MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
JUNE 2, 2026 – REGULAR MEETING

The Board of Commissioners of Transylvania County held a budget workshop on Tuesday, June 2, 2026, at 6:00 p.m. in the Multipurpose Chambers at the County Administration Building, located at 101 S. Broad Street, Brevard, North Carolina.

Commissioners present were Vice-Chair Larry Chapman, Jason Chappell, Jake Dalton, Chair Teresa McCall, and Chase McKelvey. County Manager Jaime Laughter and Clerk to the Board Trisha Hogan were also present. Shane Hooper provided technical support on behalf of the Information Technology department.

There was no media presence.

There were 4 people in attendance.

CALL TO ORDER

Chairwoman Teresa McCall presiding declared a quorum was present and called the workshop to order at 6:00 p.m.

APPROVAL OF AGENDA

Commissioner McKelvey moved to approve the agenda, seconded by Commissioner Chapman, and it was approved unanimously.

BUDGET WORKSHOP

The County Manager reminded the Board that she formally presented the FY 2027 recommended budget on May 26, 2026. The purpose of the workshop was to provide additional information on budget items identified by Commissioners for further discussion and deliberation.

The Manager outlined the workshop process, explaining that staff would present additional information on each topic, followed by Commissioner discussion and an opportunity to determine consensus before moving to the next item. She noted that a public hearing on the proposed budget was scheduled for June 22, 2026, and reminded the Board that a budget must be adopted before July 1.

The Manager also noted that budget presentations, supporting materials, the FY 2027 recommended budget, and Transylvania County Schools' budget request had been made available on the County website to promote transparency and public engagement throughout the budget process.

The Manager then provided a summary of the FY 2027 recommended budget presentation delivered on May 26, 2026.

Fiscal Policy Goals

- Continue long-term planning for capital improvements, including scheduled replacements and maintenance needs identified in 10-year plans.
    - Maintain funding strategies for school capital improvements, the courthouse, and EMS Base projects using assigned fund balance to smooth debt payments.

    - Currently managing $220 million in capital projects, with $120 million of those funded by grants.
- Continue multi-year budget planning in the General Fund.
    - Prioritize vehicle replacement, computer replacement schedules, and long-range maintenance planning to stabilize expenses.
- Maintain investments in the County workforce through competitive compensation and benefits to support recruitment and retention.
- Promote transparency and public understanding of county government responsibilities.

FY 2027 Budget Highlights

- Recommended General Fund Budget: $82.5 million, a 1.47% increase over FY 2026 with no property tax increase.
- Continue workforce investments through compensation and benefits. The current pay plan is out of line with the market. The shortage of workers in the public service workforce pipeline is driving up pay across the region, state, and country.
    - Move forward with a salary study and consider implementation before the originally planned 2028 timeline.
- Continue major capital initiatives.
    - $164 million school capital improvement plan (bond funds, grant funds, and other funds in the Education Capital Fund).
    - $38 million courthouse project.
- Monitor uncertain inflation and fuel cost impacts.
- Address potential state and federal cost shifts. No local control, but it impacts the local budget.
    - SNAP administration and benefit costs.
    - Teacher pay increases and related costs.
- Fund partner agencies outside County administration with a 2.7% overall increase.
    - Maintain nonprofit/community center grants and free Wi-Fi programs.
    - Rescue Squad increase: 2.8%.
    - Fully fund the Board of Education's request, including a 2% operational increase and a 42% increase in annual capital funding.
        - Last year's operational increase was 7% and was the driver for the tax increase.
    - Fully fund Blue Ridge Community College's requested 2% increase.
        - Last year's increase was recommended at 6%.
    - No requests were recommended for any of the outside agencies above 2% without a resolution or letter from their respective board acknowledging that the need was important enough that if the Board of Commissioners needed to raise taxes to pay for it, then they supported that.
- Internal county services grew by 1% and included many different elements that staff will be moving forward with in the next budget year.

Capital and Equipment Recommendations

- Replace one fleet vehicle, five Sheriff's Office vehicles, and one ambulance.
- Replace the detention center tilt skillet.
- Purchase an evidence incinerator.
- Replace chillers in major County facilities.
- Continue building maintenance projects identified in Axias assessments.
- Fund computer replacements and software needs.
- Implement a smart-key system for key-access accountability across two areas of the Public Safety Facility.

Personnel Recommendations

- No new positions recommended.
- One net position reduction.
- Six reclassifications recommended.
- Total County fund impact of approximately $7,640.
- Of the 17 personnel requests submitted:
  - 2 position reductions.
  - 4 new positions.
  - 10 reclassifications.
  - 1 request to modify standard work hours affecting 12 positions.
- Compensation recommendations for positions are based on objective data and market analysis. External consultants review job descriptions and the required skills for each to determine appropriate classifications for positions not already established within the pay plan, ensuring consistency and reducing potential bias. The County's compensation plan is developed by a third-party using market research and comparisons with similar organizations and regional employers.
- The most recent salary study was completed in 2022 and implemented in 2023. Funding is included in FY 2027 to conduct the next compensation study ahead of the planned 2028 implementation, as recommended by the consultant. Public service salaries across the market continue to grow faster than anticipated.
- Recommendations are noted in the chart below and focus on employees already performing higher-level duties and organizational efficiency. The recommendation also includes funding for the LEAD for North Carolina Fellow position previously approved in FY 2026.

Recommendation Detail (Green):

6 reclassifications- positions already performing higher level
1 Hour modifications
1 position reduction

Lead for NC Fellow- to report directly to County Clerk, already approved FY 26

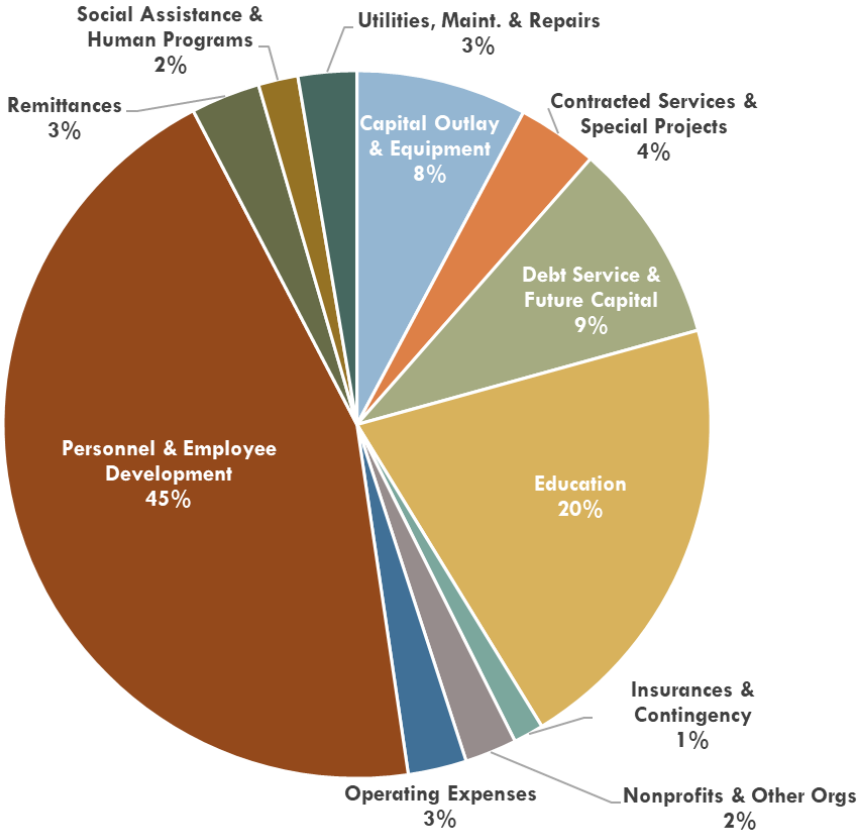
Personnel Requests			
Department	***Type***	***Position(s)***	***Notes***
DSS	Reclassification	Social Worker III-> Social Worker IAT	Acknowledges existing job duties, 4 existing positions
DSS	Reclassification	Quality Assurance Supervisor -> Social Worker Program Manager	
DSS	Reduction	Public Assistance IV	Reduction funds request
Communications	New	Technology Specialist	
Communications	New	Radio Technician	
Communications	Reduction	Systems Engineer	Reduction partially funds other requests
Sheriff	New	FT Court Security Deputy	
Sheriff	Reclassification	Narcotics Investigator-> Sgt Narcotics	Reclass 1 of 3 investigator positions in unit
Sheriff	Hour Modification	SROs to 84 hour pay periods	
IT	Reclassification	Network Administrator-> Network Engineer	
IT	Reclassification	System Administrator-> System Engineer	
Finance	Reclassification	Accountant-> Accounting Manager	Acknowledges existing job duties
Administration	Reclassification	Budget & Mgmt Analyst-> Budget and Internal Projects Director	Acknowledges existing job duties
Tax and Tag Office	New	LPA Specialist	Revenue already below service expense

Employee Health Benefits

- Employee health benefits remain a key component of the County's overall compensation package but also contribute to some of the overall increases in personnel costs.
  - A 2023 salary and benefits study found Transylvania County's health benefits are slightly below those offered by comparable local governments.
- Continue operating a self-funded health plan and wellness clinic to control costs.
- Projected health plan cost increase is approximately 8%, which is below market trends but still high when factoring in the number of County employees.

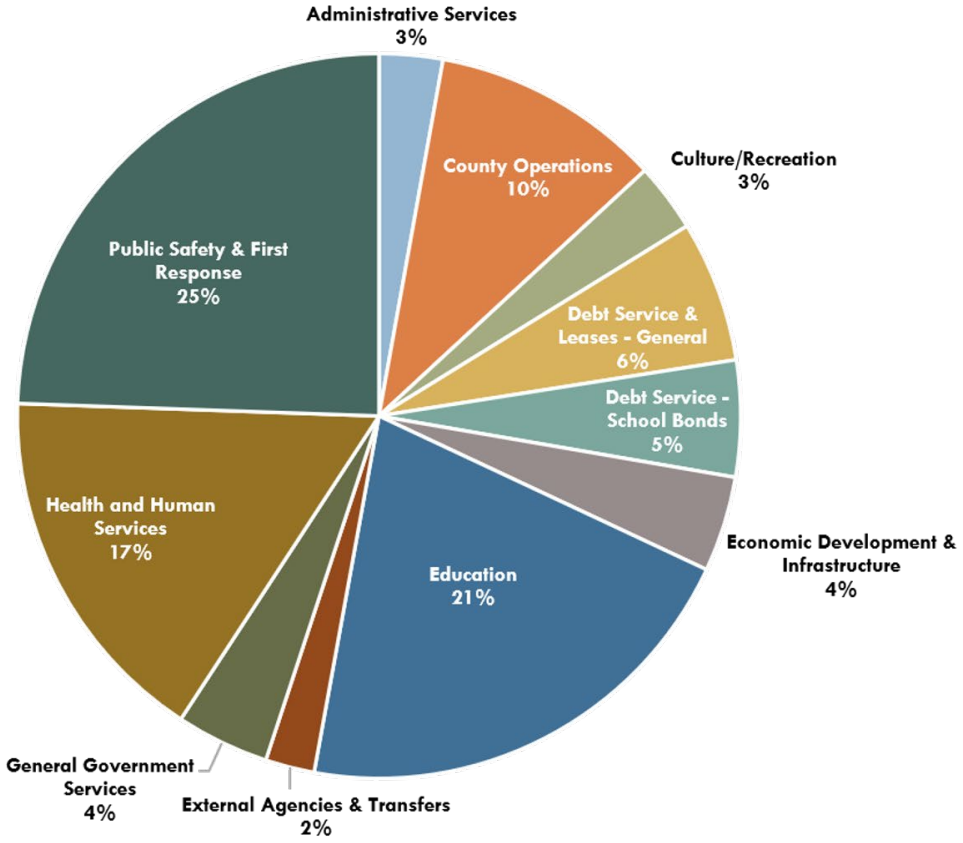
FY 27: Expenditures by Type

- Personnel-related costs remain the County's largest expenditure at 45%, reflecting the people-centered nature of local government services.
- Education funding is the second largest expenditure and is reflected within debt service and future capital investments.
    - Does not include personnel costs, but if they were factored in, personnel expenditures would represent more than 50% of the County's annual budget.



FY 27: Expenditures by Function

- Public Safety and First Response: 25%.
- Education: 21% operations/annual projects and 5% debt service on bonds, totaling 26%.
- Health and Human Services:17%.
- County Operations: 10%.



Solid Waste Enterprise Fund Summary

- The FY 2027 recommended Solid Waste budget totals approximately $4.1 million and continues to operate as a separate enterprise fund.
- Revenue growth is expected to remain limited, with most increases coming from investment earnings rather than user fees.
- The fund remains dependent on a General Fund subsidy, with $720,000 in property tax support budgeted for FY 2027.
- Consultants recommended eliminating bag fees, implementing an availability fee combined with tipping fees, and evaluating a future transfer station model instead of constructing additional landfill cells.
- Staff recommend conducting a series of public meetings during FY 2027 to gather community input on future solid waste funding and disposal options.

Fire Department Budgets

- Fire district revenues are projected to grow by 2%, with no recommended increase to the fire tax rate.
- Departments that did not submit resolutions or letters requesting additional funding were limited to the standard 2% increase. Requests for larger increases were reviewed individually, and recommendations were made based on the justification provided.

- Common budget challenges identified by fire departments include workforce shortages, rising personnel costs, increasing health screening expenses, and escalating equipment costs with longer lead times.
- A 2.7% cost-of-living adjustment for personnel was included across all departments. No requests for additional staffing beyond the four firefighters previously approved per department were recommended.
- Recommended budgets include funding above personnel cost increases, with two departments receiving increases above 2% based on demonstrated need.
- The budget also continues support for rural fire department capital planning, annual audits through a single auditor, and future staffing needs at the Balsam Grove station once construction is complete.
- Staff will continue assisting Balsam Grove with grant opportunities and project development, with indications that grant funding may be available to support the project.
- Total spending for the fire department district is $6.9 million.

The Manager reviewed the workshop procedures and identified the key budget topics for discussion, including the County's fee structure, tax increase pressures, non-mandated services, education funding, and outside agency funding.

FEE STRUCTURE REVIEW

The Manager reviewed the County's fee structure and explained that state law limits local revenue options, with property taxes serving as the primary revenue source under local control. She noted that fees can help offset the cost of providing services but are subject to state restrictions, including limitations that prevent fees from exceeding the cost of service.

The Manager reported that, excluding fees collected and remitted to other entities, County fees generate approximately $3.3 million annually. Departments review fees each year as part of the budget process to ensure they are aligned with service costs and remain comparable to those charged by other counties.

Examples were provided of departments whose fees help offset service costs, including Building Inspections and the Register of Deeds. Building Inspections fees fully support the cost of providing inspection services, while Register of Deeds fees, many of which are established by state law, help offset mandated services. Passport service fees also help recover the County's costs of providing that service.

The Manager noted that results from the FY 2027 budget survey indicated residents preferred user fees over property tax increases when appropriate and allowable by law.

Mandated Services

The Manager reviewed fees associated with several mandated services and noted that, in most cases, fees recover only a portion of service costs and are often constrained by state or federal regulations, reimbursement limits, or policy considerations.

Examples included the Fire Marshal's Office, EMS, Animal Services, Environmental Health, Public Health, Planning, Transit, and Solid Waste. The Manager explained that fees are reviewed annually and compared with those charged by peer counties. In many cases, fees are intentionally kept at levels that support broader public policy goals, such as encouraging pet adoptions, vaccinations, and access to transportation services for elderly, disabled, and low-income residents.

The Manager noted that EMS reimbursement rates are determined by Medicare, Medicaid, and insurance providers, limiting the County's ability to recover additional costs through fee increases. Similarly,

Environmental Health, Public Health, Planning, and Transit fees offset only a portion of operational expenses.

The Manager highlighted a recent Fire Marshal re-inspection fee that was implemented to address staff capacity concerns and reported that re-inspections have been eliminated since the fee was adopted.

Regarding solid waste services, the Manager explained that while counties are required to provide solid waste disposal services, service levels vary by county. Although the Solid Waste Fund was originally intended to operate as a self-supporting enterprise fund, it has required General Fund support for many years. The County recently completed a solid waste fee study and continues to evaluate long-term funding options, noting that fee increases can generate significant revenue but have historically generated considerable public concern.

Non-Mandated Services

- Child Development: Program fees are set at or above local market rates and include a mix of private pay and subsidized funding. Even at full enrollment, the program would continue to require a county subsidy. Increasing fees enough to eliminate the subsidy would significantly exceed local market rates and could negatively impact affordability.
- Vehicle Tag Office: The County operates the license plate agency under contract with the State. Fees are established by the State, limiting the County's ability to offset operating costs. Staff noted that insufficient state funding has contributed to the closure of tag offices in other communities and may warrant future legislative advocacy.
- Library: Fees for copies, fines, and room rentals generate a small portion of operating revenue and offset less than 2% of library costs. Staff noted that some libraries have moved away from overdue fines to encourage greater use of library services.
- Parks and Recreation: Program fees help offset staffing and supply costs but cover only a portion of departmental expenses. Staff recommended exploring field reservation and tournament-use fees, particularly for organized leagues and special events, and comparing fee structures with other jurisdictions before bringing recommendations back to the Board.

Recommendation

The Manager reported that the recommended budget includes two initiatives for further study and public input:

- Research and evaluate the implementation of Parks and Recreation field-use fees.
- Conduct community meetings to review the Solid Waste fee study and disposal options and explore alternative fee structures that could support both operational and future capital costs while reducing reliance on property taxes.

Board Discussion

Commissioner Chappell recalled that a 2016 recommendation to implement field usage fees was based on individual reservations, which the Board did not support at the time. He expressed support for exploring a fee structure for tournaments and other large events that create additional costs for County facilities.

The County Manager reported that staff is researching how other jurisdictions structure field fees and will work with the Parks and Recreation Commission and partner organizations to develop recommendations. Any proposed fees could be implemented outside of the annual budget cycle.

Commissioner Chapman asked about the General Fund supplement to the Solid Waste Enterprise Fund. The Manager reported that while the annual operating subsidy has decreased, the total property tax impact of solid waste services, including capital needs, continues to exceed $1 million annually.

Commissioner Chapman also inquired about the effectiveness of the employee wellness clinic. The Manager reported that the employee wellness clinic continues to generate significant savings for the County's self-funded health plan. Staff estimated that services provided through the clinic would have cost $500,000 with traditional healthcare providers, compared to the clinic's annual operating cost of less than $250,000. Additionally, laboratory services are billed directly through Quest Diagnostics, allowing the County to avoid additional administrative fees typically associated with traditional insurance claims.

Commissioner Chappell noted that the County’s projected increase in health insurance costs is significantly lower than that of many other local governments, underscoring the clinic's value. The Manager agreed and noted that the clinic is one of several strategies for managing healthcare costs. She also confirmed that the City of Brevard pays its proportional share of clinic costs.

Chairwoman McCall confirmed that the Board would revisit parks and recreation fee options later in the year.

Commissioner McKelvey asked about building inspection fees and how they compare to neighboring counties. The Manager reported that fees are reviewed annually and remain consistent with regional market rates. Any revenues collected above operating and allocated costs must be reserved for Building Inspections purposes, such as equipment and vehicle replacement.

Chairwoman McCall noted that the Board of Health conducted a comprehensive review of public health fees approximately two years ago and found them to be comparable to those of surrounding counties. The Manager added that departments annually review fees to ensure they remain appropriate and help minimize reliance on property taxes where permitted by law.

Commissioner McKelvey also asked about EMS billing rates. The Manager explained that EMS fees were established based on consultant recommendations and are significantly higher than Medicare reimbursement rates, which serve as the benchmark for most insurance payments. Staff periodically reviews fees with their billing contractor and makes adjustments when reimbursement trends warrant changes.

Chairwoman McCall asked what causes a reinspection from the fire marshal, noting that the Manager had indicated that the implementation of a reinspection fee reduced the number of such requests. The Manager explained that this process is similar to building inspections. When staff are called out or conduct annual inspections, and deficiencies are identified, the property or business owner is given a period of time to correct the issues. A reinspection is then conducted at no additional cost. A fee is applied only when a second reinspection is required after the initial follow-up, and the deficiencies have still not been corrected.

Commissioner McKelvey acknowledged that increases to solid waste fees have been controversial but noted that even a modest increase could generate approximately $300,000, which is small in comparison to an $80 million budget. He expressed uncertainty about how significant impacts could be made through fee adjustments and asked what the ultimate goal is in reevaluating the fee schedule. He noted that only approximately $3 million in fee revenue is currently generated in the General Fund and asked what a realistic target might be for increasing fee-based revenue.

The Manager responded that the solid waste consultant’s study indicated parcel-based fees are the most common approach among peer jurisdictions. Under this model, improved parcels would be assessed, as those are the parcels generating solid waste. Some jurisdictions using this model also eliminate or reduce sticker fees and instead provide residential convenience sites without additional per-bag charges. She noted that this approach could reduce administrative costs associated with cash handling and related

processes. Staff is continuing to refine the proposal in preparation for future community engagement sessions to help the public understand potential outcomes. She stated that, given the County's limited scale and inability to achieve economies of scale in solid waste operations, the primary options are either increased fees or reliance on property tax support.

Commissioner McKelvey asked whether implementation of a revised fee structure was anticipated for the FY 2028 budget year. The Manager confirmed that it was.

Commissioner McKelvey reiterated that approximately $3.3 million in fee revenue is currently generated and asked what a realistic increase in fee-based revenue might be sufficient to offset property tax reliance. The Manager stated that increases in fee revenue are limited and estimated that increases of 5% are realistic. She also noted that fee setting is complex, particularly for services such as youth programming, where higher fees could reduce participation and decrease net revenue. She emphasized the importance of maintaining community-supported programs.

Commissioner McKelvey stated that, in theory, this equates to approximately $160,000 in additional revenue. The Manager confirmed, noting that the overall impact would be minimal. She further explained that fee structures are constrained by state statute and that property tax is intended to remain the primary revenue source for counties in North Carolina, despite ongoing legislative discussions about property tax limitations.

Chairwoman McCall asked about the previously proposed solid waste parcel fee. The Manager recalled that the proposed range was $125–$130 per parcel at the low end and noted that this would have been less than the cost of one weekly trash bag sticker under the current system. Chairwoman McCall recalled prior Board discussion and noted that the proposal was not well received at that time, resulting in the Board instead increasing the sticker fee, which had not been raised in approximately 20 years. She suggested that sticker fees should be revisited periodically, such as every three to five years.

The Manager stated that she had not recommended sticker fee increases in the current budget year due to staff anticipation of a more comprehensive solid waste solution. She acknowledged that adjusting fees is challenging, particularly when long-standing rates have not kept pace with costs and noted that fee increases often generate significant public concern despite modest fiscal impact.

Chairwoman McCall noted that solid waste is a mandated service. The Manager confirmed that the County is required to provide for solid waste disposal. She added that while the County provides a higher level of service that is valued by the community, it also comes with increased cost. Commissioner McKelvey noted that there is currently no long-term funding plan in place for solid waste, which the Manager confirmed.

Chairwoman McCall emphasized that the Board would need to make decisions regarding solid waste funding and that such decisions would carry significant cost implications. She noted that without grant funding secured by staff, the opening of the new landfill cell would have required a seven-cent property tax increase.

There was no further discussion on fees.

TAX INCREASE PRESSURES

External Decisions and Their Potential Impact on Local Property Taxes

SNAP (Supplemental Nutrition Assistance Program) Costs

The federal government enacted the One Big Beautiful Bill (H.R. 1) in 2025, which changes how SNAP administrative and benefit costs are shared among federal, state, and local governments.

Previously, SNAP administrative costs were funded 50% by the federal government and 50% by the state. In North Carolina, counties have historically been responsible for half of the state's share, resulting in a funding split of 50% federal, 25% state, and 25% local. Beginning in October 2026, the federal share will decrease, potentially changing the funding split to 25% federal, 25% state, and 50% local unless the State of North Carolina elects to absorb the additional costs. If the additional costs are passed through to counties, Transylvania County's estimated local impact would be $125,000-$150,000 for the partial FY 2027 year and $175,000-$200,000 annually thereafter.

Beginning in October 2027, states will also be required to share in the cost of SNAP benefit payments based on statewide error rates. Because North Carolina administers SNAP through county departments of social services, county performance contributes to the statewide error rate that determines the required state cost share. Transylvania County currently averages approximately $500,000 in SNAP benefit payments each month for 1,500 active cases. Based on current estimates, the County's proportional share of benefit costs could approach $1 million annually if those costs are passed through by the state. Total impact on Transylvania local funding is potentially $1.2 million annually, or 1 cent on the property tax rate with the current valuation.

Combined administrative and benefit cost-sharing changes could result in approximately $1.2 million in annual local costs, equivalent to one cent on the County's property tax rate. The legislation also expands work requirements, which may increase administrative workload. At this time, the DSS Director does not anticipate additional staffing needs to comply with the new requirements.

Teacher Personnel Costs
In FY 2026, the County increased the property tax rate by two cents, with approximately one-third of that increase dedicated to raising the local teacher supplement to 9%, helping maintain Transylvania County's position among the highest teacher supplement rates in the region.

Several state-level factors may create additional local funding pressures.

The State funds teacher positions based on Average Daily Membership (ADM). As student enrollment declines, the number of state-funded positions allocated to Transylvania County Schools also declines. School system projections presented during the FY 2027 budget process indicate a loss of approximately 10 state-funded positions over the next two years, including eight classroom teachers, one instructional support position, one central office administrator, and a nine-month Career and Technical Education position. These reductions may result in program cuts, staffing reductions through attrition, or increased local funding to maintain existing services.

The State Legislature establishes the teacher salary schedule and has announced a budget framework that includes an average teacher pay increase of approximately 8%. However, details remain unclear regarding how increases will be distributed among experience levels, making it difficult to accurately estimate local financial impacts. Any state salary increase affects local costs through salary and benefit increases for locally funded positions and through the County-funded teacher supplement, which is calculated as a percentage of salary. Earlier estimates based on a proposed 10% salary increase indicated approximately $1 million in additional local costs.

Depending on final legislative action, teacher compensation changes could add approximately one cent to the County's property tax rate. The FY 2027 recommended budget proposes using fund balance to address

any mid-year impacts once final state budget decisions are known; however, any recurring costs will need to be fully incorporated into the FY 2028 budget.

Public Service Personnel Costs
Even before the COVID-19 pandemic, local governments and public agencies across the country were experiencing workforce shortages in critical public service professions, including teachers, first responders, public health nurses, social workers, and other essential positions. The pandemic accelerated many of these challenges through retirements, workforce burnout, and the departure of early- and mid-career professionals from public service fields.

Since 2020, compensation for public service employees has increased rapidly as local governments compete for a limited pool of qualified workers. Transylvania County implemented a compensation study in 2019. By the time a new market study was completed and implemented in 2023, the County's pay plan had fallen 8% to 20% below regional and similarly sized employers, depending on the classification. Positions experiencing the most significant market pressure included first responders and professional administrative positions such as information technology and finance, where qualified applicants remain in short supply. Implementation of the 2023 compensation study cost approximately $2 million and was undertaken with the understanding that another market review would be necessary within five years to remain competitive.

The County has already begun experiencing hiring and retention challenges as market compensation continues to increase. Human Resources reported during mid-year departmental presentations that several positions have experienced extended vacancies, a limited pool of qualified applicants, and declined employment offers due to compensation levels. Employee turnover has also begun to increase as neighboring employers and public agencies adjust compensation to remain competitive. These challenges are occurring across multiple public service sectors and are not unique to Transylvania County.

The FY 2027 recommended budget includes funding for a comprehensive compensation and classification study by an independent third-party consultant. The study will compare Transylvania County positions with more than 17 comparable jurisdictions based on regional labor markets and organizational size. Recommendations will be based on objective market data and position classifications rather than individual employees, with the goal of maintaining a competitive compensation structure at the market midpoint. The cost of implementation cannot be estimated until the study is completed and proposed salary ranges are applied to the County workforce. Staff anticipates having preliminary implementation estimates available for consideration during development of the FY 2028 budget.

In addition to compensation challenges, employee retention has been affected by increasing workplace stress and interactions with the public. County leadership has observed growing concerns among public service employees regarding treatment by members of the public while performing their duties. During the past year, multiple retiring employees cited public interactions and workplace stress among the factors influencing their decision to leave public service.

Summary of Tax Increase Pressures
The FY 2027 Recommended General Fund Budget does not include an appropriation of fund balance (General Fund savings) and does not recommend an increase in the property tax rate.

As previously planned, future appropriations of fund balance will be incorporated into the County's long-term capital financing strategy to help manage debt service obligations and avoid significant fluctuations in the property tax rate as major capital projects come online.

The Board is required by law to adopt the budget and establish the property tax rate by June 30. Several significant state and federal funding decisions remain unresolved and may not be finalized before the budget is adopted. If those decisions create new local funding obligations during FY 2027, the County may need to rely on fund balance to address those costs until recurring revenue sources can be evaluated. Teacher compensation remains one of the largest unknown factors because the State has not yet finalized its budget, and the local financial impact cannot currently be calculated with certainty.

Many of the potential cost increases discussed in this report represent recurring obligations rather than one-time expenses. Once incurred, these costs must be budgeted and funded annually, requiring increased revenues from property taxes.

Potential annual property tax impacts:

- SNAP
    - Estimated annual cost: $1.2 million
    - Tax rate impact: 1 cent
- Teacher raises and related benefits
    - Estimated annual cost: $1.2 million
    - Tax rate impact: 1 cent
- Workforce recruitment and retention/compensation study implementation
    - To be determined
    - Implementation of the 2023 study cost $2 million
    - Equated to 1.6 cents property tax under the current valuation if a similar adjustment is required

Board Discussion

Commissioner Chappell expressed concern about the timing of the proposed compensation study and whether the salary data used by the consultant would become outdated before implementation. He noted that neighboring jurisdictions, particularly Henderson County and Buncombe County, are expected to significantly increase hiring over the next several years. Henderson County's planned detention center expansion is expected to require approximately 40 additional employees, while Buncombe County's transition to a countywide fire service model may increase competition for firefighters and emergency personnel. He questioned whether these anticipated market changes would be reflected in the study findings.

The Manager acknowledged that compensation studies inherently rely on historical salary data and that some lag is unavoidable. However, she emphasized the importance of conducting the study to understand current market conditions and estimate future budget impacts. She noted that for positions experiencing particularly intense competition, such as detention officers, staff can perform additional market comparisons before implementation to ensure recommendations remain relevant. She further explained that the consultant will compare Transylvania County with at least 17 comparable jurisdictions based on size and regional labor market conditions.

Commissioner Chappell stated that compensation alone may not be sufficient to address workforce challenges and encouraged consideration of longevity incentives, retention programs, and benefit enhancements to help maintain experienced employees. The Manager agreed and noted that the staff intends to include a comprehensive benefits comparison as part of the study process. She noted that Transylvania County has historically maintained compensation levels slightly below market averages, and the benefits package has lagged behind comparable employers, a factor that may require further evaluation as competition for qualified public service employees continues to increase.

Chairwoman McCall asked about turnover within the Sheriff's Office. The Manager reported that two officers had left employment within the previous week and confirmed that Henderson County intends to begin hiring detention center staff before its new facility opens in order to allow time for training and onboarding.

Chairwoman McCall also inquired about the timeline for the compensation study. The Manager explained that staff have already begun gathering information from department heads in preparation for developing the scope of work. She anticipates issuing the request for services during the fall, allowing the consultant to complete the study and provide recommendations in early 2028 for consideration during the FY 2028 budget process.

Commissioner McKelvey asked whether implementation costs could exceed the approximately $2 million required for the County's 2023 compensation study. The Manager stated that while the exact cost cannot yet be determined, she expects the impact to be at least comparable due to continued wage growth. She emphasized that the County's compensation methodology is designed to be objective, data-driven, and focused on position classifications rather than individual employees. The County also places significant value on education and experience, recognizing that highly skilled employees often allow government services to be delivered more efficiently.

Commissioner McKelvey further asked whether compensation studies evaluate opportunities to improve efficiency through technology or process improvements. The Manager stated that the County regularly evaluates personnel costs alongside technology investments and often reviews changes in job classifications and duties to identify opportunities for operational improvements. She also noted that County leadership actively participates in professional organizations to learn about emerging best practices and innovations being implemented by peer jurisdictions.

The discussion also addressed the use of technology and artificial intelligence to improve efficiency. The Manager highlighted the County's investment in enterprise software systems, including Tyler Technologies' Munis financial management platform and NeoGov human resources software, both of which provide increasing levels of automation. She noted that state-operated systems used by departments such as Social Services are also beginning to incorporate artificial intelligence tools intended to reduce administrative errors and improve efficiency. While some state technology initiatives have not always met expectations, she stated that the County remains open to utilizing artificial intelligence and automation where it can improve service delivery and operational effectiveness.

Commissioner Chapman observed that the County faces significant uncertainty regarding future financial obligations, particularly those stemming from state and federal policy decisions and potential restrictions on local property tax authority. He noted concerns regarding fraud within public assistance programs and asked whether additional oversight measures were being implemented in response to new federal requirements affecting SNAP administration.

The Manager explained that SNAP is subject to extensive oversight at both the state and federal levels. In addition to the County's annual financial audit, the program undergoes state audits that review error rates, financial transactions, documentation requirements, security procedures, and overall program administration. She noted that North Carolina maintains stringent compliance requirements and that the state is exploring artificial intelligence tools to identify anomalies and reduce errors that may otherwise go undetected.

Commissioner Chappell stated that discussions regarding potential new state and federal mandates demonstrate the importance of maintaining a healthy fund balance. He asked whether the County was

financially positioned to absorb significant unforeseen costs while maintaining its long-term financial objectives.

The Manager confirmed that the County remains well positioned due to its conservative financial management practices and multi-year budgeting approach. She noted that the County has consistently limited the use of fund balance and carefully managed expenditures, including during Hurricane Helene recovery efforts. As a result, the County has avoided some of the financial challenges being experienced by other local governments that are still awaiting reimbursement for major disaster-related expenditures.

Commissioner Chapman requested information regarding unfunded mandates imposed on counties for use during upcoming meetings with state legislators. The Manager reported that approximately 92% of the County's budget supports mandated services and that 90% of property tax revenues are associated with mandated responsibilities. She explained that mandates fall into three categories: services funded entirely by local government, services partially funded by state or federal partners, and services for which counties are required to provide service but are restricted in their ability to recover costs through fees.

Commissioner Dalton agreed that unfunded mandates should be a focus of discussions with legislators, noting that limitations on local revenue options create challenges for counties attempting to meet increasing service demands. Chairwoman McCall added that county governments are often constrained by state requirements while still being expected to provide essential public services.

The discussion also addressed additional fiscal pressures not included in the tax increase projections presented by staff. Commissioner McKelvey noted that the projections did not include future solid waste funding needs, staffing requirements associated with the new courthouse, or potential future capital projects. The Manager confirmed that these items were not included in the estimates and noted that future capital requests, including potential facilities for Blue Ridge Community College, could require significant additional local funding if pursued.

The Manager emphasized that grant funding has allowed the County to make substantial progress on capital projects over the past decade. However, she cautioned that state and federal grant opportunities may become less available in the future as government revenues decline.

Commissioner McKelvey questioned whether the Board should begin taking proactive steps to prepare for anticipated financial pressures rather than waiting until those costs materialize. He expressed concern that future Boards may face significant challenges if preparations are delayed.

Commissioner Chappell noted that previous Board actions, including the tax increase approved in FY 2026 and the County's long-term debt management strategy, were intended to proactively address future obligations and place the County in a stronger financial position.

Commissioner Chapman added that many of the potential cost pressures remain uncertain and are dependent upon future decisions by the state and federal governments.

The Manager agreed that many of the identified pressures are difficult to quantify at present because they are driven by external decisions beyond the County's control. She emphasized that the County's long-range financial planning efforts, including the 10-year debt payment strategy and proactive budgeting practices, have helped the County to better absorb future challenges while maintaining a comparatively low property tax rate.

Chairwoman McCall commended the County Manager and staff for their long-term financial planning efforts. She noted that despite the tax increase adopted in FY 2026, Transylvania County continues to

compare favorably with neighboring jurisdictions that are currently considering larger tax increases, service district taxes, or increased reliance on fund balance. She stated that the County's current financial position reflects years of planning and disciplined fiscal management.

There was no further discussion.

NON-MANDATED SERVICES

While mandated services account for the majority of County expenditures, many of the services most visible to residents are not required by state law. These non-mandated services often represent quality-of-life investments.

By contrast, many mandated services operate behind the scenes. Services such as social work, emergency communications, animal control, environmental health, building inspections, and other regulatory functions are critical to public safety, health, and welfare, but may not be as visible to the average resident on a daily basis.

DMV Tag Office	$	33,922
Child Development	$	68,297
Blue Ridge Community College	$	823,059
Library	$	1,667,307
Parks and Recreation	$	620,655
Economic Development	$	383,826
Cooperative Extension	$	247,584
Ext Agencies (Community Ctrs, Nonprofits, Rosman Pool)	$	235,000
Total in FY 27 after other funding deducted	**$**	**4,079,650**
Generalized External Dept Support estimated at 15%	$	611,947.50
Total w estimated overhead*	**$**	**4,691,597.50**
Tax rate equivalent*	$	3.91
*Does not include capital		

(For purposes of this analysis, support service costs have been allocated using an estimated 15% countywide cost allocation factor. The actual annual cost allocation calculations are more detailed and vary by service area.)

The County's 10-year capital maintenance plan identifies approximately $15 million in capital needs associated with non-mandated services, representing approximately 39% of the total capital maintenance

needs identified during the planning process. These capital needs would require revenue equivalent to slightly more than one cent on the County's property tax rate. When combined with the other identified tax pressures discussed previously, the cumulative impact would increase the estimated property tax equivalent to approximately 4.9 cents.

Some projects included in the capital plan are not recurring annual expenditures but still require periodic investment to preserve public assets. For example, the Veterans History Museum does not represent an annual operating expense; however, the facility will require ongoing capital maintenance and improvements over time, which is reflected in the County's long-term capital planning estimates.

Presented in April- FY 27 Budget Capital and Major Expenditures

Capital Needs- Buildings and Site Assessments

- The assessment confirms that the county has been using capital funds for maintenance, but also identifies that there are ongoing expenses that need to be factored into financial planning.
- About 60% of the buildings and sites are mandated services. (Operational annual expenses reflect 92% are mandated service operations)
- About 40% are non-mandated services
- All of these are paid for by property tax.
- Commissioners will need to decide how to proceed with two buildings not in county use currently:
- Veteran's Museum and White House/Old Elections. Both are in below average shape and need capital investment if the buildings are going to stay; however, they are not county functions and the small amount of lease payments for the Museum do not cover the actual maintenance expense annually or for the future of the building. Staff are currently assessing the white house structurally.

Building Ratings and Total 10 Year Needs including Escalation Factors

Stars for Mandated Services	Building	Rating	Cost with Escalation	
	BRCC- Welcome Center	Excellent	$59,472	
	BRCC-Straus Bldg	Excellent	$2,499,446	
	BRCC-Technology Building	Good	$899,478	
Changing Use	Courthouse	Good	$2,712,422	
	Veterans Museum	Below Average	$355,480	
*	Board of Elections	Excellent	$365,633	
*	EMS-Quebec	Fair	$88,444	
*	EMS-Main	Excellent	$207,778	
*	Tax/Register of Deeds	Good	$733,937	
*	Solid Waste Building	Poor	$1,533,945	
	Silvermont	Fair	$3,917,000	
	Rosman Community Park	Excellent	$540,737	
*	Public Safety	Good	$12,116,251	
	Parks and Rec Center	Excellent	$1,420,812	
	White House/Old Elections	Below Average	$227,391	
	New Adventure	Good	$733,702	
*	Maintenance	Good	$161,453	
	Library	Good	$1,823,985	
*	Administration	Good	$967,290	
	Connestee Falls Obs Deck	Good	$49,229	
*	Community Services Building	Fair	$7,392,994	
*	Animal Services	Excellent	$342,734	
		Total	$39,149,613	
		Mandated Tota	$23,910,459	61%
		Non-Mandated	$15,239,154	39%

Note: Does not include Contractor overhead or architect/engineering fees

Board Discussion

Chairwoman McCall observed that discussions regarding non-mandated services inevitably raise the question of which services the Board would be willing to reduce or eliminate. She noted that many of the County's discretionary services are widely utilized and valued by residents, including the DMV License Plate Agency, Child Development programs, the Library, Parks and Recreation programs, and the Rosman Pool. While she acknowledged that eliminating all non-mandated services could reduce the property tax burden, she emphasized that these services provide significant value to the community and are used by citizens throughout the County.

Chairwoman McCall also noted that some services, such as Parks and Recreation, may warrant periodic review of user fees to ensure that fee structures remain appropriate and reflect the cost of providing services.

Commissioner Chapman emphasized the importance of increasing public awareness regarding the County's investment in non-mandated services. He noted that many residents may not realize the extent to

which County government subsidizes services such as the Rosman Pool, community centers, and other quality-of-life programs.

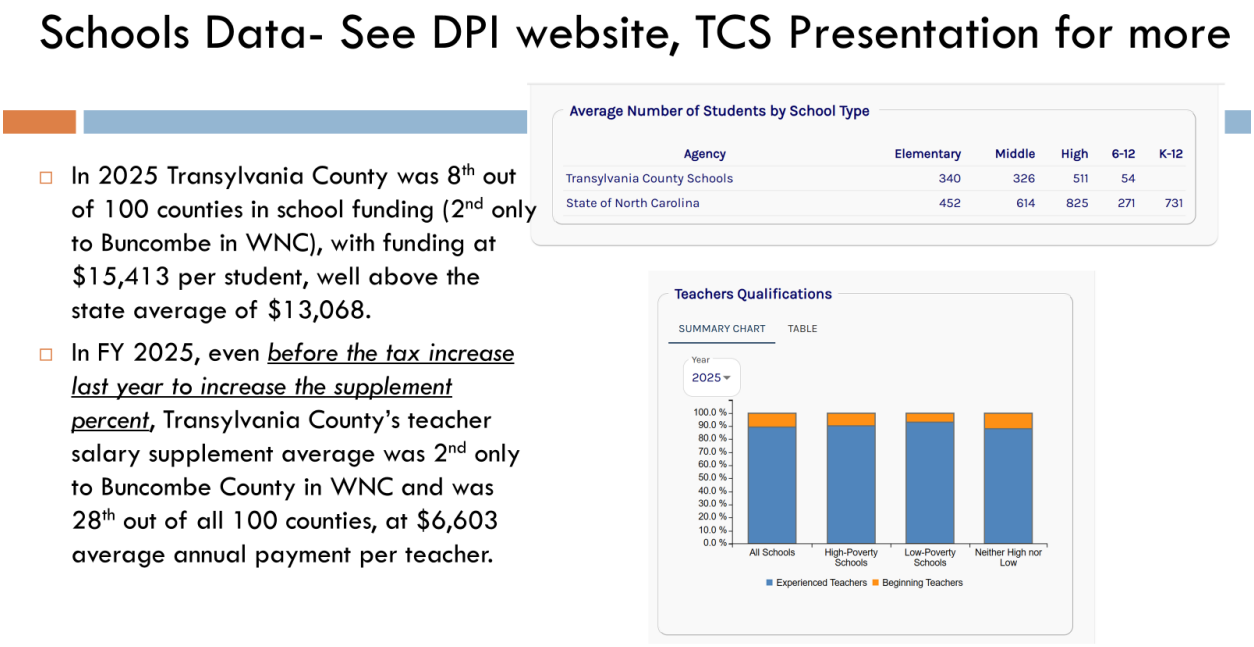
The Manager agreed and stated that staff will continue efforts to educate the public regarding the services provided by the County government and the associated costs. She noted that one challenge is that residents often express interest in expanding amenities, such as additional parks and recreation facilities or library services, without fully understanding the financial constraints imposed by the County's mandated responsibilities. She emphasized the importance of helping citizens understand the distinction between county and municipal government services and the limited flexibility counties have in reallocating resources due to state-mandated obligations.

There was no further discussion.

EDUCATION FUNDING

Education Funding
Transylvania County has a long history of prioritizing public education and supporting Transylvania County Schools beyond minimum state funding requirements. Previous and current Boards of Commissioners and Boards of Education have consistently identified education as a local priority and have invested local resources at levels that exceed those of many peer counties on a per-student basis.

The chart included from the May 26, 2026, Recommended Budget Presentation, utilizing data from the North Carolina Department of Public Instruction (NCDPI), illustrates the County's longstanding commitment to funding and the level of local investment made in support of students and school operations.



Personnel Costs and the Impact on Local Funding
Like county government, public education relies heavily on person-to-person interaction. As a result, personnel costs represent the largest component of school system expenditures and are a significant driver of local funding requirements.

To provide a clearer understanding of current local support for school personnel, Transylvania County Schools Finance Director Michelle Mullinax provided staffing and payroll information as of May 27, 2026. Because positions, assignments, and funding sources change over time, the figures represent a point-in-time snapshot.

Current staffing and personnel funding:

- Transylvania County Schools employs 495 permanent full-time and part-time positions.
- Of those positions, 71 are funded through local dollars rather than state funding.

Annual personnel costs:

- Total payroll and benefits expenditures: $37,742,710
- Locally funded payroll and benefits: $4,894,318
- Cost of the locally funded teacher supplement: $3,201,117

Additional state policy changes also have the potential to increase local funding obligations. Examples include requirements related to charter school distributions and funding formulas that do not fully support exceptional children's services. When state funding does not fully cover these costs, local governments must determine whether and how to provide additional support through locally generated revenues.

The County Manager expressed appreciation to Superintendent Dr. Lisa Fletcher and Finance Director Michelle Mullinax for their willingness to share information, answer questions, and work collaboratively with County staff. Their transparency and cooperation have helped improve understanding of school finance issues and support informed discussions regarding future funding needs and potential solutions.

Board Discussion

Commissioner Chappell emphasized the importance of sharing education funding information with the public, noting that many residents may not fully understand the extent of the County's local investment in Transylvania County Schools. He highlighted that the County currently funds $4.9 million for 71 school positions that receive no state funding support and provides more than $3.2 million annually for local teacher supplements. He noted that the Board's decision to increase teacher supplements in the prior year's budget represented a significant local commitment to educator compensation and retention.

Commissioner Chappell stated that citizens should be proud of the County's investment in education and that these figures demonstrate the substantial level of local support provided beyond state requirements.

Chairwoman McCall agreed that the County's support for education is significant, but expressed concern regarding the long-term sustainability of increasing local financial commitments as student enrollment continues to decline. She noted that the Board has been advised that Average Daily Membership (ADM) is expected to continue decreasing, resulting in fewer state-funded positions in future years. As a result, the School System is expected to seek additional local funding to maintain staffing levels and educational programs.

Chairwoman McCall stated that the County faces numerous competing financial pressures, including those previously discussed relating to personnel costs, state and federal mandates, solid waste operations, courthouse staffing, and other capital needs. While affirming her strong support for public education, she emphasized that local government cannot indefinitely replace every state-funded position lost through declining enrollment. She encouraged continued discussion regarding enrollment trends, operational efficiencies, and strategies for maintaining educational quality while ensuring long-term financial sustainability for taxpayers.

Commissioner Chappell responded that local governments are increasingly being placed in a difficult position by state policy decisions. He expressed concern that counties are frequently criticized for property tax increases while simultaneously being expected to absorb costs resulting from unfunded or underfunded state mandates. He noted that local governments are often required to provide additional support in areas where state funding has not kept pace with actual needs, creating ongoing pressure on local property tax revenues.

There was no further discussion.

OUTSIDE AGENCY FUNDING

Counties in North Carolina provide financial support to a range of outside agencies and organizations that operate independently from County administration. While these agencies receive County appropriations through the annual budget process, they retain responsibility for their own day-to-day operations, spending decisions, and financial management. Outside agencies funded through mandated service requirements are highlighted in green in the chart below.

DESCRIPTION	FY 27 Recommended Budget
Appropriation to Town of Rosman Pool	$55,000
Autopsy Expense	$35,000
Blue Ridge Community College	$823,059
Community Centers - Grants and Public Wifi	$80,000
Cooperative Extension	$247,583
Honor Guard Services	$3,000
Land-of-Sky Regional Council	$19,762
Mental Health Services - Vaya	$99,261
NC Forest Service	$120,253
Nonprofits - Culture & Recreation	$20,000
Nonprofits - Human Services	$80,000
Transylvania County Schools	$16,274,163
Transylvania Economic Alliance	$383,866
Transylvania Rescue Squad	$563,612
Totals:	**$18,804,559**

A prior analysis presented in February as part of the Budget presentation on Early Revenue and Managing Expectations indicated that approximately 35% of General Fund property tax expenditures in FY 2025 were attributable to outside agency funding.

In the FY 2027 Recommended Budget, outside agency funding accounts for approximately:

- 23% of total General Fund expenditures, and
- 37% of property tax-supported spending.

This represents a 2% increase as a share of property tax-supported expenditures from FY 2025 to FY 2027. Over a longer period, outside agency funding increased approximately 24% from FY 2022 to FY

2027, compared to a 19% increase in the overall General Fund budget during the same period. This indicates that outside agency costs have grown at a faster rate than other County expenditures.

These figures do not include outside agency funding supported by dedicated revenue sources within the budget, such as the Tourism Development Authority (TDA) and the Joint Historic Preservation Commission (JHPC).

While the County reviews and evaluates outside agency funding requests during the annual budget process, including requests for justification and performance information, the County does not maintain operational control over how these funds are spent once appropriated. As a result, many of the cost containment measures applied within County departments do not extend to outside agencies due to their independent governance structures.

A significant portion of outside agency funding is associated with fire and rescue services. In the FY 2027 Recommended Budget, approximately $6.8 million is allocated through fire district-related property tax revenues to support contracted fire and emergency response services.

Board Discussion
Commissioner Dalton requested clarification regarding the North Carolina Forest Service contract. The Manager explained that counties have entered into agreements with the North Carolina Forest Service to provide local forestry personnel and related equipment, including staffing a local presence within the County. She noted that such agreements are particularly important in counties with significant forested land, such as Transylvania County, and represent a necessary component of wildfire prevention and response capacity.

Commissioner Chappell noted that certain County-funded services carry statutory or operational obligations once the County elects to participate in them. He referenced Cooperative Extension and community college funding responsibilities as examples in which participation creates ongoing local funding obligations, including required financial support for operations and facilities. The Manager confirmed, noting that in some cases, performance expectations and service commitments effectively function as mandated obligations once a service is adopted at the local level.

Chairwoman McCall emphasized that outside agency allocations represent expenditures over which the County has limited direct control once funding decisions are made. She referenced contributions to organizations such as the Land of Sky Regional Council and noted that, while statutes provide audit authority for local funds, practical oversight is limited by the nature of agency operations and the reliance on cooperative access to financial records and documentation.

Commissioner Chapman highlighted the value of the County's contribution to the Honor Guard program, noting that the annual allocation of approximately $3,000 supports the purchase of uniforms and helps ensure professional representation at military funerals and commemorative services. He stated that the program is highly regarded by families served. The Manager concurred, noting consistent positive feedback regarding the Honor Guard's professionalism both locally and in services conducted outside the County.

The Manager provided additional information regarding fire and rescue funding, noting that the Board had requested further details on allocations to the City of Brevard Fire Department. She reported that the County contributes approximately 47% of the City of Brevard Fire Department budget in support of service coverage in the Sylvan Valley area. She further noted that Sylvan Valley represents approximately 25% of the annual fire and rescue call volume for that agency.

The Manager also indicated that Sylvan Valley is served by multiple fire protection providers and is covered by approximately three fire departments, which collectively respond to approximately 87% of calls within the district.

NEXT STEPS

The Manager asked the Board whether there was interest in holding an additional budget workshop. She noted that, if desired, the Board could recess the workshop and reconvene on Thursday, June 4, at 6:00 p.m. Alternatively, the Board could proceed with advertising the June 22 public hearing at 6:00 p.m. since no additional changes to the financial figures had been provided for consideration.

The Manager also noted that hard copies of the recommended budget were available in County Administration, at the Library, and online through the County's website.

RECESS/ADJOURN

The Board indicated no need for an additional budget workshop. Commissioners expressed appreciation to the Manager and staff for their preparation and work on the budget.

Commissioner Chapman made a motion to adjourn the budget workshop at 7:53 p.m. Commissioner Dalton seconded the motion, and it was unanimously approved.

_____
Teresa K. McCall, Chair
Transylvania County Board of Commissioners

ATTEST:

_____
Trisha M. Hogan, Clerk to the Board