

MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
June 4, 2020 – BUDGET WORKSHOP

The Board of Commissioners of Transylvania County met in special session on Thursday, June 4, 2020 at 6:00 p.m. for the purpose of holding a budget workshop to discuss the FY 2021 Budget.

Commissioners present were Jason Chappell, Jake Dalton, David Guice, Chairman Mike Hawkins, and Vice-Chairwoman Page Lemel. Also present were County Manager Jaime Laughter, Assistant County Manager David McNeill, and Clerk to the Board Trisha Hogan.

Media: *The Transylvania Times* – Derek McKissock (participated remotely)

There were four people in the audience.

CALL TO ORDER

Chairman Mike Hawkins presiding certified a quorum was presented and called the meeting to order at 6:03 p.m.

WELCOME AND INTRODUCTIONS

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

BUDGET WORKSHOP

The Manager served as the workshop facilitator in a moderator style format to build consensus on a final budget for the purpose of a public hearing and subsequent approval.

The Manager announced that the public will have multiple opportunities to provide input on the budget. Comments will be accepted in writing either by emailing the Manager or the Clerk to the Board, or directly to the Board of Commissioners. There is also a portal on the website that allows the public to submit comments. Both June meetings will include two public comment periods, at both the beginning and end of the meetings, as well as a public hearing to receive specific comments about the budget. The public may also mail in comments which staff will share with the Board. In addition, the Board may elect to review and respond to social media comments. Due to COVID-19, there is limited in-person capacity in Commissioners' Chambers. She encouraged the public to use any one of these methods for communicating to the Board.

The Manager reviewed some the highlights of the FY 21 Recommended Budget, followed by presentations of the requested budgets for Blue Ridge Community and the fire departments:

Highlights for FY 21

- Continue tax increase from FY 20 of 10.5 cents based on voter approval of the \$68 million school construction bond to renovate and expand Rosman Middle, Rosman High and Brevard High Schools for a tax rate of \$0.636/\$100 valuation
- No tax increase recommended for the General Fund functions
- Fire department contract funding and funding method to be determined by Board of Commissioners

- Reduced capital and vehicle replacements; will need to revisit to prioritize projects and purchases as revenue becomes available to avoid spiking costs later; recommend additional conversation in September and January on this topic
- Total recommended budget of \$59,765,160
- Revenue shortfall expected due to loss of sales tax from the impact of COVID-19
- Propose using future capital funds to meet revenue needs through the immediate term and return to typical practices given difficulty projecting the revenue picture and the need to maintain service levels
- Includes use of fund balance to balance the budget totaling \$1.2 million
- Does not include fund balance to fund the fire department budgets; fund balance used last year
- Revisit of budget recommended
 - September – sales tax for FY 20 will be known
 - January
 - Any juncture where staff becomes aware of significant revenue or operational impacts
- Travel and training policy for this budget year
 - All out-of-state travel using County funds must be justified and pre-approved by the Board of Commissioners during a public meeting
 - Remote/electronic attendance recommended

Blue Ridge Community College

- Request for \$20,000 for capital planning
 - Long-range planning component to review their facilities and to establish a deliverable that includes the outcome of a series of formal workshops and an advanced planning report, site analysis, preliminary building program, sustainable narrative, cost report, preliminary phasing and concepts
 - Not recommended by the Manager (along with many other capital items in the overall County budget due to unknown impacts COVID-19 may have on the budget)
- Three Commissioners asked for this item to be placed on the agenda for discussion and consideration
- If added back to the budget, the \$20,000 cost would come from fund balance

Commissioner Lemel was impressed with Blue Ridge Community College's productivity and contributions to the community, particularly considering the changing economic times and the need for job training programs. Blue Ridge Community College is an essential partner, and she felt that \$20,000 is a good investment and a negligible amount over the long-term. She supported the County's commitment to the College and the College's ability to expand in Transylvania County. Commissioner Lemel felt that a master plan would provide the College with the information they need to understand their future capital demands.

Commissioner Chappell asked, if approved, who would be the owner of the document. He wanted to ensure all parties can use the report for whatever needs arise. The Manager reported that the scoping letter is addressed to the County, but the ownership can be specified in the contract. She said there is also the option of specifying dual ownership as well.

Commissioner Guice pointed out the request includes a site evaluation for the lot across from Brevard High School. He wondered if the College had narrowed down this site to be their future location. He was concerned about this site in that it floods frequently, and he was unsure of who owns the site. The Manager informed that the site has yet to be determined but it was discussed among the School System, the County and Blue Ridge Community College as an idea or concept. She suggested including in the contract a provision to conduct multiple site evaluations and a recommendation for a site.

Chairman Hawkins noted that Dr. Leatherwood and Dr. McDaris have explored this site together. He felt the best solution to the site concern was the Manager's suggestion to request an evaluation of multiple sites. He felt that the College should not tie itself to a single site. He noted that the School System has not agreed to this site and in no way implied that the site would work for them.

Commissioner Guice agreed that the site should be left open-ended. He supported planning and was therefore supportive of their request for \$20,000 to begin the master planning process. He also agreed with Commissioner Chappell that the ownership of the document should be shared.

Commissioner Dalton, with his background in economic development, stated that one of the County's weaknesses is workforce development. So, he was very supportive of the College's request to expand opportunities and help citizens become more employable.

The Manager reported consensus by the Board to add \$20,000 to the budget for the Blue Ridge Community College Master Plan. Included in the contract should be that the County will want to pursue ownership of the document and that there should be an analysis of multiple sites along with possible site recommendations. She noted that adding those components may change the price point, at which time she would bring it back before the Board for consideration.

Fire Department Budgets

- Board recommended staff go out for RFP/RFQ for all fire department and rescue squad audits
 - Budget requests include \$39,450 for audit services
 - Two departments did not include the cost of audit services in their budget request
 - Staff estimated audit costs across the board to be approximately \$50,000
- Budget requests range from \$260,000 to \$1.5 million
 - Increases range from \$0 to \$302,000
 - Districts with lower budget figures have the higher tax rates due to property valuation (if funding method was purely from fire district tax)
- Requests include capital, personnel, and operating expense increases

The Manager pointed out that the Board of Commissioners has received each department's request in detail. Staff will also review those during this budget workshop. Following, she asked that Commissioners consider the funding level for each district along with the funding method.

The chart below is for informational purposes and indicates tax rates if the requests were fully funded.

	FY 21 Rate Fully Funded	FD Rate FY 20 Approved	County Funds Budget Request	District Only Tax Change
<u>Fire District</u>	<u>Requests</u>	<u>Approved</u>	<u>Request</u>	<u>Change</u>
Sylvan Valley II	\$0.055	\$0.055	\$488,730	\$0.000
Rosman	\$0.206	\$0.055	\$966,985	\$0.043
Little River	\$0.098	\$0.055	\$517,110	\$0.031
Connestee Falls	\$0.086	\$0.055	\$830,650	\$0.100

Cedar Mountain	\$0.155	\$0.055	\$221,475	\$0.010
Lake Toxaway	\$0.065	\$0.055	\$1,079,674	\$0.172
Balsam Grove	\$0.227	\$0.055	\$205,157	\$0.162
North Transylvania	\$0.217	\$0.055	\$283,121	\$0.151

Staff intends to present several budget scenarios for consideration. There was consensus of the Board at the previous workshop to fund the fire departments flat except for personnel and some operational increases for Balsam Grove, to remove the audit costs, to continue capital planning for a substation in the Sylvan Valley II district, and to deny the request for a response vehicle by the Brevard Fire Department.

Funding by district would reflect a wide range of tax rate changes as noted in the revised chart below and based on the changes from the first budget workshop. The changes in tax rate range from a decrease of 2 cents to an increase of 15.9 cents. The higher end of 15.9 cents represent 25% of a tax bill.

	FY 21 Rate Fully Funded	FD Rate FY 20 Approved	County Funds Budget	District Only Tax Change
<u>Fire District</u>	<u>Requests</u>	<u>Approved</u>	<u>Request</u>	<u>Change</u>
Sylvan Valley II	\$0.055	\$0.055	\$491,485	\$0.000
Rosman	\$0.139	\$0.055	\$654,925	\$0.084
Little River	\$0.097	\$0.055	\$510,110	\$0.042
Connestee Falls	\$0.081	\$0.055	\$791,150	\$0.026
Cedar Mountain	\$0.129	\$0.055	\$185,225	\$0.074
Lake Toxaway	\$0.053	\$0.055	\$884,859	-\$0.002
Balsam Grove	\$0.214	\$0.055	\$194,057	\$0.159
North Transylvania	\$0.205	\$0.055	\$268,151	\$0.150

At the previous workshop, the Board asked staff to present multiple scenarios for funding that included applying reserve funds and not applying reserves. Staff ran the scenarios using both 5.5 cents, which was the tax rate from last year, and 6 cents, so the Board could understand the impacts of both.

FY 19-20 levy of 5.5 cents

- Applying reserves
 - \$1.1 million shortfall, which is roughly 1.93 cents on the general fund tax rate
 - Time constraints to approve the budget by July 1 do not allow the Board to consider other funding options currently
 - Shortfall would have to be funded from general fund to balance

- Without applying reserves
 - \$1.3 million shortfall, which totals 2.23 cents on the general fund tax rate
- Potential drawdown from the general fund does not include \$50,000 to pay for the audits

6 cents

- Applying reserves
 - \$1 million shortfall or 1.73 cents on the tax rate
- Without applying reserves
 - \$1.2 million shortfall or 2.03 cents on the tax rate

Under these two scenarios, there is the possibility of some districts experiencing a surplus.

Ad Valorem Tax

- Applies general fund tax countywide as opposed to funding by district taxes
- 7.61 cents across the board
- Excludes City of Brevard rate at 9.23 cents
- Across the board tax rate would be 6.75 cents if City of Brevard included
- Lowest impact is to pursue ad valorem tax rate countywide at 6.75 cents, which equates to slightly over 1 cent difference than the previous year

Combination Method

- Across the board fire tax rate and general fund tax rate
 - 6 cents fire tax rate plus 2 to 3 cents on the general fund tax rate
 - Excluding the City's rate at 9.23 cents, would require a 2 cents tax increase across the board
 - 5.5 cents would require additional ½ cent across the board

The Manager asked for input on the scenarios presented or if there were other scenarios the Board wanted to consider.

Commissioner Lemel asked if the budgets are kept flat and the Board considers an across the board tax increase to cover the shortfall, if the individual districts would remain in place or there would be a requirement to establish an overlay district. The Manager stated at this point the districts would remain in place as individual districts. If the Board wanted to move in the direction of having a single tax district, they would have to follow the process laid out in the statutes. There is not enough time to complete the process for the FY 21 Budget, so it would have to wait until next year.

Chairman Hawkins pointed out the options presented are not the only options. He said the Board could revert to the funding method from two years ago. The Manager concurred but reminded the Board the range in the district tax would start at a slight decrease of 2 cents up to an increase of 15.9 cents. At least two districts would be impacted significantly.

Commissioner Lemel informed that the tax rates for Balsam Grove and North Transylvania would increase to 21.4 cents and 20.5 cents, respectively, should the Board revert to the former funding method, equating to a 25% increase in citizens' tax bills within those districts. The Manager added that Rosman would also see a significant increase, roughly half the increase Balsam Grove and North Transylvania would experience.

The Manager reemphasized that staff recommends against funding any shortfall from the fund balance given the uncertainty of the impacts of COVID-19.

Chairman Hawkins asked for clarification on what the tax rate would be in the scenario to enact a flat fire district tax, without a transfer from fund balance. The Manager explained there would first be a ½ cent increase from the previous year's flat tax which was 5.5 cents. It would require a general fund tax increase of 1.73 or 2.03 cents depending on the application of the reserve funds. The net impact to citizens would be roughly 1.25 or 2.53 cents. The City of Brevard would be excluded from the flat fire tax district but would experience either 1.73 or 2.03 cents increase on the general fund tax.

Chairman Hawkins thought it would be helpful to the Board in making the funding decision by stating what is important to them. To him, he felt strongly about having a common fire district tax rate because it is the fairest for all citizens. Due to the current state of the economy and the unemployment rate, he wanted to act in a way that had the least impact on citizens.

Commissioner Lemel asked if there were other potential revenue sources for the Board to consider covering the shortfall. The Manager presented a couple of options: using the 2 cents tax that was levied for economic development, parks and recreation and capital or the 10.5 cents that was levied to pay the school bond. The 2 cents are currently being used to plug the shortfall in the general fund budget. Although these dollars are assigned for specific purposes, they could be used in extraordinary times like these. In addition, the school bond sale has been delayed from the original projected timeline by at least eight months to a year. The Board has up to seven years to sell the bonds once approved by the voters. The Manager noted a third option would be to make drastic cuts within the fire departments' budgets, but she pointed out many departments would not be able to operate if they were to experience such cuts.

Chairman Hawkins stressed that using assigned fund balance this year to balance the budget is not sustainable.

Commissioner Guice pointed out that regardless of the funding method chosen, there will be some sort of tax increase. He said there are opportunities to make up the shortfall using either assigned or unassigned fund balance, but he cautioned against doing so because the Manager's budget message indicated some very real challenges ahead. Counties do not yet know the full impact the pandemic will have on the economy. In addition, there is always the fear that the State will withhold monies and that costs will be pushed down to the local level to fund services such as Social Services and Public Health, which are even more critical during the current pandemic. Commissioner Guice wanted Commissioners to be careful with their decision making.

Commissioner Chappell said, while he agreed with most of the comment made thus far, he remains strong in his stance that fire districts should be funded through their individual fire tax districts. He remained steady in this belief, even though it would cause a tax increase in some districts. He pointed out his own district would be impacted significantly. Commissioner Chappell pointed out the fire departments were established to serve their respective communities, and each has a board of directors that makes recommendations on how those services should be provided. With that said, he shared that he felt there was no good solution to this issue. He also agreed with comments that the method of balancing the budget from fund balance is not sustainable. He feared that the County would not know the true economic impact of the pandemic until the next few months.

Chairman Hawkins pointed out another thing that is important to him is that he does not want to create difficulties for future Boards of Commissioners. With an upcoming election, the current Board cannot assume they are going to be here to fix this problem next year. Chairman Hawkins felt strongly that the

current Board move in a direction in which a solution can take place regardless of the composition of the Board next year.

Next, Commissioners had a lengthy discussion about the potential use of capital reserve funds accumulated from the school bond levy. The Manager reported the capital reserve fund for the school bond is budgeted to receive \$6.2 million in revenue this year. Of that amount is a commitment of approximately half those funds for architecture fees and the CMAR contracts. She pointed out the Board has control over the assignment of funds and may decide not to reserve all the funding from the 10.5 cents tax increase into this specific reserve fund. Once the bonds are sold, the Board must be prepared to levy the necessary tax rate to cover the bond payment. Due to the delay in the bond sale, more funds have accumulated than originally anticipated.

Commissioner Dalton shared his concerns over the anticipated losses in revenue and how it would negatively impact the County's budget and revenue sources next year. The Manager concurred. She stated there is no comparison to the impact the pandemic has had on the economy and thus nothing to measure against that to predict recovery. Staff has done their best to project the revenues based on their best judgments. For the public's purpose, the Manager emphasized that counties in North Carolina are mandated to provide services, yet our only revenue stream is property tax. In Transylvania County, the tax rate disproportionately impacts families and households due to less than 10% of the tax base being nonresidential. The next few months will provide better data on the potential economic recovery.

Commissioner Guice inquired about what other counties are doing to deal with the loss of revenues. The Manager stated there is no central source for data so she could not provide data from all 100 counties. Most counties have implemented a freeze on capital spending. Most also held the budgets of partner agencies, like public education and community colleges, flat from the previous year.

Chairman Hawkins thought it might be useful for the Board to begin having these types of detailed discussions in July. There will be more information in the coming months to help the Board plot a course forward. In terms of the decision on funding the fire departments, this discussion only helps to acknowledge that the County is in uncharted waters and that Commissioners are making decisions with information they have now.

To recap the discussion, Chairman Hawkins stated that a 6 cents across the board fire tax rate would leave a funding shortfall of over \$1 million and it was suggested that the school bond capital reserve fund be used to fund the shortfall rather than increase the general fund tax rate.

Commissioner Lemel pointed out, if Commissioners are having reservations about increasing the fire tax ½ cent, that the difference between levying 5.5 cents and 6 cents is \$116,840.

The Manager stated that she neglected to point out that last year 5.5 cents across the board fire tax rate last year helped to offset the 10.5 cents increase for the school bond. Thus, many citizens did not see the full impact of the tax increase for school bond. Chairman Hawkins said this mitigates his concern about the tax increase of ½ cent.

Commissioner Guice asked if staff had received any feedback from the fire departments since the Board's discussion about using the reserve funds. He wondered if they were already depending on those reserves for specific purposes or to deal with unexpected issues. He stated if the Board applies their reserves to the FY 21 budget, the Board must be willing to help them when they are in need. The Manager stated she had not received any feedback.

Commissioner Lemel recalled that, minus the Sylvan Valley II reserves, most of the departments' reserves ranged \$30,000 to \$45,000. She felt confident the County could help them throughout the year when other needs arise. Besides, the fire departments must come before the Board to request use of their reserve funds.

Chairman Hawkins suggested funding the fire departments at 6 cents, applying the reserve funds, and covering the shortfall by a transfer of funds from the school bond capital reserves.

Commissioner Guice concurred with this solution but he acknowledged there are significant challenges with the school construction bond projects and he was not certain it was the right decision to use these funds. He was concerned the costs might rise above the \$68 million.

Commissioner Chappell reminded Commissioners that the Board entered into agreements with the Board of Education and construction-manager-at-risk which put the cost not to exceed \$68 million.

Commissioner Guice said he could be flexible with the use of the reserve funds.

Commissioner Lemel also said she could be flexible about using the reserve funds. She wanted the focus to be more on using tax dollars already collected from citizens and putting them to use to lessen the impact on citizens.

The Manager reminded Commissioners the Board has a policy on the use of the reserve funds in which the departments must seek permission from the Board to draw them down.

Commissioner Chappell felt the use of the reserve funds would make planning more difficult for the departments.

Commissioner Dalton agreed that the reserves should remain in place for use by the fire departments. He also preferred to keep the tax rate at 5 ½ cent, which is a difference in \$116,840 in collections. He was sympathetic to all those struggling in the community right now and did not want to impact them further with a ½ cent tax increase.

While he did not prefer a tax increase, Chairman Hawkins said he did not want to pass the burden of the decision to future Boards.

The Manager reported consensus on the following:

1. 6 cents fire district tax across the board
2. Do not apply reserve funds
3. Fund shortfall from capital reserve funding that has accumulated from the delayed bond sale
4. Add \$50,000 to fund global audit contract

Staff will revise the budget figures for the purpose of the public hearing. The public hearing has been advertised for the June 8 Board of Commissioners' meeting.

PUBLIC COMMENTS

There were no comments from the public.

COMMISSIONERS' COMMENTS

Commissioner Lemel stated it was a privilege on Tuesday to walk with the group protesting police brutality and side by side with County leaders. It was an acknowledgement that Transylvania County supports all its citizens.

Commissioner Guice said he has been bothered by many of events that have taken place across the nation the past several days, and the loss of life that resulted. He supported a system whereby all people are treated equally. He hoped that people of all faiths and political persuasions would come together to find a positive way to move forward and heal.

ADJOURNMENT

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

Mike Hawkins, Chair
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board