditures, or 69%. Another 12.8% is attributable to operating expenditures which are \$500,000 higher. There are relatively small increases in other expenditures.

Funds are appropriated by function. Education is the largest single component of General Fund expenditures at 33.4%. The next highest at 22.9% is Public Safety, which includes both the Sheriff's Office and Emergency Management. Within the Sheriff's Office, \$6.5 million in funding is provided for patrol, detention center, school resource officers, courthouse security, drug task force, investigations and administration. In Emergency Management, \$3.3 million in funding pays for the fire marshal, EMS, communications, and animal control. Brevard Rescue Squad and the NC Forest Service are also included in this function. Accounting for 20.8% of expenditures, the Human Services function is comprised of public health, environmental health, social services, child development and transportation. General government expenditures make up 12.3% of the total expenditures. This function includes County administrative offices, elections, tax, register of deeds, facility maintenance, information technology, and other non-departmental items. Parks and recreation and the library contribute 4.9% of the expenditures. They are grouped together as Culture and Recreation. Economic and Physical Development comprises 2.6% of expenditures. This function includes building permitting and inspections, planning and economic development, soil and water and cooperative extension. Since the pay increase has not been distributed

yet to the departments, it is a separate function in the budget. Debt service is for the loan on the Public Safety Facility and does not include school bonds as they are included in education. Transfers include transfers to both solid waste and other funds and transfers to reserves within the General Fund.

All of the different functions are up from the prior year with the exception of debt service. The biggest increase occurred in the area of education.

### **FINANCIAL PROJECTIONS – FY 2014-16**

The Manager reviewed the financial projections for operations for the next three years. The FY 2014 Budget reflects a \$3.2 million deficit. Staff made some assumptions for FY 2015 and FY 2016. Staff projected the tax base to grow by \$25 million in FY 2015 and an additional \$50 million in FY 2016. Staff used an inflation factor of 2.5% for both fiscal years. The ad valorem tax revenues would decrease from FY 2014 projections. In FY 2014 the County is experiencing a one-time increase in vehicle tax collections from the new collections system. Sales tax is inflated at 2.5%. Other revenues were also inflated by 2.5% each year. Revenues are projected to be \$40.492 million in FY 2014, \$40.485 million in FY 2015, and \$40.827 million in FY 2016.

Expenditures are expected to rise over the next three-year period. For education, the County appropriation should increase when the school system's fund balances are nearly depleted. There is a \$1.1 million increase projected from FY 2015 to FY 2016. The budget for Blue Ridge Community College was inflated by 2.5%. Employee insurance rates were increased by 5%. The County has been experiencing a 9%-10% increase over the last few years, but staff expects the rate of increase to drop with the opening of the employee health clinic. Total expenditures expected for FY 2014 is \$43.7 million. For FY 2015, expenditures should rise to \$44.8 million. For FY 2016, expenditures are projected to be \$46.2 million. Based on these projections, the deficit for FY 2015 will be \$4.3 million and for FY 2016 it will grow to \$5.4 million.

### **ADDITIONAL ITEMS**

The Manager and staff have been discussing with Commissioners for some time about the possibility of expanding the current Courthouse. A few years ago, the County received an estimated cost of \$20 million to build a new facility near the Public Safety Facility. The Manager recommended expanding the current facility to include the site where the current Administration building is located next to the Courthouse. The expanded space should include another courtroom, holding cells for inmates, a sally port and separate entry for inmates, and offices for Probation and Parole for which the County currently rents space. The expansion is estimated to cost \$6.5 million. The Manager recommended the Board borrow these funds, especially with interest rates being so low.

Expansion of the Courthouse would require the relocation of the Administration offices. He recommended renovating the old Library to accommodate the County's Administration offices.

Discussion: Commissioner Chapman asked Court Security Supervisor-Sergeant Jimmy Jones to provide an assessment of the day-to-day operations of the Courthouse. Sgt. Jones said one of the biggest issues with the facility is there is not enough space. Also, inmates are brought into the facility using the same entrance as the public. There aren't quite as many citizens coming into the facility since the Tax Offices and Register of Deeds have been relocated. The majority of people entering the Courthouse now are doing so for a court-related function. Sgt. Jones cited a State law in which a jury is not allowed to see a defendant wearing inmate clothing or in restraints, which is difficult to manage in the current facility. Another problem is the small courtroom has no jury box or jury room and holds only 50 people. There is a desperate need for another courtroom with adequate facilities to accommodate a jury. Also, being there

is no inmate holding cell, an officer must escort the inmate the entire time or the officer will attempt to find a room in which to place the inmate; otherwise they are in the hallways. Commissioner Chapman thanked Sgt. Jones for his comments. He commented that it may be best to spend money now to buy 10-15+ years before having to build a new facility.

Another need the Manager discussed was an investment in economic and product development which was a recommendation from the Goldsmith report. Product development means making an investment in property, infrastructure, and other areas to help bring jobs into the community. There has been some discussion about what it might cost to help attract companies and jobs to the County. The Manager proposed reserving \$600,000 each year for the next three years towards these efforts. This amount is equal to one cent of the tax rate each year.

Discussion: Commissioner Chapman asked if this process intends to involve land use planning. The Manager said Commissioners may consider something of this nature before purchasing land. The County may purchase land that is already zoned. His proposal provides monies that may require County involvement, such as upgrading rail, purchasing property, etc. Earlier this year, Commissioners set aside \$185,000 for specific economic development purposes stemming from the Goldsmith report, but there is nothing else available for other economic development activities. The Manager feels any amount of money set aside for this area will be positive for the County and he encouraged Commissioners to make this investment.

There are also needs in capital and aging recreation facilities. There are other areas as well that need to be planned for over the next couple of years. In Communications, there are upcoming equipment replacement needs. E-911 funds cannot be used entirely for replacing equipment. The estimated cost of the new equipment is approximately \$500,000. In Elections, the voting machines will need to be replaced in the near future. The cost is also in the neighborhood of \$500,000 and the Manager does not expect there to be State or federal funds available to help with the purchase.

Discussion: Commissioner Chapman inquired about the purpose of replacing the voting machines and wondered if it was because they were worn out or because of new technology. Elections Director Karen Brinson explained that the warranty on the machines is for 10 years. Staff has been performing preventative maintenance on the machines to ensure they last as long as possible; however, there is also the issue of ever-changing technology. There are also certain legislative leaders that do not like this type of equipment. By FY 2016, the machines will be 10 years old.

The Manager reminded Commissioners there are also school needs. The school system's capital reserve is expected to be drawn down significantly over the next couple of years. Commissioners feel the County should be responsible for keeping reserves for the school system's needs. The Manager has recommended \$1.6 million in capital for the Board of Education for the next three years. This is only the County's appropriations and does not include the monies they intend to draw down from their fund balances. The County no longer has a specific reserve for school capital needs.

Discussion: Commissioner Chapman said last night staff presented information showing the County is significantly higher than other counties in terms of school funding. He asked at what point the County will decide it can no longer keep increasing capital spending and decide upon issuing another school bond or borrowing funds. He commented that the County continues to increase its appropriations to the school system and they seem to still be in a crisis situation. The Manager believes the County needs to start working this year on this issue. He has had discussions with Superintendent Jeff McDaris about working towards a bond issue. He suggested both Boards meet this year and discuss the school system's needs and the amount of money it would take to meet those needs. Currently their recurring needs total approximately \$900,000 a year. The capital appropriation from the County does not leave much for



capital upgrades and improvements. The current school bonds will be paid off in FY 2017-2018. The Manager expects it will take the better part of two years to plan for a bond issue.

The Manager also talked about recreation needs. Some of the needs include replacing the pool deck and refurbishing the bathhouse at Champion Park pool, as well as recoating the basketball court at Champion Park, replacing the playground and upgrading the basketball court at Silvermont, lighting at the Recreation Center for outdoor walking, upgrading river access sites at Island Ford and Wilson Roads, and adding lights to the tennis courts at Silvermont. These areas need work and they have been delayed too long.

The Manager believes these items will help the County continue to meet the needs of the community and make an investment in the County. To summarize, for FY 2014, he recommended Commissioners move forward with the renovation of the old Library and draw down from fund balance for this purpose in the amount of \$382,000. In addition, he recommended an investment of \$600,000 in economic development and another \$600,000 in capital. The County would borrow \$6.5 million for the expansion of the Courthouse with a payback of the funds over 15 years.

### **DIFFERENT SCENARIOS**

There are three different cases for the FY 2014 Budget in terms of drawing down the fund balance and what happens if the fund balance is reduced from 25% to 18%, 15%, or 12%.

- Case 1 is a base case and draws down fund balance to a 12% level over a three-year period; meets operational costs and makes no investment in economic development and capital
- Case 2 includes the base case, renovates the old Library in FY 2014 and borrows \$6.5 million to expand the Courthouse in FY 2015; no investment in economic development and capital
- Case 3 is recommended by the Manager; includes Case 2 and invests \$600,000 each year over three years in economic development and \$600,000 for capital and recreation
- Case 4 includes the base case and uses \$3.7 million from fund balance to renovate the Courthouse; borrows \$2.8 million to pay for the rest of the expansion; does not make an investment in economic development or capital
- Case 5 includes Case 4 and an investment of \$600,000 in both economic development, capital and recreation

Again, the Manager's recommendation is Case 3 and includes renovating the old Library, borrowing \$6.5 million for the expansion of the Courthouse, an investment of \$600,000 a year in economic development and \$600,000 in capital, while drawing down the fund balance to a level of 12%.

### **TAX RATES – INFORMATION**

In order for Case 3 to occur, the County's ad valorem tax rate must increase by 5.92 cents, bringing the current tax rate to \$0.4541/\$100 valuation. The current tax rate of \$0.3949 is the 9<sup>th</sup> lowest in the State of North Carolina. Raising the rate to \$0.4541, assuming that no other counties' tax rates change, makes the County the 16<sup>th</sup> lowest in the State.

If Commissioners make no investments and do no renovating, a 3 cents tax increase would be needed to cover just operational expenditures. The County would then have the 12<sup>th</sup> lowest tax rate.

Case 3 not only includes an increase in the ad valorem tax rate, but also a drawdown of fund balance. The recommended increase in the tax rate is 5.92 cents and will be used to fund current spending for the

Board of Education (2 cents), capital (0.99 cents), Blue Ridge Community College (0.20 cents), the old Library renovation (0.21 cents), Courthouse expansion (0.60 cents), economic development initiatives (0.99 cents) and additional capital and recreation (0.93 cents). Funds to cover operational expenditures would be drawn down from fund balance.

The Manager showed a graph depicting all 100 counties' tax rates in North Carolina. The graph indicated that the average tax rate is approximately 62 cents per \$100/valuation and the average effective tax rate is nearly 65 cents. Transylvania County's tax rate is \$0.3949 and has an effective tax rate of \$0.3947.

### **RECOMMENDED TAX RATE & IMPACT**

A question arose asking if the County had had a tax increase of this nature in the past. The Manager said the County went through a revaluation in 2003 and the tax rate was set at 46 cents which was below the revenue neutral rate. The next year Commissioners increased the tax rate to 48 cents because there were not enough funds to cover operational expenses being the tax rate was previously below the revenue neutral rate. In 2006 the tax rate was increased to 54 cents, which was a 12.6% increase. The Manager said the tax rate has been set based upon the tax base and over the last few years it has been stagnant. Counties of similar size have much larger tax bases than Transylvania County.

The Manager also provided information from the Tax Office based on 2011 tax data. In Transylvania County, 50% of assessed values come from properties valued at between \$0 and \$299,000. The same 50% of assessed value equates to 85.5% of the real and personal tax bills issued. A 5.92 cents increase would have an annual impact on property owners of somewhere between an additional \$30 up to \$178 annually.

Discussion: Commissioner Chappell felt it would be important to show what a property owner's entire tax bill would be, not just the incremental increase. Commissioner Chapman expressed concern about tying the tax increase to economic development and what the impact might be to business owners and the real estate market. The Manager agreed that anything the County might do to the tax rate affects everyone in the County. As far as personal property, it is valued at 100% every year, whereas real property is not. Real property is not reassessed until the revaluation occurs. With that said, the Manager pointed out that the tax rate in Transylvania County is lower than surrounding counties, yet there continues to be investment in those counties. Chairman Hawkins argued there is also the cost of not doing something. If Commissioners believe investment in these areas will improve economic development, then in the long run, the tax increase is very positive for businesses and the community. Chairman Hawkins said he evaluates the budget process by asking himself if the County is doing what it needs to do in the long term to position the County to be a community with a healthy mix of small industry, retirement, outdoor recreation, retail, education and culture, etc. If it means there must be a short term additional expenditure on behalf of businesses, he thinks most businesses would be supportive if they believe the County is moving in the right direction.

The Manager agreed with the Chairman's comments and believes Commissioners need to make an investment in the community. The budget recommendation also plans for the next three years. However, the Manager pointed out that Commissioners can draw down fund balance to meet operational expenditures, but the deficit increases next year. He does not feel this is the right plan for the County. There are upcoming needs Commissioners will need to address and there have been discussions about investment in infrastructure to help bring jobs here.

Discussion: Commissioner Chapman asked if the County will be facing another tax increase next year. He is concerned about balancing the budget and covering operational costs with fund balance. Fund

balance should be used for one-time expenditures for capital or emergencies. The Manager said the recommended tax rate gets the County through the three-year period until the next revaluation.

Commissioner Lemel believes the County has saved itself into a state of disrepair. Staff has presented their needs but Commissioners have not talked about their vision for the County which cannot be achieved without making an investment. She commented that every dollar the County has saved over the last 10 years has created an exponential loss today and every penny saved during this budget process will be dollars lost next year. Commissioner Lemel believes Transylvania County can be exceptional, but it starts by comparing Transylvania County to surrounding counties because prospective companies and industries are making those comparisons. She said the County owes its citizens a quality of life, amenities, investment, infrastructure, etc. and this cannot be done with the absence of a vision or plan. The investments should be made now. A substantial investment in a quality fashion will pay for itself. Commissioner Lemel stressed to Commissioners that until this Board is willing to make an investment in Transylvania County, they should not expect anyone else to do so.

Chairman Hawkins agreed with Commissioner Lemel's comments. He pointed out that the Board has spent two nights looking at budget numbers but not in the context of a vision. When considering the Manager's recommendation, it should be filtered through what is important to Commissioners and what they want this County to look like. He noted that those counties with lower effective tax rates spend more than Transylvania County because their tax base is higher. Those counties have figured out that making an investment and building the tax base benefits their citizens by keeping the tax rate low while still providing excellent services and amenities. He hopes Commissioners understand that it is time to start making that investment in Transylvania County.

Commissioner Chappell said while he respects the opinions of all Commissioners and believes an investment needs to be made in the community, he represents those people that do not show up to County Commission meetings and those who are just trying to provide for their families. He believes Transylvania County is exceptional but also unique so he is not going to apologize for working over the years to keep the County's tax rate as low as possible to help citizens and business owners.

Chairman Hawkins called for a break at 7:45 p.m. The Board reconvened at 8:00 p.m.

### **DISCUSSION ABOUT PROPOSED BUDGET**

The Manager announced that staff had concluded their presentation. He turned the meeting over to the Board for discussion. Staff was available to answer any questions Commissioners had.

Commissioner Chapman commented about the \$25 million projected increase to the tax base for FY 2015 and asked how the Manager arrived at the projected increase. The Manager said building permits have been increasing. The projected increase is an estimate and is based on more activity going on in the County. The tax base has been stable over the past couple of years. He noted that the County took a huge hit in the tax base of over \$2 million when the plants shut down several years ago.

Chairman Hawkins has done some work on comparisons with other counties with like characteristics. He learned through that process that everything the County does from an economic development standpoint should be designed to grow the tax base. If 85% of the total revenue comes from property valued at \$300,000 or less, that makes for an unhealthy tax base. A healthier tax base would include larger entities that would relieve this burden. If Commissioners decide to make the recommended investments in economic development, then they should decide how to direct those efforts towards specifically building the tax base.

Commissioner Chappell asked for clarification on the cost of living adjustment recommendation for the next three years. The Manager said the recommendation for FY 2014 is 2% and then 2.5% for the next two years thereafter based on inflation. Commissioner Chappell expressed concern about providing a cost of living adjustment for employees because it has a tremendous impact on the budget and preferred pay increases be based on performance. Chairman Hawkins commented that the comparisons to other counties shown by staff during the presentation indicated a mix of COLAs and merit pay. Human Resources Director Sheila Cozart confirmed there is a mix of COLAs, merit pay and bonuses in other counties. She reported that prior to 2008 the County also provided pay increases through both COLAs and merit pay. COLAs help keep an employee whole so they are not losing ground based on the CPI. Employees would also receive an increase based on their performance. The County has not been able to provide any salary increases to employees until last year and as a result has fallen away from the previous COLA and merit system of pay. Ms. Cozart stated that department heads are supportive of a merit based system as long as they are able to inform their employees ahead of time that any pay increase will be based on their performance. However, for FY 2014 department heads preferred a COLA for their employees since they have had only one increase in pay since 2008.

Commissioner Chapman asked if there was a consensus among Commissioners for supporting a tax increase. Whether or not Commissioners support a tax increase will drive the conversation and decisions made moving forward. Commissioner Lemel stated that she does not see how this County can continue without a tax increase and therefore she intends to vote for a tax increase. Without a tax increase, the County cannot work to build the community, and the amenities and infrastructure that are needed to move the County forward. Chairman Hawkins expressed his support of a tax increase to make the necessary investments in the County. His vision for Transylvania County in the year 2025 is that the population grows to 40,000 or 45,000 people, there is a solid economic mix, the school system is growing, and most of the structural and amenity infrastructure is in place to make growth in the County build on itself. He believes if the County had started this years ago, the County would not be in this situation now. Every year Commissioners delay, it becomes exponentially harder to catch up. Chairman Hawkins commented that Macon County's budget is 12% higher than Transylvania County's, and they are making investments every year, while having the same population and similar characteristics as Transylvania County. Chairman Hawkins supports a tax increase while understanding it is a hardship for some people. Commissioner Chappell stated that he does not support a 5.92 cents tax increase. He supports investment in economic development and education and would entertain a recommendation for a tax increase at a lower amount. Commissioner Chapman concurred with all the comments and stated that he does not support a 5.92 cents tax increase all at once. He is concerned about several items in the budget, particularly with the animal shelter manager and the school budget and he would prefer to have some additional discussion on those items. To him, investment is the same as spending. He also does not want to continue using the fund balance for operational expenses.

The Manager reminded Commissioners that a public hearing is tentatively set for June 10. The last regular meeting is scheduled for June 24. Commissioners must pass a budget before the end of June.

Commissioner Chapman suggested Commissioners make a list of items to discuss during the workshop tomorrow night and then vote on them individually. He believes those decisions might help Commissioners set the tax rate.

Chairman Hawkins is prepared to vote tomorrow night on a budget to send forth to a public hearing. He suggested to Commissioners if they are uncomfortable with the level of tax rate increase, that they take an overall view of the budget and report a level in which they would be comfortable. He is concerned about reviewing the items individually. He preferred to give staff direction on a level of spending and have them craft a budget based on that level. A tax increase should be set at a level that is effective so the

County can accomplish those things that need to be done. He noted that the Manager's recommendation of a 5.92 cents tax increase does not address all the needs of the County.

The Manager reviewed the schedule for tomorrow night's meeting. Operations Director David McNeill will present the fire department budgets. Commissioners will then have an opportunity to continue discussing the budget and reach a consensus on a budget for the public hearing process. The Manager asked for Commissioners to inform staff of any questions. He reminded Commissioners that the base case scenario presented earlier calls for a 3 cents tax increase and no investment in other items.

Commissioner Chapman requested to discuss the animal shelter manager position. He wanted to know how the operation of the new shelter will change from current operations and how that justifies the need for a shelter manager. Operations Director David McNeill explained that the new animal shelter will require additional responsibilities in order to maintain the facility, care for the animals, coordinate volunteers, and utilize the inmate population to assist with some duties. With the current staffing level, the best case scenario is the shelter is open 19 hours per week to allow citizens to come and view animals for adoption or pickup. There is typically one staff person assigned to the shelter during the open hours because the other two officers are off. It is frustrating for people to come to the shelter and there is no one there to assist them because the officer was called out on an animal control issue. This means there is less time focused on trying to get animals adopted. Having a shelter manager allows the shelter hours to be expanded to 36 hours per week.

Commissioner Chapman asked if the volume of animals in the shelter is expected to increase. Mr. McNeill stated that the current facility is unhealthy so the number of days animals are housed is limited. If those animals are not adopted, they are euthanized much sooner. The new shelter is equipped with an air filtration system and quarantine area and will allow for animals to stay longer and allow animal groups more time to locate a home for those animals. Commissioner Chapman said he would like to stay informed of the shelter activities once the new shelter is open.

Commissioner Chappell inquired about the number of full-time and part-time employees working for the County. Ms. Cozart reported there are 312 full-time County positions. Last year there were 27 FTE's working part-time. The County employs over 80 part-time people working on an as needed basis in the Sheriff's Office, EMS, Child Development and other areas.

Chairman Hawkins suggested Commissioners think about the budget that has been presented by staff and the discussions that have taken place over the last couple of days and be prepared to discuss the budget further tomorrow night. He wants the goal to be for Commissioners to decide upon a budget at that time to put forth for the public hearing. Chairman Hawkins asked Commissioners to think about a tax increase that is an efficient and appropriate level to get the County through the next three years. He is comfortable with the Manager's recommendation. If others are not, he hopes that can be worked through tomorrow night.

Commissioner Lemel commented that she has great trust in staff and she feels they have done a good job in doing their best to analyze the most cost effective budget that they can provide after the many years of suffering severe cuts to operations. Therefore, she trusts the recommendation of the County Manager.

Commissioner Chappell reiterated that he does not support a 5.92 cents tax increase; however, he believes the County needs to make some investments. He asked for staff to bring back some alternatives for employee pay increases. Instead of a 2% COLA, he would prefer a one-time lump sum and a return to the pay for performance system next year.

Commissioner Chapman recommended one of the key items to discuss tomorrow night is the education budget because this decision may affect other budget decisions.

The Superintendent and members of the Board of Education were in attendance. Commissioner Chapman asked if \$1.6 million in capital appropriation, which is the Manager's recommendation, will suffice for FY 2014. The Board of Education had originally requested \$1.8 million. Superintendent Jeff McDaris responded that the school system has more needs than the \$1.8 million requested. He believes it is appropriate to begin discussing a bond issue. Dr. McDaris said the school system has aging facilities and other needs as well and the Board of Education will do the best it can with the appropriations received from the County. Commissioner Chapman said it will be important to make the case to the public for the need for the school bonds. It will take a joint effort on the part of both Boards.

Chairman Hawkins asked Dr. McDaris about the different versions of the State budget. Dr. McDaris believes the House will have a more favorable budget. He does not care for the Senate budget because it raises class size, while holding teachers accountable for more testing and reducing teacher assistants. The Senate is also proposing eliminating the discretionary cut but the tradeoff is much higher.

There was no further discussion by Commissioners.

### **PUBLIC COMMENT**

There were no comments from the public.

### **RECESS**

**Commissioner Lemel moved to recess the budget workshops until Thursday, May 30, 2013 at 6:30 p.m., seconded by Commissioner Chapman and unanimously carried.**

### **THURSDAY, May 30, 2013, 6:30 p.m., Rogow Room, Transylvania County Library**

The Budget Workshop meeting reconvened on Thursday, May 30, 2013 at 6:35 p.m.

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

Media: *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 FIRE DEPARTMENTS**

Operations Director David McNeill stated that Emergency Services staff worked with volunteer fire and rescue departments to prepare the FY 2014 Budget package. Departments were asked to complete standardized budget forms outlining their needs. Staff reviewed the requests, gathered additional information and held discussions with department representatives concerning the budget requests. There

were a few key issues that impacted all the fire departments. Those issues were rising equipment costs, insurance costs, NFPA/Department of Insurance costs, increased cost of personal protective equipment, aging equipment, and paid staffing needs.

Mr. McNeill stated that it is important to note that each department also has operational and budget issues that are specific to that department and each department and district is different in its needs and capabilities. However, each of the eight fire departments and the rescue squad are demonstrating good faith in the performance of their contractual arrangement with the County to provide quality services.

The most pressing concern for fire and rescue departments is ensuring that they have adequate response capabilities 24/7. Each department says that having someone available to respond during normal work hours (8:00 a.m. to 5:00 p.m.) has reached a critical juncture. This is especially true for medical first response calls in their respective districts. During the 2010 budget process, the Chief's Association submitted a staffing plan to the Board of Commissioners asking for two paid staff people in each department during normal work hours. The Chief's Association as an organization still supports and asks Commissioners to implement a countywide staffing plan. In addition, three departments included paid staff requests in their FY 2014 Budget totaling \$187,018 for those three departments alone. County Emergency Services staff continues to recommend that Commissioners address paid staffing in a consistent manner using a countywide approach. The budget package includes a recommendation that Commissioners approve funding for each department, including Brevard Rescue Squad, beginning January 2014 for one paid staff person. The impact to the total fire rescue budget for the fiscal year is \$160,000. In FY 2015, the cost of full implementation of one paid staff person per department would be \$320,000. Commissioners could consider alternative options of funding paid staff in the FY 2015 Budget as outlined in the 2010 paid staffing proposal submitted by the Transylvania County Chief's Association.

A countywide approach to paid staffing in the fire departments will provide consistency in the level of service to the citizens, provide a certified EMT to assist EMS on medical responses and transports in each district, support the mutual aid arrangements between fire departments, and provide each department with a staff person to help meet the expanding administrative requirements. This is critical to ensuring the fire departments can maintain the lower fire insurance ratings. It is important to note that although each department and district are different from each other, they are all intertwined in that they have mutual arrangements with each other that is essential to providing adequate fire protection and for those lower insurance rates.

The budget package includes three spreadsheets. One outlines the impact to the fire department budgets and fire tax rates if Commissioners approve the recommended implementation effective January 1, 2014. The second outlines the fire department budgets and fire tax rates if Commissioners do not support the implementation during the FY 2014 budget year. The third shows the impact to the fire rescue budgets and fire tax rates with a full year of funding included. As mentioned earlier, there are other funding options that Commissioners may consider as opposed to the fire tax collections.

Mr. McNeill stressed that the fire and rescue departments have and continue to do a great job. He compared Transylvania County's fire tax rates, cost of fire protection, and insurance ratings to Henderson County. In Transylvania County, \$2.5 million is projected to be spent on fire protection. Henderson County is projected to spend \$7.4 million. Mr. McNeill noted that each county, regardless of the population, has to operate within a five-mile district and must have certain resources available to achieve a particular fire insurance rating. The average fire tax rate in Transylvania County is \$0.0746 cents; Henderson County's is \$0.0942 cents. The lowest fire tax rate in Transylvania County is Lake Toxaway at \$0.0328 cents. The lowest fire tax rate in Henderson County is \$0.065. The highest tax rate in Transylvania County, usually associated with the lowest property valuation, is Balsam Grove at \$0.1248. The highest in Henderson County is similar at \$0.125. In Transylvania County, the lowest insurance

rating is 5, both in Cedar Mountain and North Transylvania. The insurance rating is important to homeowners with regards to their fire protection insurance and a low rating provides a great savings to homeowners and business owners. The lowest rate in Henderson County is 4. The highest insurance rating in Transylvania County is in Balsam Grove at 9S. Ironically the district with the highest insurance rating has the highest tax rate. The highest rate in Henderson County is 7. Mr. McNeill believes this demonstrates that Transylvania County is getting excellent fire and rescue services at a good value. He also believes all the fire departments are really struggling with taking care of the administrative functions and making sure someone is available as a first responder during normal working hours.

Mr. McNeill concluded his presentation by saying that he appreciates the efforts of each of the fire rescue departments to provide quality services to the citizens of Transylvania County. He thanked Commissioners for their consideration of the recommendation.

Discussion: Commissioner Chapman asked if there are no budget increases if any of the districts are in danger of having a negative impact on their insurance rating. Mr. McNeill said he is unaware of any of the departments being re-rated this year. When it is time, the State will look back at those records to determine if the administrative requirements have been met throughout that period. It is essential for the departments to continue meeting those requirements.

Responding to Commissioner Lemel, Mr. McNeill said the average turnout per call is the best guess average of the number of volunteers who respond to calls. Commissioner Lemel noted that the observation about the daytime issues is substantive because on average about twice as many volunteers respond to the nighttime calls than to the daytime calls.

Commissioner Lemel noted that departments are fairly consistent in size and the number of volunteers is commendable. The number of calls in each district varies greatly. She questioned why some departments have large checking account balances while still owing debt service. Mr. McNeill said some departments have money set aside to purchase equipment and other items. The Manager noted one department is reserving money for a substation which will lower the insurance rates for the people in that district.

Commissioner Lemel inquired about the status of the substation for Brevard. Mr. McNeill said the Brevard Fire Department is working to identify the most appropriate location for the substation that would impact the most properties. The process may require redrawing district lines.

Commissioner Lemel commented that fire protection is an area that is difficult to comprehend because people just assume it is available when they need it. She believes it is important for citizens to understand that the County has grown and the need is great for pre-planning which cannot be done without paid staff.

Commissioner Chappell stated that some departments have had issues with debt service in the past and staff was working with them to improve their financial information. Mr. McNeill confirmed his statement and said those departments are still moving in the right financial direction because debt service affects their ability to provide services.

Chairman Hawkins asked Mr. McNeill to clarify his recommendation in terms of the paid staffing. Mr. McNeill recommended Commissioners approve for FY 2014 \$20,000 for all fire departments, except Brevard because it already has paid staff, and Brevard Rescue to provide them with one paid staff person beginning January 2014. For FY 2015, the budget will include the positions for the full year at \$40,000 annually beginning July 1, 2014. During this process, he asked Commissioners to allow staff to bring back some recommendations to them on how best to fund the positions, whether they continue to be funded through the fire tax rate or through other options, such as establishing a countywide paid firemen's tax.



Mr. McNeill noted that the paid fire department staff will not be County employees. The County will provide the funding to the fire departments to hire an employee. The County will require that the fire department employee be a basic EMT in order for the fire departments to be eligible to receive funding. The fire departments can stipulate other employment requirements if they choose.

Chairman Hawkins called for a break at 7:05 p.m. The Board reconvened at 7:20 p.m.

### **DISCUSSION & DECISION ABOUT FY 2014 BUDGET**

Chairman Hawkins recognized Dr. Molly Parkhill, President of Blue Ridge Community College, who was in attendance. He asked the Manager to review the budget request for Blue Ridge Community College. The Manager reported that the current spending for Blue Ridge Community College is the same as last year. There is an increase of \$120,000 in capital over last year. The increase is attributable to building renovation costs, paving parking lots and addressing space needs. The Manager recommended approving the budget request for Blue Ridge Community College.

Commissioner Chapman reported that he spent the day visiting agencies and collecting data. He commented that most of the people in attendance will not be affected by a property tax increase; however, there is a large segment of the community struggling to make ends meet. He asked Commissioners to keep those people in mind when making the budget decisions. His focus has been on what the County can do to improve economic development in this community. Although there are monies in the budget proposal to address this, he feels the vast majority of the budget expands government, through spending more money on education, hiring additional employees, increasing employee benefits, etc. He stated that County employees are well-compensated compared to many others in the community. Commissioner Chapman cited several statistics from community agencies about the number of people receiving financial assistance for various reasons. He also cited the number of foreclosures over the last few months and stated that the County is expected to have a record number of foreclosures this year. While there are problems in this community, these issues are not unique to the rest of the country. Commissioner Chapman expressed concern about the exorbitant number of employees working for the Department of Public Instruction and there not being enough teachers for the classrooms. Furthermore, the number of children on free or reduced lunch continues to increase, but budget discussions are centered on paving parking lots. Commissioner Chapman stated that this budget does not solve these issues in the community. Therefore, he does not support a tax increase or a drawdown of the fund balance to pay for all of the budget requests.

Commissioner Lemel reminded Commissioners that employees are citizens too and department heads have considered their budgets wearing both hats. She said she is supportive of a tax increase while being cognizant of the poverty in this community and how it might affect people in this County. However, referring back to the statistics cited by Commissioner Chapman, it seems there is a large homeless population here. Those people do not own homes and will not be impacted by a property tax increase. She sees the increase in property taxes as an avenue to develop the economy and invest in the community to attract new businesses that will provide the economic growth needed to employ these people who continue to suffer because of the depressed economy. As leaders of the County, it is up to Commissioners to ensure services are provided to all citizens. Transylvania County has to be able to provide the infrastructure, amenities and quality of life for citizens. Commissioner Lemel also commented that revenues should not come from property taxes alone, but from sales taxes as well, so that the County's revenues are not generated on the backs of its own citizens.

Chairman Hawkins respected Commissioner Chapman's concern for those people in need. He stood by his comments from last night's meeting, saying he feels just as strongly about his stance. He believes the County can take action to help alleviate some of the problems people are facing. Chairman Hawkins also

commented on Commissioner Chappell's comments about keeping costs low. He believes the best way to provide a better economic future is to make the kinds of expenditures and investments to facilitate an environment in which businesses can come here and the economy can grow. He expressed concern about the magnitude of the tax increase. He does not believe the best thing to do is to go years without a tax increase and then be forced to impose a larger increase at once, which is what the County has been doing for a number of years.

Commissioner Hogsed clarified that these investments will be brought about largely by the proposed tax increase. He is concerned that Commissioners do not know what the investment will be at this point. He agreed that many people will be able to handle a tax increase; however, he is concerned about young families and those on fixed incomes. He noted that the economy was much better when the last tax increase occurred in 2006. Commissioner Hogsed does foresee the economy getting better in this County; therefore he does not support a tax increase on citizens at this time, especially when the cost of all other goods and services are rising as well.

Chairman Hawkins commented that the Library is a product of people having a vision during a bleak time in this County when the plant closures occurred. There was serious concern at that time if it was the right time to take on such a project and if the community would be supportive. The people then thought it was worth it and they thought it would show people that Transylvania County is still open for business. The Library became a reality through Commissioners allocating funds and because of a tremendous fundraising effort on behalf of the citizens of this community. Chairman Hawkins said he is proud of this facility because it symbolizes those people who had a vision and a willingness to invest in the community which benefited the community as a whole. He asked Commissioners to provide alternatives to the proposed budget.

Commissioner Chappell expressed concern about the proposed budget. He said he received some advice today to help him get through this budget process. The advice was that he should determine what is most important to him in the budget. The two issues that stood out to him the most were education and economic development because these areas are tied together. Without an educated and viable workforce, there can be no economic development. Students need to be prepared for the workforce now and in the future. The County also has to be prepared when industry and companies are looking to locate here and must be able to choose Transylvania County as their location. He encouraged Commissioners to support setting aside monies for economic development purposes. Commissioner Chappell said there are other needs presented in the budget that can be delayed while the County focuses on immediate goals. While he appreciated the amazing job County employees do, he commented that private sector employees are not receiving pay increases. Because of that he preferred a lump sum bonus to a COLA and to return to the performance-based system next year. Commissioner Chappell also did not support borrowing monies to renovate the Courthouse at this time, or spend extra in capital or recreation.

Commissioner Lemel reiterated comments she made last night and said not doing today is an exponential loss tomorrow. She asked, if not now, when? She agreed the County needs a viable, well-trained workforce which is the key to economic development, but jobs are needed now too. The County needs to make the investment to help bring in jobs now and to be prepared should something come this way. She noted that the Courthouse renovation is slated for FY 2015 so Commissioners have another year to prepare. She is concerned about continuing to delay projects and investments. She urged Commissioners to prepare Transylvania County for the future.

Chairman Hawkins polled Commissioners and asked if they agreed on the funding for economic development in the Manager's recommended budget. Commissioner Lemel was supportive of the investment. Commissioner Chapman said there is no plan in place to spend the \$600,000 recommended by the Manager. He preferred Commissioners establish a plan and let the economic development study

process occur before allocating additional funds. Commissioner Chapman also expressed concern about other items in the budget.

Chairman Hawkins agreed the County needs to have a plan. However, he disagreed with Commissioner Chapman about Commissioners not knowing how monies would be spent on economic development. Commissioners understand there is a chance those monies might be used in the short term. The Goldsmith report indicated that the County must put itself in a position to be ready when an opportunity occurs. Chairman Hawkins also agreed that there are items in the budget that will not directly facilitate economic development, but the budget recommendation tries to plug holes that have been created over the years and because of a demand in government services. Chairman Hawkins believes what has been presented is the better alternative than not doing anything. If Commissioners choose not to move ahead with the budget recommendations, he asked them to provide alternatives.

In order to move the discussions along, **Commissioner Chapman moved to approve Case #3 scenario as presented and recommended by the Manager. The motion was seconded by Commissioner Lemel.** For the benefit of Commissioners and the public, the Manager reviewed Case #3. This scenario includes a 5.92 cents tax increase and would bring the fund balance level down to 12% over a three-year period. **The motion failed by a vote of 3 to 2, with Commissioners Chapman, Chappell and Hogsed voting against.**

Commissioner Chappell requested to discuss the employee pay increase once more. He preferred the one-time lump sum bonus. The Manager reported there is \$300,000 included in the budget for a 2% COLA increase. A lump sum bonus of \$800 equates to the \$300,000. Commissioner Chappell preferred a \$500 lump sum bonus and then move back to the performance-based system next year. A lump sum bonus is not compounded year after year.

**Commissioner Chapman moved to approve the proposed education budget as recommended by the Manager. The motion was seconded by Commissioner Lemel.** The budget recommendation is an increase of \$509,333 in current spending and \$1.6 million in capital. **The motion passed by a vote of 3 to 2, with Commissioners Chapman and Hogsed voting against.**

**Commissioner Lemel moved to approve the Blue Ridge Community College funding in the amount specified in the presentation. The motion was seconded by Commissioner Hogsed and passed by a vote of 4 to 0.** Commissioner Chappell recused himself from the vote being he is an employee of Blue Ridge Community College.

Commissioner Chappell inquired further about the option to renovate the Courthouse. He understands the proposal is to borrow money and complete the project in FY 2015. The Manager noted that it takes time to plan so it is included in the budget recommendations now. Commissioner Chappell is concerned about passing a tax increase now and then issuing a bond referendum in the near future. He feels a bond referendum should do more than just cover school projects. The Manager pointed out that when the current bond issuance expires, the County will free up \$2.3 million which is currently being put toward debt service. Furthermore, the Courthouse is overcrowded and safety is a major concern. Prior Boards have stated the number one capital need is the Courthouse. The Manager is concerned about someone getting hurt or killed. Commissioner Chappell agreed with the Manager but he wants to ensure the project is done at the right time and in the right fashion.

**Commissioner Chapman moved to approve the recommendation of the County Manager regarding personnel, which includes additional staff hours, reclassifications, and 2% pay increase for a total increase in personnel costs of \$1.1 million (includes healthcare costs already approved by**

Commissioners). **The motion was seconded by Commissioner Lemel and failed by a vote of 3 to 2, with Commissioners Chapman, Chappell and Hogsed voting against.**

**Commissioner Chappell moved to give a \$500 one-time bonus to be paid out in the first paycheck in November and direct staff to bring back a recommendation to implement a pay for performance system. The motion was seconded by Commissioner Hogsed.** Ms. Cozart noted that part-time employees would not be eligible to receive the one-time bonus. The Manager pointed out that part-time employees will not have received an increase in six years should this proposal pass. Part-time employees did not receive an increase last year as did full-time employees. He asked Commissioners to give staff some latitude on the number of employees receiving the bonus. Commissioner Hogsed asked if there was any reason why employees could not receive a merit increase this year as opposed to a bonus or COLA. The Manager stated that this can be done. He reminded Commissioners there is a pay for performance system already in place but it has not been funded. Ms. Cozart added that many employees have worked for the County for a number of years and a lump sum will not benefit them as much as a COLA or merit increase would. Lump sum bonuses also do not help the County to be competitive and compounds compression issues by not moving employees through their pay range. This results in the County losing trained and qualified employees to other governmental entities. Commissioner Hogsed preferred a merit-based increase of 2%, not a COLA. Commissioner Chapman expressed support for a performance-based system to reward excellent employees. After further discussion, **the motion failed by a vote of 1 to 4, with Chairman Hawkins and Commissioners Chapman, Hogsed and Lemel voting against.**

Chairman Hawkins reminded Commissioners that last night there was support for a tax increase by the four Commissioners in attendance but that sentiment has changed at this meeting and the Manager's recommendation was voted down. He asked Commissioners to come to a consensus about a tax increase level and allow staff to craft a budget using those parameters.

**Commissioner Chapman moved to enact a three cents tax increase for FY 2014 and direct staff to craft a budget. The motion was seconded by Chairman Hawkins.** Commissioner Chapman said the tax increase includes education. The Manager noted this scenario does not make any investments and just covers operational expenses. A three cents increase equates to \$1.8 million and Commissioners will still need to draw down from fund balance to meet operations. The operational deficit is \$3.2 million. Commissioner Chapman expressed concern that there is no discussion about cutting budgets. He does not intend to vote for a tax increase. The Manager pointed out that with no tax increase the operational deficit still remains at \$3.2 million. He said Commissioners can take the monies from fund balance but the deficit grows bigger next year. The Manager also reminded Commissioners that departments have cut their budgets for several years because they have not kept up with inflation. When the plants shut down in 2002, department heads removed \$2 million in expenditures. He said the question Commissioners need to answer is how to continue the level of services being provided today. **The motion failed by a vote of 3 to 2, with Commissioners Chapman, Chappell and Hogsed voting against.**

Chairman Hawkins called for a break at 9:00 p.m. The Board reconvened at 9:15 p.m.

Chairman Hawkins clarified the action that has been taken by the Board so far. The Clerk reported that the only items approved so far have been the education budgets for both Transylvania County Schools and Blue Ridge Community College.

**Commissioner Chapman made a motion for a 0% tax increase. The motion was seconded by Commissioner Hogsed.** For clarification purposes, **Commissioner Chapman amended his motion to take the education budget from fund balance. Commissioner Hogsed withdrew his second and the motion died.**

**Commissioner Chappell moved to enact a 4.2 cents tax increase and direct staff to craft a budget accordingly, leaving the education budgets as already approved. The motion was seconded by Commissioner Lemel.** Commissioner Chappell commented that over 3 cents would be used to cover the education budget. He felt he would be hypocritical by saying he would support education but not provide the funding. **The motion passed by a vote of 3 to 2, with Commissioner Chapman and Hogsed voting against.**

#### **DISCUSSION & DECISION ON FIRE DEPARTMENT BUDGETS**

**Commissioner Lemel moved to approve the fire department budgets as presented. The motion was seconded by Commissioner Hogsed.** Commissioner Chappell clarified that paid staff would be brought onto the departments in January and staff will bring back a recommendation for FY 2015 as to how to cover the cost of the paid staff. After further comments, **the motion passed by a vote of 4 to 1, with Commissioner Chapman voting against.**

Staff will bring back a new budget proposal including the 4.2 cents tax increase for Commissioners' consideration at the regular meeting on June 10. If agreed, staff will schedule a public hearing for June 17.

#### **PUBLIC COMMENT**

There were no comments by the public.

#### **COMMISSIONERS' COMMENTS**

Commissioner Chapman informed the public that the tax increase, if approved, will be a 10.6% increase to every property owner in the County. He said there are people who are struggling and he hopes everyone will keep them in mind during their decision making. Commissioner Chapman urged members of the education system to go to Raleigh and demand more money be spent in the classroom. He thanked everyone for attending the budget workshops and for the phone calls and emails he had received. He said he hopes Commissioners are making the right decision for everyone in the County.

Chairman Hawkins thanked staff and Commissioners for all the work have done on this budget process.

#### **ADJOURNMENT**

There being no further business to come before the Board, **Commissioner Chapman moved to adjourn the budget workshops, seconded by Commissioner Lemel and unanimously carried.**

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Mike Hawkins, Chair  
Transylvania County Board of Commissioners

ATTEST:

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Trisha M. Hogan, Clerk to the Board