

MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
March 2, 2020 – WORKSHOP

The Board of Commissioners of Transylvania County held a special meeting on Monday, March 2, 2020 at 4:00 p.m. in Commissioners' Chambers at the County Administration Building, located at 101 S. Broad St., Brevard, NC. The Board discussed options for funding fire protection services.

Commissioners present were Will Cathey, Jason Chappell, 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: Derek McKissock – *The Transylvania Times*

There were approximately 30 people in the audience.

Chairman Hawkins explained the format of the meeting. He shared that Commissioners intend to receive information on options available to the County for funding fire protection services. Commissioners will discuss each option individually for a period of 15 minutes before moving onto the next option. The Board does not intend to take any formal action at this meeting with regard to the funding options.

Assistant County Manager David McNeill presented the background information on this topic and presented the various options to the Board. The County Manager facilitated the discussion, and she and Mr. McNeill answered questions from the Board. These minutes are a summary of the funding options and a record of the discussion in Q&A format.

Background

- The Board of Commissioners instructed staff to explore options for funding fire and rescue services for consideration
- The Board of Commissioners received a presentation by Kara Millonzi from the UNC School of Government on funding fire and rescue services
- At the direction of the Board of Commissioners, hosted public presentation and public input meetings in each of the eight fire service districts
- The recordings of each meeting and presentation have been placed on the County website for citizens' access
- Staff provided a summary of the meetings for the Board of Commissioners

Summary of Public Input Meetings

- Presented fire and rescue funding options available to the Board of Commissioners, including a countywide fire service district tax rate
- Emphasized the Board is considering funding options only, not changes to the operational method of providing fire and rescue services
- For the most part, meetings were amicable and cordial; discussions and comments demonstrated citizens' passion and support of fire and rescue services
- Most citizens were supportive of the fire department and did not want a Board decision that would harm the department operationally
- Input both in favor of and in opposition to implementation of a countywide fire service district tax for funding fire departments
- Most opposition expressed at Little River and Quebec meetings

- More comments favoring a change in the funding method at meetings held in Balsam Grove, North Transylvania, Cedar Mountain, Dunns Rock, and Rosman
- Quebec meeting - citizens expressed that they pay a larger proportion of the total ad valorem tax but do not receive commensurate services
- Williamson Creek Community Center meeting-citizens supported a substation to support services in areas currently rated 9E or 10
- Staff's general impression of the public input meetings is that most participants supported some sort of alternative funding method
- Staff estimated between 200 and 250 citizens attended one of the eight meetings
- Staff included letters from each fire department chief in the Board of Commissioners' agenda packet, as well as a letter from the City Manager on behalf of Brevard Fire Department

Options to Consider

1. Fund fire protection in FY 2021 consistent with the FY 2020 Budget (combination of service district tax rates and fund balance); use of unassigned fund balance not recommended by staff
2. Return to funding fire and rescue services solely from the individual fire tax rates
3. Implement a countywide fire tax rate for fire and rescue services
4. Fund fire and rescue services through ad valorem tax
5. Combination of individual service district tax rates and implementation of countywide district overlay service district to support/supplement fire and rescue services
6. Combination of individual service district tax rates and ad valorem tax to support/supplement fire and rescue services
7. Consider redistricting (merger) of fire districts and/or contracting with alternative providers

Option 1 – Fund fire protection in FY 2021 consistent with FY 2020 Budget (combination of service district fire tax rates and Fund Balance) Use of Unassigned Fund Balance not recommended by staff

- This option provides opportunity for Board of Commissioners to instruct staff to continue working with fire chiefs to identify a funding method that is acceptable to the departments and County
- Staff concern with using the unassigned fund balance; this is not recommended again this year; Commissioners may consider using assigned fund balance from FY 2020 two cent capital tax for one year
- This option is essentially a stop-gap measure to get the Board through another year
- Would become some version of option 5 or 6 in future years because it is unsustainable to continue drawing from fund balance
- Opportunity to engage a consultant with experience negotiating and developing a strategic and sustainable fire and rescue funding plan
- Consider freezing FY 2021 fire department budgets at FY 2020 approved amount excluding capital while staff continues to work with fire chiefs to develop a funding method acceptable to the chiefs and the County
- Provides Board of Commissioners, staff and fire department chiefs opportunity to evaluate citizen input in developing a fire and rescue service funding program
- Opportunity to evaluate budget process, standardized funding, low wealth department supplement, grant program and capital replacement program
- Could consider utilizing existing individual district reserves to supplement FY 2021 budget
- All fire departments continue to serve their community which was overwhelmingly favored in the input meetings

FUND FIRE PROTECTION IN FY2021 CONSISTENT WITH THE FY2020 BUDGET – CONT.

Service District	1 Cent	5.0 cent FT	District Reserve	*FY21 Budget	Alt. Revenue
Sylvan Valley II	88,860	444,300	*289,663	423,384	(20,916)
Rosman	46,457	232,335	80,277	636,925	324,313
Little River	51,394	256,970	43,942	479,110	163,198
Connestee	95,669	478,345	60,476	784,350	245,529
Cedar Mtn.	14,069	70,345	(-1,508)	193,100	122,755
Lake Toxaway	165,912	829,560	24,583	864,609	10,466
Balsam Grove	9,010	45,550	30,239	100,207	24,418
North Transyl.	12,675	63,375	30,771	221,151	<u>101,426</u>
					*992,105

* FY 2020 Budget minus capital

*289,663 BOC have been setting aside funds for sub-station in Sylvan Valley II

* One Cent Ad Valorem equals approximate 590,000 so approximately 1.68cent Ad Valorem to collect 992,105

Discussion

- Q. How much was drawn down from fund balance to fund the fire departments in FY 20 using the 5.5 cents tax rate?
 A. Approximately \$1.2 million.

- Q. If the County remains with this model, Commissioners would have to find at least \$1.2 million from somewhere other than the unassigned fund balance?
 A. Correct. The Board could look for those funds by reassigning fund balance, considering use of fire department reserves, or freezing major capital while seeking a permanent solution.

Cumberland County recently hired a consultant to help them through this same process. The consultant, Greg Grayson, is known to our community through his former work as a City of Asheville firefighter. He has an extensive background in emergency services, particularly in fire services. Cumberland County was similar to Transylvania County in that they had some districts that were challenged from a fiscal standpoint. Mr. Grayson helped Cumberland determine a method of funding that works for them.

- Q. Is the Board's current funding method closer to option 5 or 6?
 A. Option 6. The Board is currently drawing from fund balance which is a collection of taxation from all County citizens. Option 5 calls for creating an overlay service district which requires a public hearing process.
- Q. Would taxpayers in the City of Brevard bear some of the cost?
 A. According to chart above, if Commissioners were to allocate departmental fund balances as the alternate revenue, City taxpayers would not be impacted. If Commissioners levy an additional 1.68 cents tax increase, City residents would be impacted.

Q. What is the cost of hiring a consultant?

A. Staff has not gotten that far into the process. The cost would depend on what the County asked the consultant to do. Staff contacted other counties experiencing the same challenges and learned of the consultant during their research.

Q. What would the recommendation to freeze the departments' capital budgets entail?

A. This is only an option for the Board to consider. The Board also has the option of leaving the current rate at 5.5 cents and allocating the 2 cents capital tax increase from last year in full for a period of one year for this purpose. It would give the Board room to fund capital or increase funding. April 1 is the deadline for budget requests so staff does not yet have a sense of what the individual departments will be asking for.

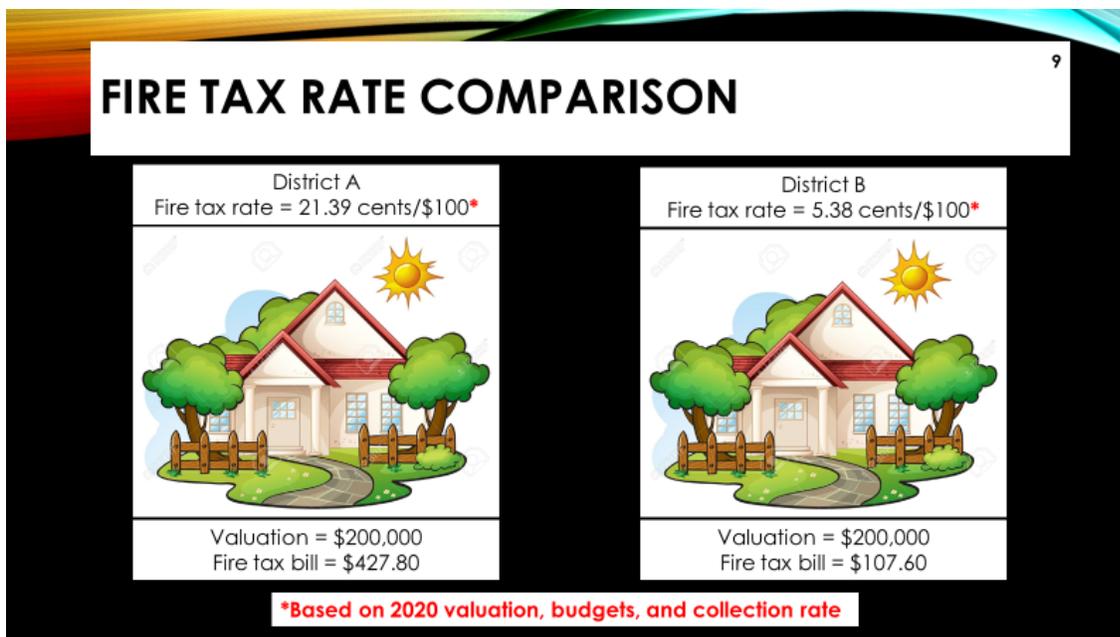
Q. How would the courthouse project be impacted by using the 2 cents capital tax increase?

A. It does not mean Commissioners cannot move forward with this project, but Commissioners would not have 2 cents tax from a single year to allocate toward the project. At the end of this fiscal year, 2 cents will be allocated to designated fund balance for major capital which provides funding for expenses such as design fees.

Option 2 – Return to funding fire and rescue services solely from the individual fire tax rates

- Lack of sustainability of method for service districts with low property valuations
- Input from citizens at various meetings requesting consideration of alternative funding options
- Input included opposition to countywide fire service district tax rate
- Return to wide range in fire service district tax rates countywide (using FY 2020 data, rates range from 5.38 cents/100 to 21.39 cents/100)
- Of all the options, option 2 has the broadest range of tax impact to tax bills for next year
- All fire departments continue to serve their community which was overwhelmingly favored in the input meetings
- Significant fire service district tax rate increases in most districts (6 of 8 fire service districts will see a fire tax rate increase ranging from 2.82 cents to 15.89 cents based on FY 2020 budget and property evaluation)

District	Budget	Tax Rate	Rate Change	Revenue from Fire Tax	\$Fund Balance	Rate W/O FB Grant
Sylvan 2	\$488,730	5.5cents	0.00cent	\$488,730	\$0.0	5.5cents
Rosman	\$664,925	5.5cents	8.81cents	\$255,566	\$409,359	14.31cents
Little River	\$532,110	5.5cents	4.56cents	\$282,666	\$249,444	10.06cents
Conestee	\$796,350	5.5cents	2.82cents	\$526,181	\$270,169	8.32cents
Cedar Mtn.	\$193,100	5.5cents	8.22cents	\$77,381	\$115,719	13.72cents
Lake Tox.	\$892,609	5.5cents	0.12cent	\$892,609	\$0.0	5.38cents
Balsam Gr.	\$100,207	5.5cents	5.70cents	\$49,554	\$50,653	11.12cents
North Trans.	\$271,151	5.5cents	15.89cents	\$69,714	\$201,437	21.39cents



(In the example above, staff used a home valued at \$200,000 because it is the median single family home value based on the last census information for Transylvania County.)

Discussion

Comments:

- Simplest option to understand, but still has complications
- Without a supplement from the general fund, several districts would experience significant tax fire rates
- Citizens in many districts received significant tax break last year with regard to the fire tax, but it was hidden due to the corresponding increase from the school bond referendum
- This option is why the County is in the position it is in today regarding being able to appropriately fund fire departments without placing additional financial burden on citizens

Q. What is the statutory requirement for public notification?

A. No public notification requirement for this option.

Option 3 – Implement a countywide fire tax rate for fire and rescue services

- Input from citizens both in favor and opposed to a countywide service district
- Time required to meet statutory requirements for establishing a new countywide service district; approximately 4-week timeframe
- This option does not impact City taxpayers as they would be excluded from this district
- Sustainability by addressing funding consistent with other County-funded services
- Separates revenue and operational efficiency; contract for response district instead of service district
- Reduced workload on Tax Administration and Finance department
- All fire departments continue to serve their community which was overwhelmingly favored in the input meetings

11

FIRE TAX RATE COMPARISON

District A	District B
Fire tax rate = 8.14 cents/\$100*	Fire tax rate = 8.14 cents/\$100*
	
Valuation = \$200,000 Fire tax bill = \$162.80	Valuation = \$200,000 Fire tax bill = \$162.80

*Estimate based on 2020 valuation, budgets, and collection rate

(The example above shows the tax rate set at 8.14 cents based on 2020 property valuations.)

Discussion

- Q. Would this option serve as a way to facilitate those issues with the district line and proximity?
- A. Most of the tax districts and response districts are contiguous, meaning they are one in the same. (One difference is how the County contracts with three different fire departments to provide coverage in the Sylvan Valley II district.) There are some instances where a home might be in one district but actually be closer to another department. It is confusing to the property owner, but they are serviced based on the established tax service district. Should the Board of Commissioners eliminate the tax district as the sole source of funding, they could establish response districts that are more appropriate and based on operational efficiencies.

To change the service district lines requires a lengthy process and subsequent approval from the Board of Commissioners. There is no statutory requirement for a public hearing to change the response districts.

There is no requirement to change the district lines, however. However, if staff receives input from citizens, it gives Commissioners the flexibility to adjust the district lines much easier and to the benefit of citizens by potentially lowering their insurance costs.

- Q. Is this the only option that gives the Board flexibility?
- A. No. The Board would also have the same flexibility if they were to fund by ad valorem option. Commissioners must follow the statutory process for establishing the district. Once established, Commissioners would either abolish the existing districts or set all the district rates to zero.
- Q. Does abolishing a district require public notification?
- A. Abolishing and establishing districts are different. To abolish a district, a public hearing is required, but no mail notification is necessary.

Option 4 – Fund fire and rescue services through ad valorem tax

- Input from citizens recommended this option
- Citizens in the City limits pay City taxes that support fire protection in the City; City residents pay ad valorem taxes for the County and would essentially be paying for countywide fire protection service
- Current method for funding medical first response in the City limits and Sylvan Valley 2 might be a future discussion by the Board; County Commissioners may also consider negotiations with the City on how much of the County’s budget goes to fund this district; County now funds at property valuation in the Sylvan Valley II district and in the City limits, but this could be reevaluated
- Same as previous option – choice to abolish existing service districts or set rate to zero; same flexibility with regard to response districts
- No statutory notice requirements
- Transparency - consider a fund balance for fire rescue services
- Reduced workload on Tax Administration and Finance department
- All fire departments continue to serve their community which was overwhelmingly favored in the input meetings
- Ad valorem tax option provides more flexibility annually
- Separates revenue and operational efficiency, contract for response district instead of service district
- Using the FY 2020 budgets, property valuations and collection rate, an ad valorem rate increase of 6.85 cents/\$100 valuation

Discussion

Q. Does the City of Brevard provide funding for the Rescue Squad.

A. No.

Q. Is the establishment of a fund balance because each department currently has its own fund balance? Would this fund balance just be a pot of money to divvy out to any district that makes a request?

A. Yes, and in the event a fire department comes to the Board mid-year needing grant-matching dollars, for example, the Commissioners would pull from the designated fund balance.

Q. If this option were approved by Commissioners, what would happen to the fire departments’ current fund balances?

A. Dollars collected in the service districts must be used for the purpose for which they were collected. Commissioners could use the funds for future capital needs for each respective district or disburse the dollars to them through their budgets. It would be the Board’s discretion, but the dollars must be used within the districts in which they were collected.

Q. Does the fund balance create a pot of money that the Board can use for any purpose?

A. The ad valorem (property) taxes the County collects can be used for any purpose, and if assigned, can be reassigned.

Many counties utilize this method. Some counties even note on the tax bills how much is allocated toward fire and rescue services. However, statutes do not obligate counties to spend all of those funds on fire and rescue services. With that said, it is up to the Board to honor their commitments.

Q. Does this option impact the budget process?

A. No. Departments will continue to submit their individual budgets to staff who will present them to Commissioners. Once their budgets are approved, the Board will determine the tax rate necessary to cover the budget. Currently, the County projects collecting better than 98% of the taxes levied, but the Tax Administration continuously overachieves. Essentially, fund balances for each individual fire department are comprised of those tax dollars collected over and above the projected amount. This option gives the Board an opportunity to have more of a global reserve fund that could be spent on different departments according to need.

Q. Does this option increase taxes on taxpayers in the City of Brevard?

A. Yes. The Board of Commissioners could choose, however, to have conversations with the City of Brevard about how the County funds the Brevard Fire Department. Currently, the County provides funding using a method based on property valuations within the Sylvan Valley II district and the City of Brevard. If the Sylvan Valley II component were eliminated, it could be advantageous for the County to consider another funding method, such as call volume, in order to accurately capture the cost of providing the services. The same goes for the Rescue Squad provision that is unique to the City and Sylvan Valley II versus other fire departments.

Comments:

- Residents of the City of Brevard are County residents too.
- This option is complex and there are issues that need to be resolved to make this option successful.

Option 5 – Combination of individual service district tax rates and implementation of countywide district overlay service district to support/supplement fire and rescue services

- Time required to meet statutory requirements for establishing a new countywide overlay service district; approximately 4-week timeline
- Statutory requirement of mailing to every property owner outside City limits of Brevard
- Input from citizens recommended this option
- Ability to support/supplement service districts with low property valuations
- Consistent cost for fire and rescue services countywide while maintaining established individual districts
- All fire departments continue to serve their community which was overwhelmingly favored in the input meetings
- Overlay service district rate (excluding City of Brevard) using FY 2020 fire budgets, property valuation, collection rate and 5.5 cents individual fire tax rates would be approximately 2.25 cents/\$100 valuation
- Similar to Board's action two years ago – capped tax rate at 14 cents and funded overages from the general fund – except it would require a separate tax district rather than use the general fund
- Most onerous option administratively – staff resource intensive, while taxpayer getting same result

Discussion

Q. How did staff derive a 7.75 cents tax rate when the flat tax had been calculated at 8.14 cents?

A. It was a rough estimate based on collections from the current 5.5 cents tax rate and the determination that it would take another 2.25 cents tax from an overlay district to meet current budget needs. So, the tax rate could vary.

- Q. With this option, would each district share the same tax fire tax rate and overlay district tax rate?
- A. Commissioners could decide to levy different tax rates within each district and in addition to the uniform overlay rate. For presentation purposes, staff showed the base rate being the same. Should Commissioners decide to levy varying tax rates, it would add another component for Tax Administration to track and record.

Option 6 – Combination of individual service district tax rates and ad valorem tax to support/supplement fire and rescue services

- Input from citizens recommended this option
- Ability to support supplement service districts with low property valuations
- Citizens in the City limits pay City taxes that support fire protection in the City; however, the rescue squad provides medical first response (majority of the calls for service) and specialized rescue that is funded by the County
- Impacts City taxpayers – not at the same rate as option 4; City taxpayers would be levied the ad valorem tax, but not the district tax
- No need to set up separate service district
- Current method for funding medical first response in the City limits and Sylvan Valley 2
- Consider a fund balance for fire rescue services
- Consistent cost for fire and rescue services countywide while maintaining established individual districts
- Ad Valorem tax option provides more flexibility annually (funds designated can be changed by Board of Commissioners)
- Using FY 2020 fire budgets, property valuation, collection rate and 5.5 cents individual fire tax rates in each district, the ad valorem tax rate would increase approximately 2 cents/\$100 valuation

Option 7 – Consider redistricting (merger) of fire districts and/or contracting with alternative providers

- Input from citizens was consistently in support of current fire departments within each district
- Evaluating possible service district merger/realignment could improve operational efficiency (will require negotiations with existing providers and potential fire and rescue providers)
- Time required to meet statutory requirements if Commissioners chose to realign the districts (public hearing)
- Impact on existing fire departments in districts that are merged or contracted to another provider (ISO rates, existing equipment, volunteers in district); difficult to determine costs until start the process
- Potential for division among fire departments
- Could result in fewer, but larger, districts with substations

Discussion

- Q. Is this option complex from a legal standpoint?
- A. First, it is important to understand that fire departments are private nonprofit organizations that contract with the County to provide fire protection in an insurance protection district. According to State law, counties are responsible for approving fire departments' budgets and levying a tax rate to collect the necessary funds. Fire departments engage in fire protection services, so they use the funds to construct buildings and purchase trucks and equipment. This means that, statutorily, the funds belong to the respective fire departments. If Commissioners decided to merge districts but did not receive buy-in from a department, it could create issues with being able to supply the manpower and equipment necessary to provide the service.

Counties can only levy ad valorem tax of some kind – either property tax or through a fire tax district – based on property valuations. This poses issues when trying to redraw district lines in order to gain better access to funding. There could be some operational efficiencies achieved with this option, but without navigating those issues with each department, staff is unable to report whether the efficiencies would offset the cost of the transition at this time.

Q. Have other counties implemented this option?

A. Staff was unaware if other counties had implemented this model. Some counties have merged service districts or fire departments. This option is typically implemented because a district or department is struggling financially or does not have the manpower to staff a department. This option is not typically implemented in a community with an active department.

General Discussion

Commissioner Guice asked staff to talk about the departments' challenges as it relates to having manpower and being able to respond to calls. Mr. McNeill stated that volunteerism has diminished statewide, but due to the closure of our major plants several years ago, Transylvania County was more heavily impacted because the lack of shift work reduced the number of people available to volunteer. Fire departments also must adapt to continuously changing regulatory requirements. Transylvania County's age rate is consistent with the older volunteer population. It is sometimes difficult to attract younger folks to volunteer without an incentive program. Despite these challenges, fire departments in Transylvania County have done an excellent job figuring out how to maintain operations. Because of these ongoing challenges, Mr. McNeill said the Board should expect to see more requests in the future for additional paid fire and rescue personnel.

Chairman Hawkins asked if any of the options presented were better suited to meet this challenge. Mr. McNeill could not say whether any of the funding options would reduce the impact of any of these issues. He noted that regulatory requirements continue to drive up the cost of equipment, so he expected the lower wealth districts to experience increasing difficulty with being able to pay for fire protection equipment. The Manager pointed out when Commissioners approved paid fire fighters in each district, there was at least one district that felt they could not afford to do that even though the County was willing to allow it. Feedback from some of the low wealth districts is they have chosen not to have paid staff, or they have not moved forward beyond one person because of concerns about the ability to fund due to the tax burden on the citizens.

Commissioner Lemel stated the Board is trying to be proactive and intends to implement a model that is sustainable. They are being intentional by taking the necessary time to review and study the options carefully, so they are not in a situation of having to redo the model in a few years because it turned out not to be financially sustainable for the community.

Commissioner Guice expressed concerns about the inequitable tax rates, aging volunteers, etc. He felt the Board needed to explore ways to create incentive opportunities and encourage others to volunteer. He was very appreciative of the critical services provided by these departments and he wanted to ensure their long-term success.

The Manager reminded the Board about a discussion at their previous meeting regarding fire department audits. At the February 24 meeting, Commissioners approved an extension for departments that were unable to get their audits completed by the deadline due to unforeseen circumstances. The Manager sought guidance for handling audits next year and suggested the County consider putting out a combined RQF for auditing services for all fire departments, including the Rescue Squad, which the County would fund. Commissioners were agreeable to staff's recommendation and asked staff to add this item to an

upcoming agenda for official approval since the Board had agreed they would take no action in this meeting.

COMMISSIONERS' COMMENTS

Commissioner Lemel was appreciative of the opportunity to hear the information again. She was pleased to see many of the fire departments represented in the audience. She said it would be great to start hearing some reaction to these proposals from them. She said she would be willing to attend the chiefs' meeting and help them navigate through the options if they so desired.

Commissioner Guice was not supportive of option 7 (merger) because he was not interested in dismantling any of the departments.

Chairman Hawkins inquired with staff about a timeline needed for a decision. Staff was comfortable with Commissioners' goal of reaching consensus or giving direction no later than the 2nd meeting in March because it would give staff time to prepare for any statutory notification processes.

Chairman Hawkins noted the complexity of this issue. The Board's goal is to implement a successful and sustainable model and one that does not cause harm to any department. Chairman Hawkins stated the sustainability issues were reinforced for him during the workshop. He wanted the public to know that whatever decision is made was done so with great thought and care.

Commissioners thanked staff for all their work into researching the various options and for their presentation today.

ADJOURNMENT

Commissioner Lemel moved to adjourn the workshop at 5:40 p.m., seconded by Commissioner Cathey and unanimously carried.

Mike Hawkins, Chair
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board