

MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
June 9, 2014 – REGULAR MEETING & BUDGET WORKSHOP

The Board of Commissioners of Transylvania County met in regular session on Monday, June 9, 2014 at 6:00 p.m. in the Rogow Room at the Transylvania County Library. Commissioners reconvened the recessed meeting from May 29, 2014 and will continue with budget workshops after the regular business has been conducted.

Commissioners present were Vice-Chairman Larry Chapman, Jason Chappell, Chairman Mike Hawkins, Daryle Hogsted and Page Lemel. Also present were County Manager Artie Wilson, County Attorney Tony Dalton, Finance Director Gay Poor, Human Resources Director Sheila Cozart, Finance Accountant Abbey Owen and Clerk to the Board Trisha Hogan. In addition, making a presentation on the compensation study during the budget workshop portion of the meeting was Ann Antonsen with Springsted, Inc.

Media: *The Transylvania Times* – Jeremiah Reed

There were approximately 150 people in the audience.

CALL TO ORDER

Chairman Mike Hawkins presiding reconvened the recessed meeting at 6:08 p.m.

WELCOME

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

PUBLIC HEARING

INCENTIVE GRANT FOR COMPANY "Y", AKA PROJECT STAG

Company "Y", aka Project Stag, intends to expand its operation either in Transylvania County or to another site outside of North Carolina. In order to incentivize the company to expand in Transylvania County, the Board of Commissioners is proposing to provide a performance-based incentive grant based on the creation of 28 new manufacturing jobs over a 36-month period. The average annual wage of these jobs is \$35,857 plus benefits. Company "Y" also intends to make an estimated capital investment of \$6 million over the next 3-year period.

The NC Department of Commerce is committed to providing a performance-based grant of \$2,000 per new manufacturing job created, or \$56,000. Transylvania County will provide a required match of \$2,000 per new manufacturing job created. In addition, Transylvania County proposed to provide a 50% performance-based grant back of ad valorem taxes (for a 3-year period) resulting from new capital investment made by Company "Y" over the next 3-year time frame. The payback of ad valorem taxes amounts to approximately \$39,000 with the estimated level of investment.

Benefits derived will be the creation of 28 new manufacturing-related jobs in Transylvania County, increased sales tax revenues from individuals employed by Company "Y" and increased long-term ad valorem property tax revenues. The County may not award the incentive grant without first holding a public hearing. A public hearing was advertised in accordance with NCGS 158-7.1.

Chairman Hawkins declared the public hearing open at 6:10 p.m. There were no public comments.
Chairman Hawkins declared the public hearing closed at 6:11 p.m.

Commissioners will consider this item under New Business.

PUBLIC COMMENT

Andy Boyko: Mr. Boyko, Commander of the American Legion, presented the Manager with a framed certificate of appreciation for all he has done to assist veterans in the County, especially during the special events held downtown. Mr. Boyko thanked the Manager for his dedication to Transylvania County. The audience expressed their appreciation as well with a standing ovation.

Kathy Zimmerman: Ms. Zimmerman, owner of Wildwood Design and a member of the Silvermont Centennial Committee, has donated over 200 hours of professional services to produce a landscape design concept plan for Silvermont. She reminded Commissioners that they voted to allocate \$25,000 toward a new children's playground at Silvermont if the Silvermont Centennial Committee could raise the matching funds. She happily reported that the Silvermont Centennial Committee has raised the necessary funds. Ms. Zimmerman stated that this is the latest citizen effort that began decades ago for Silvermont and now the Silvermont Centennial Committee wants the Board of Commissioners to put up significant funding in the upcoming budget for Silvermont.

Bob Herring: Mr. Herring is treasurer of the Friends of Silvermont and a member of the Silvermont Centennial Committee. He reported that the Friends of Silvermont was formed in 1981 and the members agreed to provide labor and secure financial assistance to supplement the funds left by the Silversteen family. The group has survived on donations from the public and has morphed into identifying potential problems and recommending solutions to the property. In addition, the group has continued to provide labor and financial assistance, such as helping to fund the second floor museum, trimming hedges, rebuilding outside benches and donating \$10,000 to the Centennial Committee for mansion window repair. The Friends of Silvermont has worked for more than 30 years on behalf of Silvermont.

Jan Osborne: Ms. Osborne is co-chair of the Silvermont 2nd Floor House Museum and co-chair of the Silvermont Centennial Committee. She reported that since opening in 2011, the museum has hosted over 1,000 visitors. Dedicated docents have introduced 329 local children to the history of the mansion and the Silversteen family. Volunteers have donated hundreds of hours to improving the Silvermont mansion. Ms. Osborne noted that over the years funding for the mansion has come from the Friends of Silvermont, the Silvermont Reserve Fund, the Leonard Silversteen Family Foundation, grants, and many generous local donors. She pointed out that the second floor has no heat or air conditioning and there is no access for the handicapped. She asked the County Commissioners for their help in accomplishing this.

Diane Kuehn: Ms. Kuehn is President of the Transylvania County Extension Master Gardeners. The Master Gardeners started working at Silvermont over a decade ago when they built an herb garden. In 2010, they built numerous learning and demonstration gardens. Over 3,200 volunteer hours have been dedicated to the gardens since then. The Master Gardeners have used \$7,500 of their own funds for plants and received \$20,000 from over 50 individuals and businesses. Including the value of volunteer hours, the Master Gardeners have contributed \$95,000 since 2010 to the Gardens at Silvermont which are essential in educating the public on gardening. On behalf of the Master Gardeners, Ms. Kuehn asked Commissioners to support Silvermont by approving and funding the strategic plan.

Heather Layton: Ms. Layton is a downtown business owner. She is also a parent and recently organized play dates at Silvermont for the purposes of raising awareness about the mansion renovations, including the playground. Through this effort and other fundraising activities, over \$1,000 was raised. Ms. Layton feels

strongly about the need for safe places for kids to play and learn. She encouraged Commissioners to support the continued improvements at Silvermont.

Barbie Harper: Ms. Harper stated that her family has also participated in fundraising activities for Silvermont, but she wanted to address Commissioners about the Common Core education initiative. She reported that two bills have passed the NC House and Senate that would replace Common Core and ensure the privacy of student data. Ms. Harper made Commissioners aware that there are hundreds of bills related to college and career readiness, as well as bills pertaining to data collection in the Common Core initiative. She is concerned how this will affect Transylvania County Schools. Ms. Harper is a former North Carolina teacher and she said is not alone in her opposition to the Common Core standards.

Nancy Dumville: Ms. Dumville is President of the French Broad Gardeners Garden Club. This club has been involved with plantings and maintenance of planters and flowerbeds in front of the Silvermont mansion for about six years. Roughly 150 hours have been donated to purchasing, planting, and maintaining the plantings, with 15 members watering two to three times a week. The donated cost has been several hundred dollars towards the purchase of plantings. In addition, this year the club pledged \$1,000 for park landscaping as part of their commitment to the Silvermont Centennial Project. Ms. Dumville urged Commissioners to support the centennial project.

Margaret Mossbarger: Ms. Mossbarger is a member of the Advisory Council for the Silvermont Opportunity Center. The center's congregate meal program provided over 2,500 meals last year. Activity logs for the same period recorded more than 8,200 senior visits to Silvermont to attend daily activities, educational seminars, counseling sessions, and wellness or support programs. The Land of Sky Regional Council credited Silvermont's Retired Seniors Volunteer Program with saving local government and nonprofits \$204,846 during 2013 alone. The center needs additional senior parking, rear house accessibility, level doorway thresholds, more accessible restrooms, and interior plaster repair. Ms. Mossbarger asked Commissioners to budget money to update the center for the safety of seniors.

Gene Baker: Mr. Baker is associated with the Transylvania County Historical Society whose primary mission is preservation. Silvermont has been their home for many years now and the group is very much aware of the building's needs. The Transylvania County Historical Society has entered into an agreement with the Silvermont Centennial Committee to assist in its efforts to preserve Silvermont by offering their support and 501(c) (3) status for contributions. They also applied for and received a \$10,000 grant from the Daughters of the American Revolution to repair and refinish the windows in Silvermont. As they prepare for the 2017 centennial year, he encouraged Commissioners to help as much as possible in this preservation effort.

Jeannie Falknor: Ms. Falknor said what Commissioners have heard here tonight shows how for decades hundreds of citizens have donated thousands of hours and dollars to Silvermont. She asked Commissioners to make a significant commitment to Silvermont Park in the new fiscal year budget. Ms. Falknor reminded Commissioners that the Silvermont Centennial Committee gave them a strategic plan for the park. She asked Commissioners to adopt the \$2 million plan of repairs and improvements and that it be implemented by 2017 when the mansion turns 100 years old. Ms. Falknor stated that Commissioners need to demonstrate their recognition of this property as an asset that could serve economic development and tourism. She believes further delays will mean higher costs in the long run so she asked Commissioners to fund significant improvements to Silvermont in the upcoming budget.

Jane Shiley: Ms. Shiley is a Walk of History leader. She shared a story of a group of young boys who interrupted their basketball game at Silvermont to pick up trash (limbs, old papers, bottles, soda cans, cigarette butts) on the grounds because they learned about the purpose behind Walk of History. They had

taken ownership and done what they could, when they could, which shows the love that everyone shares for Silvermont.

Diane Harle: Ms. Harle spoke on behalf of People for Clean Mountains. She provided copies of a report completed by People for Clean Mountains in their campaign efforts to stop garbage incineration. The report provides alternatives for dealing with trash. She asked Commissioners to ensure that recycling bins are placed at County parks. Ms. Harle also encouraged Commissioners to support composting.

AGENDA MODIFICATIONS

There were no agenda modifications.

Commissioner Chapman moved to approve the agenda, seconded by Commissioner Hogsed and unanimously approved.

CONSENT AGENDA

Commissioner Lemel moved to approve the Consent Agenda, seconded by Commissioner Hogsed and unanimously approved.

The following items were approved:

MINUTES

The minutes of the May 9, 2014 and May 22, 2014 special meetings were approved.

PROCLAMATION-ARTS AND CULTURE WEEK

For the past few years the Transylvania Arts Promotion has requested that both the City of Brevard and Transylvania County proclaim the last week in June leading up to July 4th as Arts and Culture Week. The Transylvania Arts Promotion will host a series of events and activities for the entire week. Commissioners approved Proclamation 20-2014 Arts and Culture Week: June 21-July 4, 2014. Tammy Hopkins, Executive Director of the Arts Council, provided some brochures highlighting the activities going on during Arts and Culture Week.

(Proclamation 20-2014 Arts and Culture Week: June 21-July 4, 2014 is hereby incorporated by reference and made a part of these minutes.)

APPLICATIONS FOR PERMITS TO CONDUCT FIREWORKS DISPLAYS

The 2010 Pyrotechnics Act requires the Board of Commissioners to approve all permits to conduct aerial fireworks displays in their respective county. Fire Marshal Gerald Grose has received the following permit applications for fireworks displays on July 4:

1. Jacqueline Rogow
2. Camp Rockbrook
3. Heart of Brevard
4. Burlingame
5. Camp Illahee
6. Camp Highrocks
7. Lake Toxaway Country Club
8. Camp Carolina

Commissioners approved the permit applications as submitted.

NEW BUSINESS

INCENTIVE GRANT FOR COMPANY "Y", AKA PROJECT STAG

Commissioners held a public hearing at the beginning of the meeting. The NC Department of Commerce is committed to providing a performance-based grant of \$2,000 per new manufacturing job created, or \$56,000. If approved, Transylvania County will provide a required match of \$2,000 per new manufacturing job created. In addition, Transylvania County intends to provide a 50% performance-based grant back of ad valorem taxes (for a 3-year period) resulting from new capital investment made by Company "Y" over the next 3-year time frame. The payback of ad valorem taxes amounts to approximately \$39,000 with the estimated level of investment.

Commissioner Lemel moved to approve the performance-based incentive grant for Company "Y" based on the creation of 28 manufacturing jobs over a 36-month period. The motion was seconded by Commissioner Chapman. For clarification, it was noted that the funds would be distributed based on the jobs created, not as a lump sum. **The motion was unanimously approved.**

ALLOCATION OF MAINTENANCE OF EFFORT (MOE) MENTAL HEALTH FUNDS

Every county per North Carolina General Statutes has to allocate the same amount of mental health funds to the Local Management Entity as it did when Mental Health Reform was enacted. For Transylvania County that amount is \$99,261. Brian Ingraham, CEO/Area Director of Smoky Mountain Center, is requesting that the Transylvania County MOE funds be distributed to Smoky Mountain Center and disbursed to the following providers:

1. Blue Ridge Community Health Services	\$49,261
2. Meridian Behavioral Health Services	\$50,000
 Total	 \$99,261

Mr. Ingraham believes this allocation will help ensure a strong safety net for citizens in Transylvania County

Commissioner Lemel moved to approve the disbursement of Transylvania County's MOE funds as follows: Blue Ridge Community Health Services-\$49,261 and Meridian Behavioral Health Services-\$50,000, for a total of \$99,261. The motion was seconded by Commissioner Chappell and unanimously approved.

LEACHATE TRUCK PROCUREMENT

The leachate truck and tank were a total loss due to a wreck on March 14. The Solid Waste Department has been using the back-up tank since then but there is a need to replace the truck and tank for a long term solution. The Finance Department received four bids, one of which was determined to be non-responsive. The two lower bids were within \$250.42 of each other. However, the delivery time of the lowest bid was 35-65 days higher than the second lowest bid. Based on the delivery dates the Purchasing Agent and Solid Waste Director are recommending that the contract be awarded to WorldWide Equipment at a bid of \$121,015.42 and a delivery date of 120-150 days, 35-65 days better than the next bidder. Per NCGS 143-129 (b) "all proposals shall be opened in public and the board or governing body shall award the contract to the lowest responsible bidder or bidders, taking into consideration the quality, performance and the time specified in the proposals for the performance of the contract".

Commissioner Lemel moved to accept the bid from Worldwide Equipment of \$121,015.42 with funds to come from the General Fund Balance. The motion was seconded by Commissioner Chapman. Commissioner Chappell asked if there was a significant difference in the warranty provided from the

bidders. Finance Director Gay Poor reported that this was not material as related to the other bidders. The proper bid process was followed in accordance with NC General Statutes. **The motion passed unanimously.**

BUDGET WORKSHOP

EDUCATION

The Transylvania County Board of Education's original request for current spending was \$780,022 more than the current year and equates to a 7.9% increase. The NC House and Senate are still in budget negotiations so the State's portion of the education budget is not yet final. The Board of Education's request includes a 3% cost of living increase for all employees, although the Senate's budget proposal calls for an 11% salary increase for teachers, but it forces teachers to forego tenure. The Board of Education also requested to increase teacher supplements from 8% to 8.5%, an increase of \$86,000. They also requested an additional subsidy for the Child Nutrition program in the amount of \$150,000 for a total subsidy of \$250,000. For capital, the Manager recommended the same level at \$1.6 million. If approved, the County's total allocation will increase to \$12,208,738. The Board of Education intends to draw down \$470,500 in lottery funds. There is also debt service on the school bonds totaling \$2,235,995. Including these two items makes the total budget for the Transylvania County School System (grades K-12) \$14,915,233.

The Manager pointed out that at the end of FY 2015, the lottery fund balance is estimated to be \$77,808. This does not include the allocation from the State. For FY 2015, the Board of Education intends to draw down \$695,361 from their Current Expense Fund Balance. At the end of FY 2015, the Current Expense Fund Balance is expected to be \$807,729. The Board of Education also has a Capital Outlay Fund Balance. They intend to draw down \$219,875 of that, leaving a balance of \$193,195 at the end of FY 2015.

Dr. Jeff McDaris, Superintendent of Transylvania County Schools, announced the Board of Education is still waiting to learn about what is included in the State budget for education. The Senate budget proposes a much larger pay increase, but at the expense of losing teacher assistants. There are also some changes related to tort claims and transportation issues. Dr. McDaris expects cuts to Title I funding as well. However, he believes some monies could be shifted around to cover areas where funding is lacking. The House budget has not been made public yet; however, he understands the proposed salary increases are not as large as the Senate's proposal. He does not know how the House proposal will affect teacher assistants.

The Board of Education submitted an alternate proposed budget in which they included the worst case scenarios from the State budget. The alternate budget indicated an increase of \$908,000, or a 9.25% increase.

Board discussion:

Commissioner Lemel indicated that the Board of Education references in their budget the elimination of 43% of teacher assistants. She inquired about the number of teacher assistants currently in the system. Dr. McDaris reported that teacher assistants are primarily funded in grades K-3. Seven vacant positions will not be filled at an average annual salary with benefits of \$30,500. There are some teacher assistants in special education that are paid for through another funding source. There are more than 30 teacher assistants in grades K-3.

Commissioner Lemel inquired about their transportation costs because their budget indicates there are funds for State transportation and local transportation. Dr. McDaris responded that the mechanics are funded by State dollars. Anytime they work on a local vehicle, it is charged back to the State. Fuel costs are charged differently.

Chairman Hawkins asked for clarification that the Board of Education's request is for zero cuts to teacher assistants and that they intend to cover the cost by shifting monies and through attrition. Dr. McDaris stated that it is the intent of some legislators to reduce class sizes small enough to where teacher assistants are not needed. At the local level the Board of Education must plan accordingly and find ways to cut in other areas without losing personnel.

The Manager asked if the Board of Education intends to fill the vacant teacher assistant positions if the State budget is better than anticipated. Dr. McDaris said his recommendation would be to monitor the situation because the State continually makes cuts in this area. Finance Director Norris Barger noted that the cut is not included in the Board of Education's request to the County. The Board of Education would ask for additional dollars if they could not shift funds at the State level. Board of Education Chair Tawny McCoy confirmed that the Board of Education does not intend to fill the positions; however, shifting funds to cover the cost means shortages in other areas.

Commissioner Chappell noted there was a State cut to the Central Office that the Board of Education is requesting the County to fund in the amount of \$32,000. Dr. McDaris said this comes from the Senate budget proposal. He is unsure what is or is not included in the House budget proposal.

Commissioner Chapman stated the only way the County can fund the Board of Education's request is to enact another tax increase. He said he is operating under the assumption that the budget is important and critical enough to the Board of Education for the County to enact a tax increase. Commissioner Chapman encouraged Commissioners and citizens to contact their legislators and demand that they comply with the law and release 40% of lottery funds to counties to use towards education. He noted that many items in local government have not been funded over the years in order to cover the request from the School System.

Commissioner Lemel supported Commissioner Chapman's position. She said the only way to fund the School System as an ongoing expense would be to increase taxes because the Board of Commissioners is required by law to provide sufficient funding for schools. The County trusts the Board of Education to make the best decisions they can for the children and the schools. If the Board of Education comes to the County saying they need a specific amount of money because they do not have the authority to levy taxes, then the County must trust them to know that this is essential funding. She would like to see the Board of Education pass a resolution indicating they believe in the budget enough to support a tax increase.

Commissioner Chappell did not believe it was appropriate to ask the Board of Education to publicly support a tax increase because the Board of Commissioners was elected to make those funding decisions.

Commissioner Chappell did not support increasing the teacher supplements since they were increased last year. Also, the State budget is expected to include a significant salary increase for teachers. Commissioner Chappell believes Commissioners need to have serious discussions about the County making up for State budget cuts.

Commissioner Hogsed inquired about the request to partially restore previous cuts from State, federal and local sources which were funded last year by the County. He wanted to know if the monies from the County were used for school operations and where State cuts were made or being used to increase fund balance. Dr. McDaris said it is important for the School System to have a fund balance to cover payroll and other items. The Board of Education has been drawing down its fund balance for some time. A number of years ago the NC General Assembly began making cuts. When the recession hit in 2008 the federal government provided stimulus funding which was used to plug gaps in funding. Stimulus funding is no longer available. Dr. McDaris said the Board of Education is doing its best to be frugal with spending

while maintaining a certain level in its fund balance to cover payroll and protect against the unexpected. The funding received from the County to make up for the State cuts in fact is used for operations.

Commissioner Hogsed said he is not concerned with the State budget because it is not finalized. He preferred to move forward with the Board of Education's original request and then make adjustments if needed when the State budget is passed.

Commissioner Lemel said she supported a 1.3 cents tax increase to support the School System's original budget request with the understanding that changes could be made depending on the State's budget. The Manager pointed out that Commissioners need to have a budget proposal for the public hearing. Changes can be made prior to the approval of the budget. Staff intends to schedule the public hearing for June 23.

Commissioner Lemel made a motion to support the increase in the Board of Education's Current Expense budget request in the amount of \$780,022, with the understanding that it will be readdressed when the State budget is finalized. The motion was seconded by Chairman Hawkins. Commissioner Chapman said he will not support a tax increase of more than 1 cent and that at some point the County has to stop absorbing cuts from the State and federal government. Commissioner Chappell asked Commissioners to consider not increasing the teacher supplements by ½ percent. Commissioner Lemel said it should be left up to the Board of Education to make the best decisions on how the monies should be spent. Commissioner Hogsed said he would be willing to fund only items 1, 2, 3 and 5 on their list which totals approximately \$298,000 and covers the mandated items and the Child Nutrition program. **The motion passed by a vote of 3 to 2, with Commissioners Chapman and Hogsed voting against.**

Commissioners next discussed the Blue Ridge Community College budget. The Manager reported that the request from Blue Ridge Community College includes a 2.4% increase over the current year. They also intend to carry over \$20,000 in capital. The proposed capital budget is \$87,000. The biggest items are related to security and roll up garage doors. The recommended budget for current expense is \$295,255.

Commissioner Hogsed moved to approve the recommended budget for Blue Ridge Community College. The motion was seconded by Commissioner Chapman and unanimously approved.

Chairman Hawkins called for a 10 minute recess. The meeting reconvened at 8:00 p.m.

COMPENSATION STUDY

Ms. Ann Antonsen with Springsted, Inc. showed a Power Point presentation to detail how Springsted completed the recent classification and compensation study for Transylvania County, as well as the outcomes and their recommendations.

Objectives

- Review and evaluate the County's current classification and compensation program (current system established in 2008)
- Review wage and benefit levels
- Develop a compensation system that addresses internal equity and market competitiveness
- Review and develop administrative guidelines for implementation and maintenance

Methodology

- Conference call with County's Project Manager (Human Resources Director Sheila Cozart)
- Collection of data – Revised job descriptions and Position Analysis Questionnaires
- Evaluate new/revised positions based on job requirements
- Obtain market salary and benefits information
- Development of compensation plan

- Assignment of positions to pay grades
- Development of implementation options

Salary Survey-Benchmark Communities

For the salary survey, 21 organizations were selected to participate. They were selected based on their similarities. Many of the same were contacted during the 2008 compensation study. Included were several counties, a couple of cities and a few local organizations. Some of them did not respond despite many attempts. In the salary survey:

- 88 positions surveyed, 77 used in the analysis
- Majority of salary ranges below the market
 - Minimum salaries 4.03% below
 - Midpoint salaries 7.09% below
 - Maximum salaries 9.02% below
- Internal pay relationship inequities exist within the County

(Appendix 1 of the report provides the information from the market survey.)

Job Evaluation

- Measured internal relations using a job evaluation system (position requirements, not individual qualifications)
 - Training and Ability
 - Level of Work
 - Physical Demands
 - Independence of Actions
 - Supervision Exercised
 - Experience Required
 - Human Relations Skills
 - Working Conditions
 - Impact on End Results

Pay Philosophy

The County should implement a pay philosophy that should:

- Provide fair and equitable compensation to employees
- Balance external market and internal equity
- Maintain competitive pay structure with consideration of County's fiscal resources
- Performance-based component for individual employee compensation (this is being done now; it has not been tied to compensation over the last several years)
- Develop an understandable compensation program

Proposed Pay Plan

- 33 Pay Grades
- 5% between grades
- Training/Part-Time/Starting Wage
- Annual salary based on hours worked

(Appendix 2 includes the details of the plan.)

(Appendix 3 indicates the position assignments.)

Implementation

Option 1-Move to Minimum

The County currently has 316 staffs that were included in the study. Of those 316 staffs, 144 employees' current wages fall below the proposed minimum for the grade assigned to their position. The recommendation to move those employees to the minimum of their salary grade will cost just over \$207,000, which is 1.71% of the County's payroll.

Option 2-At Least a % Increase

This option takes the remaining 172 employees and gives them a 2% increase to move them somewhat in the range that is assigned to their position. The cost to implement this is approximately \$151,000, for a total of just over \$369,000, which is 3.04% of the County's payroll.

These two options create a compensation structure which is competitive with the market, but does not address compression of positions within the organization. With the number of employees below the minimum, there are many employees that are falling at the bottom of the pay scale. Some of those are very long term employees that have not moved upward within their range to stay competitive with the market place. Also, if the County hired a new employee, they could be hired at a range lower than current employees but they would soon catch up if the County does not start to move employees within their ranges. Internal equity and compression are addressed in Option 3.

Option 3-Position Date

This option considers how long an employee has been in their position and moves them within the range based on their current salary. To do this, it takes any employee who has been employed by the County for a minimum of three years and moves their salary to 6% above the minimum of the range if their salary falls below that mark. Employees with six years of service would be moved to 12% above the minimum of the range. Employees with 10 years of service would move to 20% above the minimum. Those who have been employed for 15 plus years and whose salaries fall below the mid-point of the proposed ranges would be moved to the mid-point of the salary range.

The impact of this implementation is nearly \$840,000, which is just under a 7% increase. It addresses market comparability and compression issues.

Based on the cost involved, the recommendation is to phase in the implementation over a two-year period.

Option 4-Year One Implementation

All employees that are below the minimum of the grades would be brought to the minimum. All others would see one-half of the percentage increase and one-half of the move through their salary grade. This cost is \$490,000 and is more costly than year two because there are so many employees that must be moved to the minimum of their grades.

Option 4-Year Two Implementation

Implementing the remaining one-half would be almost \$351,000.

Employee Range Penetration

Springsted looked at where employees would fall within in the ranges based on their current wages in relationship to the proposed range for their position. The findings were:

- Currently
 - 46% below minimum of proposed range
 - 25% within first quartile
 - 21% within second quartile

- 7% within third quartile
- 2% within fourth quartile
- Option 1
 - 70% of employees would fall within the first quartile
- Option 2
 - 65% within first quartile
 - 23% within second quartile
 - 9% within third quartile
 - 3% within fourth quartile
- Options 3, 4 and 5
 - 56% of employees would fall within the first quartile
 - 32% within second quartile
 - Number in third and fourth quartiles unchanged

Ongoing Administration

Annual Adjustments

- Establish guidelines for base adjustments, e.g. CPI, comparable organizations, other economic indicators
- Adjust pay ranges and wages of employees
- Adjustments that recognize individual employee performance

Conclusions

- Fair and equitable compensation to employees in a competitive and changing labor market
- Compensation that addresses internal equity and external market competitiveness
- Establish a market position that is fiscally responsible with public resources
- Consistent administration of pay policies and procedures among all County Departments

Springsted also performed a review of the benefits offered to Transylvania County employees in relation to the market. More detail is included in the report. In some areas Transylvania County was a little higher or lower than the private sector, but overall the benefit package is consistent with the market place.

Board Discussion:

The Manager noted that the figures for cost implementation provided by Ms. Antonsen do not include fringes and benefits.

Commissioner Lemel noted that the report references turnover becoming excessive. She asked Ms. Antonsen to define excessive turnover. Ms. Antonsen said 10% or higher is considered excessive, but it should be determined on a position by position basis. When there is high turnover in departments, there is a high cost associated with that both in time and in financial obligations for filling those positions, as well as pressure on staff.

Commissioner Lemel said Ms. Antonsen also spoke about the difficulty in recruiting specialized personnel in specific areas. She asked for more information. Ms. Cozart stated there is a high turnover rate in Social Services, the Sheriff's Office and Emergency Medical Services. These are very specialized areas.

Commissioner Lemel asked what the County should do to adopt a formalized pay philosophy. Ms. Antonsen said the process should start with Personnel Board. She noted that most organizations do not have a formal pay philosophy because it is difficult to put together. A pay philosophy involves selecting a market group, which has been identified as part of this study, and how the County wants to compare to that

group. Part of the philosophy is determining what level and type of employee the County wants to recruit and retain in the organization. There are many factors to consider when implementing a pay philosophy.

Commissioner Lemel said the report also references the fact that the County seems to have a fairly comparable benefits package to other organizations. Ms. Antonsen said overall the benefits package is fairly consistent with the market place. It was higher in some areas and lower in others. There were no glaring discrepancies.

Commissioner Lemel noted that six organizations surveyed indicated they covered retirees with their medical insurance program. Transylvania County does not cover retirees under its health insurance plan which is inconsistent with the practices of the surveyed participants. She asked if the County is out of line in this area. Ms. Antonsen said the County is somewhat out of line in this area; however, the trend is to move away from providing this benefit. Transylvania County does provide a 457 contribution in lieu of retiree health insurance.

Commissioner Chapman commented that Transylvania County is not only competing with surrounding governments, but with also the private sector. He asked how the County compares with the local private sector. Ms. Cozart stated there are a few government positions that have a direct local comparison to the private sector. Those positions were surveyed. The County has lost a few positions to the private sector and most of those positions came from Public Safety.

Commissioner Chappell noted that the report indicates a higher turnover rate in some departments. He assumed this is the same across the State. Ms. Antonsen said that can be true because of the nature of the work they are providing, such as in Social Services. She did not believe this was the case with the Sheriff's Office. Many law enforcement staff usually stay with the department throughout their careers.

Commissioner Chappell asked if it is normal to not have a 100% response rate from those surveyed. Ms. Antonsen said it is not unusual to have less than 100% response rate. It could be the agency surveyed is shorthanded or busy, but for whatever reason it is typical because it takes a considerable amount of time to provide the information.

Commissioner Chapman stated this Board has been emphatic about dealing with compression. He has read articles recently about local governments moving away from performance evaluations because of favoritism and other reasons and he wondered if this was really the case. Ms. Antonsen said this varies among public sector organizations. In some areas there is an increase in performance evaluations since there is more pressure on local government because of the perception of government employees by citizens.

Commissioner Hogsed moved to go forward with the recommendation from County staff of implementing Option 3 over a 2-year period. (In Springsted's presentation this represents Options 4 and 5). The motion was seconded by Commissioner Lemel. Commissioner Chapman assumed that implementing the plan over a three-year period does not deal with the problem. Ms. Antonsen agreed and said if Commissioners spread out the implementation over a long period of time, then the County would start to fall behind again. Other counties are continuing their compensation programs and this County would still be trying to implement a plan that occurred three years prior. Commissioner Chapman added that if Transylvania County intends to compete with surrounding counties which have significantly higher tax rates, the County budget will continue to operate in a deficit situation. Chairman Hawkins referred back to the turnover issue. He asked if it matters why people leave their positions. He said this because he does not believe retirement from a position should be considered turnover. Ms. Cozart said that retirements are included in the turnover rate because the County is still replacing those positions that were vacated. Ms. Antonsen added that when employees retire the County has to recruit new employees. The going rate for certain staff at the market rate is increasing. It should not matter why an employee leaves because the

position still has to be filled. Commissioner Chappell agreed that retirements should be included in the turnover rate, but noted that retirees are more than likely leaving at a higher pay and new recruits would be hired at a lower range. Commissioner Chappell preferred to implement Option 2 because he is concerned with the overall budget. **The motion passed by a vote of 4 to 1, with Commissioner Chappell voting against.**

OTHER

The Manager presented two items for Commissioners' consideration:

- Evergreen Study-\$145,000 (includes schools)
- Communications/Community Relations-\$48,000

Staff included \$145,000 in the budget for a company, such as Evergreen, to perform a study of the County's and School System's operations in an effort to find efficiencies. Also included is \$48,000 for communications and community relations. There may be additional items if Commissioners so choose, but these two items were discussed specifically by Commissioners.

Commissioner Chapman said he attended a recent meeting of the Board of Education and it appears they want to move forward in a different direction. Commissioner Lemel preferred to keep the full amount available to use as a safety net. The Manager agreed and said it will be important to have this discussion with the Board of Education. Both Boards will also need to work closely together to establish parameters for a bond referendum.

Commissioner Lemel made a motion to leave the \$193,000 expense in the budget (Evergreen Study-\$145,000 and Communications/Community Relations-\$48,000). The motion was seconded by Chairman Hawkins. Commissioner Chapman asked if the inclusion of \$145,000 in the budget means Commissioners are making the commitment to having a study done of the County's operations. He believes this is a perfect example of how the undesignated fund balance can be used for one-time expenses. Chairman Hawkins believes the monies need to be reserved because it shows an intent and seriousness about addressing this particular issue. It could be useful for the new Manager to have a comprehensive survey of County and general government operations along with a comparison to other local governments. In terms of the School System, every year the County increases its allocation but there seems to be no cuts in their budget. He said there seems to be widespread belief in the community that the School System is not as efficient as it should be. Chairman Hawkins believes also that this study is essential for a successful bond referendum in order to demonstrate to the public that operations are running efficiently. Commissioner Lemel said she was impressed with the report performed for Davie County and the operational savings realized as a result of the study. She said there is a perception of waste in County government and she believes this will make the public confident that the County is running a lean government. Commissioner Chappell preferred to learn more information about the types of studies that are available to the County. He also believes the new County Manager should have input and that it is important that the Board of Education is on board. Commissioner Hogsed expressed support for both the study and communications policy; however he preferred to leave the money in the fund balance rather than giving the impression of a deficit. He requested that the monies be transferred from fund balance once the decision to move forward has been made. **The motion failed by a vote of 2 to 3, with Commissioners Chapman, Chappell, and Hogsed voting against.**

Commissioner Chapman moved to leave the money in fund balance but requested to go on record as supporting moving forward. Commissioner Chapman preferred to hear from the Board of Education to determine if they are on board. The Manager said staff will come back to the Board with options for studies that are available to the County. He noted there has been a proposal put forth to the Board to develop a communications policy. **The motion died for lack of a second.**

Commissioner Lemel moved to put \$48,000 in the budget to fund a communications and community relations policy. The motion was seconded by Commissioner Chapman. The Manager clarified no money would be spent without Board approval. Staff will bring a proposal back to the Board as an agenda item for approval. **The motion passed by a vote of 4 to 1, with Commissioner Chappell voting against.**

The Board discussed other items in the budget.

Commissioner Chapman made a motion not to fund the four additional positions. The motion was seconded by Commissioner Hogsed. Commissioner Lemel said the County needs to begin looking at how emergency services are delivered as a whole, not just from year to year. She is willing to postpone these positions pending a future discussion about an overall big picture on emergency services. Commissioner Hogsed agreed with Commissioner Lemel. He believes a study of County operations will be helpful in this area as well; therefore, he does not think it is prudent to fill these positions without first having these discussions. The Manager noted there is one position in the Health Department that he cautioned Commissioners about not filling and he asked Ms. Cozart to elaborate. Ms. Cozart said the Health Department request is for a Public Health Preparedness/Quality Assurance position. The County receives funding from the State for this program which means that certain conditions and requirements must be met. This position is being requested by the Health Director and the Board of Health to meet the mandates for the department. The position is currently part-time and it will require \$30,000 to make this position full time. Ms. Cozart asked Commissioners to consider including this position in the budget. Chairman Hawkins agreed that the position in the Health Department is merited. **Commissioner Chapman amended his motion to include funding the position in the Health Department in the budget. The motion was seconded by Commissioner Lemel and unanimously approved. The main motion was unanimously approved.**

Commissioner Hogsed moved to approve the additional hours as requested. The motion was seconded by Commissioner Chapman and unanimously approved.

The Manager noted that additional hours will be added back to the positions that were not approved. Staff will bring back information to the Board on the dollar impact to the budget.

Chairman Hawkins asked Commissioners to consider economic development site product. This was previously brought before Commissioners for consideration. The Product Development Task Force suggested Commissioners allocate an amount of money in reserves to begin the process of developing product. There are no funds included in the budget for that purpose. Commissioner Chapman believes this is the purpose for undesignated funds; however, at this time there is no specific proposal and he does not support getting into the real estate business. Commissioner Hogsed expressed support for moving forward when there is property available and earmarking the money gives the perception of a budget deficit. Commissioner Lemel expressed frustration over this budget process and the fact that Commissioners have no plans and they continue to delay items that are imperative in moving the County forward. She believes remaining revenue neutral hindered the County's ability to get through the recession. She urged Commissioners to stop postponing the future. Commissioner Chappell stated he was on the Board of Commissioners when the recession hit and he believes Commissioners did everything they could do to soften the blow to citizens, while continuing to invest in education.

Commissioner Lemel advocated for taking monies from fund balance to restore Silvermont to the manner in which it is held and esteemed in the community because Transylvania County would not exist without the Silversteen family. She said it is also important that Commissioners take care of their employees because they are also taxpaying citizens. She urged Commissioners to take significant dollars from fund balance to make significant investments in the community, e.g. Silvermont, economic development, product development, etc.

Commissioner Chapman reminded Commissioners that the budget proposal is to balance the budget through the use of fund balance. What he hears being said is that the only way to move forward is going to take more money. He wants to hear this from the public because that is not the impression he gets from those he hears from now. He urged citizens to contact all their County Commissioners and let them know what they want to see from their tax dollars and in this budget. Commissioner Chapman stated that he agreed with Commissioner Lemel's comments but said that until he hears from taxpayers that they support a tax increase, he will stand against it.

Commissioner Lemel pointed out that comparable counties have an average tax rate of 62.9 cents. She agreed that Commissioners need to hear from citizens. She pointed out that a 2-cents tax increase on a \$100,000 home would provide \$1.2 million for the County to invest in amenities to boost the quality of life for citizens. Commissioner Lemel asked the public to study tax rates on public record, look at where the County is and where it has been and think about what Commissioners can do. Commissioners cannot make these tough decisions without hearing from the citizens.

Commissioner Hogsed noted that money spent by an individual is recycled through the community seven times and will do a lot more for the community than money spent one time through property taxes.

Chairman Hawkins thinks that product development will not happen without a tax increase. The Product Development Task Force strongly reported to the Board of Commissioners that this was needed. He believes the same is true for Silvermont. After the current work is done, there will be approximately \$150,000 in the fund which can be utilized toward additional improvements. Chairman Hawkins believes there is so much improvement remaining on the building and it is important to keep the momentum going this year.

Chairman Hawkins moved to take from General Fund Balance \$150,000 to match the \$150,000 remaining to give \$300,000 to continue the work this year without the threat of it stopping. He further moved that as next year approaches have further discussion about intelligent investment in the community. The motion was seconded by Commissioner Chapman. Chairman Hawkins noted that many of the investments he is referring to will not happen without a tax increase. Commissioner Chapman expressed support for using fund balance for onetime items such as this, especially when there is a defined plan in place. **The motion passed by a vote of 4 to 1, with Commissioner Chappell voting against.**

Chairman Hawkins reintroduced the pilot program which involves using economic development reserves from the current year and setting up a structure by which the County might be able to assist the City of Brevard and Town of Rosman with economic development related projects. It would be a 2:1 match and the entities would have two years to use the funds. The specific projects must be approved by Commissioners.

Chairman Hawkins moved to take \$300,000 from economic development reserves from the current year to set aside for both entities which must be used within two years. The motion was seconded by Commissioner Lemel. Commissioner Chapman fully supported working with the City of Brevard and Town of Rosman on specific projects if they bring forth such proposals to the County. At this time, there is nothing specific to allocate monies toward. He preferred to revisit this item once the rest of the budget is finalized. The Manager added that he thought this was a good idea; however, Commissioners need to be aware of what the law says about how those monies can be used. Chairman Hawkins agreed and said this is why his proposal should be considered a pilot project while these things are figured out. He believes there are enough projects that exist that would qualify for support from the County. Commissioner Lemel stated that by making the designation of these monies, when these projects are brought forward they would then be evaluated within those confines before any funding would be released. **The motion passed by a vote of 3 to 2, with Commissioners Chapman and Chappell voting against.**

The Manager reported that at this point during the budget workshops Commissioners have added \$135,000 to the budget.

BREVARD FIRE DEPARTMENT

Staff looked at data from Sylvan Valley 2 plus the Pisgah National Forest. Calls between 5:00 p.m. and 12:00 a.m. averaged 1.2 calls every 5.5 days. There are more calls in the Brevard district, but not in Sylvan Valley 2. Staff understands the level of staff Brevard Fire Department is looking for, but this means it is very likely other departments will request paid staffing for evening service as well. Therefore, staff recommended not moving forward with the request from the City.

Operations Manager David McNeill is working to provide a report on emergency services and this issue should be addressed during this process. Fire service is provided with funding by a fire tax which is based on the property valuation in that district. Some districts have low property valuation which makes it difficult to provide a higher level of funding. Mr. McNeill has worked with these departments to make cuts to their budgets to help keep the fire tax rate low. It is going to take some time to understand how the County is going to provide these services in the future. Brevard Fire Department does a great job of providing services, just as all the other departments; however, the data does not support the request.

Commissioner Lemel hopes another component that will be considered during the study is the response times, not just the number of calls. The Manager noted that the process will also look at how substations can be used to address this and should involve fire and emergency medical services. Staff intends to bring back information to Commissioners next year.

Commissioner Chapman moved to approve the fire departments' budget requests as submitted. The motion was seconded by Commissioner Chappell. Commissioner Hogsed noted that fire departments set their tax rate and budget based upon need. He preferred to hear from those served in the City and Sylvan Valley 2 District before deciding; therefore he was unresponsive of the motion. Brevard City Councilwoman Ann Hollingsworth was in attendance. She said the City wants to move forward but with the support of the County. Chairman Hawkins believes this is a policy decision by the City of Brevard. Therefore he is not ready to make the decision about Brevard Fire Department without further study. He recognizes the issue and he expects it will be addressed as part of next year's budget. **The motion passed by a vote of 4 to 1, with Commissioner Hogsed voting against.**

DISCUSSION

Chairman Hawkins stated that Commissioners now have the components of the budget and staff will come back at the next meeting with details about the changes Commissioners made. Then at that time Commissioners can further discuss funding. The Manager noted that the deficit currently stands at nearly \$3 million. He heard Commissioners say there may be a potential tax increase to pay for education which would equate to 1.3 cents. Commissioners also approved the pay compensation study over a two-year period. The remaining could be taken from fund balance. The Manager stated Commissioners need to decide how they want to fund the budget, including how much of a tax increase would be needed. He made the point that the County cannot continue to use fund balance for recurring items.

Commissioner Lemel said a one cent tax increase is needed to cover the first year of the compensation study. Another 1.3 cents is needed for education making the potential increase 2.3 cents. She believes citizens would be better served by smaller tax increases now instead of having to shoulder such a large tax increase during the revaluation year.

Chairman Hawkins does not believe Commissioners can give staff direction tonight in terms of funding. The budget deals with education issues which are a result of cost shifting from the State and federal level, as well as salary and inequities in employee compensation. Commissioners are also looking at new and

different ways to partner with the municipalities and keeping recreation on the forefront. He believes Commissioners made policy decisions tonight about what is important. The important question remains as to how these items are funded.

Commissioners are scheduled to meet again tomorrow at noon and on Wednesday evening. A public hearing is tentatively scheduled for June 23. Chairman Hawkins preferred time to digest information and think through a funding strategy so Commissioners will not meet tomorrow. Staff will provide information tomorrow on the budget details and then Commissioners will meet again on Wednesday tonight. Staff will show all alternatives for funding the budget at that time.

PUBLIC COMMENT

Peter Mockridge: Mr. Mockridge asked Commissioners consider a tax increase that effectively addresses the problems identified by the Board. He also urged Commissioners to bring employees into the future.

Larry Wilson: Mr. Wilson said citizens vote Commissioners into office in order to trust them with the affairs of the citizens. He believes the solution to most of the problems in this County is to find industry that will bring revenues into the County instead of putting the burden on citizens in the form of more taxes. He said many businesses have had the potential of locating here and he questioned where the jobs were. The reason many did not relocate here is because there were no existing buildings for them to move their business into. Mr. Wilson said Transylvania County needs to be competitive with surrounding counties or it and its citizens will be left behind, so it is imperative that the County provide the resources that businesses are looking for.

Don Surette: Mr. Surette stated that spending tax dollars to bring in business is necessary and was unanimously recommended by the Product Development Task Force. He noted that Commissioners added one job tonight and that was a government job. Mr. Surette was disappointed that Commissioners do not seem to have a vision for investing in the future of this County. He closed by saying he pays his taxes because he feels he has an obligation therefore he takes it personally.

Lee McMinn: Mr. McMinn said there should be compromise on using fund balance and raising taxes. People need to be willing to pay for what they want their government to do. He believes Commissioners need a plan for the future and should designate monies for investment.

Barbie Harper: Ms. Harper spoke about education. She is a former North Carolina teacher and is concerned about how money is being spent in education. She offered some observations about testing and the availability of books and also expressed concern about the Superintendent receiving a sizeable salary increase last year. She said she is supportive of administrators receiving salary increases, but she is also just as much in favor of children being able to participate in field trips, experience hands-on opportunities, have textbooks, etc. Ms. Harper asked Commissioners to remember when considering monies for education that the money should be used toward the richest resources.

COMMISSIONERS' COMMENTS

Commissioner Chapman said citizens will have distinct choices in their candidates for County Commission in November. He encouraged citizens to get involved with the election. He asked to hear from citizens about what they want from their local government. He is not against buying land for product development if there is a plan in place for its use. The County is moving forward with shifting economic development efforts into the private sector. Commissioner Chapman wanted the people to know that government cannot do it all and there may be other services that can be privatized.

RECESS

Chairman Hawkins moved to recess the meeting until 6:00 p.m. on Wednesday, June 11, 2014 in the Rogow Room at the Transylvania County Library, seconded by Commissioner Lemel and unanimously approved.

Mike Hawkins, Chair
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board

WEDNESDAY, June 11, 2014, 6:08 p.m. , Rogow Room, Transylvania County Library

The Budget Workshop meeting reconvened on Wednesday, June 11, 2014 at 6:08 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, Finance Director Gay Poor, Human Resources Director Sheila Cozart, Operations Manager David McNeill, Finance Accountant Abbey Owen, and Clerk to the Board Trisha Hogan.

Media: *The Transylvania Times* – Jeremiah Reed

There were approximately 40 people in the audience.

FY 2015 BUDGET DISCUSSION

The Manager and staff reviewed with Commissioners the changes made to the FY 2015 budget thus far. The Manager also presented Commissioners with different budget scenarios. For example, Commissioners approved funds totaling \$300,000 over a two-year period for a pilot program to help jump start projects in the City of Brevard and the Town of Rosman. Staff presented a scenario whereby \$300,000 would be made available in FY 2015 and a scenario in which \$150,000 would be available in FY 2015 and the remaining \$150,000 would be allocated in FY 2016.

The Manager reviewed the changes made by Commissioners:

1. Eliminated EMS positions-reduction of \$95,000
2. Eliminated Communications position-reduction of \$50,000
3. Did not include Evergreen study-reduction of \$145,000
4. Added \$150,000 from the General Fund for Silvermont
5. Added Economic Development (pilot program)-Partnering with Municipalities-\$300,000 (either at once or over a two-year period)

Revenues remained the same. The changes bring the deficit to \$3.1 million or \$2.9 million depending on the scenario chosen for the pilot program.

At the request of Commissioners, staff identified extraordinary items ranging from \$1.3 million to \$1.5 million. The fund balance appropriation needed for recurring expenses is \$1.6 million. The Manager presented Commissioners with a list of non-recurring/one-time items which total just over \$1 million. Some of these items include the playground at Silvermont, trash compactor at the landfill, community park in Rosman, overlap in maintenance salaries, unemployment insurance, parks and recreation study, and transition costs for the new County Manager. Also included in this figure are the transfer of funds to Silvermont and the economic development pilot program.

The Manager reviewed the major recurring items in the budget and how much of a tax increase is needed to pay for these items. The Board of Education requested an additional \$780,000. This equates to a 1.3 cents tax increase. Blue Ridge Community College also requested an increase in their level of current spending amounting to \$27,000, adding another 0.045 cents to the tax rate should Commissioners decide to fund education with a tax increase.

In Personnel costs, the largest items are the implementation of the compensation study at \$600,000 in year one and a Public Health Preparedness/Quality Assurance position in the Health Department. To pay for these with a tax increase would require an additional 1.125 cents. Other items included in the budget were funds to establish a communications/community relations policy in the amount of \$48,000. Total recurring costs would require roughly a 2.6 cents tax increase.

Next the Manager provided funding scenarios. With no tax increase, the available fund balance would be brought down to \$7 million at the end of June 2015 or 14.9% of expenditures, or \$7.1 million at the end of June 2015 or 15.2% of expenditures, depending on the economic development pilot program that is implemented. With a 1.35 cents tax increase to cover education expenditures, scenario one brings down the fund balance level to \$8.6 million or 18.3% of expenditures, or to \$8.7 million or 18.7% of expenditures. A higher tax increase of 2.55 cents, which takes into account recurring expenditures, reduces the level of fund balance to \$10 million, or 21.4% of expenditures or with scenario two it is reduced to \$10.1 million, or 21.8% of expenditures. The last example provided by the Manager raises the tax rate to 3.5 cents to pay for items on the horizon. With scenario one, the fund balance is at a level of \$11.2 million, or 23.8% of expenditures. With scenario two, available fund balance is \$11.3 million, or 24.2% of expenditures.

The Manager informed Commissioners that the County has seen an improvement in its bond rating. He asked Finance Director Gay Poor to find out what it would mean for the County should the fund balance continue to be lowered. Ms. Poor read a statement that indicated if Commissioners decide to use its fund balance it will not negatively impact the County's ability to borrow funds.

DIRECTION TO STAFF

Commissioner Chapman commented that he is struggling with making a decision on this budget. It appears to him that government continues to grow and need more money, but at the same time citizens continue to struggle in their personal lives and in their finances. Homes and properties continue to be in foreclosure and children are going hungry. He asked to go on record as not being supportive of a tax increase. Commissioner Chapman also stated he is not willing to set aside monies for an economic development pilot program if the City is not willing to entertain a tax increase. He expressed support for a study similar to an Evergreen study. He does not support the ongoing growth of government and said Commissioners need to study the privatization of some services.

Commissioner Lemel stated that since 2006 the County's tax rate has continually moved up the ranks of being one of the lowest in the State. While having a low tax rate is commendable, the County has lost ground on its ability to sustain a quality of life for its citizens. She said she understood Commissioner Chapman's concerns about government continuing to grow, but it is mainly because it is being forced upon counties due to unfunded mandates by the State and federal government and it costs more to do business these days. When Commissioners vote to remain revenue neutral year after year, they have not taken into account increasing inflation rates or giving consideration to pay raises for employees. Commissioner Lemel stressed to Commissioners that employees are citizens and taxpayers too. Without increasing revenues to offset increasing expenses, it is impossible to continue supporting employees to a level that they are capable of providing sufficient services to citizens.

Commissioner Lemel said she supported providing financial support to the municipalities. Because the County has no infrastructure (water, sewer, etc.), the County's only option to support economic development growth is to support the two municipalities in their efforts.

Commissioner Lemel is deeply concerned that the County has no vision or strategic plan which makes it hard to see how small investments made over time can produce positive results. She heard Commissioner Chapman's desire to privatize services, but said this cannot be done without a comprehensive study of the County's operations which a majority of Commissioners voted to defund during this budget workshop. She believes Commissioners are passing the responsibility of making hard choices to future Boards by not making investments now.

Commissioner Lemel moved to approve a 3.5 cents tax increase. The motion was seconded by Chairman Hawkins. The motion failed 2 to 3, with Commissioners Chapman, Chappell and Hogsed voting against.

Chairman Hawkins noted that not listed in the analysis provided by staff is product development. The Manager said when the budget was put together the Task Force had yet to make its report to the Board. He thinks Commissioners should consider this because it is going to be critical for the County in moving forward with economic development efforts.

Chairman Hawkins stated that Commissioners are becoming stifled by not being creative. One example is partnering with the municipalities on projects. He believes this program should be based on its merits, not on how it is going to increase spending. He shared Commissioner Chapman's concerns about the City not raising their tax rate; however, the City is looking creatively at other revenue sources, such as a prepared meals tax. Chairman Hawkins believes now is the time to move forward. Continually using fund balance is unwise unless there is a plan to cut \$2 million from operating expenses over the next few years. He does not believe this is feasible and is therefore supportive of a tax increase.

Commissioner Chappell expressed concern about some of the items in the budget. One of those items is the compensation study. There were other options available that were less costly. He would have preferred to use the one cent tax increase from last year to fund economic development partnerships with the municipalities. Commissioner Chappell also expressed concern over the education budget, specifically the requested increase to teacher supplements. The Board of Education upped the supplement rate last year unbeknownst to the Board of Commissioners. He expressed dismay over many of the items approved by a majority of this Board.

Commissioner Lemel moved to approve a 3 cents tax increase and then withdrew her motion.

Commissioner Chapman pointed out that fund balance is taxpayer money and should be used at times like these until the County can get its spending under control.

Commissioner Hogsed moved to remove \$300,000 from the budget for partnering with the municipalities. The motion was seconded by Commissioner Chapman and passed 3 to 2, with Chairman Hawkins and Commissioner Lemel voting against.

The Manager announced that this change reduces the deficit to \$2,754,391.

Commissioner Chapman moved to reconsider the compensation study and approve option 2 instead of option 3. The motion was seconded by Commissioner Chappell. Commissioner Lemel said this motion is a reflection upon how some Commissioners value County employees, who happen to be citizens and taxpayers of this community. She said it is time that they are compensated fairly for the extraordinary services they provided. Chairman Hawkins commented that he was originally in favor of option 2 but reconsidered after reading the report conducted by the consultant. He realized there is a real compression issue so he preferred to move forward with the recommendation to implement option 3 over a two-year period. **The motion passed by a vote of 4 to 1, with Commissioner Chapman voting against.** There was confusion on the motion as Commissioners did not understand the motion after discussion was had. **Commissioner Lemel moved to approve option 3. The motion was seconded by Chairman Hawkins. The motion passed by a vote of 3 to 2, with Commissioners Chapman and Chappell voting against.**

Commissioner Lemel moved to raise taxes 3.2 cents. The motion died for lack of a second.

Chairman Hawkins polled Commissioners and asked who is willing to raise taxes.

Commissioner Chapman moved for no tax increase. Commissioner Hogsed seconded the motion.

Commissioner Chappell asked for clarification that this motion means to approve the budget as is and make up the deficit from fund balance. Commissioner Chapman preferred to look for reductions in the budget. Chairman Hawkins considered the motion a policy statement. Commissioner Lemel believes this passes the responsibility onto future Boards. She said this will be hurtful to citizens in the near future with the revaluation looming. **The motion failed by a vote 2 to 3, with Chairman Hawkins and Commissioners Chappell and Lemel voting against.**

Chairman Hawkins called for a 10 minute break. The meeting reconvened at 7:25 p.m.

Commissioner Hogsed moved to approve the following the in Board of Education budget: items 1, 2, 3 and 5 on the FY 2015 Anticipated Changes list, which reduces the increase to \$297,555. The motion died for lack of a second.

Commissioner Chappell moved to raise taxes 1.3 cents to cover education and take the remaining balance from fund balance. The motion was seconded by Commissioner Lemel. Commissioner Chappell said he has a consistent voting record for supporting education. The Board of Education is an elected board and they will spend the money as they see fit. Commissioner Lemel asked what this Board intends to do if the State budget comes back unfavorable. Commissioner Chappell clarified that his motion is to provide them with a lump sum paid for by the tax increase. It will be up to the Board of Education to deal with any changes to their budget. It was noted that if approved, the deficit is reduced to just under \$2 million. **The motion passed 3 to 2, with Commissioner Chapman and Hogsed voting against.**

Chairman Hawkins thanked staff for all the work they did on the budget. He also thanked Commissioners for the time they put into deliberating the budget.

PUBLIC COMMENTS

David Morrow: Mr. Morrow is the Chairman of the Board of Elections. He noted that the OneStop Voting plan must be approved by the State Board of Elections in advance and it must include where OneStop Voting is to be held. The Board of Elections would like to have their plan indicate the renovated old detention building as the location. Mr. Morrow noted that while the Rogow Room at the Library has been very convenient for citizens, the use of the room by the Board of Elections has not been welcomed by everyone. Using the old detention center would address several issues, combining the voting equipment storage and office functions to one location and helping the staff to be even more efficient. Then the Rogow Room would no longer have its schedule of events interrupted by citizens using space for voting. He respectfully requested Commissioners place the renovation of the old detention facility in the upcoming budget for completion by this time next year.

COMMISSIONERS' COMMENTS

Commissioner Chapman said he hopes the public understands the reasons behind his votes because citizens deserve to know and understand Commissioners' positions on issues. Commissioner Chapman also urged citizens to become more involved in their local government. He is supportive of giving citizens whatever they want if they are willing to pay for it. He also mentioned some areas of potential privatization that should be further studied. Commissioner Chapman thanked all those who attend County Commission meetings faithfully, not just to hear one issue. He thanked everyone for their support.

Commissioner Lemel agreed with Commissioner Chapman on citizen engagement and thanked those who participate in their government on a regular basis. She is concerned about the voices Commissioners are

not hearing. She said she does not want to raise taxes but there are investments that need to be made that will improve and benefit the quality of life for citizens in this community.

Commissioner Hogsed thanked staff for their hard work on the budget. He also thanked citizens for attending the budget workshops. Commissioner Hogsed expressed his disappointment in statements made during these workshops and in the local newspaper about the lack of planning on the part of previous Boards. He reminded Commissioners that previous Boards, and some of them are on this Board, governed the County through the worst economic recession since the Great Depression. Commissioners' priorities at that time were refocused to maintaining County employees' jobs, maintaining and increasing school funding and keeping teachers in the classroom, maintaining the quality of essential services, while still pursuing important projects such as the community park in Rosman, Connestee Falls Park, new soccer fields at Parks and Recreation, the small business incubator at Blue Ridge Community College, and a new Public Safety Facility, all in the midst of record unemployment, foreclosures, the highest record of needs by citizens that public agencies have ever seen, reduction of salaries for those citizens working, and an increase in everyday costs for citizens. Commissioner Hogsed said he is comfortable knowing that those Boards did what they thought was best for the citizens of Transylvania County.

Chairman Hawkins commented that he was part of the Board when the recession hit and it was a very difficult time for everyone. Having said that, he does not believe that is a time to reign in. The Library is a perfect example of that. It took sacrifice and commitment, but the result was very positive for the community. Chairman Hawkins encouraged this Board to be great leaders and provide vision and recognize that when conditions are not ideal that is not a reason to not be aggressive in doing those things that are necessary to bring prosperity to the County. Chairman Hawkins offered his sincere appreciation for serving on this Board and the ability of this Board of work together through tough times.

Chairman Hawkins announced that the public hearing on the budget will be held on June 23, 2014.

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

Mike Hawkins, Chair
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board